

109TH CONGRESS
1ST SESSION

H. R. 1568

To amend the Internal Revenue Code of 1986 to permanently reduce estate and gift tax rates to 30 percent, to increase the exclusion equivalent of the unified credit to \$10,000,000, and to increase the annual gift tax exclusion to \$50,000.

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2005

Mr. LEACH (for himself, Mr. TANNER, and Mr. ABERCROMBIE) 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 permanently reduce estate and gift tax rates to 30 percent, to increase the exclusion equivalent of the unified credit to \$10,000,000, and to increase the annual gift tax exclusion to \$50,000.

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. ESTATE AND GIFT TAX RATES REDUCED TO 30**
4 **PERCENT.**

5 (a) ESTATE TAX.—

6 (1) IN GENERAL.—Section 2001 of the Internal
7 Revenue Code of 1986 (relating to estate tax) is

1 amended by striking subsections (b) and (c) and by
2 inserting after subsection (a) the following new sub-
3 section:

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

7 “(1) 30 percent of the sum of—

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

9 “(B) the amount of the adjusted taxable
10 gifts, over

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

14 For purposes of paragraph (1)(B), the term ‘adjusted tax-
15 able gifts’ means the total amount of the taxable gifts
16 (within the meaning of section 2503) made by the dece-
17 dent after December 31, 1976, other than gifts which are
18 includible in the gross estate of the decedent.”.

19 (2) CONFORMING AMENDMENTS.—

20 (A) Section 2010(c) of such Code is
21 amended by striking “tentative” both places it
22 appears and inserting “tax”.

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

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

4 “(1) 30 percent of the sum of—

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

6 “(B) the amount of the adjusted taxable
7 gifts, over

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

11 (C) Subsection (b) of section 2102 of such
12 Code is amended—

13 (i) by striking “\$13,000” each place it
14 appears and inserting “\$20,000”, and

15 (ii) by striking “\$46,800” and insert-
16 ing “\$52,500”.

17 (D) Section 2201 is amended—

18 (i) in subsection (a) by striking “the
19 rate schedule set forth in subsection (c)
20 shall be deemed to be the rate schedule set
21 forth in section 2001(c)” and inserting
22 “the tax determined under subsection (c)
23 shall be deemed to be the tax determined
24 under section 2001(b)”, and

1 (ii) in subsection (c) by striking “ten-
2 tative” each place it appears.

3 (b) GIFT TAX.—

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

6 **“SEC. 2502. RATE OF TAX.**

7 “(a) GENERAL RULE.—The tax imposed by section
8 2501 for each calendar year shall be an amount equal to
9 30 percent of the sum of the taxable gifts for such cal-
10 endar year.

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

13 (2) CONFORMING AMENDMENTS.—

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

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

19 (c) ESTATE TAX RETAINED.—

20 (1) IN GENERAL.—Section 901 of the Economic
21 Growth and Tax Relief Reconciliation Act of 2001
22 shall not apply to title V of such Act.

23 (2) RETENTION.—Subtitles A and E of title V
24 of the Economic Growth and Tax Relief Reconcili-
25 ation Act of 2001, and the amendments made by

1 such subtitles, are hereby repealed; and the Internal
2 Revenue Code of 1986 shall be applied as if such
3 subtitles, and amendments, had never been enacted.

4 (3) CONFORMING AMENDMENTS.—Subsections
5 (d), (e), and (f)(3) of section 511 of the Economic
6 Growth and Tax Relief Reconciliation Act of 2001,
7 and the amendments made by such subsections, are
8 hereby repealed; and the Internal Revenue Code of
9 1986 shall be applied as if such subsections, and
10 amendments, had never been enacted.

11 (d) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to estates of decedents dying, and
13 gifts made, after the date of the enactment of this Act.

14 **SEC. 2. UNIFIED CREDIT INCREASED TO EQUIVALENT OF**
15 **\$10,000,000 EXCLUSION; INFLATION ADJUST-**
16 **MENT OF UNIFIED CREDIT.**

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

20 “(c) APPLICABLE CREDIT AMOUNT.—For purposes
21 of this section, the applicable credit amount is the amount
22 of the tax which would be determined under section
23 2001(b) if the amount with respect to which such tax is
24 to be computed were the applicable exclusion amount. For

1 purposes of the preceding sentence, the applicable exclu-
2 sion amount is \$10,000,000.”.

3 (b) INFLATION ADJUSTMENT.—Section 2010 of such
4 Code is amended by redesignating subsection (d) as sub-
5 section (e) and by inserting after subsection (c) the fol-
6 lowing new subsection:

7 “(d) COST-OF-LIVING ADJUSTMENT.—In the case of
8 any decedent dying, and gift made, in a calendar year
9 after 2005, the \$10,000,000 amount set forth in sub-
10 section (c) shall be increased by an amount equal to—

11 “(1) \$10,000,000, multiplied by

12 “(2) the cost-of-living adjustment determined
13 under section 1(f)(3) for such calendar year by sub-
14 stituting ‘calendar year 2004’ for ‘calendar year
15 1992’ in subparagraph (B) thereof.

16 If any amount as adjusted under the preceding sentence
17 is not a multiple of \$10,000, such amount shall be round-
18 ed to the nearest multiple of \$10,000.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to estates of decedents dying, and
21 gifts made, after the date of the enactment of this Act.

22 **SEC. 3. ANNUAL GIFT TAX EXCLUSION INCREASED TO**
23 **\$50,000.**

24 (a) IN GENERAL.—Subsection (b) of section 2503 of
25 the Internal Revenue Code of 1986 (relating to exclusion

1 from gifts) is amended by striking “\$10,000” each place
2 it appears and inserting “\$50,000”.

3 (b) **RESETING OF INFLATION ADJUSTMENT.**—Para-
4 graph (2) of section 2503(b) of such Code is amended—

5 (1) by striking “1998” and inserting “2005”,
6 and

7 (2) by striking “1997” and inserting “2004”.

8 (c) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to gifts made after December 31,
10 2004.

○