

106TH CONGRESS  
1ST SESSION

# S. 77

To increase the unified estate and gift tax credit to exempt small businesses and farmers from estate taxes.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

Mr. LUGAR (for himself, Mr. HAGEL, Mr. ROBERTS, and Mr. HELMS) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To increase the unified estate and gift tax credit to exempt small businesses and farmers from estate taxes.

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 “Farmer and Entre-  
5       preneur Estate Tax Relief Act of 1999”.

6       **SEC. 2. FINDINGS.**

7       Congress finds the following:

8               (1) The economy of the United States cannot  
9       achieve strong, sustained growth without adequate  
10      levels of savings to fuel productive activity. Inad-

1       equate savings have been shown to lead to lower pro-  
2       ductivity, stagnating wages and reduced standards  
3       of living.

4           (2) Savings levels in the United States have  
5       steadily declined over the past 25 years, and have  
6       lagged behind the industrialized trading partners of  
7       the United States.

8           (3) These anemic savings levels have contrib-  
9       uted to the country's long-term downward trend in  
10      real economic growth, which averaged close to 3.5  
11      percent over the last 100 years but has slowed to 2.4  
12      percent over the past quarter century.

13          (4) Congress should work toward reforming the  
14      entire Federal tax code to end its bias against sav-  
15      ings.

16          (5) Repealing the estate and gift tax would con-  
17      tribute to the goals of expanding savings and invest-  
18      ment, boosting entrepreneurial activity, and expand-  
19      ing economic growth. The estate tax is harmful to  
20      the economy because of its high marginal rates and  
21      its multiple taxation of income.

22          (6) The repeal of the estate tax would increase  
23      the growth of the small business sector, which cre-  
24      ates a majority of new jobs in our Nation. Estimates  
25      indicate that as many as 70 percent of small busi-

1        nesses do not make it to a second generation and  
2        nearly 90 percent do not make it to a third.

3            (7) Eliminating the estate tax would lift the  
4        compliance burden from farmers and family busi-  
5        nesses. On average, family-owned businesses spent  
6        over \$33,000 on accountants, lawyers, and financial  
7        experts in complying with the estate tax laws over  
8        a 6.5-year period.

9            (8) Abolishing the estate tax would benefit the  
10       preservation of family farms. Nearly 95 percent of  
11       farms and ranches are owned by sole proprietors or  
12       family partnerships, subjecting most of this property  
13       to estate taxes upon the death of the owner. Due to  
14       the capital intensive nature of farming and its low  
15       return on investment, farmers are 15 times more  
16       likely to be subject to estate taxes than other Ameri-  
17       cans.

18           (9) As the average age of farmers approaches  
19       60 years, it is estimated that a quarter of all farm-  
20       ers could confront the estate tax over the next 20  
21       years. The auctioning of these productive assets to  
22       finance tax liabilities destroys jobs and harms the  
23       economy.

24           (10) Abolishing the estate taxes would restore  
25       a measure of fairness to our Federal tax system.

1 Families should be able to pass on the fruits of the  
 2 labor to the next generation without realizing a tax-  
 3 able event.

4 (11) Despite this heavy burden on entre-  
 5 preneurs, farmers, and our entire economy, estate  
 6 and gift taxes collect only about 1 percent of our  
 7 Federal tax revenues. In fact, the estate tax may not  
 8 raise any revenue at all, because more income tax is  
 9 lost from individuals attempting to avoid estate  
 10 taxes than is ultimately collected at death.

11 (12) Repealing estate and gift taxes is sup-  
 12 ported by the White House Conference on Small  
 13 Business, the Kemp Commission on Tax Reform,  
 14 and 60 small business advocacy organizations.

15 **SEC. 3. INCREASE IN UNIFIED ESTATE AND GIFT TAX CRED-**  
 16 **IT.**

17 (a) IN GENERAL.—The table in section 2010(c) of  
 18 the Internal Revenue Code (relating to applicable credit  
 19 amount) is amended—

20 (1) by striking “2000 and 2001” and inserting  
 21 “2000 or thereafter”,

22 (2) by striking “\$675,000” and inserting  
 23 “\$5,000,000”, and

1           (3) by striking all matter beginning with the  
2       item relating to 2002 and 2003 through the end of  
3       the table.

4       (b) EFFECTIVE DATE.—The amendments made by  
5       this section shall apply to the estates of decedents dying,  
6       and gifts made, after December 31, 1999.

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