

105TH CONGRESS
1ST SESSION

H. R. 1674

To amend the Internal Revenue Code of 1986 to increase the amount of the unified credit against estate and gift taxes and to increase the amount of estate tax deferral available to owners of small businesses.

IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1997

Mr. SMITH of Michigan 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 increase the amount of the unified credit against estate and gift taxes and to increase the amount of estate tax deferral available to owners of small businesses.

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. SHORT TITLE.**

4 This Act may be cited as the “Death Tax and Legal
5 Fee Relief Act of 1997”.

1 **SEC. 2. UNIFIED CREDIT INCREASED TO EQUIVALENT OF**
 2 **\$1,200,000 EXCLUSION.**

3 (a) IN GENERAL.—Subsection (a) of section 2010 of
 4 the Internal Revenue Code of 1986 (relating to unified
 5 credit against estate tax) is amended by striking
 6 “\$192,800” and inserting “the applicable credit amount”.

7 (b) APPLICABLE CREDIT AMOUNT.—Section 2010 of
 8 such Code is amended by redesignating subsection (c) as
 9 subsection (d) and by inserting after subsection (b) the
 10 following new subsection:

11 “(c) APPLICABLE CREDIT AMOUNT.—For purposes
 12 of this section—

13 “(1) IN GENERAL.—The applicable credit
 14 amount is the amount of the tentative tax which
 15 would be determined under the rate schedule set
 16 forth in section 2001(c) if the amount with respect
 17 to which such tentative tax is to be computed were
 18 the applicable exclusion amount determined in ac-
 19 cordance with the following table:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
1998	\$750,000

20 “(2) COST-OF-LIVING ADJUSTMENTS.—In the
 21 case of any decedent dying, and gifts made, in a cal-
 22 endar year after 1998, the \$750,000 amount set

1 forth in paragraph (1) shall be increased by an
2 amount equal to—

3 “(A) \$750,000, multiplied by

4 “(B) the cost-of-living adjustment deter-
5 mined under section 1(f)(3) for such calendar
6 year by substituting ‘calendar year 2002’ for
7 ‘calendar year 1992’ in subparagraph (B)
8 thereof.

9 If any amount as adjusted under the preceding sen-
10 tence is not a multiple of \$10,000, such amount
11 shall be rounded to the nearest multiple of
12 \$10,000.”

13 (c) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of
14 section 2505(a) of such Code is amended by striking
15 “\$192,800” and inserting “the applicable credit amount
16 in effect under section 2010(c) for such calendar year”.

17 (d) CONFORMING AMENDMENTS.—

18 (1) Paragraph (1) of section 6018(a) of such
19 Code is amended by striking “\$600,000” and insert-
20 ing “the applicable exclusion amount in effect under
21 section 2010(c) (as adjusted under paragraph (2)
22 thereof) for the calendar year which includes the
23 date of death”.

24 (2) Paragraph (2) of section 2001(c) of such
25 Code is amended by striking “\$21,040,000” and in-

1 serting “the amount at which the average tax rate
2 under this section is 55 percent”.

3 (3) Subparagraph (A) of section 2102(c)(3) of
4 such Code is amended by striking “\$192,800” and
5 inserting “the applicable credit amount in effect
6 under section 2010(c) for the calendar year which
7 includes the date of death”.

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to the estates of decedents dying,
10 and gifts made, after December 31, 1997.

11 **SEC. 3. INCREASE IN AMOUNT OF ESTATE TAX DEFERRAL**
12 **AVAILABLE TO OWNERS OF SMALL BUSI-**
13 **NESSES.**

14 (a) IN GENERAL.—Subsection (a) of section 6166 of
15 the Internal Revenue Code of 1986 (relating to extension
16 of time for payment of estate tax where estate consists
17 largely of interest in closely held business) is amended by
18 adding at the end the following new paragraph:

19 “(4) INTEREST NOT REQUIRED TO BE PAID IF
20 CLOSELY HELD BUSINESS IS SMALL BUSINESS.—

21 “(A) IN GENERAL.—In the case of an in-
22 terest in a closely held business which is a small
23 business at all times on or after the date of the
24 enactment of this paragraph, no interest shall
25 be required to be paid on any installment per-

1 mitted made within five years of decedent's
 2 death under this section to the extent the
 3 amount of such installment is attributable to
 4 such interest.

