

A definition of the term should be easily established by consideration of the time for reinvestment now allowed under section 1033(a)(B) of the Code, the age of the landowner, and evidence of unsuccessful good faith efforts made to restore the former investment position. The burden of proof is placed on the taxpayer and should insure that the government is not presented with unreasonable litigation.

The proposal is not a new one. In various forms it has been advocated for several years. Conditions facing those displaced by increasing federal activities justify a careful examination of the situation.

STATEMENT BY HON. MILTON R. YOUNG, U.S. SENATOR FROM THE STATE
OF NORTH DAKOTA

Mr. Chairman, may I take this opportunity to thank you and the members of the Committee for holding these hearings at this time. I strongly support the amendment which has been introduced by our colleagues, Senators Symington and Long of Missouri to title VIII of S. 698.

This proposal would amend the Internal Revenue Code and make possible more equitable treatment for landowners forced to sell their property by condemnation or threat of condemnation for government programs such as flood control reservoirs, road construction, and similar projects. The current treatment of such cases has caused many hardships and the need for an effective change has long been felt.

In order for a landowner to postpone the payment of capital gains tax on property taken in connection with a government project, present law requires that he reinvest in real property. This requirement creates severe problems for many whose farms and businesses represent years and even generations of investment of time and money. For too many of these people it means either buying replacement property at inflated prices or breaking family and community ties and seeking relocation in a new area. This is asking these folks to pay a very high price for the progress of their country.

This amendment is patterned after a recommendation made in the 88th Congress in a staff study by the House Public Works Committee staff. It would permit the landowner to make income producing investments in nonreal property in cases where it would be impractical or would work a hardship on him and his family to buy replacement real property.

Let me cite just one example that has come to me recently. A North Dakota farmer had a substantial portion of land taken for right of way for an interstate highway. This did not take his whole farm, but it did reduce the size of the farm considerably. He is located in an area where land values are already extremely high and because many other farmers in the community were in the same position, he has been unable to purchase replacement land for anything like a reasonable price. This farmer is making a great sacrifice to progress. First, a substantial portion of his farm was taken for the highway. Secondly, he will either have to purchase replacement property at inflated prices or pay capital gains tax on the proceeds of the sale.

The proposed amendment is not a new idea, but it does differ in at least one important respect from other such suggestions. This amendment would require that the subject taxpayer establish that reinvestment in real property would work an undue hardship or would be impractical. I feel that this requirement more than meets the objections that have been made in the past that such authority would open a broad loophole in our tax laws.

Mr. Chairman, few, if any, of our great public works projects are ever constructed without creating some dislocation of businesses, farms, and families. A great deal of effort is expended to lessen the impact on those directly affected. I strongly feel that this amendment would be a great step forward in these efforts. There is good and ample justification for such action.

I cannot urge too strongly that action be taken now to eliminate this inequity. The amendment offered by the Senators from Missouri proposes an effective solution to this problem and I hope it will be approved at an early date.

I thank you for the opportunity to present these views to the Committee.