Royce
Ryan (WI)
Ryun (KS)
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Scarborough
Schaffer
Schakowsky
Schiff
Schrock
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spence
Spratt
Stark
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thornberry
Thune
Thurman
Tiahrt
Tiberi
Tierney
Toomey
Towns
Traficant
Turner
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson
Wolf
Wynn
Young (AK)
Young (FL)

NAYS—12

Baird
DeFazio
Filner
Hilliard
Kleczka
Lee
McKinney
Nadler
Owens
Thompson (MS)
Udall (CO)
Wu

NOT VOTING—6

Becerra
Kennedy (RI)
Kirk
Latham
Rush
Woolsey

□ 1208

Mr. STRICKLAND and Ms. SCHAKOWSKY changed their vote from ''nay'' to ''yea.''

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

CHESAPEAKE BAY OFFICE OF NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION AUTHORIZATION

The SPEAKER pro tempore (Mr. SUNUNU). The unfinished business is the question of suspending the rules and passing the bill, H.R. 642, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Maryland (Mr. GILCHREST) that the House suspend the rules and pass the bill, H.R. 642, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 406, nays 13, not voting 12, as follows:

[Roll No. 81]

YEAS—406

Abercrombie
Ackerman
Aderholt
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett
Bartlett
Barton
Bass
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Blumenauer
Blunt
Boehlert
Bonilla
Bonior
Bono
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Brown (OH)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cantor
Capito
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Collins
Combest
Condit
Conyers
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (FL)
Davis (IL)
Davis, Jo Ann
Davis, Tom
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dicks
Dingell
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Ferguson
Filner
Fletcher
Foley
Ford
Fossella
Frank
Frelinghuysen
Frost
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grucci
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hilleary
Hilliard
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kerns
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kirk
Kleczka
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Langevin
Lantos
Largent
Larsen (WA)
Larson (CT)
LaTourette
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Mascara
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDermott
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Mink
Moakley
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Oberstar
Obey
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roukema
Roybal-Allard
Ryan (WI)
Ryun (KS)
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Schakowsky
Schiff
Schrock
Scott
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spence
Spratt
Stark
Stenholm
Strickland
Stump
Stupak
Sununu
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiahrt
Tiberi
Tierney
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Waters
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson
Wolf
Wu
Wynn
Young (AK)
Young (FL)

NAYS—13

Akin
Coble
English
Flake
Jones (NC)
Paul
Royce
Scarborough
Schaffer
Sensenbrenner
Stearns
Tancredo
Toomey

NOT VOTING—12

Armey
Becerra
Boehner
Borski
Cannon
Davis (CA)
Kennedy (RI)
Latham
Leach
Rush
Sweeney
Woolsey

□ 1221

Mr. HILLIARD changed his vote from ''nay'' to ''yea.''

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. KIRK. Mr. Speaker, on rollcall No. 81, I voted "yea." The voting machine recorded the vote but I was later informed that it was not recorded. I was present and I voted "yea."

DEATH TAX ELIMINATION ACT OF 2001

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 111, I call up the bill (H.R. 8) to amend the Internal Revenue Code of 1986 to phase out the estate and gift taxes over a 10-year period, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. LINDER). Pursuant to House Resolution 111, the bill is considered read for amendment.

The text of H.R. 8 is as follows:

H.R. 8

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Death Tax Elimination Act''.

TITLE I—REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.

SEC. 101. PHASEOUT OF ESTATE AND GIFT TAXES.

(a) REPEAL OF ESTATE AND GIFT TAXES.—Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is repealed effective with respect to estates of decedents dying, and gifts made, after December 31, 2010.

(b) PHASEOUT OF TAX.—Subsection (c) of section 2001 of such Code (relating to imposition and rate of tax) is amended by adding at the end the following new paragraph:

''(3) PHASEOUT OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2000 and before 2011—

''(A) IN GENERAL.—The tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced (but not below zero) by the number of percentage points determined under subparagraph (B), and

''(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

''(B) PERCENTAGE POINTS OF REDUCTION.—

"For calendar year:	The number of percentage points is:
2001	5
2002	10
2003	15
2004	20
2005	25
2006	30
2007	35
2008	40
2009	45
2010	50.

''(C) COORDINATION WITH PARAGRAPH (2).—Paragraph (2) shall be applied by reducing the 55 percent percentage contained therein by the number of percentage points determined for such calendar year under subparagraph (B).

''(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the number of percentage points referred to in subparagraph (A)(i) shall be determined under the following table:

"For calendar year:	The number of percentage points is:
2001	1½
2002	3
2003	4½
2004	6
2005	7½
2006	9
2007	10½
2008	12
2009	13½
2010	15.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

TITLE II—INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDIT

SEC. 201. INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDIT.

(a) IN GENERAL.—The table in subsection (c) of section 2010 of the Internal Revenue Code of 1986 (relating to applicable credit amount) is amended to read as follows:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001 or thereafter	$1,300,000

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

SEC. 202. REPEAL OF ESTATE TAX BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.

(a) IN GENERAL.—Section 2057 of the Internal Revenue Code of 1986 (relating to family-owned business interests) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (10) of section 2031(c) of such Code is amended by inserting ''(as in effect on the day before the date of the enactment of the Death Tax Elimination Act)'' before the period.

(2) The table of sections for part IV of subchapter A of chapter 11 of such Code is amended by striking the item relating to section 2057.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

TITLE III—MODIFICATIONS OF GENERATION-SKIPPING TRANSFER TAX

SEC. 301. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 of the Internal Revenue Code of 1986 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) of such Code is amended by striking ''with respect to a direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 1999, and to estate tax inclusion periods ending after December 31, 1999.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after December 31, 1999.

SEC. 302. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 of the Internal Revenue Code of 1986 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after December 31, 1999.

SEC. 303. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) of such Code (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) of such Code is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 1999.

SEC. 304. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 of such Code is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FROM LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FROM LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, December 31, 1999.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 1999. No implication is intended with respect to the availability of relief from late elections or the application of a rule of substantial compliance on or before such date.

TITLE IV—EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX

SEC. 401. INCREASE IN NUMBER OF ALLOWABLE PARTNERS AND SHAREHOLDERS IN CLOSELY HELD BUSINESSES.

(a) IN GENERAL.—Paragraphs (1)(B)(ii), (1)(C)(ii), and (9)(B)(iii)(I) of section 6166(b) of the Internal Revenue Code of 1986 (relating to definitions and special rules) are each amended by striking ''15'' and inserting ''75''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2000.

The SPEAKER pro tempore. The amendment printed in the bill is adopted.

The text of H.R. 8, as amended, is as follows:

H.R. 8

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Death Tax Elimination Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES

Sec. 101. Repeal of estate, gift, and generation-skipping taxes.

TITLE II—REDUCTIONS OF ESTATE AND GIFT TAX RATES PRIOR TO REPEAL

Sec. 201. Additional reductions of estate and gift tax rates.

TITLE III—UNIFIED CREDIT REPLACED WITH UNIFIED EXEMPTION AMOUNT

Sec. 301. Unified credit against estate and gift taxes replaced with unified exemption amount.

TITLE IV—CARRYOVER BASIS AT DEATH; OTHER CHANGES TAKING EFFECT WITH REPEAL

Sec. 401. Termination of step-up in basis at death.

Sec. 402. Treatment of property acquired from a decedent dying after December 31, 2010.

TITLE V—CONSERVATION EASEMENTS

Sec. 501. Expansion of estate tax rule for conservation easements.

TITLE VI—MODIFICATIONS OF GENERATION-SKIPPING TRANSFER TAX

Sec. 601. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
Sec. 602. Severing of trusts.
Sec. 603. Modification of certain valuation rules.
Sec. 604. Relief provisions.

TITLE VII—EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX

Sec. 701. Increase in number of allowable partners and shareholders in closely held businesses.

TITLE I—REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES

SEC. 101. REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.

(a) IN GENERAL.—Subtitle B is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to the estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2010.

TITLE II—REDUCTIONS OF ESTATE AND GIFT TAX RATES PRIOR TO REPEAL

SEC. 201. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—

(1) IN GENERAL.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

''Over $2,500,000 .... $1,025,800, plus 50% of the excess over $2,500,000.''.

(2) PHASE-IN OF REDUCED RATE.—Subsection (c) of section 2001 is amended by adding at the end the following new paragraph:

''(3) PHASE-IN OF REDUCED RATE.—In the case of decedents dying, and gifts made, during 2002, the last item in the table contained in paragraph (1) shall be applied by substituting '53%' for '50%'.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2) and redesignating paragraph (3), as added by subsection (a), as paragraph (2).

(c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—Subsection (c) of section 2001, as so amended, is amended by adding at the end the following new paragraph:

''(3) PHASEDOWN OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2003 and before 2011—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced by the number of percentage points determined under subparagraph (B), and

''(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

''(B) PERCENTAGE POINTS OF REDUCTION.—

''For calendar year:	The number of percentage points is:
2004	1.0
2005	2.0
2006	3.0
2007	5.0
2008	7.0
2009	9.0
2010	11.0.

''(C) COORDINATION WITH INCOME TAX RATES.—The reductions under subparagraph (A)—

''(i) shall not reduce any rate under paragraph (1) below the lowest rate in section 1(c) applicable to the taxable year which includes the date of death (or, in the case of a gift, the date of the gift), and

''(ii) shall not reduce the highest rate under paragraph (1) below the highest rate in section 1(c) for such taxable year.

''(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under subsection (c).''.

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2003.

TITLE III—UNIFIED CREDIT REPLACED WITH UNIFIED EXEMPTION AMOUNT

SEC. 301. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—

(1) ESTATE TAX.—Subsection (b) of section 2001 (relating to computation of tax) is amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) the aggregate amount of tax which would have been payable under chapter 12 with respect to gifts made by the decedent after December 31, 1976, if the provisions of subsection (c) (as in effect at the decedent's death) had been applicable at the time of such gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph is a tax computed under subsection (c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—For purposes of paragraph (2), the term 'exemption amount' means the amount determined in accordance with the following table:

''In the case of calendar year:	The exemption amount is:
2002 and 2003	$700,000
2004	$850,000
2005	$950,000
2006 or thereafter	$1,000,000.

''(4) ADJUSTED TAXABLE GIFTS.—For purposes of paragraph (2), the term 'adjusted taxable gifts' means the total amount of the taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts which are includible in the gross estate of the decedent.''.

(2) GIFT TAX.—Subsection (a) of section 2502 (relating to computation of tax) is amended to read as follows:

''(a) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2) for such calendar year, over

''(B) the aggregate amount of tax that would have been payable under this chapter with respect to gifts made by the donor in preceding calendar periods if the tax had been computed under the provisions of section 2001(c) as in effect for such calendar year.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph for a calendar year is a tax computed under section 2001(c) on the excess of—

''(A) the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

''(B) the exemption amount under section 2001(b)(3) for such calendar year.''.

(b) REPEAL OF UNIFIED CREDITS.—

(1) Section 2010 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1)(A) Subsection (b) of section 2011 is amended—

(i) by striking ''adjusted'' in the table; and

(ii) by striking the last sentence.

(B) Subsection (f) of section 2011 is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(2) Subsection (a) of section 2012 is amended by striking ''and the unified credit provided by section 2010''.

(3) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2010,''.

(4) Paragraph (2) of section 2014(b) is amended by striking ''2010, 2011,'' and inserting ''2011''.

(5) Clause (ii) of section 2056A(b)(12)(C) is amended to read as follows:

''(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of the enactment of the Death Tax Elimination Act of 2001) or the exemption amount allowable under section 2001(b) with respect to the decedent as a credit under section 2505 (as so in effect) or exemption under section 2501 (as the case may be) allowable to such surviving spouse for purposes of determining the amount of the exemption allowable under section 2501 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year,''.

(6) Subsection (a) of section 2057 is amended by striking paragraphs (2) and (3) and inserting the following new paragraph:

''(2) MAXIMUM DEDUCTION.—The deduction allowed by this section shall not exceed the excess of $1,300,000 over the exemption amount (as defined in section 2001(b)(3)).''.

(7) Subsection (b) of section 2101 is amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) a tentative tax computed under section 2001(c) on the amount of the adjusted taxable gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph is a tax computed under section 2001(c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—

''(A) IN GENERAL.—The term 'exemption amount' means $60,000.

''(B) RESIDENTS OF POSSESSIONS OF THE UNITED STATES.—In the case of a decedent who is considered to be a nonresident not a citizen of the United States under section 2209, the exemption amount under this paragraph shall be the greater of—

''(i) $60,000, or

''(ii) that proportion of $175,000 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH TREATIES.—To the extent required under any treaty obligation of

the United States, the exemption amount allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 2001(b)(3) (for the calendar year in which the decedent died) as the value of the part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.

''(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2501 (or a credit has been allowed under section 2505 as in effect on the day before the date of the enactment of the Death Tax Elimination Act of 2001) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under section 2501 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed).''.

(8) Section 2102 is amended by striking subsection (c).

(9)(A) Paragraph (1) of section 2107(a) is amended by striking ''the table contained in''.

(B) Paragraph (1) of section 2107(c) is amended to read as follows:

''(1) EXEMPTION AMOUNT.—For purposes of subsection (a), the exemption amount under section 2001 shall be $60,000.''

(C) Paragraph (3) of section 2107(c) is amended by striking the second sentence.

(D) The heading of subsection (c) of section 2107 is amended to read as follows:

''(c) EXEMPTION AMOUNT AND CREDITS.—''.

(10) Paragraph (1) of section 6018(a) is amended by striking ''the applicable exclusion amount in effect under section 2010(c)'' and inserting ''the exemption amount under section 2001(b)(3)''.

(11) Subparagraph (A) of section 6601(j)(2) is amended to read as follows:

''(A) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were $1,000,000, or''.

(12) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2010.

(13) The table of sections for subchapter A of chapter 12 is amended by striking the item relating to section 2505.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2001.

TITLE IV—CARRYOVER BASIS AT DEATH; OTHER CHANGES TAKING EFFECT WITH REPEAL

SEC. 401. TERMINATION OF STEP-UP IN BASIS AT DEATH.

Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end the following new subsection:

''(f) TERMINATION.—This section shall not apply with respect to decedents dying after December 31, 2010.''.

SEC. 402. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

''SEC. 1022. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

''(a) IN GENERAL.—Except as otherwise provided in this section—

''(1) property acquired from a decedent dying after December 31, 2010, shall be treated for purposes of this subtitle as transferred by gift, and

''(2) the basis of the person acquiring property from such a decedent shall be the lesser of—

''(A) the adjusted basis of the decedent, or

''(B) the fair market value of the property at the date of the decedent's death.

''(b) BASIS INCREASE FOR CERTAIN PROPERTY.—

''(1) IN GENERAL.—In the case of property to which this subsection applies, the basis of such property under subsection (a) shall be increased by its basis increase under this subsection.

''(2) BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The basis increase under this subsection for any property is the portion of the aggregate basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE BASIS INCREASE.—In the case of any estate, the aggregate basis increase under this subsection is $1,300,000.

''(C) LIMIT INCREASED BY UNUSED BUILT-IN LOSSES AND LOSS CARRYOVERS.—The limitation under subparagraph (B) shall be increased by—

''(i) the sum of the amount of any capital loss carryover under section 1212(b), and the amount of any net operating loss carryover under section 172, which would (but for the decedent's death) be carried from the decedent's last taxable year to a later taxable year of the decedent, plus

''(ii) the sum of the amount of any losses that would have been allowable under section 165 if the property acquired from the decedent had been sold at fair market value immediately before the decedent's death.

''(3) DECEDENT NONRESIDENTS WHO ARE NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent nonresident not a citizen of the United States—

''(A) paragraph (2)(B) shall be applied by substituting '$60,000' for '$1,300,000', and

''(B) paragraph (2)(C) shall not apply.

''(c) ADDITIONAL BASIS INCREASE FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—

''(1) IN GENERAL.—In the case of property to which this subsection applies and which is qualified spousal property, the basis of such property under subsection (a) (as increased, if any, under subsection (b)) shall be increased by its spousal property basis increase.

''(2) SPOUSAL PROPERTY BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The spousal property basis increase for property referred to in paragraph (1) is the portion of the aggregate spousal property basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE SPOUSAL PROPERTY BASIS INCREASE.—In the case of any estate, the aggregate spousal property basis increase is $3,000,000.

''(3) QUALIFIED SPOUSAL PROPERTY.—For purposes of this subsection, the term 'qualified spousal property' means—

''(A) outright transfer property, and

''(B) qualified terminable interest property.

''(4) OUTRIGHT TRANSFER PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'outright transfer property' means any interest in property acquired from the decedent by the decedent's surviving spouse.

''(B) EXCEPTION.—Subparagraph (A) shall not apply where, on the lapse of time, on the occurrence of an event or contingency, or on the failure of an event or contingency to occur, an interest passing to the surviving spouse will terminate or fail—

''(i)(I) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse (or the estate of such spouse), and

''(II) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse, or

''(ii) if such interest is to be acquired for the surviving spouse, pursuant to directions of the decedent, by his executor or by the trustee of a trust.

For purposes of this subparagraph, an interest shall not be considered as an interest which will terminate or fail merely because it is the ownership of a bond, note, or similar contractual obligation, the discharge of which would not have the effect of an annuity for life or for a term.

''(C) INTEREST OF SPOUSE CONDITIONAL ON SURVIVAL FOR LIMITED PERIOD.—For purposes of this paragraph, an interest passing to the surviving spouse shall not be considered as an interest which will terminate or fail on the death of such spouse if—

''(i) such death will cause a termination or failure of such interest only if it occurs within a period not exceeding 6 months after the decedent's death, or only if it occurs as a result of a common disaster resulting in the death of the decedent and the surviving spouse, or only if it occurs in the case of either such event; and

''(ii) such termination or failure does not in fact occur.

''(5) QUALIFIED TERMINABLE INTEREST PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified terminable interest property' means property—

''(i) which passes from the decedent, and

''(ii) in which the surviving spouse has a qualifying income interest for life.

''(B) QUALIFYING INCOME INTEREST FOR LIFE.—The surviving spouse has a qualifying income interest for life if—

''(i) the surviving spouse is entitled to all the income from the property, payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and

''(ii) no person has a power to appoint any part of the property to any person other than the surviving spouse.

Clause (ii) shall not apply to a power exercisable only at or after the death of the surviving spouse. To the extent provided in regulations, an annuity shall be treated in a manner similar to an income interest in property (regardless of whether the property from which the annuity is payable can be separately identified).

''(C) PROPERTY INCLUDES INTEREST THEREIN.—The term 'property' includes an interest in property.

''(D) SPECIFIC PORTION TREATED AS SEPARATE PROPERTY.—A specific portion of property shall be treated as separate property. For purposes of the preceding sentence, the term 'specific portion' only includes a portion determined on a fractional or percentage basis.

''(d) DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF SUBSECTIONS (b) AND (c).—

''(1) PROPERTY TO WHICH SUBSECTIONS (b) AND (c) APPLY.—

''(A) IN GENERAL.—The basis of property acquired from a decedent may be increased under subsection (b) or (c) only if the property was owned by the decedent at the time of death.

''(B) RULES RELATING TO OWNERSHIP.—

''(i) JOINTLY HELD PROPERTY.—In the case of property which was owned by the decedent and another person as joint tenants with right of survivorship or tenants by the entirety—

''(I) if the only such other person is the surviving spouse, the decedent shall be treated as the owner of only 50 percent of the property,

''(II) in any case (to which subclause (I) does not apply) in which the decedent furnished consideration for the acquisition of the property, the decedent shall be treated as the owner to the extent of the portion of the property which is proportionate to such consideration, and

''(III) in any case (to which subclause (I) does not apply) in which the property has been acquired by gift, bequest, devise, or inheritance by the decedent and any other person as joint tenants with right of survivorship and their interests are not otherwise specified or fixed by law,

the decedent shall be treated as the owner to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants with right of survivorship.

''(ii) REVOCABLE TRUSTS.—The decedent shall be treated as owning property transferred by the decedent during life to a revocable trust to pay all of the income during the decedent's life to the decedent or at the direction of the decedent.

''(iii) POWERS OF APPOINTMENT.—The decedent shall not be treated as owning any property by reason of holding a power of appointment with respect to such property.

''(iv) COMMUNITY PROPERTY.—Property which represents the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State or possession of the United States or any foreign country shall be treated for purposes of this section as owned by, and acquired from, the decedent if at least one-half of the whole of the community interest in such property is treated as owned by, and acquired from, the decedent without regard to this clause.

''(C) PROPERTY ACQUIRED BY DECEDENT BY GIFT WITHIN 3 YEARS OF DEATH.—

''(i) IN GENERAL.—Subsections (b) and (c) shall not apply to property acquired by the decedent by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth during the 3-year period ending on the date of the decedent's death.

''(ii) EXCEPTION FOR CERTAIN GIFTS FROM SPOUSE.—Clause (i) shall not apply to property acquired by the decedent from the decedent's spouse unless, during such 3-year period, such spouse acquired the property in whole or in part by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth.

''(D) STOCK OF CERTAIN ENTITIES.—Subsections (b) and (c) shall not apply to—

''(i) stock or securities a foreign personal holding company,

''(ii) stock of a DISC or former DISC,

''(iii) stock of a foreign investment company, or

''(iv) stock of a passive foreign investment company unless such company is a qualified electing fund (as defined in section 1295) with respect to the decedent.

''(2) FAIR MARKET VALUE LIMITATION.—The adjustments under subsection (b) and (c) shall not increase the basis of any interest in property acquired from the decedent above its fair market value in the hands of the decedent as of the date of the decedent's death.

''(3) ALLOCATION RULES.—

''(A) IN GENERAL.—The executor shall allocate the adjustments under subsections (b) and (c) on the return required by section 6018.

''(B) CHANGES IN ALLOCATION.—Any allocation made pursuant to subparagraph (A) may be changed only as provided by the Secretary.

''(4) INFLATION ADJUSTMENT OF BASIS ADJUSTMENT AMOUNTS.—

''(A) IN GENERAL.—In the case of decedents dying in a calendar year after 2011, the $1,300,000, $60,000, and $3,000,000 dollar amounts in subsections (b) and (c)(2)(B) shall each be increased by an amount equal to the product of—

''(i) such dollar amount, and

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting '2010' for '1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of—

''(i) $100,000 in the case of the $1,300,000 amount,

''(ii) $5,000 in the case of the $60,000 amount, and

''(iii) $250,000 in the case of the $3,000,000 amount,

such increase shall be rounded to the next lowest multiple thereof.

