

107TH CONGRESS
1ST SESSION

S. 638

To amend the Internal Revenue Code of 1986 to provide the same capital gains treatment for art and collectibles as for other investment property and to provide that a deduction equal to fair market value shall be allowed for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor.

IN THE SENATE OF THE UNITED STATES

MARCH 28, 2001

Mr. DOMENICI (for himself, Mr. LEAHY and Mr. BENNETT) 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 provide the same capital gains treatment for art and collectibles as for other investment property and to provide that a deduction equal to fair market value shall be allowed for charitable contributions of literary, musical, artistic, or scholarly compositions created by the donor.

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 “Art and Collectibles
5 Capital Gains Tax Treatment Parity Act”.

1 **SEC. 2. CAPITAL GAINS TREATMENT FOR ART AND COL-**
2 **LECTIBLES.**

3 (a) **IN GENERAL.**—Section 1(h) of the Internal Rev-
4 enue Code of 1986 (relating to maximum capital gains
5 rate) is amended by striking paragraphs (5) and (6) and
6 inserting the following new paragraph:

7 “(5) **28-PERCENT RATE GAIN.**—For purposes of
8 this subsection, the term ‘28-percent rate gain’
9 means the excess (if any) of—

10 “(A) section 1202 gain, over

11 “(B) the sum of—

12 “(i) the net short-term capital loss,
13 and

14 “(ii) the amount of long-term capital
15 loss carried under section 1212(b)(1)(B) to
16 the taxable year.”.

17 (b) **CONFORMING AMENDMENTS.**—

18 (1) Section 1(h)(9) of the Internal Revenue
19 Code of 1986 is amended by striking “collectibles
20 gain, gain described in paragraph (7)(A)(i),” and in-
21 sserting “gain described in paragraph (7)(A)(i)”.

22 (2) Section 1(h) of such Code is amended by re-
23 designating paragraphs (12) and (13) as paragraphs
24 (6) and (12), respectively.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **SEC. 3. CHARITABLE CONTRIBUTIONS OF CERTAIN ITEMS**
5 **CREATED BY THE TAXPAYER.**

6 (a) IN GENERAL.—Subsection (e) of section 170 of
7 the Internal Revenue Code of 1986 (relating to certain
8 contributions of ordinary income and capital gain prop-
9 erty) is amended by adding at the end the following new
10 paragraph:

11 “(7) SPECIAL RULE FOR CERTAIN CONTRIBU-
12 TIONS OF LITERARY, MUSICAL, OR ARTISTIC COM-
13 POSITIONS.—

14 “(A) IN GENERAL.—In the case of a quali-
15 fied artistic charitable contribution—

16 “(i) the amount of such contribution
17 shall be the fair market value of the prop-
18 erty contributed (determined at the time of
19 such contribution), and

20 “(ii) no reduction in the amount of
21 such contribution shall be made under
22 paragraph (1).

23 “(B) QUALIFIED ARTISTIC CHARITABLE
24 CONTRIBUTION.—For purposes of this para-
25 graph, the term ‘qualified artistic charitable

1 contribution' means a charitable contribution of
2 any literary, musical, artistic, or scholarly com-
3 position, or similar property, or the copyright
4 thereon (or both), but only if—

5 “(i) such property was created by the
6 personal efforts of the taxpayer making
7 such contribution no less than 18 months
8 prior to such contribution,

9 “(ii) the taxpayer—

10 “(I) has received a qualified ap-
11 praisal of the fair market value of
12 such property in accordance with the
13 regulations under this section, and

14 “(II) attaches to the taxpayer's
15 income tax return for the taxable year
16 in which such contribution was made
17 a copy of such appraisal,

18 “(iii) the donee is an organization de-
19 scribed in subsection (b)(1)(A),

20 “(iv) the use of such property by the
21 donee is related to the purpose or function
22 constituting the basis for the donee's ex-
23 emption under section 501 (or, in the case
24 of a governmental unit, to any purpose or
25 function described under subsection (c)),

1 “(v) the taxpayer receives from the
2 donee a written statement representing
3 that the donee’s use of the property will be
4 in accordance with the provisions of clause
5 (iv), and

6 “(vi) the written appraisal referred to
7 in clause (ii) includes evidence of the ex-
8 tent (if any) to which property created by
9 the personal efforts of the taxpayer and of
10 the same type as the donated property is
11 or has been—

12 “(I) owned, maintained, and dis-
13 played by organizations described in
14 subsection (b)(1)(A), and

15 “(II) sold to or exchanged by
16 persons other than the taxpayer,
17 donee, or any related person (as de-
18 fined in section 465(b)(3)(C)).

19 “(C) MAXIMUM DOLLAR LIMITATION; NO
20 CARRYOVER OF INCREASED DEDUCTION.—The
21 increase in the deduction under this section by
22 reason of this paragraph for any taxable year—

23 “(i) shall not exceed the artistic ad-
24 justed gross income of the taxpayer for
25 such taxable year, and

1 “(ii) shall not be taken into account in
2 determining the amount which may be car-
3 ried from such taxable year under sub-
4 section (d).

5 “(D) ARTISTIC ADJUSTED GROSS IN-
6 COME.—For purposes of this paragraph, the
7 term ‘artistic adjusted gross income’ means
8 that portion of the adjusted gross income of the
9 taxpayer for the taxable year attributable to—

10 “(i) income from the sale or use of
11 property created by the personal efforts of
12 the taxpayer which is of the same type as
13 the donated property, and

14 “(ii) income from teaching, lecturing,
15 performing, or similar activity with respect
16 to property described in clause (i).

17 “(E) PARAGRAPH NOT TO APPLY TO CER-
18 TAIN CONTRIBUTIONS.—Subparagraph (A) shall
19 not apply to any charitable contribution of any
20 letter, memorandum, or similar property which
21 was written, prepared, or produced by or for an
22 individual while the individual is an officer or
23 employee of any person (including any govern-
24 ment agency or instrumentality) unless such

1 letter, memorandum, or similar property is en-
2 tirely personal.

3 “(F) COPYRIGHT TREATED AS SEPARATE
4 PROPERTY FOR PARTIAL INTEREST RULE.—In
5 the case of a qualified artistic charitable con-
6 tribution, the tangible literary, musical, artistic,
7 or scholarly composition, or similar property
8 and the copyright on such work shall be treated
9 as separate properties for purposes of this para-
10 graph and subsection (f)(3).”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to contributions made after the
13 date of the enactment of this Act in taxable years ending
14 after such date.

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