5 “(B) SMALL BUSINESS.—For purposes of
 6 subparagraph (A), the term ‘small business’
 7 means any closely held business with aggregate
 8 gross assets (determined in accordance with
 9 section 1202(d)) which do not exceed
 10 \$20,000,000.”

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to estates of decedents dying after
 13 December 31, 1997.

14 **SEC. 4. UNIFIED CREDIT INCREASED BY UNUSED UNIFIED**
 15 **CREDIT OF PREDECEASED SPOUSE.**

16 (a) IN GENERAL.—Section 2010 of the Internal Rev-
 17 enue Code of 1986 (relating to unified credit against es-
 18 tate tax) is amended by redesignating subsections (b) and
 19 (c) as subsections (c) and (d), respectively, and by insert-
 20 ing after subsection (a) the following new subsection:

21 “(b) INCREASE IN CREDIT FOR UNUSED UNIFIED
 22 CREDIT OF PREDECEASED SPOUSE.—

23 “(1) IN GENERAL.—The amount of the credit
 24 allowable under subsection (a) shall be increased by

1 the aggregate of the amounts of the unused pre-
2 deceased spouse credit.

3 “(2) UNUSED PREDECEASED SPOUSE CRED-
4 IT.—For purposes of paragraph (1)—

5 “(A) IN GENERAL.—The term ‘unused pre-
6 deceased spouse credit’ means, with respect to
7 any predeceased spouse of the decedent, the
8 amount equal to the excess of—

9 “(i) the maximum amount allowable
10 under subsection (a) to the estate of such
11 spouse, over

12 “(ii) the tax imposed by section 2001
13 reduced by the credits against such tax
14 other than the credit allowed by this sec-
15 tion.

16 “(B) LIMITATION BASED ON CREDIT
17 EQUIVALENT OF VALUE OF PROPERTY PASSING
18 TO DECEDENT FROM PREDECEASED SPOUSE.—

19 The amount of the unused predeceased spouse
20 credit with respect to any predeceased spouse
21 shall not exceed the credit equivalent of the ag-
22 gregate value of property acquired from or
23 passing from (within the meaning of section
24 1014) the predeceased spouse to the decedent.

1 “(C) CREDIT EQUIVALENT.—For purposes
 2 of subparagraph (B), the credit equivalent is
 3 the amount of the tentative tax which would be
 4 determined under the rate schedule set forth in
 5 section 2001(c) if the amount with respect to
 6 which the tentative tax is to be computed were
 7 the aggregate value of the property referred to
 8 in subparagraph (B).

9 “(3) LIMITATION ON AGGREGATE INCREASE
 10 WHERE MORE THAN 1 PREDECEASED SPOUSE.—In
 11 no event may the amount of the increase under
 12 paragraph (1) exceed the dollar amount contained in
 13 subsection (a).

14 “(4) PREDECEASED SPOUSE.—For purposes of
 15 this subsection, the term ‘predeceased spouse’
 16 means, with respect to the decedent, an individual
 17 who was married to the decedent on the date of such
 18 individual’s death.”

19 (b) GIFT TAX.—Section 2505 of such Code is amend-
 20 ed by redesignating subsections (b) and (c) as subsections
 21 (c) and (d), respectively, and by inserting after subsection
 22 (a) the following new subsection:

23 “(b) INCREASE IN CREDIT FOR UNUSED UNIFIED
 24 CREDIT OF PREDECEASED SPOUSE.—Rules similar to the
 25 rules of section 2010(b) shall apply with respect to cal-

1 endar years beginning after the date of death of any pre-
2 deceased spouse of the donor.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to estates of decedents dying, and
5 gifts made, after December 31, 1997.

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