

108TH CONGRESS  
1ST SESSION

# H. R. 2610

To amend the Internal Revenue Code of 1986 to restore the estate tax and repeal the carryover basis rule, to increase the estate and gift tax unified credit to an exclusion equivalent of \$5,000,000, and to reduce the rate of the estate and gifts taxes to the generally applicable capital gains income tax rate.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2003

Mr. PETERSON of Minnesota (for himself, Mr. LATHAM, Mr. CRAMER, Mr. BOEHNER, Mr. HALL, Mr. SIMPSON, Mr. DOOLEY of California, Mr. GUTKNECHT, Mr. BOSWELL, Mr. JANKLOW, Mr. LUCAS of Kentucky, and Ms. HARRIS) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to restore the estate tax and repeal the carryover basis rule, to increase the estate and gift tax unified credit to an exclusion equivalent of \$5,000,000, and to reduce the rate of the estate and gifts taxes to the generally applicable capital gains income tax rate.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. RESTORATION OF ESTATE TAX; REPEAL OF**  
2 **CARRYOVER BASIS.**

3 (a) IN GENERAL.—Subtitles A and E of title V of  
4 the Economic Growth and Tax Relief Reconciliation Act  
5 of 2001, and the amendments made by such subtitles, are  
6 hereby repealed; and the Internal Revenue Code of 1986  
7 shall be applied as if such subtitles, and amendments, had  
8 never been enacted.

9 (b) SUNSET NOT TO APPLY.—

10 (1) Subsection (a) of section 901 of the Eco-  
11 nomic Growth and Tax Relief Reconciliation Act of  
12 2001 is amended by striking “this Act” and all that  
13 follows and inserting “this Act (other than title V)  
14 shall not apply to taxable, plan, or limitation years  
15 beginning after December 31, 2010.”.

16 (2) Subsection (b) of such section 901 is  
17 amended by striking “, estates, gifts, and transfers”.

18 (c) CONFORMING AMENDMENTS.—Subsections (d)  
19 and (e) of section 511 of the Economic Growth and Tax  
20 Relief Reconciliation Act of 2001, and the amendments  
21 made by such subsections, are hereby repealed; and the  
22 Internal Revenue Code of 1986 shall be applied as if such  
23 subsections, and amendments, had never been enacted.

1 **SEC. 2. ESTATE AND GIFT TAX RATES REDUCED TO 15 PER-**  
2 **CENT OR, IF LOWER, THE GENERALLY APPLI-**  
3 **CABLE CAPITAL GAINS RATE FOR INDIVID-**  
4 **UALS.**

5 (a) ESTATE TAX.—

6 (1) IN GENERAL.—Section 2001 of the Internal  
7 Revenue Code of 1986 (relating to estate tax) is  
8 amended by striking subsections (b) and (c) and by  
9 inserting after subsection (a) the following new sub-  
10 section:

11 “(b) COMPUTATION OF TAX.—

12 “(1) IN GENERAL.—The tax imposed by this  
13 section shall be the amount equal to the excess (if  
14 any) of—

15 “(A) the applicable percentage of the sum  
16 of—

17 “(i) the amount of the taxable estate,  
18 and

19 “(ii) the amount of the adjusted tax-  
20 able gifts, over

21 “(B) the aggregate amount of tax paid  
22 under chapter 12 with respect to gifts made by  
23 the decedent after December 31, 1976.

24 For purposes of subparagraph (A)(ii), the term ‘ad-  
25 justed taxable gifts’ means the total amount of the  
26 taxable gifts (within the meaning of section 2503)

1 made by the decedent after December 31, 1976,  
2 other than gifts which are includible in the gross es-  
3 tate of the decedent.

4 “(2) APPLICABLE PERCENTAGE.—For purposes  
5 of paragraph (1), the term ‘applicable percentage’  
6 means the lesser of 15 percent or the rate contained  
7 in section 1(h)(1)(C).”

8 (2) CONFORMING AMENDMENTS.—

9 (A) Subsection (c) of section 2010 of such  
10 Code is amended by striking “the applicable  
11 credit amount” and all that follows through  
12 “the applicable exclusion amount” and inserting  
13 “the applicable credit amount shall be the ap-  
14 plicable percentage (as defined in section  
15 2001(b)(2)) of the applicable exclusion  
16 amount”.

17 (B) Subsection (b) of section 2101 of such  
18 Code is amended to read as follows:

19 “(b) COMPUTATION OF TAX.—The tax imposed by  
20 this section shall be the amount equal to the excess (if  
21 any) of—

22 “(1) the applicable percentage (as defined in  
23 section 2001(b)(2)) of the sum of—

24 “(A) the amount of the taxable estate, and

1           “(B) the amount of the adjusted taxable  
2           gifts, over

3           “(2) the aggregate amount of tax paid under  
4           chapter 12 with respect to gifts made by the dece-  
5           dent after December 31, 1976.”

6           (C) Subsection (c) of section 2102 of such  
7           Code, as in effect prior to its redesignation by  
8           section 532(c)(7)(B) of the Economic Growth  
9           and Tax Relief Reconciliation Act of 2001, is  
10          amended—

11                   (i) by striking “\$13,000” each place it  
12                   appears and inserting “\$12,000”, and

13                   (ii) by striking “\$46,800” and insert-  
14                   ing “\$35,000”.

15          (D) Subsection (a) of section 2201 of such  
16          Code is amended by striking “rate schedule set  
17          forth in section 2001(c)” and inserting “appli-  
18          cable percentage (as defined in section  
19          2001(b)(2))”.

20          (b) GIFT TAX.—

21                   (1) IN GENERAL.—Section 2502 of such Code  
22          is amended to read as follows:

23          **“SEC. 2502. RATE OF TAX.**

24                   “(a) GENERAL RULE.—The tax imposed by section  
25          2501 for each calendar year shall be an amount equal to

1 the applicable percentage (as defined in section  
2 2001(b)(2)) of the sum of the taxable gifts for such cal-  
3 endar year.

4 “(b) TAX TO BE PAID BY DONOR.—The tax imposed  
5 by section 2501 shall be paid by the donor.”

6 (2) CONFORMING AMENDMENTS.—

7 (A) Subchapter A of chapter 12 of such  
8 Code is amended by striking section 2504.

9 (B) The table of sections for such sub-  
10 chapter is amended by striking the item relat-  
11 ing to section 2504.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to estates of decedents dying, and  
14 gifts made, after December 31, 2003.

15 **SEC. 3. \$5,000,000 EXEMPTION FROM ESTATE AND GIFT**  
16 **TAXES.**

17 (a) IN GENERAL.—Subsection (c) of section 2010 of  
18 the Internal Revenue Code of 1986 (relating to applicable  
19 credit amount), as amended by section 2, is amended by  
20 striking “the applicable exclusion amount” and all that  
21 follows and inserting “\$5,000,000.”

22 (b) GIFT TAX.—Paragraph (1) of section 2505(a) of  
23 such Code (relating to general rule) is amended by striking  
24 “(determined as if the applicable exclusion amount were  
25 \$1,000,000)”.

1           (c) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to estates of decedents dying, and  
3 gifts made, after December 31, 2003.

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