''(e) PROPERTY ACQUIRED FROM THE DECEDENT.—For purposes of this section, the following property shall be considered to have been acquired from the decedent:

''(1) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent.

''(2) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death—

''(A) to revoke the trust, or

''(B) to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust.

''(3) Any other property passing from the decedent by reason of death to the extent that such property passed without consideration.

''(f) COORDINATION WITH SECTION 691.—This section shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 691.

''(g) CERTAIN LIABILITIES DISREGARDED.—In determining whether gain is recognized on the acquisition of property—

''(1) from a decedent by a decedent's estate or any beneficiary, and

''(2) from the decedent's estate by any beneficiary,

and in determining the adjusted basis of such property, liabilities in excess of basis shall be disregarded.

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) INFORMATION RETURNS, ETC.—

(1) IN GENERAL.—Subpart C of part II of subchapter A of chapter 61 is amended to read as follows:

''Subpart C—Returns Relating to Transfers During Life or at Death

''Sec. 6018. Returns relating to large transfers at death.

''Sec. 6019. Returns relating to large lifetime gifts.

''SEC. 6018. RETURNS RELATING TO LARGE TRANSFERS AT DEATH.

''(a) IN GENERAL.—If this section applies to property acquired from a decedent, the executor of the estate of such decedent shall make a return containing the information specified in subsection (c) with respect to such property.

''(b) PROPERTY TO WHICH SECTION APPLIES.—

''(1) LARGE TRANSFERS.—This section shall apply to all property (other than cash) acquired from a decedent if the fair market value of such property acquired from the decedent exceeds the dollar amount applicable under section 1022(b)(2)(B) (without regard to section 1022(b)(2)(C)).

''(2) TRANSFERS OF CERTAIN GIFTS RECEIVED BY DECEDENT WITHIN 3 YEARS OF DEATH.—This section shall apply to any appreciated property acquired from the decedent if—

''(A) subsections (b) and (c) of section 1022 do not apply to such property by reason of section 1022(d)(1)(C), and

''(B) such property was required to be included on a return required to be filed under section 6019.

''(3) NONRESIDENTS NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent who is a nonresident not a citizen of the United States, paragraphs (1) and (2) shall be applied—

''(A) by taking into account only—

''(i) tangible property situated in the United States, and

''(ii) other property acquired from the decedent by a United States person, and

''(B) by substituting the dollar amount applicable under section 1022(b)(3) for the dollar amount referred to in paragraph (1).

''(4) RETURNS BY TRUSTEES OR BENEFICIARIES.—If the executor is unable to make a complete return as to any property acquired from or passing from the decedent, the executor shall include in the return a description of such property and the name of every person holding a legal or beneficial interest therein. Upon notice from the Secretary such person shall in like manner make a return as to such property.

''(c) INFORMATION REQUIRED TO BE FURNISHED.—The information specified in this subsection with respect to any property acquired from the decedent is—

''(1) the name and TIN of the recipient of such property,

''(2) an accurate description of such property,

''(3) the adjusted basis of such property in the hands of the decedent and its fair market value at the time of death,

''(4) the decedent's holding period for such property,

''(5) sufficient information to determine whether any gain on the sale of the property would be treated as ordinary income,

''(6) the amount of basis increase allocated to the property under subsection (b) or (c) of section 1022, and

''(7) such other information as the Secretary may by regulations prescribe.

''(d) PROPERTY ACQUIRED FROM DECEDENT.—For purposes of this section, section 1022 shall apply for purposes of determining the property acquired from a decedent.

''(e) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return (other than the person required to make such return) a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in subsection (c) with respect to property acquired from, or passing from, the decedent to the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished not later than 30 days after the date that the return required by subsection (a) is filed.

''SEC. 6019. RETURNS RELATING TO LARGE LIFETIME GIFTS.

''(a) IN GENERAL.—If the value of the aggregate gifts of property made by an individual to any United States person during a calendar year exceeds $25,000, such individual shall make a return for such year setting forth—

''(1) the name and TIN of the donee,

''(2) an accurate description of such property,

''(3) the adjusted basis of such property in the hands of the donor at the time of the gift,

''(4) the donor's holding period for such property,

''(5) sufficient information to determine whether any gain on the sale of the property would be treated as ordinary income, and

''(6) such other information as the Secretary may by regulations prescribe.

''(b) EXCEPTIONS.—Subsection (a) shall not apply to—

''(1) CASH.—Any gift of cash.

''(2) GIFTS TO CHARITY.—Any gift to an organization described in section 501(c) and exempt from tax under section 501(a) but only if no interest in the property is held for the benefit of any person other than such an organization.

''(3) WAIVER OF CERTAIN PENSION RIGHTS individual waives, before the death of a participant, any survivor benefit, or right to such benefit, under section 401(a)(11) or 417, subsection (a) shall not apply to such waiver.

''(4) REPORTING ELSEWHERE.—Any gift required to be reported to the Secretary under any other provision of this title.

''(c) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in subsection (a) with respect to property received by the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.''

(2) TIME FOR FILING SECTION 6018 RETURNS.—

(A) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—Subsection (a) of section 6075 is amended to read as follows:

''(a) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—The return required by section 6018 with respect to a decedent shall be filed with the return of the tax imposed by chapter 1 for the decedent's last taxable year or such later date specified in regulations prescribed by the Secretary.''

(B) RETURNS RELATING TO LARGE LIFETIME GIFTS.—

(i) The heading for section 6075(b) is amended to read as follows:

''(b) RETURNS RELATING TO LARGE LIFETIME GIFTS.—''.

(ii) Paragraph (1) of section 6075(b) is amended by striking ''(relating to gift taxes)'' and inserting ''(relating to returns relating to large lifetime gifts)''.

(iii) Paragraph (3) of section 6075(b) is amended—

(I) by striking ''ESTATE TAX RETURN'' and inserting ''SECTION 6018 RETURN'', and

(II) by striking ''(relating to estate tax returns)'' and inserting ''(relating to returns relating to large transfers at death)''.

(3) PENALTIES.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end the following new section:

''SEC. 6716. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN TRANSFERS AT DEATH AND GIFTS.

''(a) INFORMATION REQUIRED TO BE FURNISHED TO THE SECRETARY.—Any person required to furnish any information under section 6018 or 6019 who fails to furnish such information on the date prescribed therefor (determined with regard to any extension of time for filing) shall pay a penalty of $10,000 ($500 in the case of information required to be furnished under section 6018(b)(2) or 6019) for each such failure.

''(b) INFORMATION REQUIRED TO BE FURNISHED TO BENEFICIARIES.—Any person required to furnish in writing to each person described in section 6018(e) or 6019(c) the information required under such section who fails to furnish such information shall pay a penalty of $50 for each such failure.

''(c) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subsection (a) or (b) with respect to any failure if it is shown that such failure is due to reasonable cause.

''(d) INTENTIONAL DISREGARD.—If any failure under subsection (a) or (b) is due to intentional disregard of the requirements under sections 6018 and 6019, the penalty under such subsection shall be 5 percent of the fair market value (as of the date of death or, in the case of section 6019, the date of the gift) of the property with respect to which the information is required.

''(e) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by this section.''

(4) CLERICAL AMENDMENTS.—

(A) The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

''Sec. 6716. Failure to file information with respect to certain transfers at death and gifts.''

(B) The item relating to subpart C in the table of subparts for part II of subchapter A of chapter 61 is amended to read as follows:

''Subpart C. Returns relating to transfers during life or at death.''

(c) EXCLUSION OF GAIN ON SALE OF PRINCIPAL RESIDENCE MADE AVAILABLE TO HEIR OF DECEDENT IN CERTAIN CASES.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) PROPERTY ACQUIRED FROM A DECEDENT.—The exclusion under this section shall apply to property sold by—

''(A) the estate of a decedent, and

''(B) any individual who acquired such property from the decedent (within the meaning of section 1022),

determined by taking into account the ownership and use by the decedent.''

(d) TRANSFERS OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.—

(1) IN GENERAL.—Section 1040 (relating to transfer of certain farm, etc., real property) is amended to read as follows:

''SEC. 1040. USE OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.

''(a) IN GENERAL.—If the executor of the estate of any decedent satisfies the right of any person to receive a pecuniary bequest with appreciated property, then gain on such exchange shall be recognized to the estate only to the extent that, on the date of such exchange, the fair market value of such property exceeds such value on the date of death.

''(b) SIMILAR RULE FOR CERTAIN TRUSTS.—To the extent provided in regulations prescribed by the Secretary, a rule similar to the rule provided in subsection (a) shall apply where—

''(1) by reason of the death of the decedent, a person has a right to receive from a trust a specific dollar amount which is the equivalent of a pecuniary bequest, and

''(2) the trustee of a trust satisfies such right with property.

''(c) BASIS OF PROPERTY ACQUIRED IN EXCHANGE DESCRIBED IN SUBSECTION (a) OR (b).—The basis of property acquired in an exchange with respect to which gain realized is not recognized by reason of subsection (a) or (b) shall be the basis of such property immediately before the exchange increased by the amount of the gain recognized to the estate or trust on the exchange.''

(2) The item relating to section 1040 in the table of sections for part III of subchapter O of chapter 1 is amended to read as follows:

''Sec. 1040. Use of appreciated carryover basis property to satisfy pecuniary bequest.''

(e) ANTI-ABUSE RULES.—Section 7701 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

''(n) PURPORTED GIFTS MAY BE DISREGARDED.—For purposes of subtitle A, the Secretary may treat a transfer which purports to be a gift as having never been transferred if, in connection with such transfer—

''(1)(A) the transferor (or any person related to or designated by the transferor or such person) has received anything of value in connection with such transfer from the transferee directly or indirectly, or

''(B) there is an understanding or expectation that the transferor (or such person) will receive anything of value in connection with such transfer from the transferee directly or indirectly, and

''(2) the Secretary determines that such treatment is appropriate to prevent avoidance of tax imposed by subtitle A.''

(f) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.—

(1) RECOGNITION OF GAIN ON TRANSFERS TO NONRESIDENTS.—

(A) Subsection (a) of section 684 is amended by inserting ''or to a nonresident not a citizen of the United States'' after ''or trust''.

''(B) Subsection (b) of section 684 is amended by striking ''any person'' and inserting ''any United States person''.

*(C) The section heading for section 684 is amended by inserting ''**AND NONRESIDENT ALIENS**'' after ''**ESTATES**''.*

(D) The item relating to section 684 in the table of sections for subpart F of part I of subchapter J of chapter 1 is amended by inserting ''and nonresident aliens'' after ''estates''.

(2) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—

(A) IN GENERAL.—Subparagraph (C) of section 1221(a)(3) (defining capital asset) is amended by inserting ''(other than by reason of section 1022)'' after ''is determined''.

(B) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: ''For purposes of this paragraph, the determination of whether property is a capital asset shall be made without regard to the exception contained in section 1221(a)(3)(C) for basis determined under section 1022.''.

(3) DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

''(47) EXECUTOR.—The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.''.

(4) CERTAIN TRUSTS.—Subparagraph (A) of section 4947(a)(2) is amended by inserting ''642(c),'' after ''170(f)(2)(B),''.

(5) OTHER AMENDMENTS.—

(A) Section 1246 is amended by striking subsection (e).

(B) Subsection (e) of section 1291 is amended—

(i) by striking ''(e),'', and

(ii) by striking ''; except that'' and all that follows and inserting a period.

(C) Section 1296 is amended by striking subsection (i).

(6) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

''Sec. 1022. Treatment of property acquired from a decedent dying after December 31, 2010.''.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to estates of decedents dying after December 31, 2010.

(2) PURPORTED GIFTS, ETC.—The amendments made by subsections (e) and (f)(1) shall apply to transfers after December 31, 2010.

(3) SECTION 4947.—The amendment made by subsection (f)(4) shall apply to deductions for taxable years beginning after December 31, 2010.

(h) STUDY.—The Secretary of the Treasury or the Secretary's delegate shall conduct a study of—

(1) opportunities for avoidance of the income tax, if any, and

(2) potential increases in income tax revenues, by reason of the enactment of this Act. The study shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than December 31, 2002.

TITLE V—CONSERVATION EASEMENTS

SEC. 501. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a conservation easement) is amended—

(1) by striking ''25 miles'' each place it appears and inserting ''50 miles''; and

(2) striking ''10 miles'' and inserting ''25 miles''.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

TITLE VI—MODIFICATIONS OF GENERATION-SKIPPING TRANSFER TAX

SEC. 601. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a prior direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 2000, and to estate tax inclusion periods ending after December 31, 2000.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after December 31, 2000.

SEC. 602. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after December 31, 2000.

SEC. 603. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value

at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000.

SEC. 604. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FROM LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FROM LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, December 31, 2000.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000. No implication is intended with respect to the availability of relief from late elections or the application of a rule of substantial compliance on or before such date.

TITLE VII—EXTENSION OF TIME FOR PAYMENT OF ESTATE TAX

SEC. 701. INCREASE IN NUMBER OF ALLOWABLE PARTNERS AND SHAREHOLDERS IN CLOSELY HELD BUSINESSES.

(a) IN GENERAL.—Paragraphs (1)(B)(ii), (1)(C)(ii), and (9)(B)(iii)(I) of section 6166(b) (relating to definitions and special rules) are each amended by striking ''15'' and inserting ''45''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2001.

The SPEAKER pro tempore. After 1 hour of debate on the bill, as amended, it shall be in order to consider a further amendment printed in House Report 107–39, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered read, and shall be debatable for 60 minutes, equally divided and controlled by the proponent and an opponent.

The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes of debate on the bill.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

(Mr. THOMAS asked and was given permission to revise and extend his remarks.)

Mr. THOMAS. Mr. Speaker, as my colleagues and I get into this discussion of H.R. 8 and the Democratic substitute, we ought not to lose sight of the fundamentals in this debate. H.R. 8 repeals the estate or death tax; and the Democratic substitute does not.

I was interested in the minority leader's discussion under the rule in which he quoted David Stockman, a former Member, Chief of the Office of Management and Budget under President Reagan, in his book Triumph of Politics. I found it interesting because I was in the minority at the time, and the minority leader was in the majority. I was mentioned in Mr. Stockman's book, and so I am very familiar with the context and the times in which that took place. The one point that I think needs to be referenced was the fact that it was a Democratically-controlled House and a Republican Presidency. Mr. Speaker, that is entirely different than the situation that we find here today with a Republican House and a Republican President.

Mr. Speaker, then-Speaker Tip O'Neill ordered his lieutenants, chairman of the Committee on Ways and Means Danny Rostenkowski and others, to win at any cost was the approach to legislating. It was to make sure that you are not second in spending or in tax cuts.

Mr. Speaker, when you have that kind of a climate of win at any cost, it is no wonder that we had an enormous increase in spending and significant tax cuts at the same time. That was the problem from the early 1980s. And the reason I say that historical reference is absolutely useless today is because we have a Republican House and a Republican President.

Contrast the win-at-any-cost strategy of then-Speaker O'Neill to the current strategy under the gentleman from Illinois (Speaker HASTERT), and that is orderly movement of the President's program through the Committee on Ways and Means, that I am privileged to chair, onto the floor and off the floor, at the same time that we just passed the budget, which was prudent in the way in which it allowed discretionary spending to increase at about 4 percent a year.

Mr. Speaker, we are now at the stage of presenting to you a piece of legislation which passed the House with significant bipartisan support last year. The argument will continue to be we cannot do it, it is too much, the future is not clear, do not do it.

Not once did the majority use that argument when they were in the majority, enormously increasing spending and increasing tax cuts, when, in fact, we were in a deficit structure. Now that we are in a surplus, those words ring rather hollow, unless, of course, your argument is defeat at any cost, which apparently appears to be the approach the Democrats are taking today.

What we saw last week on the floor with the marriage penalty reduction and child credit is that it just does not work because, I am pleased to say, most of the Members look at the content of the legislation and make up their minds.

Mr. Speaker, that is the way that decisions ought to be made in the House of Representatives, and I hope that is going to be the case on this piece of legislation. If Members look at the fact that H.R. 8 repeals the estate or death tax, and the Democrat substitute does not, at the end of the day what you will see is a bipartisan vote, a majority bipartisan vote, in favor of H.R. 8.

Mr. Speaker, I ask unanimous consent that the gentlewoman from Washington (Ms. DUNN) control the balance of my time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, if I understand the gentleman from California (Mr. THOMAS), the chairman of the Committee on Ways and Means' explanation of the bill, it is somehow that he was forced to sit in the back of the plane during the time that Speaker O'Neill was here and Dan Rostenkowski was chairman, and now he is going to get even.

As relates to the legislation before us, my colleague says just read it, because he certainly did not attempt to explain it. The gentleman did say, however, that this is basically the same bill that passed the House in the last session. That is very, very, very strange, because the Joint Committee on Taxation said if the same bill was to go into effect this year, it would cost us in revenue $662 billion. Now, I looked at the President's $1.6 trillion tax cut, and already they have spent $958 billion for rate reductions, another $400 billion for marriage penalty and child credit, so I wondered how they were going to fit $662 billion tax cut and estate repeal into the last wedge

that only left $200 billion; and they did it. By God, they did it.

Mr. Speaker, the only thing is that they are saying that their legislation does not take effect for another 10 years. When you are 70 years old like I am, those other 10 years, that is a long way away; but I think it is the Republican health plan. Do not die in the next 10 years if you want to protect your kids and your estate.

Mr. Speaker, why do you not do this; why do you not support the Democratic plan today? We bring about instant relief, at least for most of the people who have estates less than $5 million. And then maybe in 10 years you can come back again and see who is it that you left behind. In other words, we cannot have legislation for estates that leave no billionaire behind; we cover everybody, darn near, except about 6,300 people. So why do you not do the right thing by farmers and business people?

If they read the legislation like the gentleman from California (Mr. THOMAS) suggested, you will see that we are on the right side. Read the editorials and tax analysis. They know this is the right thing to do. Do not hold hostage all of the smaller estates only because you want to get everybody instant relief 10 years from now. Give them relief today and vote for the Democratic substitute.

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Mr. Speaker, I hope we do have a bipartisan solution to this real problem that we face. I hope that this is not a continuation of what the Republicans call class warfare. I hope we are able to say that we are going to be responsible with a tax cut that fits into at least some type of a budgetary restraint. I reserve the balance of my time to just sit back and listen as to how they are going to get this size 12 foot into a size 6 shoe.

Mr. Speaker, I reserve the balance of my time.

Ms. DUNN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, only in America are we confronted with a certificate at birth, a license at marriage, and a bill at death. I rise today in support of H.R. 8, the Death Tax Elimination Act. Americans spend most of their adult lives paying taxes in various forms. We have an opportunity today to do something good for American businesses and families by ending the practice of paying a tax that is triggered only by death.

Why do we talk about repeal instead of about the exemption level that the gentleman from New York (Mr. RANGEL) has suggested? The reason is that if you do not repeal this tax, it will grow back. This tax began in 1916. A Democrat President, Woodrow Wilson, started this tax. It was the fourth time in history this tax existed. Before, always for fewer than 8 years to fund a war and then it was phased out. This time, the government got its hand in the people's pocket and it never took it out. I will tell you one other thing, Mr. Speaker. From 1916 to now if you calculated today's dollars and the exemption level in 1916, you would come out at $9 million in 1916. So our substitute is very, very unfair to people who are trying to do the right thing by providing for their retirement.

Critics of repeal often ask, why not just increase the exemption? The Democratic bill raises the exemption to $2 million. This is an arbitrary number. It rewards winners and losers arbitrarily. It is especially harmful to businesses that are capital rich and cash poor. Trucking companies, grocery stores, hardware stores, family-held newspapers and family farms would all easily exceed the $2 million exemption. In fact, a recent study of black-owned businesses found that 60 percent of black-owned firms are valued at over $2 million. The opposition claims that only 2 percent of Americans who die pay this tax. It does not begin to take into consideration the cost of compliance during the lives of those people, the cost of paying for life insurance policies and estate plans, or it does not take into consideration how many of those businesses sell off before the owner dies because they cannot afford to pay the death tax.

What about providing a special exemption for small businesses and farms? Our experience with the current exemption proves this to be a very poor choice. It is too complicated. It is too onerous. In fact, we tried with the best of intentions in 1997 to provide such an exemption. It was so complicated to be able to reflect family relationships in legislative language that only 3 to 5 percent of family businesses were able to qualify for this exemption.

Not only is this a repeal that we can afford, it is a repeal that will boost economic growth. A recent study by economist Allen Sinai shows that if the death tax were repealed, GDP could increase by $150 billion over 10 years and lead to 165,000 new jobs.

And it makes sense. The dollars that are being used to pay estate taxes and pay for compliance could be used to hire more people or provide health benefits. The assumption is confirmed by a recent survey of women business owners where 60 percent of the respondents indicated that the death tax will hurt expansion plans. Minority business owners recognize the death tax as a bad tax. It is a threat to their legacy. They say, and this is why it is endorsed by the Black Chamber of Commerce, that it takes about three generations to build a family business, to allow them to have a standing and a foothold in their community. They say that the death tax is an enemy, an obstacle that will keep these fledgling businesses from being able to survive. That is why the Black Chamber of Commerce and the Hispanic Chamber of Commerce supports our bill on the floor today.

People who oppose repeal like to claim that it will only benefit the rich. We know this is untrue. This is a tax that punishes good behavior and savings. It is a tax on virtue. It is a tax on the people who work hard, pay attention to their savings, provide for themselves so they do not have to lean on the government during their retirement and in most cases have already paid taxes once, maybe two times.

We need to promote business growth and not limit it. We need to encourage savings. I ask my colleagues to support the repeal of this tax.

Mr. Speaker, I reserve the balance of my time.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. STARK), a senior member of the Committee on Ways and Means.

(Mr. STARK asked and was given permission to revise and extend his remarks.)

Mr. STARK. I thank the distinguished ranking member for yielding me this time.

