

103D CONGRESS
1ST SESSION

S. 1123

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the treatment of forestry activities.

IN THE SENATE OF THE UNITED STATES

JUNE 17 (legislative day, JUNE 15), 1993

Mr. GORTON (for himself, Mr. NUNN, Mr. PACKWOOD, Mr. BREAUX, Mr. HATFIELD, Mr. JOHNSTON, Mr. SHELBY, Mr. BURNS, Mr. HEFLIN, Mr. THURMOND, Mr. HOLLINGS, Mr. CRAIG, Mr. LOTT, Mr. COCHRAN, Mr. SMITH, and Mr. LUGAR) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify certain provisions relating to the treatment of forestry 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 “Reforestation Tax Act
5 of 1993”.

6 **SEC. 2. PARTIAL INFLATION ADJUSTMENT FOR TIMBER.**

7 (a) IN GENERAL.—Part I of subchapter P of chapter
8 1 of the Internal Revenue Code of 1986 (relating to treat-

1 ment of capital gains) is amended by adding at the end
2 the following new section:

3 **“SEC. 1202. PARTIAL INFLATION ADJUSTMENT FOR TIM-**
4 **BER.**

5 “(a) IN GENERAL.—At the election of any taxpayer
6 who has qualified timber gain for any taxable year, there
7 shall be allowed as a deduction from gross income an
8 amount equal to the qualified percentage of such gain.

9 “(b) QUALIFIED TIMBER GAIN.—For purposes of
10 this section, the term ‘qualified timber gain’ means the
11 lesser of—

12 “(1) the net capital gain for the taxable year,
13 or

14 “(2) the net capital gain for the taxable year
15 determined by taking into account only gains and
16 losses from timber.

17 “(c) QUALIFIED PERCENTAGE.—For purposes of this
18 section, the term ‘qualified percentage’ means the percent-
19 age (not exceeding 50 percent) determined by multiply-
20 ing—

21 “(1) 3 percent, by

22 “(2) the number of years in the holding period
23 of the taxpayer with respect to the timber.

24 “(d) ESTATES AND TRUSTS.—In the case of an es-
25 tate or trust, the deduction under subsection (a) shall be

1 computed by excluding the portion (if any) of the gains
2 for the taxable year from sales or exchanges of capital as-
3 sets which, under sections 652 and 662 (relating to inclu-
4 sions of amounts in gross income of beneficiaries of
5 trusts), is includible by the income beneficiaries as gain
6 derived from the sale or exchange of capital assets.”.

7 (b) COORDINATION WITH EXISTING LIMITATIONS.—

8 (1) Subsection (h) of section 1 of such Code
9 (relating to maximum capital gains rate) is amended
10 by inserting after “net capital gain” each place it
11 appears the following: “(other than qualified timber
12 gain with respect to which an election is made under
13 section 1202)”.

14 (2) Subsection (a) of section 1201 of such Code
15 (relating to alternative tax for corporations) is
16 amended by inserting after “net capital gain” each
17 place it appears the following: “(other than qualified
18 timber gain with respect to which an election is
19 made under section 1202)”.

20 (c) ALLOWANCE OF DEDUCTION IN COMPUTING AD-
21 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
22 such Code (relating to definition of adjusted gross income)
23 is amended by adding after paragraph (14) the following
24 new paragraph:

1 An interest in a limited partnership shall in no event
2 be treated as a closely held activity for purposes of
3 this section.

4 (2) **TIMBER ACTIVITY.**—The term “timber ac-
5 tivity” means the planting, cultivating, caring, cut-
6 ting, or preparation (other than milling) for market,
7 of trees.

8 (c) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 1992.

11 **SEC. 4. AMORTIZATION OF REFORESTATION EXPENDI-**
12 **TURES AND REFORESTATION TAX CREDIT.**

13 (a) **INCREASE IN MAXIMUM AMORTIZABLE**
14 **AMOUNT.**—

15 (1) **IN GENERAL.**—Paragraph (1) of section
16 194(b) of the Internal Revenue Code of 1986 (relat-
17 ing to maximum dollar amount) is amended by strik-
18 ing “\$10,000 (\$5,000” and inserting “\$20,000
19 (\$10,000”.

20 (2) **INFLATION ADJUSTMENT.**—Subsection (b)
21 of section 194 of such Code (relating to limitations)
22 is amended by redesignating paragraphs (2), (3),
23 and (4) as paragraphs (3), (4), and (5), respectively,
24 and by inserting after paragraph (1) the following
25 new paragraph:

1 “(2) INFLATION ADJUSTMENT.—

2 “(A) IN GENERAL.—In the case of any
3 taxable year beginning in a calendar year after
4 1993, each dollar amount contained in para-
5 graph (1) shall be increased by an amount
6 equal to—

7 “(i) such dollar amount, multiplied by

8 “(ii) the cost-of-living adjustment
9 under section 1(f)(3) for the calendar year
10 in which the taxable year begins, deter-
11 mined by substituting ‘calendar year 1992’
12 for ‘calendar year 1989’ in subparagraph
13 (B) of such section.

14 “(B) ROUNDING.—If any increase deter-
15 mined under subparagraph (A) is not a multiple
16 of \$50, such amount shall be rounded to the
17 next lowest multiple of \$50.”.

18 (3) APPLICABILITY TO REFORESTATION CRED-
19 IT.—Paragraph (1) of section 48(b) of such Code
20 (relating to reforestation credit) is amended by strik-
21 ing “section 194(b)(1)” and inserting “paragraphs
22 (1) and (2) of section 194(b)”.

23 (b) DECREASE IN AMORTIZATION PERIOD.—

1 (1) IN GENERAL.—Section 194(a) of such Code
2 is amended by striking “84 months” and inserting
3 “60 months”.

4 (2) CONFORMING AMENDMENT.—Section
5 194(a) of such Code is amended by striking “84-
6 month period” and inserting “60-month period”.

7 (c) AVAILABILITY OF DEDUCTION AND CREDIT TO
8 TRUSTS.—Subsection (b) of section 194 of such Code (as
9 amended by subsection (a)(2) of this section) is amend-
10 ed—

11 (1) by striking paragraph (4),

12 (2) in paragraph (5)—

13 (A) by inserting “AND TRUSTS” after “ES-
14 TATES”, and

15 (B) by inserting “and trusts” after “es-
16 tates”, and

17 (3) by redesignating paragraph (5) as para-
18 graph (4).

19 (d) EFFECTIVE DATE.—

20 (1) AMORTIZATION PROVISIONS.—Except as
21 provided in paragraph (2), the amendments made by
22 this section shall apply to additions to capital ac-
23 count made after December 31, 1992.

24 (2) TAX CREDIT PROVISIONS.—In the case of
25 the reforestation credit under section 48(b) of the

1 Internal Revenue Code of 1986, the amendments
2 made by this section shall apply to property acquired
3 after December 31, 1992.

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