

5583

2013-2014 Regular Sessions

I N A S S E M B L Y

March 4, 2013

Introduced by M. of A. MAGEE -- read once and referred to the Committee
on Ways and Means

AN ACT to amend the tax law, in relation to farm savings accounts

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The tax law is amended by adding a new section 38 to read
2 as follows:
3 S 38. FARM SAVINGS ACCOUNTS. 1. DEFINITIONS. (A) QUALIFIED FARMER. FOR
4 PURPOSES OF THIS SECTION, THE TERM "QUALIFIED FARMER" MEANS, WITH
5 RESPECT TO ANY TAXABLE YEAR, ANY INDIVIDUAL WHO, DURING SUCH YEAR, WAS
6 ENGAGED IN THE TRADE OR BUSINESS OF FARMING.
7 (B) FARM SAVINGS ACCOUNT. FOR PURPOSES OF THIS SECTION, THE TERM "FARM
8 SAVINGS ACCOUNT" MEANS A TRUST CREATED OR ORGANIZED IN THE UNITED STATES
9 AS A FARM SAVINGS ACCOUNT EXCLUSIVELY FOR THE PURPOSE OF MAKING QUALI-
10 FIED DISTRIBUTIONS FOR PURPOSES OF FARM SUSTAINABILITY, BUT ONLY IF THE
11 WRITTEN GOVERNING INSTRUMENT CREATING THE TRUST MEETS THE FOLLOWING
12 REQUIREMENTS:
13 (I) NO CONTRIBUTION WILL BE ACCEPTED UNLESS IT IS IN CASH.
14 (II) THE TRUSTEE IS A BANK, CREDIT UNION OR OTHER APPROPRIATE INSTITU-
15 TION THAT DEMONSTRATES ADMINISTRATION OF THE TRUST IN A MANNER THAT IS
16 CONSISTENT WITH THE REQUIREMENTS OF THIS SECTION.
17 (III) THE ASSETS OF THE TRUST WILL NOT BE COMMINGLED WITH OTHER PROP-
18 ERTY EXCEPT IN A COMMON TRUST FUND OR COMMON INVESTMENT FUND.
19 (IV) THE INTEREST OF AN INDIVIDUAL IN THE BALANCE IN HIS OR HER
20 ACCOUNT IS NONFORFEITABLE.
21 (C) QUALIFIED DISTRIBUTION. THE TERM "QUALIFIED DISTRIBUTION" MEANS
22 ANY AMOUNT PAID FROM A FARM SAVINGS ACCOUNT TO THE ACCOUNT BENEFICIARY
23 EXCLUSIVELY FOR PURPOSES OF FARM SUSTAINABILITY.
24 (D) ACCOUNT BENEFICIARY. THE TERM "ACCOUNT BENEFICIARY" MEANS THE
25 INDIVIDUAL OR BUSINESS ON WHOSE BEHALF THE FARM SAVINGS ACCOUNT WAS
26 ESTABLISHED.

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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2. PROGRAM DESCRIPTION. (A) DEDUCTIONS ALLOWED. IN THE CASE OF A QUALIFIED FARMER, THERE SHALL BE ALLOWED AS A DEDUCTION FOR THE TAXABLE YEAR AN AMOUNT EQUAL TO THE AGGREGATE AMOUNT PAID IN CASH DURING SUCH TAXABLE YEAR BY OR ON BEHALF OF SUCH INDIVIDUAL TO A FARM SAVINGS ACCOUNT OF SUCH INDIVIDUAL.

(B) CONTRIBUTION REQUIREMENT. THERE SHALL BE NO MINIMUM OR MAXIMUM CONTRIBUTION REQUIREMENT. HOWEVER, AGGREGATE CONTRIBUTIONS MAY NOT EXCEED TOTAL INCOME DERIVED FROM FARMING DURING A GIVEN TAXABLE YEAR.

(C) TAX TREATMENT OF ACCOUNTS. A FARM SAVINGS ACCOUNT IS EXEMPT FROM TAXATION UNDER THIS CHAPTER UNLESS SUCH ACCOUNT HAS CEASED TO BE A FARM SAVINGS ACCOUNT.