Mr. Speaker, I would like to point out, to my children and to anybody who is paying attention to this debate, that the Republican leadership is doing it once again. They would rather give a substantial tax break to America's wealthiest than provide a Medicare drug benefit for all seniors. This is a package of irresponsible, excessive tax breaks. Worse than that, it is a hoax. Little happens for 10 years.

Actually, we gave the Republicans on the Committee on Ways and Means a chance to put their votes where their mouths are and vote to make this effective this year. The gentlewoman from Washington (Ms. DUNN), the gentleman from California (Mr. THOMAS), the gentleman from Florida (Mr. SHAW), the gentlewoman from Connecticut (Mrs. JOHNSON), the gentleman from Pennsylvania (Mr. ENGLISH), and all of the Republicans voted no. They had a chance to make this effective right now. Instead, they wait for 10 years and then the cost clocks in just at a time when we will have baby boomers needing Medicare and Social Security and just at a time when that money will not be available.

It is interesting, and I have got to warn those who expect that next year their estates will be exempted, because they are in for a big surprise. Forty-three thousand Americans, less than 1 percent of all the taxpayers, will benefit from this Republican hoax. Forty million elderly and disabled are not going to get a drug benefit under Medicare because of this wasteful bill. Ninety percent of the beneficiaries of the estate tax cut make over $190,000 a year and our typical Medicare beneficiary has an annual income of less than $15,000 a year. A thousand times more people would be helped under this plan if Members vote for the Democratic alternative.

Ms. DUNN. Mr. Speaker, I yield myself 15 seconds. In response to the gentleman, I think it is important that we hear people talking about this is going to decimate the future of the children. We are talking about a tax that will phase out over 10 years and will hardly

at the very end be more than 1 percent of the budget.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. CRANE), the chairman of the Subcommittee on Trade of the Committee on Ways and Means.

Mr. CRANE. I thank the gentlewoman for yielding me this time.

Mr. Speaker, I am pleased to be able to support the bill put forward today to reduce and eventually repeal the estate tax. As many people know, I believe the estate tax is a tax that is one of the most unfair, obscene and immoral of all taxes. The estate tax, or the commonly referred to death tax since it is triggered solely by death, has outlived any worthwhile purpose and the time has come for us to put an end to it. No American, no matter his or her income, should be forced to pay 55 percent of his or her savings, business, or farm in taxes when he or she dies. Clearly, no American should have the IRS follow him or her to the funeral home. The last thing that a family grieving over the loss of a loved one should have to worry about is losing the family business or farm to the Internal Revenue Service because of an archaic law intended to raise money for wars that have long since ended. But when a person dies in this country, an outrageous tax of 37 to 55 percent kicks in on the poor soul's estate.

I am pleased that the House of Representatives is taking up the issue to repeal this unfair tax so that family businesses can be passed on to children and grandchildren and family farms can continue to exist. Less than half of all the family-owned businesses survive the death of a founder and only about 5 percent survive to the third generation. Under the tax laws that we currently have, it is cheaper for someone to sell a business before dying and pay the capital gains tax than it is to pass it on to his children. This is a grave injustice that must be corrected.

It has been said that only in America can one be given a certificate at birth, a license at marriage and a bill at death. The death tax is contrary to the freedom and free market principles on which this Nation was founded. We should be encouraging businesses, especially small businesses, not creating obstacles for their existence.

The Republican Congress has a track record of being pro-family and pro-business. We take family businesses very seriously. When mom-and-pop shops are closing up because of an outdated tax policy, it requires leadership and determination to remedy the situation. I am pleased to be a part of this effort.

Mr. RANGEL. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas (Mr. EDWARDS).

(Mr. EDWARDS asked and was given permission to revise and extend his remarks.)

Mr. EDWARDS. Mr. Speaker, I rise in opposition to the Republican bill which actually raises estate taxes on many family farms and businesses with capital gains and maintains a 40 percent death tax until the year 2009.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. MATSUI), a senior member of the Committee on Ways and Means.

Mr. MATSUI. I thank the ranking Democrat, the gentleman from New York (Mr. RANGEL), for yielding me this time.

Mr. Speaker, I have to say that this bill here that is on the floor today that my Republican colleagues have offered, it really will not become effective until the year 2011, 10 years from now. The Democratic substitute which will be offered in a little while provides immediate relief, up to $2 million per person, $4 million per couple. This would give almost 99 percent of the farmers, 99 percent of the small businesses in America immediate relief. We do also provide a continuation of the stepped-up basis.

What is very interesting is that you do not hit $2 million on the Republican bill until the year 2011. In fact, you do not even get a million dollars' worth of relief until the year 2006 in the Republican bill. Why is it that it phases in? It phases in because they cannot be sure of these surpluses.

The fact of the matter is that the Congressional Budget Office has said that there will be $5.6 trillion worth of surpluses over the next 10 years. They also say in that same document that for a 5-year projection, they are only 50 percent accurate and for the 10-year projection they are basically saying it is not yet possible to assess its accuracy. We are really playing with speculation at this particular point in time. The reality is that we do not know what these surpluses will be.

At the other side of the table, if you add up every bill that the Republicans have passed since January of this year till now, it totals about $2 trillion with the loss of interest. At the same time, and this is the astonishing number, this is absolutely astonishing, the top 1 percent of the taxpayers that average $1.1 million a year will get 43 percent of these benefits. I have to say that a good part, about 50 percent, believe it or not, 50 percent of this $5.7 trillion speculative surplus is payroll taxes, payroll taxes that the average American wage earner pays.

□ 1245

So we are going to have middle-income people pay essentially for the tax cut for those people that make over $1 million a year. That is not fair. That is not equitable. Actually, that is absolutely unconscionable.

As a result of that, I hope my colleagues come to their senses and realize that what we are seeing here right now is not a whole issue of fairness. This is a whole issue of unfairness to the average American at a time when the market is failing, when unemployment will probably go up because the President is not paying attention to the economy of the United States.

Ms. DUNN. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio (Mr. TRAFICANT).

Mr. TRAFICANT. Mr. Speaker, I want to commend the gentlewoman from Washington (Ms. DUNN) for her work, and the gentleman from Tennessee (Mr. TANNER).

Mr. Speaker, once again, it is rich versus poor, the class warfare that continues to divide America. It is ridiculous, and I would like to put this in another perspective. Two men buy a $20,000 annuity program. One man becomes rich and successful. The other man just barely survives. Are there those that say because the man was successful and rich he now, even though he paid the premiums, does not need the $20,000 so he should not get it, but the man who just survived should get it?

Mr. Speaker, this sounds like socialism to me. This is socialism. This Tax Code reeks of socialism. It is my philosophy that Americans that feather their nests should not be discriminated against; they should be rewarded and incentivized in the United States of America.

This whole tax business is out of control. We are taxed from the womb to the tomb, the stork to the undertaker. The tax man is Roto-Rootering our assets daily, year after year, picking our pockets; and we here in Congress are continuing to support them and give them more money. Beam me up.

I finally figured it out. Count Dracula still lives. Dracula lives in the form of the IRS sucking our very blood year after year, making American taxpayers undead because if they are dead they are going to pay, if they are successful, a huge tax.

I want all the money people to stay in America, not to move to Switzerland; and I think it is time to abolish this tax. I think the Republicans do it in a manner of time that makes it compatible with an economic policy.

I want to commend the chairwoman and say that I support the bill.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN), a senior member of the Committee on Ways and Means.

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, the gentleman from California (Mr. THOMAS) referred to ''at any cost,'' and the truth of the matter is the Republicans here in the House have determined to pass tax legislation at any cost, even if it costs fiscal discipline; even if it costs the future of Medicare and potentially Social Security; and even if it costs the chance for meaningful prescription drug programs.

In a word, the House Republicans are on automatic pilot, and no warning signal apparently will deter them. The fact that the repeal does not fit into a 10-year projection, so what do they do? They just push a good portion of it out to the year eleven. And we are talking

then about a proposal that could cost over $600 billion?

It does not matter apparently that the Democrats proposed an alternative that provides more relief sooner and relieves essentially the estate tax for all farm families and individual businesses. The talk of bipartisanship really has such a hollow ring under those circumstances. For those of us on the Committee on Ways and Means, when it comes to tax legislation, the amount of bipartisanship, zilch.

The only redeeming factor here is that the Senate will not follow suit. This bill does not fit. We should do better. The Senate hopefully will slow down this plane before it crashes, and we will have another look at it.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. CARDIN), a member of the Committee on Ways and Means.

Mr. CARDIN. Mr. Speaker, let me thank the gentleman from New York (Mr. RANGEL) for yielding me this time.

Mr. Speaker, we are being asked today to approve a tax cut so blatantly irresponsible that the authors have had, in effect, to white out the costs. Those are not my words. That is the words of the Washington Post in their lead editorial today, and I agree with the editors of the Washington Post.

As the gentleman from New York (Mr. RANGEL) pointed out, if this bill was fully implemented immediately, the cost would be much, much higher than the $200 billion that has been put on this bill by the Joint Committee on Taxation. In fact, when it is fully phased in, it is about $70 billion of loss of revenue under the estate tax revenues, plus additional losses under the income tax; for when the estate tax is repealed, it is very difficult to figure out the base of property that is later sold, and there is transfer of property during life under the gift tax exclusions that would also lose revenue.

We have a choice, Mr. Speaker. We can have the Republican bill that tells our constituents in 2011 that we will not have an estate tax, or we can support the Democratic substitute which tells our constituents immediately that they can have a $4 million exclusion per family. That will take care of 99.4 percent of all of the estates that will be exempt from Federal estate tax. Then we can take care of almost all of the problems of family farmers or family-owned businesses. We can do that by supporting the Democratic substitute.

It is interesting, Mr. Speaker. I have had a large number of my constituents lobbying me on this issue. They came to my office to ask my support for the Republican bill. I showed them the Republican bill, and I told them they have a choice. They can believe that in the next five elections of Congress we will allow a repeal bill to take effect through three more administrations, or we can give them an immediate $4 million exemption. What would they prefer, $4 million today or take a bet on what is going to happen 10 years from now when the repeal would go into effect?

By the way, during the next 10 years, if they fall into the estate tax, they still need their life insurance; they still need their estate planning.

I must say the people who have come to my office to support the repeal tell me, give me the $4 million; I will take that. I will take the Democratic substitute because it is fairer; it is immediate and we know that we can count on that relief as we plan how to deal with our family business or we plan how to deal with our personal estates.

Let us reform the estate tax. We can do that in a bipartisan way. We can do that in a fiscally responsible way. By the way, we can also pay down the national debt. We can protect Social Security and Medicare. We can deal with high-priority programs, such as education, because it fits within the revenues that are available.

We do not try to do more than we promise. I urge my colleagues to support the Democratic substitute, reject the Republican bill.

Ms. DUNN. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. COX).

Mr. COX. Mr. Speaker, today we will repeal the death tax. We will send it to the President for the third time, but this time to a President who will sign it.

We hear arguments about why punitive confiscatory taxes on the after-tax life savings of hard-working Americans are somehow justifiable or somehow wise. The death tax is perhaps the most complicated part of the Internal Revenue Code, 88 pages. If one has ever seen a death tax return or, worse yet, if their family has had to fill one out, they know how extraordinarily complex and complicated it is. It is unfair and it is inefficient.

Even if one accepts the revenue analyses of the minority, which posit that there are no compliance costs and no collateral effects associated with this very damaging tax, it raises but 1 percent of our total revenues. In fact, according to the Joint Economic Committee, the costs that the death tax imposes on the economy more than offset its collections, so that this tax is actually costing not only our economy and workers money but the United States Treasury, and income taxes, income tax collections, are depressed as a result of maintaining the death tax on the books.

The death tax falls heaviest on people who have no money, because even though it is included in the income tax, one does not have to have any income in order to own it. All they have to have is property. It is really a property-tax levy and these property-tax levies are placed on the shoulders of people who have accumulated assets over their entire lives. When they sell the property, usually a small business, to pay the tax man, the workers who used to have jobs at that small business, at that ranch or that farm, are laid off. The death tax imposed on an unemployed worker is 100 percent.

The Democrat substitute would maintain a 55 percent highly-confiscatory rate punishing small businesses, ranches, and farms. The bill on the floor will repeal the death tax. It is time for the death tax to die.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would just like to say one can search the Internal Revenue Code all they want and they will find no provision labeled the ''death tax.''

Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. KLECZKA), my friend on the Committee on Ways and Means.

Mr. KLECZKA. Mr. Speaker, the previous speaker indicated today we are going to repeal the estate tax. Did everyone hear that? Today we are going to repeal the estate tax. That is not accurate.

In fact, the bill before us, Mr. Speaker, is a fraud. It is a fraud on the American public. First of all, we are told, or it is indicated, that it is going to be paid. Only the wealthiest 2 percent in the country ever pay an estate tax.

Republicans say this is for the family farm and for the small businesspeople. That is not accurate, either. This bill is for the billionaires. Just last week, Wednesday, the Republicans had a little dinner in town knowing this bill would come up; and at that dinner, Mr. Speaker, they raised $7 million. Who does one think was there? The people who are going to benefit from this so-called bill that repeals the estate tax.

Let us look and see what the bill does. Here is the current estate tax. The bill before us takes the rate down to this point, costing $200 billion, and then five Congresses from now and three Republican, or three Presidents, and God forbid Republican Presidents, the rate falls from here to zero. This costs $200 billion for 10 years. This in 1 year costs $90 to $100 billion.

Does one think the sitting Congress at that point will be able to take that shock to the Treasury? Clearly not. So what will the Congress do? That Congress will then further extend it; and we are going to see at that point, over the next 10 years, the rate go down some more and then finally in the year 2031 the death tax or the estate tax will maybe be repealed.

So my advice to the Bill Gateses of the world and those who think this relief is on the way, do not die until the year 2031.

What does our bill do? Our bill raises the exemption immediately to $4 million. How many folks in the gallery are worth more than $4 million? I do not see any hands go up.

That is the relief that small business and farmers need today. That relief costs about $40 billion, not $200 billion.

□ 1300

So this bill is not for the Ma and Pa business people or the farmers; it is for

those who were there at that dinner last Wednesday when my Republican colleagues raised $7 million in one 2- to 3-hour period. That is what this debate is all about, make no mistake about it.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LINDER). Members are reminded that during debate, persons in the gallery are not to be referred to or engaged.

Ms. DUNN. Mr. Speaker, I yield 3 minutes to the gentleman from Florida (Mr. SHAW), the chairman of the Subcommittee on Social Security.

Mr. SHAW. Mr. Speaker, I thank the gentlewoman for yielding me this time. I want to congratulate her on the wonderful job and effort that she has been doing year after year in order to bring about the realization of the elimination of the death tax.

My colleagues on the other side of the aisle will argue that all we need is targeted reform to fix any hardships caused by the current death tax. History shows, however, that they are wrong. They are dead wrong.

Originally enacted in 1916, the death tax was used as a sporadic and temporary way to finance the First World War. The original death tax provided an exemption of $50,000. That is about $11 million in terms of today's dollars. The top rate was 10 percent, and it was applied to estates over $5 million, which in today's terms would be $1 billion, or in excess of $1 billion.

From the 1920s through the 1950s, death tax became a weapon in the liberal arsenal to redistribute wealth. Estates were taxed at rates up to 77 percent. Congress then tried to address the hardship imposed by the death tax on farmers and small businesses, as we are today.

In 1976 and in 1981, the exemptions were increased and the rates were reduced to remove smaller estates from the tax rolls. But after that, the search for revenue to close budget deficits led to a decade of bills that largely increased the estate taxes.

The truth of the matter is that the existence of any death tax infrastructure would make it easier for future Congresses to expand the impact of the death tax system should, for example, revenue pressures demand such a course of action.

However, Mr. Speaker, we no longer have a deficit. Compliance and tax planning costs the taxpayers more than the revenue that the estate tax raises. Let me repeat that. Compliance and tax planning costs taxpayers more than the revenue that the estate tax raises. That is simply wrong.

Because the death tax falls on assets, it reduces incentives to save and invest, and, therefore, it hampers growth. Is that fairness? An individual works, pays taxes on his or her earnings, invests their earnings and again pays taxes on the income from the investments. Double taxation. When a person dies, the assets are then taxed again. I say to my colleagues, that is triple taxation.

With a maximum income rate of 39.6 percent and a maximum death tax rate of 55 percent, the combined rate can be readily seen as 73 percent. I ask again, is that fairness? But the most important reason to repeal the death tax is simply that Americans should not be taxed when they die. Imposing a tax on some Americans but not on others merely because of their death is wrong, and it is time now to put this tax to death.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume to note that it is so unfair to talk about repealing the estate tax when we do not even intend to do it for 10 years. It is really misleading.

Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. NEAL), a member of the Committee on Ways and Means.

(Mr. NEAL asked and was given permission to revise and extend his remarks.)

Mr. NEAL. Mr. Speaker, I thank the gentleman for yielding me this time.

The gentleman from Ohio (Mr. TRAFICANT) indicated earlier that this was a debate about the rich versus the poor. That is simply not true. The debate today is about doing something for the living as opposed to doing something for the dead.

We could well afford in this institution today to provide a prescription drug benefit that was fixed for Medicare recipients. Instead, we are coming to this floor today to assist those who really do not need it.

Let me, if I can, quote again the editorial from the Washington Post that appeared this morning. ''The House will be asked today to approve a tax cut so blatantly irresponsible that the authors have, in effect, had to white out the cost.'' In other words, the phase-in of the estate tax repeal is so slow that the $660 billion cost of immediate repeal has been reduced to $185 billion. That was the point of an amendment offered last week in the Committee on Ways and Means.

But there is even a more fundamental point here. It is that the committee majority could not figure out how to handle the true cost of repeal, given their other priorities, so they manipulated the budget rules to make it fit the 10-year window. Under the rules here, it is perfectly legitimate, but it is very questionable in terms of governance. There are tax proposals that should be phased in over a few years for policy reasons; others are phased in over a few years to save costs. But moving the bulk of the revenue loss out into the 11th year because we cannot figure out how to pay for this repeal is, as they say, a horse of a different color.

This is what it means. We cannot deal with it now. We cannot deal with it now because nobody knows what the real revenue estimate is. We do not know how to repeal the estate tax and make it affordable, but we intend to hold out and hold on to the notion that the estate tax will be repealed because we have a political commitment out there that we intend to honor, at least for the moment.

Mr. Speaker, I think that we missed a grand opportunity today. What a missed moment when we could have offered a solid compromise that would have taken care of 1 percent of the 2 percent who pay the estate tax in America. The Democratic substitute is preferable today. Vote for our alternative.

Ms. DUNN. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. SAM JOHNSON).

Mr. SAM JOHNSON of Texas. Mr. Speaker, I thank the gentlewoman for yielding me this time.

Mr. Speaker, we are hearing a lot of rhetoric in here today, but the key is our bill is to repeal, and the Democrat substitute is not. There are 65 Democrats and 213 Republicans who supported the death tax repeal last June. I wonder if those people will stand up today. Last year 65 Democrats crossed party lines, ending one of the most unfair taxes today, the death tax, and those 65 Democrats, I wonder if they will vote to end this onerous tax now that they know the President will sign the bill?

For those who do not know, the death tax confiscates up to 55 percent of a family farm or business when a loved one passes away. It is just plain wrong for Uncle Sam to start taking up a collection while families are still grieving at the funeral home.

Furthermore, according to the National Federation of Independent Business, one-third of small business owners today will have to sell outright or liquidate part of their business just to pay death taxes, and half of those that liquidate to pay the IRS will have to eliminate 30 or more jobs. In today's chilling economy, that statistic is horrifying. Couple that with the fact that 60 percent of small business owners report that they would create new jobs in this year if the death taxes were eliminated.

J.C. Penney, which is headquartered in my district, has laid off more than 5,000 employees. If this death tax repeal goes through, those folks without jobs could go to work for small businesses who want to hire more people.

Mr. Speaker, this Congress has got to stop the IRS from taxing families to death, and we need to do it now. The death tax is just plain wrong. Let us vote for death tax repeal.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume just to note that the gentleman did not mean we need to do it now; the gentleman from Texas means he means to do it 10 years from now.

Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mr. TANNER), a member of the Committee on Ways and Means.

(Mr. TANNER asked and was given permission to revise and extend his remarks.)

Mr. TANNER. Mr. Speaker, I would like to thank the gentlewoman from Washington (Ms. DUNN), whom I have worked with on this issue, as well as the gentleman from New York (Mr. RANGEL) for his, I think, outstanding work in fashioning a substitute.

Look, I came to this issue from the standpoint of agriculture and small business. The Democratic substitute is very attractive from the standpoint of immediate, substantial relief to those sorts of individuals, small businesses and family farms. The Democratic substitute, in my judgment, is weak in terms of addressing what I consider to be rates that are exorbitant, 55 percent. I do not believe in taking over half of anything by the government from the people. So we have that situation, but we have immediate and substantial relief.

We have in the Republican bill almost no immediacy, but we have an addressing of the exorbitant rate I spoke about.

I may be like many Members here in that I want something to happen this year. Nothing happened last year. I want it to happen not just in legislation, but to people, real people who have small businesses and family farms. That is the shortcoming of the underlying bill that I am a sponsor of.

So I do not believe that the two ideas are necessarily mutually exclusive. I think this is a work in progress, and I think we can fashion something if we could somehow figure out how to work together here to do something both on an immediate relief from the current code of $675,000 credit, and also something on the rate. We have not been able to put those two together. I was not consulted on the chairman's mark in the committee, but nonetheless, I think we have an opportunity somewhere down the line, a window of opportunity, to actually make something good happen in this area of tax law.

Ms. DUNN. Mr. Speaker, I yield 2½ minutes to the gentleman from Georgia (Mr. BISHOP).

Mr. BISHOP. Mr. Speaker, I thank the gentlewoman for yielding me this time.

Let me also commend the gentleman from California (Mr. THOMAS), the Chairman of the Committee on Ways and Means, and the gentleman from New York (Mr. RANGEL), the ranking member, along with the gentlewoman from Washington (Ms. DUNN) and the gentleman from Tennessee (Mr. TANNER) for an extraordinary job in working this issue.

When America's families lose a loved one, their grief is often compounded by the loss of a farm or business, or other assets that have been held and nurtured for many generations and were expected to be passed along to future generations. For many families, this is what the unfair, confiscatory death tax does; it robs them of investments of a lifetime and their hopes and their dreams for the future.

