

105TH CONGRESS
1ST SESSION

H. R. 3036

To amend the Internal Revenue Code of 1986 to exempt small unincorporated farm businesses from the alternative minimum tax.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 12, 1997

Mr. SMITH of Michigan (for himself, Mr. BARCIA, Mr. LATHAM, Mr. JENKINS, Mr. POMBO, and Mr. CALVERT) 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 exempt small unincorporated farm businesses from the alternative minimum 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. EXEMPTION FOR FARM INCOME FROM UNIN-**
4 **CORPORATED FARM BUSINESSES FROM AL-**
5 **TERNATIVE MINIMUM TAX.**

6 (a) IN GENERAL.—Section 55 of the Internal Reve-
7 nue Code of 1986 (relating to alternative minimum tax
8 imposed) is amended by adding at the end the following
9 new subsection:

1 “(f) EXEMPTION FOR UNINCORPORATED FARMING
2 BUSINESS INCOME.—

3 “(1) IN GENERAL.—In the case of a taxpayer
4 (other than a corporation) described in paragraph
5 (2), income from a farming business engaged in by
6 the taxpayer, and deductions relating to the produc-
7 tion of such income, shall not be taken into account
8 in determining alternative minimum taxable income
9 for the taxable year.

10 “(2) GROSS RECEIPTS TEST.—A taxpayer is de-
11 scribed in this paragraph if the gross receipts of the
12 taxpayer attributable to such farming business—

13 “(A) meet the \$5,000,000 gross receipts
14 test of section 448(c) for the first taxable year
15 of the taxpayer beginning after December 31,
16 1996, and

17 “(B) would meet such test for the taxable
18 year and all prior taxable years beginning after
19 such first taxable year if such test were applied
20 by substituting ‘\$7,500,000’ for ‘\$5,000,000’.

21 “(3) PROSPECTIVE APPLICATION OF MINIMUM
22 TAX IF INCOME FROM A FARMING BUSINESS CEASES
23 TO BE SMALL.—In the case of a taxpayer whose in-
24 come from a farming business is not taken into ac-
25 count for any prior taxable year by reason of para-

1 graph (1), the application of this part for taxable
2 years beginning with the first taxable year for which
3 farming income of the taxpayer is so taken into ac-
4 count shall be determined in accordance with rules
5 similar to the rules of subparagraphs (A) through
6 (G) of subsection (e)(2).

7 “(4) FARMING BUSINESS.—For purposes of this
8 subsection, the term ‘farming business’ has the
9 meaning given such term by section 263A(e)(4).

10 “(5) AGGREGATION RULES.—For purposes of
11 determining gross receipts under paragraph (2)—

12 “(A) all related persons engaged in a farm-
13 ing business shall be treated as 1 person, and

14 “(B) a person is related to another person
15 if the related person bears a relationship to
16 such person specified in section 147(a)(2) or
17 the related person and such person are engaged
18 in trades or businesses under common control
19 (within the meaning of subsections (a) and (b)
20 of section 52).

21 For purposes of the preceding sentence, in applying
22 section 267(b) or 707(b)(1) by reason of section
23 147(a)(2)(A), ‘10 percent’ shall be substituted for
24 ‘50 percent.’”

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 1997.

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