(D) TERMINATION OF ACCOUNTS. IF THE ACCOUNT BENEFICIARY CEASES TO ENGAGE IN THE TRADE OR BUSINESS OF FARMING, ALL FARM SAVINGS ACCOUNTS OF SUCH INDIVIDUAL SHALL CEASE TO BE SUCH ACCOUNTS AND THE BALANCE OF ALL SUCH ACCOUNTS SHALL BE TREATED AS (I) DISTRIBUTED TO SUCH INDIVIDUAL, AND (II) NOT PAID IN A QUALIFIED DISTRIBUTION.

(E) TAX TREATMENT OF DISTRIBUTIONS. (I) GENERAL. IN GENERAL, ANY AMOUNT PAID OR DISTRIBUTED OUT OF A FARM SAVINGS ACCOUNT SHALL BE INCLUDED IN GROSS INCOME.

(II) ADDITIONAL TAX ON NON-QUALIFIED DISTRIBUTIONS. (1) IN ADDITION TO ANY OTHER TAX IMPOSED BY THIS CHAPTER, ANY NON-QUALIFIED DISTRIBUTION FROM A FARM SAVINGS ACCOUNT SHALL BE SUBJECT TO A FIFTEEN PERCENT SURCHARGE ON THE AMOUNT OF SUCH NON-QUALIFYING DISTRIBUTION.

(2) CLAUSE ONE OF THIS SUBPARAGRAPH SHALL NOT APPLY IF THE PAYMENT OR DISTRIBUTION IS MADE AFTER THE ACCOUNT BENEFICIARY BECOMES DISABLED OR DIES.

(III) ROLLOVER CONTRIBUTIONS. FOR PURPOSES OF THIS SECTION, ANY AMOUNT PAID OR DISTRIBUTED FROM A FARM SAVINGS ACCOUNT TO THE ACCOUNT BENEFICIARY SHALL BE TREATED AS A QUALIFIED DISTRIBUTION TO THE EXTENT THE AMOUNT RECEIVED IS PAID INTO A FARM SAVINGS ACCOUNT FOR THE BENEFIT OF SUCH BENEFICIARY NOT LATER THAN THE SIXTIETH DAY AFTER THE DAY ON WHICH THE BENEFICIARY RECEIVES THE PAYMENT OR DISTRIBUTION.

(IV) TRANSFER OF ACCOUNT INCIDENT TO DIVORCE. THE TRANSFER OF AN INDIVIDUAL'S INTEREST IN A FARM SAVINGS ACCOUNT TO AN INDIVIDUAL'S SPOUSE OR FORMER SPOUSE UNDER A DIVORCE OR SEPARATION INSTRUMENT SHALL NOT BE CONSIDERED A TAXABLE TRANSFER MADE BY SUCH INDIVIDUAL NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, AND SUCH INTEREST SHALL, AFTER SUCH TRANSFER, BE TREATED AS A FARM SAVINGS ACCOUNT WITH RESPECT TO WHICH SUCH SPOUSE IS THE ACCOUNT BENEFICIARY.

(V) TREATMENT AFTER DEATH OF ACCOUNT BENEFICIARY. (1) TREATMENT IF DESIGNATED BENEFICIARY IS SPOUSE. IF THE ACCOUNT BENEFICIARY'S SURVIVING SPOUSE ACQUIRES SUCH BENEFICIARY'S INTEREST IN A FARM SAVINGS ACCOUNT BY REASON OF BEING THE DESIGNATED BENEFICIARY OF SUCH ACCOUNT AT THE DEATH OF THE ACCOUNT BENEFICIARY, SUCH FARM SAVINGS ACCOUNT SHALL BE TREATED AS IF THE SPOUSE WERE THE ACCOUNT BENEFICIARY.