Studies show that one in every three family businesses and farms lack the liquid capital to pay the death taxes, which can amount to 55 percent of the estate's value. It will either have to be sold or liquidated, even more loss in an area like mine where family farms and small businesses are such a big part of the economic base. It is not only the families that suffer, but it is the employees of those businesses that suffer.

I can cite many examples from my area of southwest Georgia, and in Georgia, the mom-and-pop service station that a couple struggled 40 years to establish and their three sons would run after they died, or the Atlanta Daily World newspaper, or the southwest Georgia newspaper, or countless funeral homes that have been passed down for one and two and three generations that could be threatened if this tax stays in effect.

All segments of society are hit by the death tax, but none harder than minorities. More than 1 million minority-owned businesses are believe to be jeopardized by the tax.

I have listened to both sides of the debate, and no one has explained what is fair about it; a tax that is levied on income that has already been taxed, that penalizes hard work and success, that encourages compliance costs that almost wipe out the relatively small amount of revenue it raises, and that robs families of their heritage.

Mr. Speaker, I urge my colleagues today to vote to eliminate this burden on America's families.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. DOGGETT), a member of the Committee on Ways and Means.

Mr. DOGGETT. Mr. Speaker, I thank the gentleman for yielding me this time.

I believe that the question that our Republican friends joined by one of my colleagues from Georgia just now need to answer, is if they are so much against the so-called death tax, why is it that this morning they are so modest, so timid, indeed so fearful of providing relief now to the small businesses and the family farms? The real problem with their ''repeal'' is that it does not actually repeal anything any time soon.

I heard just now my colleague refer to service stations and funeral homes. How much relief do all of these supporters of the repeal of the death tax provide for such enterprises? Well, I heard the 55 percent tax described as confiscatory, and under their repeal, what relief do all of those people get next year that have been coming around, that have been stirred up by all of these Republican lobby groups to repeal the death tax?

Well, they certainly do not get repeal. Anyone who dies next year, they are going to get an amazing amount of relief. The confiscatory 55 percent tax will be lowered all the way down to 53 percent. That is the amount of relief that these timid supporters of ''repeal'' of the death tax are offering for next year. How about carrying it on down a few years to 2006. Well, by that time, these timid supporters of the ''repeal'' of the death tax are still not repealing any tax for anybody, instead, they are only lowering it for all to 46 percent.

Mr. Speaker, they do not repeal the death tax for a single American next year.

□ 1315

Indeed, they do not repeal the death tax during the entire decade, for a single American.

All these groups, these service stations, funeral homes, family farms, family enterprises that have been so concerned, that have been stirred up by all the Republican rhetoric, they do not get any repeal of the death tax next year or during the next decade.

The only hope that family enterprises have for repeal under the Republican proposal occurs a decade from now, in 2011, at the very time that the baby boomers are placing the greatest demands on Social Security and Medicare. If at that time we have, and it seems inconceivable, but if, at that time, we have a Congress that is as fiscally irresponsible as the current one, and it remains willing to repeal the tax from the billionaires, from the super rich in this country, then, and only then, perhaps relief will trickle down to family enterprises.

Today House Republicans say that Teddy Roosevelt, a great Republican who first advocated the inheritance tax, that he was all wrong and that inherited wealth is no longer a problem, inherited economic power that concentrates more and more of the wealth in this country in the hands of a few super-rich billionaires; that that is okay, that we do not need to worry about it, that it does not threaten our democracy.

But in the meantime, the small businesses and the family farms, and all of the tearful stories that we have heard here this morning, those people are being held hostage. They will have to pay a tax for the next decade because the Republicans are fearful of repealing it for them.

Our Democratic substitute repeals that tax for the first $2 million for an individual, $4 million for a couple. It repeals it for 77 percent of the estates that pay taxes today and does so promptly, in January, not in future decades.

Ms. DUNN. Mr. Speaker, I yield myself 15 seconds.

Mr. Speaker, the gentleman fails to mention that his proposal to increase the exemption does not tell the story that on the first dollar after that exemption, taxpayers will be paying at a rate of 49 percent, as opposed to the 18 percent in the bill that we propose.

Mr. Speaker, I yield 2 minutes to the gentleman from Arizona (Mr. HAYWORTH).

Mr. HAYWORTH. Mr. Speaker, I thank my colleague, the gentlewoman from Washington, for yielding time to me.

Mr. Speaker, it is very interesting, and part of the necessity, I guess, of those who say no in every circumstance, to embellish remarks. In the interest of making a valid point here, to my friend, the gentleman from Texas, one point he assiduously ignored in his litany of alleged shortcomings was this: Under the plan of my friends, the minority, the death tax is never eliminated.

That points up a basic disagreement. Our friends on the other side, with the exception of some folks who understand the commonsense reality of trying to get rid of this tax and put it to death within the current budgetary constraints we face, a lot of my friends over there believe no how, no way should we rid ourselves of this confiscatory tax.

Simultaneously, they argue every side of the issue, and suggest that we can relieve it to a certain point, but if one makes one dollar more, that is too much success and therefore that person exists to be punished.

It is a simple question, really, one of fairness: Is it fairness to eventually put this death tax to death for every American, and say it is wrong to punish those who succeed, or is it better to drive a wedge in the American people; to play upon the politics of envy, rather than the realities of fairness?

Today we stand, in a bipartisan way, which may add to the consternation on the other side, and say, no taxation without respiration. The policy may not be achieved in a day, but as my constituents tell me in Arizona, it will be achieved, and we invite our friends to put aside this mindless class envy and to join with us; to say to every American, no family should have to visit the undertaker and the tax collector on the same day. Support the legislation.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. MCDERMOTT), a member of the committee.

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, we are here for act III of the tax follies of the year 2001. It is interesting. We have heard everyone say, and I do not need to repeat the fact, that there is no tax relief for 10 years. It is simply that they want the headline—they want the commercial with the line in it that says, ''I voted to repeal the estate tax.'' What they will not put in there is, ''I voted to repeal the estate tax in 2011.''

We are setting up commercials here today. No one seriously believes on either side of the aisle that the Senate is as crazy as to adopt this particular law. The reasons are very obvious. If we take a serious look at what laughingly is called the President's budget or the House's budget, there is no money in there to stabilize Social Security. There is no money in there to deal with what everybody admits is going to be the problem in 2010, when the baby boomers come into the Medicare system.

Everybody out there listening to this who is 55 years old now and in 10 years will be 65, and is counting on that Social Security, and is counting on Medicare for the security it gives one economically ought to be listening to this debate and wondering, where are these people going to get $660 billion in 2010 to deal with those issues?

I think the people on the other side must think the Americans are asleep or stupid or something. I do not know how one could think that the American people cannot see that in 10 years, when they count on Medicare, that they are suddenly going to be shovelling out the door $660 billion having done nothing in the intervening 10 years to prepare for what is undoubtedly going to be a catastrophe.

We all know that. Everybody approaches it. Everybody waves their arms and talks about it, but we do not do anything about.

What we are being subjected to here today is what I call a perfect example of the big lie. If people say a lie enough times, people start to believe it. People actually believe there is a death tax. I have people call me up on the phone who have not got two nickels to rub together telling me that I have to repeal this death tax, like when one dies they come and tax one right in the funeral parlor. My father died 2 years ago. Nobody came to collect any death tax, and it is not going to happen. It is a lie.

Ms. DUNN. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. HERGER), the author of the lockbox that sets aside all dollars for Social Security and Medicare.

Mr. HERGER. Mr. Speaker, I thank the gentlewoman for yielding time to me.

Mr. Speaker, Americans are taxed all their lives: when they get a job; when they are married; and yes, even when they die.

Today we are considering legislation to end the destructive death tax once and for all. The death tax is wrong and it is bad policy.

First, the death tax is double taxation. Every dollar invested in a family farm and small business or a household has already been taxed or will be taxed in the future.

Secondly, the death tax has its hardest impact on middle-income Americans, not the super wealthy, but individuals and families who have invested their life's savings into small businesses and are often asset-rich but cash-poor.

For this reason, the death tax is the leading cause of dissolution of most small businesses. One-third of small business owners today will have to sell or liquidate their small business to pay the estate tax. Half of those who do liquidate will have to eliminate 30 or more jobs. Is it any wonder that 70 percent of all businesses never make it past the first generation and 87 percent do not make it to the third?

Finally, the death tax collects only a small percentage of Federal revenues. The death tax actually comprises just 1½ percent of total Federal revenues. With as much as $2.5 trillion in non-Social Security surpluses being projected over the next 10 years, surely Washington can afford to return a penny on the dollar of the surplus to the American taxpayers who created it.

Mr. Speaker, it is time to do the right thing. It is time to end the unfair and destructive death tax.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from South Carolina (Mr. SPRATT), the ranking member of the Committee on the Budget.

(Mr. SPRATT asked and was given permission to revise and extend his remarks.)

Mr. SPRATT. Mr. Speaker, I rise in favor of total repeal of the estate tax now for 99.5 percent of all estates; all Americans who may die, 99.5 percent. This means repeal today, not 10 years from now.

That means the family businessmen, the family farmer for whom they profess so much concern, they bring them forth when they present their case, will be exonerated, sheltered from estate tax; and not only that, he or she will get stepped-up basis on all of the assets. The heirs will take the assets with an investment basis equal to the value at date of death, which means when they settle that value, there will be no capital gains. Under the Republicans' bill, all assets over $1.3 million will have a carryover basis; not a stepped-up basis, a carryover basis.

On both scores, this bill, this substitute, is manifestly, unquestionably better for the people they are professing so much concern for, small business people and family farmers. This is the way to vote: Total repeal for 99.5 percent of all decedents.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. WAXMAN), a distinguished Member.

Mr. WAXMAN. Mr. Speaker, last week I gave out the first of what will be a series of Golden Jackpot Awards to the mining industry and the EPA, the Environmental Protection Agency, and administrator Christine Todd Whitman, for the incomprehensible decision to allow more arsenic in drinking water.

We are going to be giving this award whenever we are confronted with decisions that exemplify amazing feats of lobbying that result in outrageous windfalls to special interests.

Today we have a new winner. I am awarding this week's award to President Bush and Vice President CHENEY on behalf of the entire Bush cabinet for their plan to completely repeal the estate tax. By insisting on total repeal and by passing today's Republican bill, the President and Vice President would share in as much as $50 million in benefits. Let me repeat that, they will

share in $50 million in benefits. That is just for the Bush and Cheney families.

This is not a bill that just helps the President and Vice President. Repealing the estate tax would provide as much as an average of $19 million for members of the Bush cabinet. Of course, Members of Congress are not being left behind, because under the Republican bill we will soon vote on the richest 50 Members of Congress getting $1 billion in benefits. That is $1 billion with a ''B.'' That is better than any pay raise I have seen proposed for Members of Congress.

The breathtaking self-interest and enrichment in the Bush proposal is the very essence of the Golden Jackpot Award, and this award I am going to bestow on this administration for the jackpot that many of the members of the cabinet are going to hit if this repeal of the estate tax becomes law. It seems to me that we ought to recognize the enormous windfall that this special interest provision, this special interest bill, would have.

I urge that we vote against the Republican proposal.

Ms. DUNN. Mr. Speaker, I yield 2½ minutes to the gentleman from Iowa (Mr. NUSSLE).

Mr. NUSSLE. Mr. Speaker, I thank the gentlewoman for yielding time to me, and for her leadership on this measure.

The arguments are very interesting, particularly when we hear them in context. I have tried to document the arguments that our friends on the other side have made about our budget and about our taxes. It really puts it in perspective for me, because what we have come forward with today is a tax bill that fits. It fits within our tax priorities, but it also fits within the overall priorities of our budget, which is an important thing for us to consider here today. Their bill does not fit within that budget. It does not meet those commitments.

But this is not a new argument for our friends on the other side. They have been making arguments about our budget and about our tax relief for Americans for quite a few years. Let me just highlight a few of them, because I think they are interesting.

First, they said we cannot have tax relief for Americans because we do not have a balanced budget.

□ 1330

My colleagues said we cannot do both. We did both. We balanced the budget. We provided a tax relief. Now my colleagues say, or then my colleagues said, we cannot do it unless we put Social Security in a lock box. So we put Social Security in a lock box. Then my colleagues said we cannot do it unless we put Medicare in a lock box. So we put Medicare in a lock box. We balanced the budget and put Social Security in a lock box.

Then my colleagues said we cannot do it unless we fund some very important priorities. So we funded priorities, such as education, the environment, health care, health research, a number of very important priorities, plus added defense and agriculture to them.

They said we still cannot have tax relief, because it is the wrong process. It is too fast. So we slowed things down, passed a budget; and still my colleagues said it is the wrong time, because now the tax bill is actually too big.

Okay. Then we have proven that this tax bill fits within the budget that we just passed, that the Senate is working on. Now, believe it or not, all of those arguments have been refuted, and now they come to the floor with a bill that they say is not big enough. They say our tax bill is not big enough, that it is not fast enough.

First, they said it was too slow; now it is too fast. Now it is too big; now it is too small. When are my colleagues going to understand you have run out of excuses? We are able to balance the budget, fund our priorities, provide the needed tax relief for our American families and small businesses and farms, do it in a responsible way that fits within the budget that we just voted on and passed, and do it at the same time we pay down our national debt and fund all of the priorities of our government.

I think it is important for us to remember these arguments in context. H.R. 8 is a good bill that fits within the budget, and it deserves our support.

Mr. BLAGOJEVICH. Mr. Speaker, I rise in opposition to H.R. 8, an effort to phase-out the estate and gift taxes over a 10-year period. I support eliminating the burden that the estate tax imposes on family farms and small businesses, and I have voted in the past to remove that burden. I have joined with many of my Republican colleagues to support legislation to end the estate tax. However, the bill before us today, as amended by the House Ways & Means Committee, would prevent the vast majority of family farms and businesses from seeing any significant relief for ten years.

Had the Ways & Means Committee been content with the bill as introduced, I could confidently cast my vote for a bill which would reduce rates substantially for people who truly need estate tax relief. But the Committee has chosen to present the House with a very different bill—a bill which provides immediate relief for billionaires, and makes family farms and businesses wait ten years.

The Democratic alternative shows there is a different way. By immediately raising the estate tax exclusion to $4 million, the alternative offered by my Democratic colleagues immediately repeals the estate tax for the vast majority of families faced with this burden. This effort alone would make sure that 99.4 percent of all small businesses and farms will never have to worry about the estate tax. Instead, the Ways & Means Committee has decided to delay relief for small business and farmers in order to immediately provide a tax cut for the wealthiest Americans.

As the growth of our economy slows, we here in Congress need to be absolutely sure that we are doing the job our constituents sent us to do—to make sure that the federal budget stays balanced. No one wants to return to the days when budget deficits forced interest rates through the roof, making it harder for businesses and families to balance their own budgets. I will continue to work for meaningful tax relief within the context of a balanced budget. But I cannot vote for a deeply flawed bill that will immediately benefit billionaires and make small business owners and farmers wait a decade for real relief.

The Senate still needs to add its voice to this debate, and I am hopeful that when the two Houses meet in conference, they can produce a bill that provides genuine estate tax relief. I look forward to voting for a conference report that will free family businesses from estate taxes—not a decade from now, but immediately.

Mr. SANDLIN. Mr. Speaker, today the House of Representatives votes to loosen the noose of estate taxes that choke many small-businesses, family farms, and ranches. As a nation of entrepreneurs and small businessmen, where multigenerational businesses form the backbone of many communities, the estate tax is too often an insurmountable obstacle to those who wish to carry on their families' way of life. As an original cosponsor of legislation designed to repeal the estate tax, I understand the despair of families faced with selling portions of a farm or business to settle the estate of a deceased family member. By voting to phase out this tax, Congress is removing an obstacle faced by thousands of East Texas businesses, farmers, and families.

Eliminating the federal estate tax is a top priority, because this tax is a burden on small businesses, family farmers, and growing families who can least afford the sting of additional taxes. Back in 1997, during my first term in Congress, I introduced legislation intended to eliminate the estate tax. My desire to eliminate the estate tax was sparked during my travels throughout East Texas and the conversations I had with the family farmers and small businesses facing ruin at the hands of this measure. Two years later, after the people of the First District of Texas decided I deserved a second term, I again introduced legislation that would completely repeal this tax. Today, as I begin my third term in Congress, we are prepared to phase-out the estate tax and protect multigenerational businesses and families from unfair taxation.

Today's action, however, is only a partial victory for those subjected to this tax. In a perfect world, Congress would vote to repeal the estate tax effective this year. Instead we are passing a modified, multi-year phase-out plan that won't be fully effective until 2011. Earlier this year, Congress had an opportunity to speed up the pace of estate tax repeal. However, the Republican leadership muscled through an irresponsible tax rate cut plan that drains a substantial portion of the predicted surplus. By pushing through a tax cut skewed largely to the rich, the Republican leadership is now forced to offer an estate tax bill that does not provide for complete repeal until 2011. Therefore, I will also support the Democratic alternative. This alternative provides substantial tax relief by raising the effective exclusion to $2 million per person effective in 2002. Although the Democratic alternative does not completely repeal the estate tax, the legislation does provide relief from the estate tax faster than the Republican alternative. By joining several of my colleagues in voting for both bills, I hope to send the message that

both sides must work together in crafting a bipartisan product that completely and quickly eliminates the estate tax.

Mr. Speaker, today Congress is taking the first step in removing barriers to multigenerational businesses and farms that are an important part of my community. I sincerely hope that in the coming months, Congress can work together in a bipartisan manner to pass fair and effective tax relief that benefits working families, small businesses, and family farmers. By repealing the estate tax, Congress is taking an important first step to carry out this goal.

Mr. MOORE. Mr. Speaker, I rise in support of H.R. 8, legislation that would provide for the eventual repeal of the estate and gift tax. I have long been a supporter of providing estate tax relief to American families, small business owners, and farmers who have worked their entire lives to transfer a portion of their estates upon their death.

While H.R. 8 is the vehicle that the House leadership wishes to pursue to achieve this goal, I believe there is a better way to provide relief and maintain our commitments to paying down the national debt, protecting Social Security and Medicare, and providing for our other priorities. This is why I will also be supporting the substitute to H.R. 8.

The alternative will increase the estate tax exclusion for all estates to $4 million, exempting two-thirds of all estates that would have to pay tax under current law and 99.4 percent of all farms that would otherwise have to pay the estate tax. All of these changes will be made immediately, instead of delaying relief to the small businesses and family farmers who truly need relief for several years as H.R. 8 would do, giving more estate tax relief to estates of less than $10 million than H.R. 8 through 2008.

H.R. 8 does not repeal the estate tax for 10 years; rather, it slowly phases-down the marginal tax rates and provides no increase in the exclusion. This will delay estate tax relief to the small businesses and farms that truly need it. H.R. 8 uses a phase-in period to hide its real effects. While the first 10 years cost only $192 billion, I have deep concerns about the fact that the true costs of this legislation fall outside the 10-year budget window, when they explode to above $100 billion in year 11 and up to $1.3 trillion in the second ten years.

Mr. Speaker, I serve on the Budget Committee and offered an amendment before both the Budget and Rules Committees to require the effects of revenue-reducing bills to be fully phased-in within the 10 year budget window. The bill before us today does not meet this criterion and I believe that is a serious mistake.

We've heard time and time again about the uncertainty of long-term budget forecasts and the necessity to urge caution in using projected surpluses. Indeed, most of the surpluses we're talking about—two-thirds to be exact—will not be realized until years 6 through 10. This also happens to be the time period in which the bulk of relief under H.R. 8 is phased-in, a time period that produces less reliable budget projections. I believe that the fiscally responsible thing to do is to develop policy under a framework where forecast figures are more reliable—if these surpluses do indeed materialize in the out years, then we can and should contemplate larger tax cuts.

I believe the practice of hiding the true costs of the legislation we pass is deceitful and irresponsible and we should put it to a stop. The President and many members of this Congress have indicated that they want tax cuts of $1.6 trillion—no more, no less. While we can argue the merits of this number, what we cannot and should not argue is the fact that those tax cuts, all $1.6 trillion should be accounted for within the 10-year budget window.

I am concerned about recent comments by Chairman of the Ways and Means Committee Mr. THOMAS that this Congress will somehow fit ''1½ pounds of sugar into a 1 pound bag.'' I infer from his comments that this House intends to pass tax cuts larger than $1.6 trillion—at least beyond the 10-year window. Make no mistake, this bill today achieves that goal by pushing its true costs beyond our agreed upon budget window.

Simply, H.R. 8 would have the American people believe that they will receive immediate and substantial estate tax relief. This bill delays a full repeal, which will have budget implications that this country simply cannot afford. With over one trillion dollars in lost revenue, this has the potential to put this country back on the wrong fiscal track of increased deficit spending and an exploding national debt.

Although the majority claims to support retiring the publicly held debt, they have begun the session by scheduling several tax bills funded by the projected budget surplus without giving any consideration to the impact that the bills will have on our ability to retire our $5.7 trillion national debt. These tax cuts have been predicated on the notion that the projected budget surpluses of $5.6 trillion over the next ten years will somehow materialize.

Mr. Speaker, I submit that the likelihood of these projections actually materializing is extremely slim. We are all aware of the recent $3.7 trillion loss in the equity market. This slowdown will undoubtedly have a negative effect on revenues and produce lower overall budget projections—how much lower is anybody's guess and we should not bet the farm on tax or spending programs that are based on circumstances that no one can accurately predict.

I am concerned, that the total costs of this bill, fully phased-in, could exceed not only the $1.6 trillion number that ''fits'' within current projections, but may actually result in Congress returning to deficit spending. This is why I intend to support the fiscally responsible substitute which provides immediate estate tax relief targeted to farmers and small businesses while protecting other urgent priorities such as paying down the debt and shoring up the long-term future of Social Security and Medicare.

I will also support, however, final passage of H.R. 8 because it is the only vehicle the leadership will allow to provide estate tax relief. I will not obstruct that vehicle; however, I hope the Senate and the conference committee consider carefully compromise language that provides substantial, immediate relief, and that is fiscally responsible.

Mr. HOLT. Mr. Speaker, the estate tax. It is unfair and punitive and hurts family-owned small businesses and farms.

