

105TH CONGRESS  
1ST SESSION

# H. R. 531

To amend the Internal Revenue Code of 1986 to limit the applicability  
of the generation-skipping transfer tax.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. HOUGHTON (for himself and Mr. MATSUI) 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 limit the  
applicability of the generation-skipping transfer tax.

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. LIMITATION ON APPLICABILITY OF GENERA-**  
4 **TION-SKIPPING TRANSFER TAX.**

5 (a) IN GENERAL.—Section 2651 (relating to genera-  
6 tion assignment) is amended by redesignating subsection  
7 (e) as subsection (f), and by inserting after subsection (d)  
8 the following new subsection:

9 “(e) SPECIAL RULE FOR PERSONS WITH A DE-  
10 CEASED PARENT.—

1           “(1) IN GENERAL.—For purposes of determin-  
2           ing whether any transfer is a generation-skipping  
3           transfer, if—

4                   “(A) an individual is a descendant of a  
5                   parent of the transferor (or the transferor’s  
6                   spouse or former spouse), and

7                   “(B) such individual’s parent who is a lin-  
8                   eal descendant of the parent of the transferor  
9                   (or the transferor’s spouse or former spouse) is  
10                  dead at the time the transfer (from which an  
11                  interest of such individual is established or de-  
12                  rived) is subject to a tax imposed by chapter 11  
13                  or 12 upon the transferor (and if there shall be  
14                  more than 1 such time, then at the earliest  
15                  such time),

16           such individual shall be treated as if such individual  
17           were a member of the generation which is 1 genera-  
18           tion below the lower of the transferor’s generation or  
19           the generation assignment of the youngest living an-  
20           cestor of such individual who is also a descendant of  
21           the parent of the transferor (or the transferor’s  
22           spouse or former spouse), and the generation assign-  
23           ment of any descendant of such individual shall be  
24           adjusted accordingly.

1           “(2) LIMITED APPLICATION OF SUBSECTION TO  
 2       COLLATERAL HEIRS.—This subsection shall not  
 3       apply with respect to a transfer to any individual  
 4       who is not a lineal descendant of the transferor (or  
 5       the transferor’s spouse or former spouse) if, at the  
 6       time of the transfer, such transferor has any living  
 7       lineal descendant.”.

8       (b) CONFORMING AMENDMENTS.—

9           (1) Section 2612(c) of the Internal Revenue  
 10       Code of 1986 (defining direct skip) is amended by  
 11       striking paragraph (2) and by redesignating para-  
 12       graph (3) as paragraph (2).

13          (2) Section 2612(c)(2) of such Code (as so re-  
 14       designated) is amended by striking “section  
 15       2651(e)(2)” and inserting “section 2651(f)(2)”.

16       (c) EFFECTIVE DATE.—The amendments made by  
 17       this section shall apply to terminations, distributions, and  
 18       transfers occurring after the date of enactment of this sec-  
 19       tion.

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