

110TH CONGRESS  
1ST SESSION

# S. 1994

To amend the Internal Revenue Code of 1986 to exempt certain farmland from the estate tax.

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IN THE SENATE OF THE UNITED STATES

AUGUST 3, 2007

Mr. SALAZAR (for himself, Mr. ROBERTS, Mrs. FEINSTEIN, and Mr. CRAPO) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to exempt certain farmland from the estate tax.

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. EXCLUSION FROM GROSS ESTATE OF CERTAIN**  
4 **FARMLAND SO LONG AS FARMLAND USE**  
5 **CONTINUES.**

6 (a) IN GENERAL.—Part III of subchapter A of chap-  
7 ter 11 of the Internal Revenue Code of 1986 (relating to  
8 gross estate) is amended by inserting after section 2033  
9 the following new section:

1 **“SEC. 2033A. EXCLUSION OF CERTAIN FARMLAND SO LONG**  
2 **AS USE AS FARMLAND CONTINUES.**

3 “(a) IN GENERAL.—In the case of an estate of a de-  
4 cedent to which this section applies, the value of the gross  
5 estate shall not include the adjusted value of qualified  
6 farmland included in the estate.

7 “(b) ESTATES TO WHICH SECTION APPLIES.—This  
8 section shall apply to an estate if—

9 “(1) the decedent was (at the date of the dece-  
10 dent’s death) a citizen or resident of the United  
11 States,

12 “(2) either—

13 “(A) with respect to each of 3 or more of  
14 the 5 consecutive taxable years ending with the  
15 decedent’s last taxable year, the decedent’s  
16 gross income from the trade or business of  
17 farming exceeds 50 percent of the decedent’s  
18 gross income, or

19 “(B) 50 percent or more of the adjusted  
20 value of the gross estate at the date of the dece-  
21 dent’s death consists of the qualified farmland,  
22 and

23 “(3) during the 8-year period ending on the  
24 date of the decedent’s death there have been periods  
25 aggregating 5 years or more during which—

1           “(A) the qualified farmland was owned by  
2           the decedent or a member of the decedent’s  
3           family, and

4           “(B) there was material participation  
5           (within the meaning of section 2032A(e)(6)) by  
6           the decedent or a member of the decedent’s  
7           family in the operation of such farmland.

8           Rules similar to the rules of paragraphs (4) and (5)  
9           of section 2032A(b) shall apply for purposes of sub-  
10          paragraph (B).

11          “(c) DEFINITIONS.—For purposes of this section—

12           “(1) QUALIFIED FARMLAND.—The term ‘quali-  
13          fied farmland’ means any real property—

14           “(A) which is located in the United States,

15           “(B) which is used as a farm for farming  
16          purposes (within the meaning of section  
17          2032A(e)), and

18           “(C) which was acquired from or passed  
19          from the decedent to a qualified heir of the de-  
20          cedent and which, on the date of the decedent’s  
21          death, was being so used by the decedent or a  
22          member of the decedent’s family.

23           “(2) ADJUSTED VALUE.—The term ‘adjusted  
24          value’ means the value of farmland for purposes of  
25          this chapter (determined without regard to this sec-

1       tion), reduced by the amount deductible under para-  
2       graph (3) or (4) of section 2053(a).

3           “(3) OTHER TERMS.—Any other term used in  
4       this section which is also used in section 2032A shall  
5       have the same meaning given such term by section  
6       2032A.

7           “(d) TAX TREATMENT OF DISPOSITIONS AND FAIL-  
8       URES TO USE FOR FARMING PURPOSES.—

9           “(1) IMPOSITION OF RECAPTURE TAX.—If, at  
10       any time after the decedent’s death and before the  
11       death of the qualified heir—

12           “(A) the qualified heir disposes of any in-  
13       terest in qualified farmland (other than by a  
14       disposition to a member of his family), or

15           “(B) the qualified heir ceases to use the  
16       real property which was acquired (or passed)  
17       from the decedent as a farm for farming pur-  
18       poses, then, there is hereby imposed a recapture  
19       tax.

20           “(2) AMOUNT OF RECAPTURE TAX, ETC.—  
21       Rules similar to the rules of section 2032A(c) with  
22       respect to the additional estate tax shall apply for  
23       purposes of this subsection with respect to the re-  
24       capture tax.

1       “(e) APPLICATION OF OTHER RULES.—Rules similar  
2 to the rules of subsections (e), (f), (g), (h), and (i) of sec-  
3 tion 2032A shall apply for purposes of this section.”

4       (b) CLERICAL AMENDMENT.—The table of sections  
5 for part III of subchapter A of chapter 11 of such Code  
6 is amended by inserting after the item relating to section  
7 2033 the following new item:

“Sec. 2033A. Exclusion of certain farmland so long as use as farmland con-  
tinues.”.

8       (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to estates of decedents dying after  
10 the date of the enactment of this Act.

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