Last year, I visited the DePalma Farm, 85 beautiful acres in Holmdel, New Jersey. This property is one of the largest parcels of undeveloped land in my central New Jersey Congressional District. The DePalma farm survived two World Wars . . . the Great Depression . . . and the advent of the technological revolution and the factory farm. But today, because of the estate tax, family members had to make difficult decisions about whether to sell the property to developers just to pay the estate tax. This is true even though some wanted to keep the land in the family or preserve it as open space.

When a government policy robs families of their heritage and forces communities to develop land instead of preserving it, something needs to be changed.

Some people say that the estate tax is something that only affects the wealthy. But any community that has lost a lumber yard, a jewelry store or a family grocery to the estate tax knows better. These losses can forever change the character of a town. In boroughs and townships across New Jersey, businesses and families are going through financial gymnastics to avoid being bankrupted by this punitive tax.

I am proud to be a cosponsor of bipartisan legislation introduced by Representatives TANNER and DUNN to phase out the estate tax.

The legislation before us today provides $186 billion in tax relief by phasing in a repeal of estate, gift, and generation-skipping taxes. Beginning next year, the unified credit, currently applied to the first $675,000 of property, will be converted to an exemption so that the lowest statutory rates will apply to the value of an estate exceeding the exemption amount.

The bill expands conservation easements by modifying the distance requirements from metropolitan areas. Under the bill, maximum distance of eligible land from a metropolitan area, national park, or wilderness area is doubled. In an area like central New Jersey, where land values are skyrocketing, these provisions are important.

It is clear that simply raising the size of an estate exempted from the tax won't truly solve the problem. In central New Jersey, where the price of an acre of land runs into many, many of dollars, simply increasing the exemption would only help a minority, not a majority, of farms. Because wages, equipment, and the cost of living is higher in New Jersey than in other states, such a change would be unlikely to help most small businesses, too.

As an environmentalist and a fiscal conservative, I believe that Federal tax policy should not make it more difficult for families to retain the businesses or farms on which they have worked for their lifetimes.

And it should not give wealthy developers an unfair advantage over those who want to preserve open space for their community.

Central New Jersey supports eliminating the estate tax for family-owned farms and business. I urge my colleagues to pass responsible estate tax relief.

Mrs. MINK of Hawaii. Mr. Speaker, last year I voted to override the President's veto of the estate tax bill. I said at that time that it was necessary for both parties to develop an effective and sensible estate tax reform bill. The Democrats accepted my advice. Unfortunately, the Republicans did not.

On February 27, 2001, I introduced H.R. 759, immediately raising the estate tax exemption to all estates up to $5 million. That exemption would exempt virtually all estates from any estate tax. Consider estates in Hawaii, for example. In 1998 there were about 8,000 deaths in Hawaii. Only 196 estates had any estate tax liability. With a $5 million exemption, 184 of those estates, 94 percent of

those that were taxed, would pay no tax. Only 12 estates would have had any tax liability.

The Democratic alternative contains a $5 million per couple exemption. I support the Democratic substitute because it exempts 75 percent of all estates and provides immediate relief. That is far better than the Republican plan which does not fully go into effect until after 2011.

The Republican estate tax bill is part of the excessive Republican tax plan. It offers no margin of error to avoid plunging the budget into deficit and leaves no amounts of any substance for education, Medicare or prescription drugs.

I urge support for the Democratic estate tax substitute.

Ms. KILPATRICK. Mr. Speaker, today I rise in strong opposition to H.R. 8, the Estate Tax Elimination Act. I say this with reservation, because I am not against tax relief for our nations small farmers and small businesses. In fact, our Democratic leadership on the Ways and Means Committee has drafted a more sensible estate tax relief bill. I am, however against the measure offered here on the floor. The Republican bill is simply too costly, it fails to stimulate a fragile economy and it fails to address the priorities of the America people.

This bill would cost the American people $662 billion if the estate tax was immediately repealed. However, in order to hide this fact, the Republican majority has stretched the measure out over 11 years. This bill finally repeals the estate tax in 2011. When added to the two other tax measures passed earlier in this house, the price tag of the President's tax cut will skyrocket to $2.9 trillion.

Once again, we are dealing with a tax measure directed at the very few. Today we are dealing with a tax that, according to the Joint Committee on Taxation, applied to only 2 percent of all estates based on IRS data from 1998. So America, we now operate in a time where 2 percent of estate control the legislative agenda of the U.S. House of Representatives. The first thing this measure does—I repeat, the first thing done in this measure . . . is the removal of the current surtax for estates larger than $10 million. It appears that while the President and some members of his Cabinet will receive significant benefits, our Nation's family-farms and small businesses are instructed to hold for tax relief until an unspecified future date.

On the other hand, our Democratic leadership on the Ways and Means Committee has crafted an estate tax relief measure that goes to those estates that need it most. The Democratic substitute, once fully phased in, provides a $2.5 million exclusion per individual and a $5 million exclusion per couple. Most significantly, the bill, effective January 1, 2002, would increase the current estate tax exclusion from $675,000 to $2 million providing immediate relief to our farmers and small businesses.

I have said it before, and I will say it again. Why are we here debating this massive tax cut? If my memory serves me correctly, the President, during the campaign, stated over and over again, that his first priority in office was the issue of education reform. We have been in session for 4 months now and we have yet to consider any substantive education measure. As Democrats, and at least half of the American public that voted for Al Gore feared, the President does not seem to be able to, or simply has chosen not to use his position of influence to move education in the Congress.

America, I challenge you to keep an eye on this President. If there were any doubts as to where his loyalties are, if there were any doubts about his sincerity about being bipartisan, if there are any doubts on whether or not he would represent all Americans—those doubts should be no more. His loyalties are to business and the wealthy, his policy has been extremely partisan, and he has chosen not to represent the least in our society.

To my colleagues, I urge you to vote against H.R. 8 and support the Democratic alternative.

Mrs. CLAYTON. Mr. Speaker, I rise today in support of estate tax relief for farmers and working Americans. I come from a rural district where a great many of my constituents make their livelihoods from farming. On paper, they look wealthy. In reality, they may not have $50 in their pocket or $1,000 in the bank. It is time for Congress to fix the estate tax so that it doesn't affect the livelihoods of these hardworking people. However, while the estate tax should not affect farmers and small businesspeople, it must be considered within the context of a larger tax debate. Only the larger debate can answer the question of basic fairness.

I want to see farmers, small business people, and working Americans treated fairly. That is why I will vote for the Democratic alternative. The Democratic alternative provides estate tax relief for those who need it, and sooner. It also exempts 99 percent of farms. The alternative allows for fiscal prudence and recognizes that America has other pressing needs. Fairness means providing sensible tax relief for working Americans. Fairness means giving our Nation's farmers the same support that they have given to us.

Because I seek fairness, I must continue to question the entire package of tax plans that the majority has sent to the floor. Taken as a whole the package is unfair, regressive, and unwise. Let us consider tax relief guided by the principle of fairness, rather than by no principles at all.

Mr. UDALL of Colorado. Mr. Speaker, I cannot support this bill—but not because I oppose estate-tax relief, and not because I am sticking with my party leadership on a partisan basis.

First, I do not think taxes should be a simple partisan issue. For example, last week, I joined in supporting a Republican-authored proposal to eliminate the marriage penalty and increase the child credit.

And, I do support reducing estate taxes for everyone, and especially for family-owned ranches and farms as well as other small businesses.

I definitely think we should act to make it easier for everyone to pass their estates—including lands and businesses—on to future generations. This is important for the whole country, of course, but it is particularly important for Coloradans who want to help keep ranch lands in open, undeveloped condition by reducing the pressure to sell them to pay estate taxes.

Since I have been in Congress, I have been working toward that goal. I am convinced that it is something that can be achieved—but it should be done in a reasonable, fiscally responsible way and in a way that deserves broad bipartisan support.

That means it should be done in a better way than by enacting this Republican bill—a bill that is even less balanced, even less responsible than the one that President Clinton vetoed last year.

That is why I voted for the Democratic alternative.

That alternative bill would have provided real, effective relief without the excesses of the Republican bill. It would have raised the estate tax's special exclusion to $2 million for each and every person's estate—meaning to $4 million for a couple—and would have done so immediately.

So, under that alternative, a married couple—including but not limited to the owners of a ranch or small business—could pass on an estate worth up to $4 million could pass it on intact with no estate tax whatsoever.

Once you look closely at the Republican leadership's bill, you can see that the Democratic alternative actually would be much more helpful to everyone who might be affected by the estate tax.

That's because the Democratic alternative would have taken effect immediately—it would not have been phased in over a decade, like the Republican leadership's bill.

Further, the Democratic alternative would immediately apply equally to every estate—unlike the Republican bill, which would start by reducing estate tax rates for the very largest estates, and only fully apply to all estates 10 years from now.

In other words, under the Republican bill a couple passing on their estate in the near future would avoid more tax under the Democratic plan than under the Republican bill. They would not have to hope to live long enough to see the benefits of the Republican bill.

Further, the Republican bill actually has the potential to greatly increase taxes for many people, because it revises the rules for valuing assets that people inherit. Should that become law, it will mean, first, a great increase in the record-keeping and paperwork burden for many people and, second, higher capital-gains taxes for many heirs.

Evidently, those provisions—like the bill's very slow phase in—were included to make the bill appear to fit within the overall size of the President's tax plan.

But the result is that this bill's name—estate tax ''repeal''—is an empty slogan, a pretty label that disguises the reality.

The Democratic alternative was much more substantive—real reform, not just rhetoric.

And, the Democratic alternative was much more fiscally responsible. It would not run the same risks of weakening our ability to do what is needed to maintain and strengthen Social Security and Medicare, provide a prescription drug benefit for seniors, invest in our schools and communities, and pay down the public debt.

The net cost of the Democratic bill would be $40 billion over 10 years. In contrast, the Republican bill's 10-year revenue reduction will be $193 billion, with 45 percent of that coming in just the last 2 years. But that is far from the whole story. Because of the way the bill is phased in, its true cost is cleverly hidden and does not show up until after the 10-year budget window.

That means the full effects of the Republican bill will come just at the time when we will have to face budget pressures because

my own ''baby boom'' generation is starting to retire. And if we feel we need to ''phase in'' H.R. 8 because we cannot afford the full repeal now, how are we ever going to afford it 10 years from now?

We do not need to engage in this fiscal overkill.

According to the Treasury Department, under current law only 2 percent of all decedents have enough wealth to be subject to the estate tax at all.

To be more specific, Treasury Department data show that in 1998 the estates of only 743 Coloradans were subject to paying federal estate taxes.

Under the Democratic alternative, that number would have been even smaller. That's because the average Colorado gross estate for which an estate tax return was filed was $1.87 million—an amount that would be completely exempted by the Democratic bill for which I voted.

And I would support going even further. I have joined in sponsoring a bill—H.R. 759, introduced by Representative PATSY MINK from Hawaii—that would fully exempt estates of $5 million or less from estate taxes. Based on Treasury Department data, in 1998 that would have exempted all but 45 Colorado estates from paying any federal estate tax at all.

Of course, all these numbers only relate to the cases in which an estate tax was actually paid. Clearly, in many other cases families have taken actions to forestall the estate tax. But just as clearly, the Democratic bill would have greatly reduced the pressure that prompted some of those actions.

Mr. Speaker, I am very disappointed with the evident determination of the Republican leadership to insist on bringing this bill forward and to reject any attempt to shape a bill that could be supported by all Members.

Since I was first elected, I have sought to work with our colleagues on both sides of the aisle on this issue to achieve realistic and responsible reform of the estate tax.

I initially voted for an estate-tax bill in the last Congress, although it was far from what I would have preferred, hoping that as the legislative process continued it would be improved to the point that it deserved enactment. Unfortunately, that did not occur and the final bill was vetoed, as it should have been. And now the Republican leadership is insisting on going forward with this bill, which is even less balanced and responsible than that vetoed bill of the last Congress.

I cannot support that, and I cannot vote for this bill.

Mr. OTTER. Mr. Speaker, I rise today to urge my colleagues to join me in voting for H.R. 8, the ''Death Tax Elimination Act of 2001.'' As a cosponsor of this bill, I fully support eliminating the death tax. This bill keeps our promise to pass death tax relief as part of President Bush's budget plan.

The Death Tax Elimination Act of 2001 will eliminate the death tax over 10 years, without harming the surplus or raiding Social Security. In fact, the Heritage Foundation estimates that repealing the death tax will create 145,000 additional jobs in the 9 years after the tax is repealed. These employment gains will come, not just from the additional businesses that stay open because they don't have to be liquidated to pay tax, but also from the effect repealing the estate tax will have on keeping interest rates low.

The death tax is an egregious and punitive part of our Tax Code for every American, but it is especially hurtful to rural areas. The death tax forces farmers to sell land that has been in their families since pioneer days, and forces small businessmen to sell the companies that are often the only providers of their service in a community. Often these services are then filled, not from within the same community, but from providers in cities literally hundreds of miles away. To make matters worse, the capital generated from these sales flows out of the rural communities into large city banks and markets. In short, every dime wrenched out of rural Idaho by the estate tax causes many dollars worth of suffering.

I am glad that we will pass the death tax repeal today. It will provide a much needed stimulus for our economy, encourage family farming and small business formation, and restore much needed fairness to our Tax Code. I urge my colleagues to join me in voting for H.R. 8.

Mr. CRENSHAW. Mr. Speaker, as an original cosponsor of H.R. 8, I rise in strong support of this full repeal of the estate tax.

It has been discouraging, Mr. Speaker, to see this debate degenerate into a sort of class warfare. This is not about rich and poor. It is not about whether rich people deserve a tax break. It is not even about who pays the most in taxes. It is about fairness, plain and simple.

It is just unfair that any one should pay a 55-percent tax on their business, their home, or their farm. It is still more unfair that this enormous burden be placed on families just at the moment a loved one passes on. There is no time for bereavement, no time for grief. The taxman comes to the door of the funeral home and, as my local paper sees it, steals the pennies off a dead man's eyes.

We ought to be able to pass along more than just memories to our children. We work a lifetime to build a home, a business, a legacy that we can leave for our children. With the death tax, our children are forced to sell a part of that inheritance just to be able to afford the other part. And, Mr. Speaker, inheritance should not be a dirty word.

This is not for the wealthy few, as some would have us believe. According to the Treasury Department, 45,000 families paid estate taxes in 1999, and it is estimated that twice as many sold off their legacy before they died so that their families would not be saddled with this burden. That is just too much time and effort put into keeping our family businesses in the family.

I have spoken to many constituents who own small businesses in my district and want their children to carry on those enterprises in the future. These are the mom and pop shops that form the backbone of Main Street, America. What right have we to stand in their way with this unfair tax?

I urge my colleagues to support these businesses and to vote for this bill. Today, we will once and for all fully repeal the death tax.

Mr. GILMAN. Mr. Speaker, I rise today in strong support of H.R. 8, the Death Tax Elimination Act of 2001 and I urge my colleagues to lend this measure their support.

The estate tax is an outmoded policy that has long outlived its usefulness. Alternatively known as the death tax, this tax was instituted in 1916 to prevent too much wealth from congregating with the wealthy capitalist families in early 20th century America. Regrettably, the law failed in its original purpose, as the truly wealthy are always able to shelter their income with the help of tax attorneys which the middle-class cannot afford.

It has been estimated that the estate tax has been responsible for the demise of 85 percent of American small business by the third generation. Furthermore, countless number of farms have had to be sold in order to pay an outrageously high estate tax, ranging as high as 55 percent of the farms assessed value.

By forcing the sale of such farmland to outside buyers, often commercial developers, the estate tax has been a substantial contributor to suburban sprawl and unchecked growth in many parts of the country.

The most indefensible point about the estate tax, however, is the cost associated with enforcing and collecting it. Estimates cited in a Joint Committee on Taxation report issued last year placed the cost of collecting estate taxes at 65 cents out of every dollar taken in.

Considering this cost, as well as the fact that the assets taxed under the estate tax have often already been taxed several times, it makes no sense to continue this nonsensical practice. Family-owned small business certainly would do better without the estate tax, as would family farms that still operate from generation to generation.

Accordingly, I urge my colleagues to join in supporting this legislation.

Ms. BALDWIN. Mr. Speaker, I oppose H.R. 8, the Death Tax Elimination Act. While I support reform of the estate tax, full repeal provides benefits only to the wealthiest in our society. The vast majority of the people I represent will receive no benefit from this tax cut at all. According to the bi-partisan congressional Joint Tax Committee, fewer than two percent of all estates (about 48,000) pay the estate tax. In Wisconsin, only 828 estates had any estate tax liability in 1998.

I strongly believe it is time to deliver estate tax relief to Wisconsin family farms and small businesses. However, H.R. 8 isn't the way to do it. H.R. 8 would repeal the estate tax gradually over ten years at a cost of $192 billion. This legislation reduces the rates on the largest estates first while providing no tax relief to the majority of smaller estates. Estates of less than $2.5 million get no relief until 2004.

I support the Democratic alternative that provides estate tax relief targeted to family farms and small businesses. This alternative would cost a reasonable $40 billion over ten years, and includes an immediate $2 million exclusion from estate taxes ($4 million per couple) increasing to $2.5 million by 2010 ($5 million per couple). Two-thirds of all estates that pay tax under current law would be exempt, and 99.4 percent of all farms would also be exempt. H.R. 8 makes small businesses and family farmers wait for ten years.

I support this fiscally sensible alternative that targets relief to farmers and small businesspeople while protecting our ability to pay down the debt and shore up the long-term solvency of Social Security and Medicare.

Mr. BEREUTER. Mr. Speaker, this Member rises today to express his conditional support for H.R. 8, the ''Estate Tax Elimination Act.'' This Member's vote today for H.R. 8 is based only on his desire to move the inheritance tax reform process forward, for the current legislation is at worst a faulty product and at best only a shadow of what could be beneficially

done to reduce the inheritance tax burden on most Americans who now and in the future are actually subject to such taxes. Don't be confused, in its current form H.R. 8 is not the Bush tax cut plan! Supporters will argue it is, but that is emphatically not the case. Many of this Member's small business, farm, and ranch families would be better off with no bill, as if H.R. 8, in its current form, is passed into law, then they would end-up paying more taxes than if H.R. 8 had not been passed into law at all.

However, this Member does not support the complete repeal of the Federal inheritance tax. Nor does this Member support the focus of H.R. 8, as amended by the Ways and Means Committee, which is now concentrated initially on eliminating the top estate tax rates above 50 percent and only subsequently on lowering the marginal tax rates by only a few percentage points each year. Rather this Member believes that the only way to ensure that his Nebraska and all American small business, farm and ranch families benefit from estate tax reform is to dramatically and immediately increase the Federal inheritance tax exemption level.

This Member is a long-term advocate of inheritance tax reduction, especially in regard to protecting small businesses and family farms and ranches. This Member believes that inheritance taxes unfortunately do adversely and inappropriately affect Nebraskan small business and family farmers and ranchers when they attempt to pass this estate from one generation to the next.

Accordingly, to demonstrate this Member's very real support for inheritance tax reform, this Member on January 3, 2001, the first day of the 107th Congress, introduced the Estate Tax Relief Act (H.R. 42). This Member introduced this legislation, which currently has 28 cosponsors, after consulting with different Nebraska farm and business groups. This measure would provide immediate, essential Federal estate tax relief by immediately increasing the Federal estate tax exclusion to $10 million effective upon enactment. (With some estate planning, a married couple could double the value of this exclusion to $20 million. As a comparison, under the current law for year 2001, the estate tax exclusion is only $675,000.) In addition, H.R. 42 would adjust this $10 million exclusion for inflation thereafter. The legislation would decrease the highest Federal estate tax rate from 55 percent to 39.6 percent effective upon enactment, as 39.6 percent is currently the highest Federal income tax rate. Under the bill, the value of an estate over $10 million would be taxed at the 39.6 percent rate. Under current law, the 55 percent estate tax bracket begins for estates over $3 million. Finally, H.R. 42 would continue to apply the stepped-up capital gains basis to the estate, which is provided in current law.

Since this Member believes that H.R. 42 or similar legislation is the only way to provide true estate tax reduction for our nation's small business, farm and ranch families, this Member is also voting in support of the Rangel Substitute. This Member is supporting the Substitute for the following two reasons:

First, the Substitute provides an immediate increase in the exclusion from $675,000 to $2 million, or $4 million per couple with a modicum of estate planning, and phases-in a $2.5 million exclusion by 2002 (in $100,000 increments every other year);

Second, and very important, the Substitute retains current law which provides for a ''stepped-up basis,'' whereby the value of property transferred to an heir is based on its fair-market value at the time of the deceased's death, not at the time the deceased acquired the property. This allows an individual who inherits property to avoid paying capital gains taxes on the increased value of inherited property that occurred during the lifetime of the decedent.

At this point it should be noted that under H.R. 8, beginning in 2011, the ''stepped-up basis'' is eliminated (with two exceptions) such that the value of inherited assets would be ''carried-over'' from the deceased. Therefore, H.R. 8 could result in unfortunate tax consequences for some heirs as the heirs would have to pay capitals gains taxes on any increase in the value of the property from the time the asset was acquired by the deceased until it was sold by the heirs—resulting in a higher capital gain and larger tax liability for the heirs than under the current ''stepped-up'' basis law.

This Member also believes it would be a great political error and controversy to eliminate the inheritance tax on billionaires or mega-millionaires. Also, the very negative impact on the largest of the charitable contributions and the establishment of charitable foundations cannot be underestimated. The benefits of these foundations to American society are invaluable. Our universities and colleges, too, would see a very marked reduction in the gifts they receive if the inheritance tax on the wealthiest Americans was totally eliminated.

In a recent Congressional Research Service (CRS) Report to Congress, entitled, Estate and Gift Taxes: Economic Issues, it is noted that ''One group that benefits from the presence of an estate and gift tax is the non-profit sector, since charitable contributions can be given or bequeathed without paying tax.'' Furthermore, the CRS report notes that ''over 6 percent of assets of those filing estate tax returns are left to charities; 15 percent of the assets of the highest wealth class are left to charity.'' The CRS report also cites the results of a study by David Joulfaian, Estate Taxes and Charitable Bequests by the Wealth, National Bureau of Economic Research Working Paper 7663, April 2000, which found that charitable bequests are very responsive to the estate tax, and indeed that the charitable deduction is ''target efficient'' in the sense that it induces more charitable contributions than it loses in revenue.

