

107TH CONGRESS
1ST SESSION

S. 179

To amend the Internal Revenue Code of 1986 to phase in a full estate tax deduction for family-owned business interests and to increase the unified credit exemption.

IN THE SENATE OF THE UNITED STATES

JANUARY 25, 2001

Mr. DORGAN 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 phase in a full estate tax deduction for family-owned business interests and to increase the unified credit exemption.

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. PHASE-IN OF FULL ESTATE TAX DEDUCTION**

4 **FOR FAMILY-OWNED BUSINESS INTERESTS.**

5 (a) PHASE-IN.—

6 (1) IN GENERAL.—Paragraph (2) of section
7 2057(a) of the Internal Revenue Code of 1986 (re-
8 lating to family-owned business interests) is amend-
9 ed to read as follows:

1 “(2) MAXIMUM DEDUCTION.—

2 “(A) IN GENERAL.—The deduction allowed
3 by this section shall not exceed the sum of—

4 “(i) the applicable deduction amount,
5 plus

6 “(ii) in the case of a decedent de-
7 scribed in subparagraph (C), the applicable
8 unused spousal deduction amount.

9 “(B) APPLICABLE DEDUCTION AMOUNT.—
10 For purposes of subparagraph (A)(i), the appli-
11 cable deduction amount is determined in ac-
12 cordance with the following table:

“In the case of estates of de- cedents dying after—	The applicable amount is—	deduction
December 31, 2000		\$2,375,000
December 31, 2001		\$4,375,000
December 31, 2002		\$6,375,000
December 31, 2003		\$8,375,000
December 31, 2004		\$9,375,000.

13 “(C) APPLICABLE UNUSED SPOUSAL DE-
14 DEDUCTION AMOUNT.—With respect to a decedent
15 whose immediately predeceased spouse died
16 after December 31, 2000, and the estate of
17 such immediately predeceased spouse met the
18 requirements of subsection (b)(1), the applica-
19 ble unused spousal deduction amount for such
20 decedent is equal to the excess of—

21 “(i) the applicable deduction amount
22 allowable under this section to the estate

1 of such immediately predeceased spouse,
2 over

3 “(ii) the sum of—

4 “(I) the applicable deduction
5 amount allowed under this section to
6 the estate of such immediately pre-
7 deceased spouse, plus

8 “(II) the amount of any increase
9 in such estate’s unified credit under
10 paragraph (3)(B) which was allowed
11 to such estate.”.

12 (2) CONFORMING AMENDMENTS.—Section
13 2057(a)(3)(B) of such Code (relating to coordination
14 with unified credit) is amended—

15 (A) by striking “\$675,000” both places it
16 appears and inserting “the applicable deduction
17 amount”, and

18 (B) by striking “\$675,000” in the heading
19 and inserting “APPLICABLE DEDUCTION
20 AMOUNT”.

21 (3) EFFECTIVE DATE.—The amendments made
22 by this subsection shall apply to estates of decedents
23 dying after December 31, 2000.

24 (b) REMOVAL OF DOLLAR LIMITATION.—

1 (1) IN GENERAL.—Section 2057(a) of the In-
 2 ternal Revenue Code of 1986 (relating to deduction
 3 for family-owned business interests), as amended by
 4 subsection (a), is amended—

5 (A) by striking paragraphs (2), (3), and
 6 (4), and

7 (B) by striking “GENERAL RULE.—” and
 8 all that follows through “For purposes” and in-
 9 serting “ALLOWANCE OF DEDUCTION.—For
 10 purposes”.

11 (2) EFFECTIVE DATE.—The amendments made
 12 by this subsection shall apply to estates of decedents
 13 dying after December 31, 2005.

14 **SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT**
 15 **AGAINST ESTATE AND GIFT TAXES.**

16 (a) IN GENERAL.—Subsection (c) of section 2010 of
 17 the Internal Revenue Code of 1986 (relating to applicable
 18 credit amount) is amended to read as follows:

19 “(c) APPLICABLE CREDIT AMOUNT.—For purposes
 20 of this section—

21 “(1) IN GENERAL.—The applicable credit
 22 amount is the amount of the tentative tax which
 23 would be determined under the rate schedule set
 24 forth in section 2001(c) if the amount with respect

1 to which such tentative tax is to be computed were
2 equal to the sum of—

3 “(A) the applicable exclusion amount, plus

4 “(B) in the case of a decedent described in
5 paragraph (3), the applicable unused spousal
6 exclusion amount.

7 “(2) APPLICABLE EXCLUSION AMOUNT.—For
8 purposes of paragraph (1)(A), the applicable exclu-
9 sion amount is determined in accordance with the
10 following table:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001 and 2002	\$1,000,000
2003 and 2004	\$1,125,000
2005	\$1,500,000
2006 or thereafter	\$2,000,000.

11 “(3) APPLICABLE UNUSED SPOUSAL EXCLU-
12 SION AMOUNT.—With respect to a decedent whose
13 immediately predeceased spouse died after December
14 31, 2000, the applicable unused spousal exclusion
15 amount for such decedent is equal to the excess of—

16 “(A) the applicable exclusion amount al-
17 lowable under this section to the estate of such
18 immediately predeceased spouse, over

19 “(B) the applicable exclusion amount al-
20 lowed under this section to the estate of such
21 immediately predeceased spouse.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to the estates of decedents dying,
3 and gifts made, after December 31, 2000.

○