(2) OTHER CASES. IF, BY REASON OF THE DEATH OF THE ACCOUNT BENEFICIARY, ANY PERSON ACQUIRES THE ACCOUNT BENEFICIARY'S INTEREST IN A FARM SAVINGS ACCOUNT IN A CASE TO WHICH CLAUSE ONE OF THIS SUBPARAGRAPH DOES NOT APPLY:

(A) SUCH ACCOUNT SHALL CEASE TO BE A FARM SAVINGS ACCOUNT AS OF THE DATE OF DEATH, AND

(B) AN AMOUNT EQUAL TO THE FAIR MARKET VALUE OF THE ASSETS IN SUCH ACCOUNT ON SUCH DATE SHALL BE INCLUDED IN SUCH PERSON'S GROSS INCOME FOR THE TAXABLE YEAR WHICH INCLUDES SUCH DATE IF SUCH PERSON IS NOT THE ESTATE OF SUCH BENEFICIARY; OR IF SUCH PERSON IS THE ESTATE OF SUCH

1 BENEFICIARY, IN SUCH BENEFICIARY'S GROSS INCOME FOR THE LAST TAXABLE
2 YEAR OF SUCH BENEFICIARY.

3 S 2. Subsection (b) of section 612 of the tax law is amended by adding
4 a new paragraph 40 to read as follows:

5 (40) ANY NON-QUALIFYING DISTRIBUTIONS MADE FROM A FARM SAVINGS
6 ACCOUNT. THIS SHALL NOT INCLUDE ANY DISTRIBUTIONS THAT ARE EXEMPT FROM
7 TAXATION AS SPECIFIED IN PARAGRAPH (E) OF SUBDIVISION TWO OF SECTION
8 THIRTY-EIGHT OF THIS CHAPTER.

9 S 3. Subsection (c) of section 612 of the tax law is amended by adding
10 a new paragraph 39 to read as follows:

11 (39) AN AMOUNT EQUAL TO ANY QUALIFIED CONTRIBUTION TO A FARM SAVINGS
12 ACCOUNT ESTABLISHED PURSUANT TO SECTION THIRTY-EIGHT OF THIS CHAPTER.

13 S 4. Subdivision 4 of section 209 of the tax law, as amended by
14 section 2 of part FF-1 of chapter 57 of the laws of 2008, is amended to
15 read as follows:

16 4. Corporations liable to tax under sections one hundred eighty-three
17 to one hundred eighty-five, inclusive, corporations taxable under arti-
18 cles thirty-two and thirty-three of this chapter, any trust company
19 organized under a law of this state all of the stock of which is owned
20 by not less than twenty savings banks organized under a law of this
21 state, bank holding companies filing a combined return in accordance
22 with subdivision (f) of section fourteen hundred sixty-two of this chap-
23 ter, a captive REIT or a captive RIC filing a combined return under
24 either subdivision (f) of section fourteen hundred sixty-two or subdivi-
25 sion (f) of section fifteen hundred fifteen of this chapter, [and] hous-
26 ing companies organized and operating pursuant to the provisions of
27 article two or article five of the private housing finance law [and],
28 housing development fund companies organized pursuant to the provisions
29 of article eleven of the private housing finance law, AND FARM SAVINGS
30 ACCOUNTS PROPERLY ESTABLISHED UNDER SECTION THIRTY-EIGHT OF THIS CHAP-
31 TER, shall not be subject to tax under this article.

32 S 5. Section 601 of the tax law is amended by adding a new subsection
33 (g-1) to read as follows:

34 (G-1) FARM SAVINGS ACCOUNTS. ANY FARM SAVINGS ACCOUNT PROPERLY ESTAB-
35 LISHED UNDER SECTION THIRTY-EIGHT OF THIS CHAPTER SHALL NOT BE SUBJECT
36 TO TAX UNDER THIS ARTICLE.

37 S 6. This act shall take effect immediately and shall apply to taxable
38 years commencing after such effective date. Effective immediately, the
39 commissioner of taxation and finance may add, amend, or repeal any rule
40 or regulation necessary to timely implement the provisions of this act
41 on its effective date.