Despite the legal talents the super-rich can afford, such an inheritance tax change would have major consequences. The total elimination of the inheritance tax is a bad idea.

Again, this Member's vote today for this legislation should be regarded only as a demonstration of his desire to move the inheritance tax reform process forward and of this Member's strong conviction that only by increasing dramatically and immediately the exemption level to the Federal inheritance tax will real estate tax reform be realized for middle class Americans.

Finally, Mr. Speaker, if H.R. 8 passes the House today, it goes to an uncertain future in the Senate. However, if the Senate does indeed pass H.R. 8 in its current form or similarly defective and damaging legislation and subsequently a conference report comes back to the House in that form, my responsibilities to represent my constituents and my moral responsibility will cause this Member to vote against it.

Ms. HARMAN. Mr. Speaker, today I am voting for two bills to revise the estate tax. Neither is a perfect answer, and my votes signify my eagerness to work with both parties to craft a bipartisan solution.

I support tax relief in the context of a responsible budget that ''spends'' our surplus wisely. Estate tax relief should be part of this budget.

The present estate tax system hurts small businesses and hard-working families in the South Bay and elsewhere and it needs to change.

We need immediate relief—not the promise of relief in 11 years, which is the essence of H.R. 8. We need a higher exemption—up to $4 million—which is the subject of a bipartisan letter I signed to President Bush. We should also consider the notion in H.R. 8 to subject appreciated property to capital gains tax—but we should do it in a way that does not impose new burdens on those presently exempt from estate tax.

This is a work in progress. I reserve judgment on the final product. Today, my votes signify my willingness to engage the conversation.

Mr. CASTLE. Mr. Speaker, I strongly support tax relief for all Americans. Broad based-tax relief this year should include significantly reducing the estate tax. Today, I am voting for immediate reform of the estate tax to protect families, small businesses and family farms. This plan would cut the estate tax by immediately increasing the exemption from $675,000 to $2 million for an individual and $4 million per couple in 2002 and increasing it to $2.5 million for an individual and $5 million per couple by 2010. I am voting for immediate relief from estates taxes to all those affected by it. This reform would exempt most Americans from any estate taxes.

We must act to continue to reduce the estate tax to protect small businesses and family farms. Yet, today's proposal to completely repeal the tax is not the best approach. First, we can provide immediate and broad relief from the estate tax to more Americans affected by exempting more families without completely repeal. Second, attempting to enact complete repeal at this time makes it more difficult to provide other tax relief for more Americans, including small businesses. The President's plan calls for $1.62 trillion in tax cuts in the next 10 years. This estate repeal proposal could jeopardize the entire tax relief and balanced budget plan.

This year I have voted with strong majorities in this House to reduce income tax rates for all Americans, provide marriage penalty relief, and increase the child tax credit. I want to provide more tax relief to Americans by allowing them to save more in IRA's, 401(k)a and other pensions. In addition, there are worthwhile proposals to reduce taxes by allowing more Americans to deduct their charitable contributions, increase education IRAs, expand deductibility of health care costs, and provide businesses with permanent credit for investing in research and development. It will be much more difficult to address these issues within our balanced budget plan if we insist on total repeal of the estate tax now. The current approach to estate tax repeal leaves far too little—only $70 billion over ten years—to cut taxes for millions of other Americans.

We should provide tax relief as soon as possible. As currently constructed, H.R. 8 would not repeal the estate tax until 2011. Until that time, the top estate tax rate will still be over 50 percent. We would help more families right away by increasing the estate tax exemption to $2.5 million for individuals and $5 million for a couple. We should also reduce the top rate. Unfortunately, today, we have a weaker proposal that delays repeal for ten years. Instead of a weak repeal proposal, we could have a plan that provides immediate relief within our budget limits.

All tax relief should help as many Americans as possible while maintaining our ability to pay down the debt and balance the budget. Today's proposal for complete repeal does not meet this test. It makes it more difficult to provide other tax relief and it would have a tremendous negative impact on the budget in 2011, just at the time we will need additional resources for the retiring Baby Boom generation.

Fortunately, today's debate is just one step in the legislative process. We can reduce the estate tax this year. I hope the political jockeying will end soon so we get down to negotiating a balanced tax relief plan that cuts the estate tax and that can pass Congress and be signed into law.

Mr. COYNE. Mr. Speaker, I support—and have voted in support of—estate tax relief, but I cannot support repeal of the estate tax. Moreover, even if my colleagues favor repeal of the estate tax, they should oppose H.R. 8. This is an irresponsible, inequitable, and misleading piece of legislation.

This bill is irresponsible because of the impact it will have on the federal budget. This legislation repeals the estate tax over time—over a long time. The repeal of the estate tax provided for in H.R. 8 doesn't fully phase in until 2011—about the time that the federal government's non-Social Security surpluses are projected to end. Does it make sense to cut federal receipts by over $60 billion a year just when the government is expected to run massive deficits—as the number of senior citizens on Social Security, Medicare, and Medicaid is expected to double and expenditures on those programs explode?

Obviously, it goes without saying that a tax cut that is not fully phased in for ten years will do little to stimulate the economy in the short term. The Democratic alternative—which I support, but which was rejected on a party-line vote in the Ways and Means Committee—would, in contrast, provide immediate relief to farmers and small family businesses.

And that brings me to another important point. H.R. 8, by phasing in repeal of the estate tax over such a long period of time, conceals the actual cost of repealing the estate tax. I consider this to be a fairly dishonest tactic, but it is of a piece with the Republican plan for enacting President Bush's tax cut plan. By breaking the larger package of tax cuts into smaller, less threatening bills, and passing them before we ever see the spending cuts that President Bush will propose to pay for them, the Administration and Congressional Republicans are, in my opinion, being deceptive, dishonest, and irresponsible. As I have mentioned in my previous floor statements on H.R. 3 and H.R. 6, I support fair and responsible reductions in marginal tax rates, as well as legislation to fix the marriage penalty. And I support estate tax relief for family farms and small businesses. But I believe that such major changes in tax law should not be considered piecemeal, but rather in the context of thoughtful, comprehensive, and honest debate on federal spending and tax policy in the coming decades. I believe that the intent behind the long phase-in of the estate tax repeal—like the phase-ins in the other Republican tax cut bills—is to conceal the true cost of these tax cuts and obscure the trade-offs that enactment of these tax cuts will require.

Finally, I want to explain why I oppose repeal of the estate tax. As it is currently structured, the estate tax affects only the most affluent 2 percent of households—and when the changes in the estate tax that Congress passed with my support in 1997 are fully phased in, the estate tax will only affect taxpayers with more than $1 million in assets and married couples with more than $2 million in assets. Repeal of the estate tax would seriously reduce the progressivity of the federal tax code, which already places as much of a burden on middle class families as it does on the wealthiest families in America. I see such an outcome as fundamentally unfair. I believe that if Congress is going to pass a $200 billion tax relief bill today, it should provide tax relief to the families that are most in need of tax relief—families with incomes of $15,000, $25,000, or $40,000—not millionaires.

Consequently, I must oppose this legislation, and I will support the Democratic alternative for estate tax relief—a smaller, more responsible package of tax cuts that would help the small family farms and businesses that the Republicans always mention when arguing for estate tax relief. The Democratic alternative does more to help farmers and family businesses over the next 5 years than the Republican bill. I urge my colleagues to support this alternative.

Mr. MANZULLO. Mr. Speaker, I rise in strong support of today's bill, the ''Death Tax Elimination Act'', H.R. 8.

This bill would end one of the most burdensome taxes in the federal tax code-the death tax, by repealing estate and gift taxes over the next ten years. The death tax stifles growth, kills jobs, discourages savings, drains resources, and ruins small and family businesses and farms.

In effect, the death tax punishes small entrepreneurs for their hard work. Millions of Americans spend a lifetime working and investing in a small business or family farm for their families and for their communities—only to have the IRS confiscate more than half of it away at their death. This is a terrible injustice. Unreasonably steep death taxes force families to sell or break up small ventures and farms or to liquidate assets.

Two examples in my district alone include the Beuth and Hall families. Richard and Judy Beuth of Seward, Illinois almost lost the family farm three years ago when Richard's father died and the IRS hit them with a huge $185,000 death tax bill. Similarly, the Hall family in Ogle County had to sell equipment, sell part of their land, and take out huge loans to pay a whopping $2.7 million death tax bill they received shortly after their father died in 1996.

Unambiguously, the death tax is hurting middle-class Americans. The great irony of this tax is that it encourages frivolous, selfish spending and discourages savings and investment. Over 80% of small businesses must spend costly resources to protect against the death tax so they can pass something on to their children. This hurts women-owned and minority-owned small businesses the hardest.

According to the Center for the Study of Taxation, 70% of family businesses don't survive through the second generation and nearly 90% do not make it through the third. Worse, 9 out of 10 successors whose family business failed within three years of the death of the original owner said difficulty paying the death tax played a major role in that failure. It's time to end this immoral and counterproductive tax.

I urge all my colleagues to support small business by supporting this common sense, bipartisan legislation.

Mr. GRAVES. Mr. Speaker it is time that we kill the death tax. Many of my colleagues and many in the media have argued that this tax is justified because it only affects the wealthy—well, Mr. Speaker, that is wrong. The victims who are hit the hardest by this tax are the family members of middle-class, hard-working Americans—small business owners and employees, family farmers and ranchers. The Death tax penalizes the sons and daughters of the local hardware store owners, farmers, and grocers the most. The Death Tax punishes those who spend their lifetime building a small business or running a farm in the sincere hope that they will be able to leave the fruits of that labor to their children and grandchildren.

When a small business owner of farmer passes, too often the business or farm must be divided, sold, or shut down, because the tax penalty is so great. The loss of that small business is devastating to the employees and to the local community.

For the small businesses and family farmers in the 6th District of Missouri, I am proud to support the Death Tax Elimination Act. The Death Tax is not an issue of politics or partisanship, but rather, it is an issue of fairness, family, community and keeping the American Dream alive for the children and grandchildren of this nation.

Mr. LANGEVIN. Mr. Speaker, I rise today in strong opposition to H.R. 8, the Death Tax Elimination Act. However, as a member of the Small Business Committee, I am aware of the tax burden under which many entrepreneurs and working families must operate, which is why I plan to vote for the Democratic substitute. I support efforts to protect small business owners and will work to ensure that they are not forced to sell businesses that have remained in their families for generations in order to pay estate taxes.

Unfortunately, H.R. 8 does not effectively target the small businesses and family farms that are in greatest need of assistance. It would allow the wealthiest two percent of our population to pass wealth to their heirs without taxation, while hard working families would continue to be taxed on every dollar earned. It would also have a devastating impact on charities, foundations, universities and other philanthropic organizations. This legislation would cause enormous revenue losses and threaten our ability to address national priorities like extending the solvency of Social Security and Medicare, reducing our national debt, implementing a prescription drug benefit for seniors and improving education and health care.

As the third installment of President Bush's $1.6 trillion tax cut package, H.R. 8 would gradually reduce and then fully repeal the estate tax over a ten-year period. The Joint

Committee on Taxation has estimated that this measure would reduce revenues by more than $192 billion over the next decade. Moreover, repealing the estate tax will cost states about $6 billion annually, possibly forcing them to make up the revenue through other tax or fee increases. Perhaps most important of all, the benefit of H.R. 8 to my constituents would be minimal.

Based on Internal Revenue Service data for 1998, estimates show that of 10,000 deaths in my home state, only 361 Rhode Island decedents filed estate tax returns and only 187 returns resulted in an estate tax liability. In a similar study that same year, the IRS also found that only two percent of decedents nationwide—or 47,483 estates—were impacted by the federal estate tax. In fact, 3,000 of the most affluent individuals in the country paid more than half of all the estate taxes that year.

If we are truly concerned about the small business owners and family farmers who are adversely affected by the estate tax, we should pass the Democratic substitute. This sensible reform would immediately exclude over 75 percent of estates by increasing the exemption to $2 million per individual and $4 million per couple. As a result, only ½ of one percent of all decedents would pay the estate tax. Additionally, 99 percent of all farms would be exempt. Under our proposal, those eligible middle-income families, small business owners and family farmers truly in need would receive estate tax relief. Furthermore, they would receive the benefit now, rather than waiting years for relief, as required under the Republican plan.

This measure, included with the tax cut plan and budget resolution already passed by the House, would exceed the projected budget surplus and require deep cuts in non-defense discretionary funding. Therefore, I urge my colleagues to vote against this fiscally irresponsible measure and support the Democratic substitute. It ensures that small businesses and family farms can be preserved from one generation to the next, while retaining some of our budget surplus to pay down the debt, ensure the solvency of Social Security and Medicare, and allocate critical funding for our national priorities.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. RANGEL

Mr. RANGEL. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore (Mr. LAHOOD). The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. RANGEL:

Strike all after the enacting clause and insert the following:

SECTION 1. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended by striking the table and inserting the following new table:

"In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2002	$2,000,000
2003 and 2004	$2,100,000
2005 and 2006	$2,200,000
2007 and 2008	$2,300,000
2009	$2,400,000
2010 or thereafter	$2,500,000."

(b) REPEAL OF SPECIAL BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.—

(1) Section 2057 is hereby repealed.

(2) Paragraph (10) of section 2031(c) is amended by inserting "(as in effect on the day before the date of the enactment of this parenthetical)" before the period.

(3) The table of sections for part IV of subchapter A of chapter 11 is amended by striking the item relating to section 2057.

(c) CORRECTION OF TECHNICAL ERROR AFFECTING LARGEST ESTATES.—Paragraph (2) of section 2001(c) is amended by striking "$10,000,000" and all that follows and inserting "$10,000,000. The amount of the increase under the preceding sentence shall not exceed the sum of the applicable credit amount under section 2010(c) and $359,200."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

SEC. 3. CREDIT FOR STATE DEATH TAXES REPLACED WITH DEDUCTION FOR SUCH TAXES.

(a) REPEAL OF CREDIT.—Section 2011 (relating to credit for State death taxes) is hereby repealed.

(b) DEDUCTION FOR STATE DEATH TAXES.—Part IV of subchapter A of chapter 11 is amended by adding at the end the following new section:

"SEC. 2058. STATE DEATH TAXES.

"(a) ALLOWANCE OF DEDUCTION.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or the District of Columbia, in respect of any property included in the gross estate (not including any such taxes paid with respect to the estate of a person other than the decedent).

"(b) PERIOD OF LIMITATIONS.—The deduction allowed by this section shall include only such taxes as were actually paid and deduction therefor claimed within 4 years after the filing of the return required by section 6018, except that—

"(1) If a petition for redetermination of a deficiency has been filed with the Tax Court within the time prescribed in section 6213(a), then within such 4-year period or before the expiration of 60 days after the decision of the Tax Court becomes final.

"(2) If, under section 6161 or 6166, an extension of time has been granted for payment of the tax shown on the return, or of a deficiency, then within such 4-year period or before the date of the expiration of the period of the extension.

"(3) If a claim for refund or credit of an overpayment of tax imposed by this chapter has been filed within the time prescribed in section 6511, then within such 4-year period or before the expiration of 60 days from the date of mailing by certified mail or registered mail by the Secretary to the taxpayer of a notice of the disallowance of any part of such claim, or before the expiration of 60 days after a decision by any court of competent jurisdiction becomes final with respect to a timely suit instituted upon such claim, whichever is later.

Refund based on the deduction may (despite the provisions of sections 6511 and 6512) be made if claim therefor is filed within the period above provided. Any such refund shall be made without interest."

(c) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 2012 is amended by striking "the credit for State death taxes provided by section 2011 and".

(2) Subparagraph (A) of section 2013(c)(1) is amended by striking "2011,".

(3) Paragraph (2) of section 2014(b) is amended by striking ", 2011,".

(4) Sections 2015 and 2016 are each amended by striking "2011 or".

(5) Subsection (d) of section 2053 is amended to read as follows:

"(d) CERTAIN FOREIGN DEATH TAXES.—

"(1) IN GENERAL.—Notwithstanding the provisions of subsection (c)(1)(B) of this section, for purposes of the tax imposed by section 2001, the value of the taxable estate may be determined, if the executor so elects before the expiration of the period of limitation for assessment provided in section 6501, by deducting from the value of the gross estate the amount (as determined in accordance with regulations prescribed by the Secretary) of any estate, succession, legacy, or inheritance tax imposed by and actually paid to any foreign country, in respect of any property situated within such foreign country and included in the gross estate of a citizen or resident of the United States, upon a transfer by the decedent for public, charitable, or religious uses described in section 2055. The determination under this paragraph of the country within which property is situated shall be made in accordance with the rules applicable under subchapter B (sec. 2101 and following) in determining whether property is situated within or without the United States. Any election under this paragraph shall be exercised in accordance with regulations prescribed by the Secretary.

"(2) CONDITION FOR ALLOWANCE OF DEDUCTION.—No deduction shall be allowed under paragraph (1) for a foreign death tax specified therein unless the decrease in the tax imposed by section 2001 which results from the deduction provided in paragraph (1) will inure solely for the benefit of the public, charitable, or religious transferees described in section 2055 or section 2106(a)(2). In any case where the tax imposed by section 2001 is equitably apportioned among all the transferees of property included in the gross estate, including those described in sections 2055 and 2106(a)(2) (taking into account any exemptions, credits, or deductions allowed by this chapter), in determining such decrease, there shall be disregarded any decrease in the Federal estate tax which any transferees other than those described in sections 2055 and 2106(a)(2) are required to pay.

"(3) EFFECT ON CREDIT FOR FOREIGN DEATH TAXES OF DEDUCTION UNDER THIS SUBSECTION.—

"(A) ELECTION.—An election under this subsection shall be deemed a waiver of the right to claim a credit, against the Federal estate tax, under a death tax convention with any foreign country for any tax or portion thereof in respect of which a deduction is taken under this subsection.

"(B) CROSS REFERENCE.—

"See section 2014(f) for the effect of a deduction taken under this paragraph on the credit for foreign death taxes."

(6) Subparagraph (A) of section 2056A(b)(10) is amended—

(A) by striking "2011,", and

(B) by inserting "2058," after "2056,".

(7)(A) Subsection (a) of section 2102 is amended to read as follows:

"(a) IN GENERAL.—The tax imposed by section 2101 shall be credited with the amounts

determined in accordance with sections 2012 and 2013 (relating to gift tax and tax on prior transfers).''

(B) Section 2102 is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(C) Section 2102(b)(5) (as redesignated by subparagraph (B)) and section 2107(c)(3) are each amended by striking ''2011 to 2013, inclusive,'' and inserting ''2012 and 2013''.

(8) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

''(4) STATE DEATH TAXES.—The amount which bears the same ratio to the State death taxes as the value of the property, as determined for purposes of this chapter, upon which State death taxes were paid and which is included in the gross estate under section 2103 bears to the value of the total gross estate under section 2103. For purposes of this paragraph, the term 'State death taxes' means the taxes described in section 2011(a).''

(9) Section 2201 is amended—

(A) by striking ''as defined in section 2011(d)'', and

(B) by adding at the end the following new flush sentence:

''For purposes of this section, the additional estate tax is the difference between the tax imposed by section 2001 or 2101 and the amount equal to 125 percent of the maximum credit provided by section 2011(b), as in effect before its repeal by the Tax Reduction Act of 2001.''

(10) Paragraph (2) of section 6511(i) is amended by striking ''2011(c), 2014(b),'' and inserting ''2014(b)''.

(11) Subsection (c) of section 6612 is amended by striking ''section 2011(c) (relating to refunds due to credit for State taxes),''.

(12) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2011.

(13) The table of sections for part IV of subchapter A of chapter 11 is amended by adding at the end the following new item:

''Sec. 2058. State death taxes.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2001.

SEC. 4. VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS; LIMITATION ON MINORITY DISCOUNTS.

(a) IN GENERAL.—Section 2031 (relating to definition of gross estate) is amended by redesignating subsection (d) as subsection (f) and by inserting after subsection (c) the following new subsections:

''(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.—For purposes of this chapter and chapter 12—

''(1) IN GENERAL.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092)—

''(A) the value of any nonbusiness assets held by the entity shall be determined as if the transferor had transferred such assets directly to the transferee (and no valuation discount shall be allowed with respect to such nonbusiness assets), and

''(B) the nonbusiness assets shall not be taken into account in determining the value of the interest in the entity.

''(2) NONBUSINESS ASSETS.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonbusiness asset' means any asset which is not used in the active conduct of 1 or more trades or businesses.

''(B) EXCEPTION FOR CERTAIN PASSIVE ASSETS.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

''(i) the asset is property described in paragraph (1) or (4) of section 1221(a) or is a hedge with respect to such property, or

''(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.

''(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

''(3) PASSIVE ASSET.—For purposes of this subsection, the term 'passive asset' means any—

''(A) cash or cash equivalents,

''(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in any entity,

''(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

''(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B),

''(E) annuity,

''(F) real property used in 1 or more real property trades or businesses (as defined in section 469(c)(7)(C)),

''(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

''(H) commodity,

''(I) collectible (within the meaning of section 401(m)), or

''(J) any other asset specified in regulations prescribed by the Secretary.

''(4) LOOK-THRU RULES.—

''(A) IN GENERAL.—If a nonbusiness asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.

''(B) 10-PERCENT INTEREST.—The term '10-percent interest' means—

''(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

''(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and

''(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

''(5) COORDINATION WITH SUBSECTION (b).—Subsection (b) shall apply after the application of this subsection.

''(e) LIMITATION ON MINORITY DISCOUNTS.—For purposes of this chapter and chapter 12, in the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092), no discount shall be allowed by reason of the fact that the transferee does not have control of such entity if the transferee and members of the family (as defined in section 2032A(e)(2)) of the transferee have control of such entity.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

SEC. 5. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) REPEAL OF LOCATION REQUIREMENT.—Subparagraph (A) of section 2031(c)(8) (defining land subject to a conservation easement) is amended by striking clause (i) and redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

Amend the title so as to read: ''A bill to amend the Internal Revenue Code of 1986 to provide estate tax relief.''.

The SPEAKER pro tempore. Pursuant to House Resolution 111, the gentleman from New York (Mr. RANGEL) and the gentleman from California (Mr. THOMAS) each will control 30 minutes.

