

109TH CONGRESS
2D SESSION

H. R. 5421

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.

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 2006

Mr. PETERSON of Minnesota (for himself, Mr. LATHAM, and Mr. MARSHALL) 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 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6 hereby repealed; and the Internal Revenue Code of 1986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21 made by such subsections, are hereby repealed; and the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.—The tax imposed by
 12 this section shall be the amount equal to the excess (if
 13 any) of—

14 “(1) 15 percent of the sum of—

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

16 “(B) the amount of the adjusted taxable
 17 gifts, over

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

21 For purposes of subparagraph (A)(ii), the term ‘adjusted
 22 taxable gifts’ means the total amount of the taxable gifts
 23 (within the meaning of section 2503) made by the dece-
 24 dent after December 31, 1976, other than gifts which are
 25 includible in the gross estate of the decedent.”.

26 (2) CONFORMING AMENDMENTS.—

1 (A) Subsection (c) of section 2010 of such
2 Code is amended by striking “the applicable
3 credit amount” and all that follows through
4 “the applicable exclusion amount” and inserting
5 “the applicable credit amount shall be the ap-
6 plicable percentage (as defined in section
7 2001(b)(2)) of the applicable exclusion
8 amount”.

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

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

14 “(1) 15 percent of the sum of—

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

16 “(B) the amount of the adjusted taxable
17 gifts, over

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

21 (C) Subsection (c) of section 2102 of such
22 Code, as in effect prior to its redesignation by
23 section 532(c)(7)(B) of the Economic Growth
24 and Tax Relief Reconciliation Act of 2001, is
25 amended—

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

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

5 (D) Subsection (a) of section 2201 of such
 6 Code is amended by striking “rate schedule set
 7 forth in section 2001(c)” and inserting “appli-
 8 cable percentage (as defined in section
 9 2001(b)(2)”.

10 (b) GIFT TAX.—

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

13 **“SEC. 2502. RATE OF TAX.**

14 “(a) GENERAL RULE.—The tax imposed by section
 15 2501 for each calendar year shall be an amount equal to
 16 15 percent of the sum of the taxable gifts for such cal-
 17 endar year.

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

20 (2) CONFORMING AMENDMENTS.—

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

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

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to estates of decedents dying, and
3 gifts made, after December 31, 2006.

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

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

11 (b) GIFT TAX.—Paragraph (1) of section 2505(a) of
12 such Code (relating to general rule) is amended by striking
13 “(determined as if the applicable exclusion amount were
14 \$1,000,000)”.

15 (c) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to estates of decedents dying, and
17 gifts made, after December 31, 2006.

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