

108TH CONGRESS  
1ST SESSION

# H. R. 3346

To amend the Internal Revenue Code of 1986 to modify the application of the passive loss limitations to timber activities.

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IN THE HOUSE OF REPRESENTATIVES

OCTOBER 20, 2003

Mr. HERGER introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to modify the application of the passive loss limitations to timber activities.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Timber Tax Fairness  
5 Act of 2003”.

6 **SEC. 2. APPLICATION OF PASSIVE LOSS LIMITATIONS TO**  
7 **TIMBER ACTIVITIES.**

8 (a) IN GENERAL.—Subsection (h) of section 469 of  
9 the Internal Revenue Code of 1986 (relating to passive

1 activity losses and credits limited) is amended by adding  
2 at the end the following new paragraph:

3 “(6) SPECIAL RULE FOR CLOSELY HELD TIM-  
4 BER ACTIVITIES.—

5 “(A) IN GENERAL.—In the case of any  
6 closely held timber activity the nature of which  
7 is that the aggregate hours devoted to manage-  
8 ment of the activity for any year is generally  
9 less than 100 hours, an individual shall not fail  
10 to be treated as materially participating in such  
11 activity solely by reason of the fact that—

12 “(i) such individual participates less  
13 than 100 hours in the management of such  
14 activity, or

15 “(ii) any other individual—

16 “(I) receives compensation de-  
17 scribed in section 911(d)(2)(A) in  
18 consideration for services performed  
19 in connection with the management of  
20 the activity, or

21 “(II) performs services in connec-  
22 tion with the management of the ac-  
23 tivity that exceed (by hours) the  
24 amount of such services performed by  
25 the individual.

1                   “(B) DEFINITIONS.—For purposes of this  
2 paragraph—

3                   “(i) CLOSELY HELD ACTIVITY.—An  
4 activity shall be treated as closely held if at  
5 least 80 percent of the ownership interests  
6 in the activity is held—

7                   “(I) by 5 or fewer individuals, or

8                   “(II) by individuals who are  
9 members of the same family (within  
10 the meaning of section 2032A(e)(2)).

11                   “(ii) TIMBER ACTIVITY.—The term  
12 ‘timber activity’ means the planting, culti-  
13 vating, caring, cutting, or preparation  
14 (other than milling) for market, of trees.”

15                   (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to taxable years beginning after  
17 the date of the enactment of this Act.

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