The Chair recognizes the gentleman from New York (Mr. RANGEL).

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. GREEN).

Mr. GREEN of Texas. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for yielding the time to me.

Mr. Speaker, I thought it was appropriate that our colleague from California (Mr. WAXMAN) talked about this, that what we are talking about today is the people's money, and it is the gold.

Mr. Speaker, I rise in opposition to H.R. 8 and in support of the substitute. And like my colleagues, I am troubled by the stories that families have to sell their farms and businesses because they cannot afford the estate tax; but we must reform it now, and not 10 years from now. We must continue the long-standing American tradition of families passing their businesses on from generation to generation.

We can do this in a financially responsible manner that alleviates the burden for most of those small businesses and farms now instead of 10 years from now. Again, my Republican colleagues would have us repeal the estate tax 10 years from now.

They support this bill we are talking about today. There is an east Texas saying that says it is called a wink, a prayer and a promise that is 10 years from now. That is all this is, Mr. Speaker.

In 10 years, this bill would provide tax relief for still less than 2 percent of the people. Let us have a tax cut for the other 98 percent of Americans not 10 years from now.

Mr. THOMAS. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, I listened carefully to my colleague from California (Mr. WAXMAN), who has come up with a clever idea of awarding a pot painted gold, for whatever particular reason, that he believes serves his particular purposes.

However, what I did hear the gentleman say, though, was that he rose in

opposition to the Republican measure. I am sure the gentleman, who is not on the floor now, was probably not on the floor earlier when the cosponsor of H.R. 8, a Democrat, spoke in opposition to that.

There are a number of other Democrats who are interested in the repeal of the estate or death tax, not in some modification.

Mr. Speaker, to make sure that Members understand that this is a bipartisan proposal, I yield 2½ minutes to the gentleman from Hawaii (Mr. ABERCROMBIE).

(Mr. ABERCROMBIE asked and was given permission to revise and extend his remarks.)

Mr. ABERCROMBIE. Mr. Speaker, for those who do not think about this every day when they get up, this debate may seem rather esoteric and a bit almost beside the point; but for those of our constituents who are concerned about this issue, let me tell my colleagues, they think about it every day. They think about it all the time. They think about it in terms that are very, very personal to them.

I do not think that I have ever involved myself with a domestic issue that has had the same kind of impact personally, psychologically, and emotionally as this issue has had with my constituents. People that I have known personally in the islands for the better part of four decades, many of whom have not agreed with me philosophically, ideologically in terms of politics are united around this issue. And the fact that it may not provide every aspect, every element that they would like to see in terms of immediacy; the fact that they will have to come to grips with capital gains taxation that they might not otherwise have anticipated; and the fact that they understand that this bill is in a process of becoming that what passes today is unlikely to be the final answer, that some of the immediacy that is involved in the substitute that the gentleman from New York (Mr. RANGEL) and others have put together in good faith may become part of the equation.

Those facts, yes, enter into it; but fundamentally, what they want is the passage of this bill, and they want to be able to see and say who is on their side on this. And I am afraid that our substitute, the amendment, as such, despite its good intentions, will not measure in that regard.

The other aspect of this that is very, very important and what hit me so hard is that this is a jobs bill. We tend not to look at that aspect of it. Businesses which have to be sold in order to meet the estate tax burden involve dozens, sometimes hundreds of people whose jobs, whose welfare, whose obligations, whose responsibilities are put in jeopardy. I do not think we can do that.

This is involved with families. This is involved in a way that people have a tremendous emotional commitment to, and I think as Democrats and Republicans we need to respond to it with an overwhelming vote in favor of the estate tax repeal.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I think the gentleman from California (Mr. THOMAS), chairman of my Committee on Ways and Means, is right. There are some Republicans, some Democrats that are emotionally involved with the concept of repeal, even if it does take place a decade from now, but the gentleman should know that a handful of donkeys running with a herd of elephants does not make a bipartisan bill.

Mr. Speaker, I yield 1 minute to the distinguished gentlewoman from California (Ms. ESHOO).

Ms. ESHOO. Mr. Speaker, I want to thank the gentleman from New York (Mr. RANGEL), our distinguished ranking member, for yielding the time to me.

Mr. Speaker, I support estate tax relief, and I think the American people deserve it, and they deserve it now.

The substitute is practical. It is immediate, and it is fiscally responsible at $40 billion over 10 years. It includes a $4 million exclusion for couples; and in California this eliminates the estate tax on all but 7 percent of California estates.

The Republican plan does not provide any real tax relief for 10 years, and I do not think people want to wait. Forty-five percent of the estate tax cut will not arrive until 2010 and 2011. At $200 billion, it is outrageously expensive.

When combined with the tax cuts already rammed through the House, we are already over $2 trillion in spending just on tax cuts alone. Where is the money to pay down the national debt, shore up our responsibilities for Social Security and Medicare and improve our Nation's schools?

Finally, and perhaps the biggest poison in the Republican plan, is that it will actually increase taxes for many families by adding a capital gains tax upon the inheritance of assets. This is the wrong way to go.

We should have it today. We should have it now. It should be affordable. That is exactly what this plan is.

Mr. THOMAS. Mr. Speaker, I yield 2½ minutes to the gentleman from Texas (Mr. BRADY), a member of the Committee on Ways and Means, who wants to have repeal of the estate tax rather than something less.

Mr. BRADY of Texas. Mr. Speaker, I want to thank the gentleman from California (Mr. THOMAS), chairman of the Committee on Ways and Means, for yielding the time to me.

My Democratic colleagues are right, we do not immediately start repeal of the death tax. This repeal is very graduated. It starts fairly slow, and it grows as we pay down more and more of the debt and as our surpluses grow; that is the responsible way to provide tax relief, while keeping our budget in order and keeping our economy growing.

The fact of the matter is there are a lot of reasons to support repeal of the death tax. Let me tell my colleagues one of mine. In my district, I had a local nursery come to me here in my office in Washington; they traveled all the way up here from Texas. They have three children. In the nursery, two of them have worked there ever since their parents founded it.

They sat down just at a desk around a table, just worked through the numbers on how the death tax and how the tax affected them; and as we worked through it, it became clear what happens with this tax and how it affects our small businesses and our family farms. Basically, when the numbers were finished, they showed that if they could afford enough life insurance on their parents and if they could get a bank loan, they might be able to keep their own family business.

Mr. Speaker, think about what they are saying. If we can make enough money off of our parents' death and if we can go back in to debt, which they had worked their whole life to get out of, they might be able to keep their own family business.

The death tax is wrong. It has been ruining lives for four generations in America, and it is time to stop it. There is a difference, though, between the Democratic proposal and the Republicans. Ours goes with the principles that it is flat wrong. Theirs keeps it and keeps it for another principle, that Washington should pick winners and losers in our Tax Code.

In their bill, we say to some family farms, you are our type, you win; but to others and to the family grocery store in the same community, you lose.

They say to the print shop in the community that is family owned, you win; but to the family newspaper right next to it, you lose. You are not our type.

Washington has been picking winners and losers for far too long. We need to be at the least fair, and that is why complete responsible repeal of the death tax is the right thing to do.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Texas (Mr. BENTSEN).

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I rise in support of the Rangel substitute and opposition to the underlying bill. We have heard a lot of rhetoric on both sides about this and about the repeal.

The bottom line is we can make a decision today that is a practical public policy decision, or we can make a political decision. The political decision would be to pass H.R. 8 and hope that in 10 years or 11 years that the estate tax will be repealed; and the reason that is being put forth is because the repeal of the estate tax costs far more than the President thought it would, far more than our Republicans colleagues thought it would; and to make their budget work, they had to shoehorn this bill in.

Mr. Speaker, on the other hand, we can pass immediate relief today, raise the exemption to $4 million for most families going up by 2010 to $5 million, but $4 million beginning January 1, that will exempt down to 1 percent of all estates subject to any estate tax as opposed to the 2 percent of all estates that are subject to any estate tax.

I have to say to my colleague from Hawaii (Mr. ABERCROMBIE), I appreciate the fact of what family businesses have to go through; but there are 98 percent of other Americans who wake up every day trying to figure out how they are going to pay the bills, and we ought to think about them as well.

Mr. Speaker, I rise in strong opposition to H.R. 8, an ill-conceived, extraordinarily back-loaded measure that sacrifices fiscal prudence for political gains. We can fix the estate and gift tax while maintaining fiscal responsibility, and we should. But H.R. 8 is not the way to do it.

First of all, I would note that the proponents of H.R. 8 have been incredibly successful at convincing a great number of Americans that their estates will be taxed upon their death. Actually, as a result of existing exemptions, the estate tax only applies to fewer than 2% of all estates annually, according to the Joint Committee on Taxation (JCT). Current law exempts from federal tax all estates valued up to $675,000 in 2000. This exemption will rise to $1,000,000 by 2006, with any federal estate tax applying only to the current value in excess of this amount. For closely-held businesses and farms, this exemption is $2.6 million. Additionally, family farms are exempt from any tax for ten years if the heirs continue to operate the farm. Estates passed onto a spouse are not subject to tax.

Even with the small number of estates subjected to the estate tax, I agree and have consistently voted to significantly raise the exemption and eliminate the estate tax against most estates currently subject to such taxes. And, today the House can do just that by supporting not H.R. 8, but rather the Rangel substitute. In fact, by adopting the Rangel substitute the House could provide more relief to more estates, more quickly and more fairly than H.R. 8. Unlike H.R. 8, which is more of a charade than a solution, the Rangel substitute would immediately increase the exemption for all estates to $4 million in January 1, 2002 and raise the exemption to $5 million in 2010. Furthermore, unlike H.R. 8, the Rangel alternative would maintain the "step up" basis to preclude capital gains taxes from being applied.

Alternatively, H.R. 8 would do little, if anything, for estate tax relief until 2012. This bill is part of an elaborate charade supporting the Majority's budget folly which is driven by politics rather than policy. Between 2001 and 2011, H.R. 8 does not increase the exemption more than current law and only modestly cuts rates. When repeal is finally achieved in 2012, the bill would also repeal the "step up" basis, subjecting many estates, particularly non-liquid estates such as farms and small businesses, to large capital gains taxes and, in some cases, more than the estate tax owed under current law.

Mr. Speaker, H.R. 8 not only falsely-promises relief but its back-loaded nature camouflages the true costs of repealing the estate tax. As a result of its delayed repeal, the cost of the bill would jump from zero in 2002 and $13 billion in 2006 to $35 billion in 2010 and $52 billion in 2011, which is still well below the full cost. Further, because under the H.R. 8, the cost of repeal would not occur until the very end of the initial ten-year period, the $193 billion revenue loss resulting from the bill over the first ten years includes little of the revenue loss resulting from income tax avoidance that would ultimately occur.

During the second ten years (2012 to 2021), H.R. 8 would result in revenue losses totaling approximately $1.3 trillion, six times greater than the $193 billion cost in the first ten years. Looked at another way, the cost of H.R. 8 would nearly triple between the fifth and ninth years, jump another 50 percent between the ninth and tenth years, and continue growing after the tenth year. It is interesting to note that if H.R. 8 was to take effect this year, the JCT projects that the ten-year cost of the bill would be a whopping $662 billion. Thus, over twenty years, the total cost of H.R. 8, including extra interest, will be more than $1.5 trillion. Where does the Majority propose to make up the difference? How do they propose to pay for other priorities like Medicare, Social Security and improvements to education? It is fiscally irresponsible to enact this measure without identifying how these lost revenues will be recouped.

Mr. Speaker, I, therefore, urge those of my colleagues who are committed to providing immediate estate tax relief, particularly for small businesses and farms, to reject H.R. 8 and support the Rangel alternative. By supporting the Rangel substitute, you will be voting to not only double the exemption to $4 million now, not in 2012. You will be voting to maintain the "step up" basis and protect decedents from high capital gains taxes. And you will be voting for tax relief which is both fair and prudent without endangering our commitment to fiscal responsibility.

Mr. THOMAS. Mr. Speaker, I yield 1½ minutes to the gentleman from New York (Mr. HOUGHTON), a member of the Committee on Ways and Means.

Mr. HOUGHTON. Mr. Speaker, no bill is perfect; and we always have ways of trying to change legislation. I hate to be an ''aginner,'' and I do not mean to be a nitpicker, but every so often something just does not feel right, so I tend to vote not only against H.R. 8, but also against the Democratic substitute; and what I would like to do is explain why.

I think the eradication of the estate tax is wrong. I am sort of the camp of mend it, do not end it. And by ending it, what we do is we bring down upon ourselves, I think, a lot of unseen conveniences.

Let me give you an example. What are the incentives to giving to churches? What are the incentives of giving to educational institutions? What are the incentives of our total giving that is so intertwined with the concept of our taxation system the way we have it now?

Also when you buy a life insurance policy, you are looking for certainty; you are looking for predictability. The changes in that could be really horrendous.

Also, I really feel that it is not within the spirit of the Founding Fathers to develop sort of a leisure class, people with little incentive to work because you pass money down from one generation to the other to another, absolutely whole cloth.

While H.R. 8 is overkill, I feel a Democratic substitute is not right because it does not take into account the reduction in rates.

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If we are really going to help the small farmers or the small businessmen or the people who are working, we have to reduce those rates. So I reluctantly oppose both bills.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Indiana (Mr. ROEMER), an outstanding Member of the House of Representatives.

Mr. ROEMER. Mr. Speaker, I thank my good friend, the gentleman from New York, for yielding me this time.

Mr. Speaker, I think the death tax is unwise, it is unfair, and really it is un-American. We need to reform it, but we need to do it now, and we need to do it fairly.

Under the proposal by the Republicans, the death tax would be phased out in the year 2011. Now, that means President Bush would have to finish out this term, his next term, get a constitutional amendment, and in the third year of his third term, the death tax might be gone. Members of Congress will have to run five times in order to tell their constituents by the year 2011 the death tax is finally gone.

Secondly, I voted last week for a bipartisan repeal of the marriage penalty and for a doubling of the child tax credit. I am for tax cuts that will fit in the package of responsible tax relief. We need to do it by giving relief to our farmers and small businesses, not to Ted Turner and Bill Gates.

I encourage my colleagues as a start to vote for the Rangel bill that, though not perfect, is a step in the right direction toward reform of the death tax.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds. I wish to tell my friend from Indiana that I ran 10 times before I was given the ability to vote on a measure to repeal the death tax. So it took us a long time to get here. I might say it also required a change in the majority in the House of Representatives to reach this point.

I also want to note for the record that the Chronicle of Philanthropy found that the elimination of the death tax would result in a 63 percent increase in charitable giving because people would be willing to donate more if the tax man took less.

Mr. Speaker, I yield 2 minutes to the gentleman from Kentucky (Mr. FLETCHER).

Mr. FLETCHER. Mr. Speaker, I appreciate the opportunity to speak on this very important measure. We have two quite diverse views here. We have a side that presents here a substitute bill, and while we are glad to see that

they are finally coming around to realize that the death tax is wrong, unfortunately they have not quite seen the fact that our bill is based not just on how much money are we going to be able to keep in Washington, but, rather, on the principle that taxing someone twice, and their families after they have passed away, is wrong.

What we see on the other side is not a sincere interest, I believe, in whole of relieving this problem that we have, this unfairness in the Tax Code, but rather posturing themselves politically. Unfortunately, there is a lot of that done here. But, Mr. Speaker, though it is not a perfect bill that we have, H.R. 8, I would like to phase it in more quickly, we are working on a responsible way of phasing it in.

What is it about? It is, as the gentleman said, about jobs, and it is also about green space. We have a lot of beautiful farms in Kentucky, and every time one generation passes it on to the next, there is a large tax that requires them often to sell that farm for development.

There is a small family in a county that is a small county, a poor county, Nicholas County in Kentucky, where the community has lost half their industrial jobs this last year. A small Democratic family started a small business a few years ago with computerized lathe technology and machinists and has developed quite a company. What will happen to that company, if we keep the death tax the way it is, is that when he tries to pass that on to his children Lynn and Lee, they will have to sell the assets of that company. That company will then probably be moved to where most of the machinist work is done, in Cincinnati or Cleveland.

Please, vote down this substitute. Vote for H.R. 8 so we are able to keep the jobs, the green space, and to promote the politics of fairness.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentleman from Indiana (Mr. HILL).

Mr. HILL. Mr. Speaker, I would agree with my good friend from Kentucky that that bill is not a perfect bill. It is not even close to being a perfect bill.

I would ask the American people, or I would ask my constituents if they want tax relief now or they want tax relief 10 years from now? My guess is the constituents in my district would want that estate tax relief now.

Now, there are not many multimillionaires in my district in southern Indiana, but there are many family farmers and small business owners who have enough land and equipment and buildings to make them liable for the estate tax, and they want estate tax relief now, not like the Republican Party wants to give 10 years from now.

The Republicans give Indiana farmers and small business owners very little help if they die between now and the year 2011, but by raising the tax exemption to $4 million, like we want to do, my constituents and the American people get estate tax relief now. And I think that is what they want.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds.

I note that the gentleman, in his exuberance, might have left a false impression that under the Democrat substitute every American has a $4 million exemption in their bill. That is not the case. In fact, it is far from it.

In addition to that, the gentleman apparently left the impression that we do not do anything about easing the relief of the death tax during the 10-year phase-down period. The gentleman knows full well that is not the case either. So as we carry on our discussions, I do hope that, to the best of our ability, we stick to the facts.

Mr. Speaker, I yield 2 minutes to the gentleman from Florida (Mr. WELDON).

Mr. WELDON of Florida. Mr. Speaker, I rise in opposition to this substitute and in strong support of the underlying bill.

Mr. Speaker, I want to tell you about a family in my congressional district in Kissimmee, the Sextons. They had a floral shop. Their uncle had a busy floral shop. He passed away and willed his shop to them. They had 17 employees, and the IRS came calling. They sold off as many assets as they could, but ultimately they had to take out a bank loan of $100,000 to pay off the IRS. What did they do to handle that? They had 17 employees, they laid off 5 permanently. They went to the 12 remaining employees and said, you will have to take up the slack for the other five employees that have left, which those 12 people did do. Then they completely ended all of their programs of donating money to local charities in the community. With that, they have been able to get through.

Now, the substitute, I will point out, might provide some more immediate relief, but in 10 years with inflation, we are going to be back where we are today. This is a very punitive tax, the inheritance tax. It is morally wrong to tax somebody at death after they have paid taxes their whole lifetime. The money in those estates has been generated after tax, and it is a double taxation at the time of death, and that is morally wrong. It costs jobs. It costs jobs in Kissimmee, Florida. It causes ranches and family farms to be cut up and sold off for development. That is why we have the environmentalists supporting our bill.

Mr. Speaker, I encourage all of my colleagues to vote no on the substitute, and vote for the underlying bill.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida (Mrs. THURMAN).

Mrs. THURMAN. Mr. Speaker, I would ask the gentleman from Florida (Mr. WELDON), based on the story he just told us, to support our substitute. Otherwise, in fact, my colleague is going to have many more of those same stories ahead of him between now and 2011, because the fact of the matter is that flower shop, based upon the liability talked about, was about $1 million. If my colleague joined us today, they would have relief immediately, not in 2011, which is important.

Mr. Speaker, let me just give some statistics about Florida that I think my colleagues will find very interesting.

In 1998, there were 155,000 deaths in Florida. Of that, there were 8,886 estate tax returns that were filed. Of that, only 4,144 had an estate tax liability. Had this bill been in place, and it would have been signed by President Clinton last year, that flower shop owner would not be having that problem, because the fact of the matter is only 657 Florida estates would have even owed an estate tax.

What I find so amusing about this debate today, this debate started with the idea we have got to do something about the family farmers. We have got to do something about the small businesses. Well, you know what, the only bill that is going to take care of that today, right now, is the Rangel bill that is before us.

Mr. WELDON of Florida. Mr. Speaker, will the gentlewoman yield for a question?

Mrs. THURMAN. I yield to the gentleman from Florida.

Mr. WELDON of Florida. Mr. Speaker why is the Rangel bill not indexed for inflation?

Mrs. THURMAN. Because we go up by 2.5, which is more than we have ever done in estate tax over the last several years.

Mr. RANGEL. Mr. Speaker, I yield 5 seconds to the gentleman from Florida (Mr. WELDON), if he has another question.

Mr. WELDON of Florida. Mr. Speaker, my concern is if my colleagues on the other side of the aisle do not eliminate the death tax, that this is just going to be another problem in 10 years; that is all.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would say to my colleagues on the other side of the aisle, if they are concerned about young people, they have 10 years to wait for relief.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it might be useful to put on the record that in a single year alone, in 1998, the people of Florida lost $2.7 billion to the death tax. Multiply by 10, it goes away. Under the Democratic proposal, it does not.

Mr. Speaker, I yield 2 minutes to the gentleman from Oklahoma (Mr. LARGENT).

Mr. LARGENT. Mr. Speaker, I want to say to my colleagues on the other side of the aisle, they cannot come up to the podium and say that they think that the death tax is unfair, they think that the death tax is un-American, let us reform it. If it is un-American, let us get rid of it. Mr. Speaker, that is exactly what H.R. 8 does. Otherwise it is a disingenuous argument that my colleagues make.

Mr. Speaker, it has been said there are two things that are certain in life: death and taxes. And with the estate tax, Washington has figured out a way to marry these two certainties. The government taxes Americans when they work, when they save, when they get married; and in case we miss something, we tax them when they die. There is no tax more offensive or immoral than that levied on the deceased and their families.

Mr. Speaker, the estate tax does not need to be modified or tinkered with; it needs to be repealed. Dying should never be a taxable event. It is a horrible social policy, and even worse economic policy. The effects of the death tax results in nothing less than the killing of the American dream. So many people in America wake up every morning and work hard with the hope that one day their children will have a better quality of life than they did. These folks are not the Rockefellers or the Gates, they just want to pass something on to their children.

Estate tax prevents grandparents and parents from passing on the family business or farms to their children. Families should be allowed to keep what they have earned throughout their lives. Generational transfer of wealth is a good thing and has helped make this such a prosperous Nation.

