

108TH CONGRESS
2D SESSION

H. R. 4295

To amend the Internal Revenue Code of 1986 to exclude from gross income interest received on loans secured by agricultural real property.

IN THE HOUSE OF REPRESENTATIVES

MAY 5, 2004

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

A BILL

To amend the Internal Revenue Code of 1986 to exclude from gross income interest received on loans secured by agricultural real property.

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 “Rural Economic In-
5 vestment Act of 2004”.

6 **SEC. 2. EXCLUSION FOR INTEREST ON LOANS SECURED BY**
7 **AGRICULTURAL REAL PROPERTY.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to

1 items specifically excluded from gross income) is amended
2 by inserting after section 139 the following new section:

3 **“SEC. 139A. INTEREST ON LOANS SECURED BY AGRICUL-**
4 **TURAL REAL PROPERTY.**

5 “(a) EXCLUSION.—Gross income shall not include in-
6 terest received by a qualified lender on any qualified real
7 estate loan.

8 “(b) DEFINITIONS.—For purposes of this section—

9 “(1) QUALIFIED LENDER.—The term ‘qualified
10 lender’ means any bank or savings association the
11 deposits of which are insured under the Federal De-
12 posit Insurance Act (12 U.S.C. 1811 et seq.).

13 “(2) QUALIFIED REAL ESTATE LOAN.—The
14 term ‘qualified real estate loan’ means any loan se-
15 cured by agricultural real estate or by a leasehold
16 mortgage (with a status as a lien) on agricultural
17 real estate. For purposes of the preceding sentence,
18 the determination of whether property securing such
19 loan is agricultural real estate shall be made as of
20 the time the interest income on such loan is accrued.

21 “(3) AGRICULTURAL REAL ESTATE.—The term
22 ‘agricultural real estate’ means—

23 “(A) real property used for the production
24 of 1 or more agricultural products, and

25 “(B) any single family residence—

1 “(i) which is the principal residence
2 (within the meaning of section 121) of its
3 occupant,

4 “(ii) which is located in a rural area
5 (as determined by the Secretary of Agri-
6 culture), which is not within a Metropoli-
7 tan Statistical Area (as defined by the Of-
8 fice of Management and Budget) and
9 which has a population (determined on the
10 basis of the most recent decennial census
11 for which data are available) of 2,500 or
12 less, and

13 “(iii) which is purchased or improved
14 with the proceeds of the qualified real es-
15 tate loan.

16 “(c) COORDINATION WITH SECTION 265.—Qualified
17 real estate loans shall be treated as obligations described
18 in section 265(a)(2) the interest on which is wholly exempt
19 from the taxes imposed by this subtitle.”

20 (b) CLERICAL AMENDMENT.—The table of sections
21 for such part III is amended by inserting after the item
22 relating to section 139 the following new item:

 “Sec. 139A. Interest on loans secured by agricultural real prop-
 erty.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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