Mr. Speaker, I urge my colleagues to support H.R. 8 and end the tyranny of the death tax.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would announce that the gentleman from California (Mr. THOMAS) has 15 minutes remaining. The gentleman from New York (Mr. RANGEL) has 22½ minutes remaining.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland (Mr. HOYER), my distinguished colleague.

Mr. HOYER. Mr. Speaker, with this estate tax bill, the Republican leadership would light the fuse of a fiscal time bomb that would go off in 2011.

As The Washington Post said this morning, the slow fuse makes the proposal seem affordable; nearly cost-free, in fact, because only the cost of the first 10 years of any legislation is estimated.

□ 1400

But we all know the real costs of this bill do not start showing up until 2011. There is no need for us to jeopardize our fiscal future, Mr. Speaker. A great majority of Members on both sides of the aisle support a reduction in the estate tax. Bill Clinton would have signed a compromise estate tax bill covering 99.5 percent of all the estates in America. The tone may have changed but the substance has not. ''Do it my way or no way.''

The Democratic alternative would give us relief now. It immediately would raise the estate tax exclusion to $4 million for couples and would gradually raise that to $5 million. In 1999, that would have exempted more than three-quarters of all the estates that incurred any tax liability. I am not talking about all the estates. Of any estate that incurred a tax liability. And it would cost a fiscally responsible $40 billion. But the Republican leadership has rejected bipartisan compromise once again.

It is at least consistent. Instead, the GOP's great tax gurus have proposed a bill that would cost $193 billion over the next decade while concealing its true cost. The Joint Committee on Taxation estimates that if complete repeal took effect today, the real cost of this legislation would be $660 billion over the next 10 years. The majority will not admit that, of course. It would be an explicit admission that the President's $1.6 trillion tax plan actually will cost closer to $3 trillion. The real danger to our country and to our people is that the cost of the legislation will be borne at the worst possible time, just as the baby boomers begin to retire and become eligible for Social Security and Medicare. With our uncertain projected budget surpluses, is that fiscally responsible to do? I think not.

Let us provide immediate relief for small business owners, for farmers, and let us defuse the fiscal time bomb before it threatens to blow a hole in our budget.

Mr. Speaker, we can do something real for 99.5 percent of the taxpayers. Yes, their bill will continue the old song, ''The rich get richer and the poor get poorer, but in the meantime don't we Congressmen and Congresswomen have fun?''

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. SHERMAN).

Mr. SHERMAN. Mr. Speaker, the gentleman from California criticizes the numbers saying we do not provide $4 million of immediate tax relief. We do, to every couple. $2 million to every individual.

If Members are concerned about the 98 percent of Americans that do not pay the estate tax at all, they need to vote for the Democratic substitute because it is far more fiscally responsible. It will assure that we are able to pay down the national debt, provide for low interest costs and allow for people who are barely able to make their car payments to make them at a lower interest rate.

But say you happen to represent Malibu, as I do, and you are concerned with those who are the richest 2 percent as is my obligation. Well, the vast majority of the folks in Malibu will actually do better under the Democratic alternative.

First, we provide immediate tax relief. Their plan provides that if you cannot manage to live to 2011 and you have an estate of several million dollars, you are going to pay a big tax. Ours says $4 million a couple: no tax. And if you are able to make it to 2011: $5 million a couple, no tax.

In the long term, their plan provides no estate tax but a higher capital gains tax on the upper-upper middle class. Estates of $3, $4, $5, and $6 million will be virtually tax exempt under the Democratic plan and the heirs will get relief from capital gains tax. Under their plan, those estates do not get relief from capital gains tax.

The result is this: Unless you are focused on the wealthiest two-tenths of 1 percent, unless you are focused not just on the ordinary people of Malibu but on those with $10 million to $100 million estates, the Democratic plan means lower taxes. If you believe in lower taxes for those with under $10 million in assets, vote for the Democratic alternative.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

I tell the gentleman from the State that we shared in 1998, $4.1 billion those families did not get because of the failure to repeal the death tax.

Mr. Speaker, it is my pleasure to yield 2 minutes to the gentlewoman from Illinois (Mrs. BIGGERT).

Mrs. BIGGERT. Mr. Speaker, I rise today to oppose the Democrat substitute and in strong support of the underlying bill, the Death Tax Elimination Act. This unfair tax has long outlived its usefulness.

We are here in Congress to make things better for the American people. When more than 70 percent of small businesses do not make it to the second generation, something is wrong and must be made better. I know that my colleagues on the other side of the aisle feel that their proposal will make things better, but the fact is that the Democrat substitute does not go far enough. Here is why. I met with representatives from the Illinois Lumbermen's Association yesterday. They are owners and operators of independently owned retail lumber stores. I asked them whether they would be affected by the death tax if the Democrat substitute passed. After thinking for a minute or two, they said that while a $2 million exemption or a $5 million exemption sounds like a lot of money, they would still be subject to the tax. Lumber dealers need land and they need a lot of it. It is a simple fact of their business. Because they own land in the Chicago area, it will appreciate and push the value of their estate above that exemption and they are right back to where we started from. These lumber dealers are the very definition of small businessmen. They put their hearts and souls into their businesses, making a living, creating jobs and hoping to pass something on to their children. But a larger exemption is still not enough. They need a full phase-out. They need the Death Tax Elimination Act.

I urge all my colleagues to oppose the Democrat substitute and to support the Death Tax Elimination Act. The time is now to once and for all put an end to the death tax.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

It just seems to me under that last example that appreciated property

under the Republican bill will be exposed to capital gains tax for the next 10 years.

Mr. Speaker, I yield 3 minutes to the gentleman from North Dakota (Mr. POMEROY), a member of the committee.

Mr. POMEROY. I thank the gentleman for yielding me this time.

Mr. Speaker, this is about very real tax relief now to deal with those 2 percent of American households that may have estate tax issues to deal with versus a promise of tax relief 10 years to come.

This chart shows what happens under the majority bill: Very substantial estate tax collection for a decade, then nothing. Are the American people really to believe that the next 2½ presidential terms, the next five Congresses will not revisit this issue? We cannot commit what will happen one decade from now. We are best off dealing with the substitute, real relief now.

This chart shows the significant difference in providing meaningful estate tax relief by moving to the substitute, effectively $4 million estate tax exclusion for a couple phased in to $5 million after 5 years. Estates with a value below $10 million do better under the minority substitute than the majority plan. In addition, there is a very insidious feature to the majority bill which will actually cause taxes to rise for a substantial number of households. By repealing the step-up basis and moving in the carryover basis, they hurt exactly some of the same people they talk so much about helping, farmers and small businesses. An estate that presently is not taxable because of a significant level of debt that passes at the time of the estate could become very definitely taxable for capital gains under the majority proposal. The specific application of the capital gains carryover change advanced in the majority bill would hurt farmers, is very bad public policy, and damage small businesses.

I represent more production acres than any other Member of this House. The family farms that I see are much more threatened, and I have seen a lot more farms lost to the ruinous cost of nursing homes than I have had application of Federal estate tax liability. The majority on the other hand does nothing to address the cost of nursing homes, nothing to address the very real present cost to these estates. Instead, they offer a plan that does not take meaningful effect for a full decade and then takes effect in such a way as to raise capital gains tax exposure for family farms, for small businesses, for literally thousands of families that today have no estate tax difficulties.

This is the kind of proposal that should be defeated. Support the minority substitute.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

I thank my friend from North Dakota for clarifying the issue for us. It is now very clear. They want reduction. We want repeal.

Mr. Speaker, it is my pleasure to yield 3 minutes to the gentleman from Texas (Mr. DELAY), the majority whip.

Mr. DELAY. Mr. Speaker, I thank the gentleman for yielding me this time and I thank the gentleman for bringing this bill to the floor. The gentleman from California is absolutely right. The other difference is we have credibility. They have no credibility. The last time they were in the majority and offered a tax cut was when Jack Kennedy was President of the United States.

Mr. Speaker, Members should oppose the Democrat substitute amendment because it denies the across-the-board tax relief that the American people want and demand. The Democrats dangle partial relief but we repeal the death tax. Let us set aside those specific dates and figures that confuse Members to examine the very underlying dispute in this debate. And we should look beneath the surface, because the reason our parties disagree on this proposal stems from our core convictions. Republicans support the repeal of the death tax because we believe that the Federal Government has no legitimate right to tax income twice. We believe that families are entitled to keep what they earn over the years. Those families have already paid taxes on their assets and taxing them twice is wrong. All the Democrat objections flow from one single motivation, the desperate desire to preserve taxes for a stream of revenue. Democrats oppose the death tax repeal because it would cut off a source of revenue so they can have big government.

The Democrat substitute is compromised by a flawed understanding that stubbornly refuses to accept this fundamental point: Tax dollars belong to the people who earn them, not the Federal Government. The Democrats are terrified by the prospect of foreclosing any source of taxation. We want to let people keep more of what they earn. The bottom line is this: Without full repeal, any death tax relief measure is no more than a placebo. To cure the death tax, you have got to kill it by ending it once and for all.

The only plausible reason for opposing death tax repeal is the unstated ambition to one day restore the death tax in its current aggressive form. We want to let American families keep what they have earned but the Democrat leadership has designs for those tax dollars. That is why they do not and will not support death tax repeal.

Mr. RANGEL. Mr. Speaker, I yield myself such time as I may consume.

You may want to repeal it but it is taking you 10 years to get there.

Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. DELAHUNT).

Mr. DELAHUNT. Mr. Speaker, I thank the ranking member for yielding me this time. I also thank him for crafting a very intelligent substitute.

Last year, I was one of those Democrats who joined with my colleagues across the aisle to support legislation to repeal the Federal estate tax. I did so because I believed that the tax unfairly burdened small businesses and family farms which often had to be sold at below-market values because of liquidity issues.

□ 1415

In other words, the heirs did not have the cash to pay the tax.

Well, I still believe that; and that is why I am going to vote for the Rangel substitute rather than the committee bill, because if we adopt the substitute, many of those who are now required to pay the estate tax will have the cash under the Rangel bill.

Secondly, and others have addressed this issue, under the committee bill many Americans would never reap the promised benefits even upon full repeal in 10 years. As others have suggested, currently, inherited property is assessed for valuation purposes at the time of death; but the committee bill, the Republican bill, would carry over for tax purposes a property's original value from the date of acquisition, from the date of purchase.

It will undoubtedly increase capital gains tax upon sale and disposition; again, forcing heirs to experience the same liquidity issues upon sale that we are trying to address now. So I think for these reasons and for so many others that have already been articulated, it makes sense to support the Rangel substitute and to defeat the bill.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentlewoman from the District of Columbia (Ms. NORTON).

(Ms. NORTON asked and was given permission to revise and extend her remarks.)

Ms. NORTON. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL) for yielding me this time. I especially thank him for the thoughtful substitute he has put forward because what he has done is to listen to the people who have estate tax problems and responded directly to them.

Mr. Speaker, the substitute has relief for small businesses, for farmers, and for people who have worked hard to accumulate modest wealth. In other words, for those who need it.

Mr. Speaker, I never thought I would hear Americans argue for heredity wealth. That, I thought, was the major difference between the Old World and the new, between Europe and America. I am bemused by the notion of a dead man paying twice. People who inherit wealth have not paid once. The children of the rich, who get the lion's share of the benefits from this bill, have not paid a dime of money they have worked for.

This bill, the majority bill, turns progressive taxation, the hallmark of the Federal Tax Code, on its head. We hear about transferring wealth from the rich to the poor. The majority's bill transfers funds from the poor to the rich. The majority has tried to get away with having Americans believe

that they are or could be helped by estate tax repeal.

The whistle has been blown on the majority bill, thanks to some very principled rich folks who got up and told the truth about who would get the benefits and said that it should not be them but people far poorer than them. They exploded the leading myth behind this bill.

The fact is, Mr. Speaker, almost no one would benefit from the majority bill. That is a lot of money to give to no one.

Mr. THOMAS. Mr. Speaker, I yield 3 minutes to the gentleman from Oklahoma (Mr. WATTS), the conference chairman of the Republican Conference.

Mr. WATTS of Oklahoma. Mr. Speaker, this is a common sense plan to strengthen family-owned businesses and farms and to secure our children's future. Furthermore, nobody should be forced to visit the undertaker and the IRS in the same day.

Let me explain the problem with this death tax situation. Families are working longer and harder than they ever have, and Washington continues to take more and more. The death tax deprives many hard-working Americans of opportunities to pass along the business or the farm to the children. Upon death, the IRS can seize up to 55 percent of one's farm or business. This means a mom-and-pop shop one hopes for their children to take will be more than half gone before their funeral is over.

The death tax was enacted four times in our history to fund military buildups in times of war. In all but the fourth time, it was repealed within 8 years. The fourth time, however, it was enacted to fund World War I in 1916 and has never been repealed.

News flash: the war is over. We won. Let us get rid of the death tax.

What is the solution? Let us eliminate it on behalf of family farmers and small business owners who want to leave a legacy for their children, for their grandchildren. I ask for fairness and common sense in our Tax Code.

The benefits we get out of eliminating the death tax, more than six of 10 small businesses report that they would create new jobs in the next 12 months if the death tax were to be repealed. That means food on the table and college tuition for many American families.

In the black community, sometimes it takes four or five generations for the African American community to create wealth; and then, when that proprietor dies, over 50 percent of that business is wiped out overnight. This tax is wrong. It is unfair. We need to eliminate it.

We got the IRS out of the sanctuary last week by eliminating the unfair marriage tax. Now we must vote to get rid of the IRS, get it out of the funeral parlor. Uncle Sam should not raise revenue from somebody's coffin.

Mr. Speaker, the death tax needs to die.

Mr. RANGEL. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Ms. PELOSI).

Ms. PELOSI. Mr. Speaker, I thank the gentleman from New York (Mr. RANGEL), the distinguished ranking member, for yielding me this time and for his leadership in bringing this very wise Democratic estate tax-relief bill to the floor.

Mr. Speaker, I rise in strong support of it because Democrats have repeatedly stated that we do support responsible tax cuts, but only ones that we can afford.

Yet again, the Republican leadership has brought a tax cut to the floor that we cannot afford. I come from a part of the country where real estate values have skyrocketed. I understand the need for estate tax relief for homeowners, for business owners, for farmers. The Democratic substitute increases the estate tax exclusion to $2.5 million for individuals and $5 million for married couples. Under our plan, 75 percent of the estates that are currently taxed would no longer pay any estate taxes. I repeat, 75 percent of those who currently paying estate taxes would pay no estate taxes under the Democratic plan.

Our plan, the Democratic plan, costs $40 billion over 10 years. We can afford that. The Republicans, on the other hand, have an irresponsible proposal that will add to the already $1.8 trillion, including interest, that has come to date to this floor that they have voted; and their plan, one probably will not believe this, but listen carefully, their plan will cost $662 billion. It is so staggering, $662 billion. $40 billion on the Democratic side, 75 percent of the people will pay no estate tax who pay estate tax now. Theirs, $662 billion. But if one is in that category where they would benefit from the Republican plan, listen up. Their benefit does not even come for 10 years.

So listen up. If they are in the category that would benefit at the highest end of the Republican estate tax plan, they do not see that benefit for 10 years down the road. The Republicans are asking this Congress to commit five Congresses from now, five budgets away, to spend up to $662 billion in tax relief for the wealthiest people in our country.

What is the opportunity cost of that money? We have an infrastructure deficit in our country; bridges, roads, that need repair; building of mass transit to move people and keep the air clean. We have deficits in our education that we need school modernization, where these billions of dollars could be spent there. Or first and foremost, we could pay down the debt, keep interest rates down for our mortgages, for our car payments, for our credit cards.

So when they give this tax break at the highest end, guess who is paying for it? The average working American, with higher interest rates.

I urge our colleagues to support the Democratic plan.

Mr. THOMAS. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, just in case anybody believes any of those figures that were mentioned by the gentlewoman from California (Ms. PELOSI), the Joint Committee on Taxation places a $185 billion price tag on the bipartisan H.R. 8 proposal. The Democrat substitute costs $160 billion over 10 years to just reduce the death tax. They do immediately repeal the State estate tax credit, an immediate hit on the States of $122 billion, which produces the net that the gentlewoman mentioned.

Ms. PELOSI. Mr. Speaker, will the gentleman yield?

Mr. THOMAS. Not on my time. If the gentleman from New York (Mr. RANGEL) wants to yield some time, he can.

Mr. RANGEL. Mr. Speaker, I yield 30 seconds to the gentlewoman from California (Ms. PELOSI) to respond to the gentleman from California (Mr. THOMAS).

Ms. PELOSI. Mr. Speaker, in fact, the Joint Committee on Taxation has estimated that the Republican plan would cost $662 billion over 10 years.

Mr. THOMAS. Mr. Speaker, I yield myself such time as I might consume.

Mr. Speaker, notwithstanding what the gentlewoman from California (Ms. PELOSI), my colleague and friend, said, she is just flat out wrong. The joint tax on our plan is $185 billion.

Mr. Speaker, I yield 2½ minutes to the gentleman from California (Mr. ISSA).

Mr. ISSA. Mr. Speaker, I would like today to take my 2 minutes and use it a little differently than the other Members. I would like to put a face on the nobody that was talked about here earlier.

I am one of those nobodies who will pay the tax. I came to this body, after 20 successful years in business, just 90 days ago. I am not particularly concerned about how much money the government takes from me, because I have sold my business in order to come to this body; but I am concerned about businesses like the one that my wife and I built over 20 years.

Twenty years ago, I left the Army with a 1967 Karmann Ghia and a couple thousand dollars. Over those 20 years, with incredibly hard work and luck and the participation of nearly 200 men and women in our company, we built our business to $100 million in sales. It took 4 years to structure a termination of that business from ownership of my wife and myself. People within my company now own stock, and a leverage group came in and helped; but it took a long time, and I have 5 years of obligation to make sure that my company goes on.

Had I died on December 31, instead of leaving as a CEO to come join this body, they would have taken an immediate tax hit of over $55 million on the company just at a time at which its value would have plummeted, its marketability would have been terminated.

In the America that I grew up in, one's dreams, in fact, are rewarded by

government, not punished. Most importantly, in the America I grew up in we do not determine what size business is good, what size business is good to be public, what size business is good to be private.

In the America I grew up in, we reward people who build businesses because they create the jobs that Americans work at. Please vote down the substitute. Vote for the bill itself, because in fact it supports the ability for companies like my wife and I built to be able to support American jobs.

Mr. RANGEL. Mr. Speaker, I yield 2 minutes to the gentleman from Mississippi (Mr. TAYLOR).

□ 1430

Mr. TAYLOR of Mississippi. Mr. Speaker, I thank the gentleman for yielding me this time.

The one thing that apparently is not being talked about today is that as of the end of last month, our Nation was $5.735 trillion in debt. Just since September, our Nation's debt has increased by $61 billion. I guess many of my colleagues would like to ignore that, but they cannot ignore the fact that we owe the Social Security Trust Fund $1 trillion of unfunded liability. We owe our Nation's military retirees, including the gentleman who just spoke, $163 billion. We owe the Medicare Trust Fund $229 billion, and we owe our own public servants over half of $1 trillion.

When folks ask me on the street to cut out the wasteful spending, they are pretty shocked to discover that the most wasteful thing our Nation does that costs $1 billion a day is interest on the national debt.

Now, the gentleman from New York (Mr. RANGEL) and his proposed plan to try to solve the problem for most of those Americans who do pay an estate tax would allow people to keep $4 million of their parents', or whoever left them the money or estate, tax-free, and we can do that for less than $30 billion. The alternative costs five times more.

Now, as someone who spends my time looking out for the defense interests of our Nation, that difference would build 20 aircraft carriers or 100 destroyers, or no telling how many 30-year-old UH–1 Hueys could be replaced. Right now we have 20 young Americans in captivity in China because the pilot was afraid to ditch that ancient aircraft he was flying for fear that the lives of the crew would have been lost.

Mr. Speaker, why do we continually underfund the things that our Nation should be doing the best it can for the sake of tax breaks, in many instances justified tax breaks, but in many instances tax breaks whose people are only deserving because they can write big checks to political parties?

Mr. THOMAS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. KELLY) to tell another one of those very real-world stories.

Mrs. KELLY. Mr. Speaker, I rise in opposition to the Rangel substitute because partial repeal of the death tax is just that: partial. Full repeal is what is needed to benefit all of the workers on family farms and in small businesses. Many of the testimonials we have heard regarding the repeal of the death tax have centered around the plight of the family farmers. Farm families are not the only ones affected by the estate tax.

Family-owned manufacturing and construction businesses are also affected. How? Because they put the bulk of their assets into the equipment by which they do business. For instance, if one is a road contractor, the very bulldozers and clam shells and backhoes that one owns cost in the millions of dollars, and this is what one has to pass on to one's children, one's good name and equipment, that is it. So when the inheritor of a small business has to liquidate the company's assets and equipment to cover the cost of paying the government, it marks the tragic end to an entity that may have gone on for several generations.

When a business closes its doors for the last time, it is forced to sacrifice the jobs of the employees. All of the workers, many of whom have long tenures with the business and deep roots in the community, are faced with unemployment and the sudden need to find another job in order to feed their families. Please note, these could be union or nonunion jobs. It is just plain jobs.

Mr. Speaker, it is clear that the long arms of the estate tax reach deep. The death tax touches every aspect of small businesses from the inheritor to the employees to the families to the local community. If we vote to repeal the estate tax, we are not only assuring a promising future for family farmers, but we are ensuring a promising future for the small business owners of America and the small manufacturers of America. All American workers will do better and all of America will be better if we pass this bill.

Mr. Speaker, I urge my colleagues to vote no on the Rangel substitute to H.R. 8.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from Texas (Ms. JACKSON-LEE).

(Ms. JACKSON-LEE of Texas asked and was given permission to revise and extend her remarks.)

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise to support the Democratic alternative by the gentleman from New York (Mr. RANGEL) to simply emphasize that only 50,000 estates are even impacted by this estate tax at all, 2 percent of Americans, whereas the Democratic substitute ensures that the tax will exclude the $2 million per person, $4 million per couple as of January 1, 2002, and gradually increase to $2.5 million and $5 million per couple.

But the real issue is what the estate tax does. I am gratified that individuals like Bill Gates really talk to America about what the estate tax is all about. We are interested in helping the car dealer and the small business, and the Democratic alternative does that. But do we realize that in many instances, many Americans provide sources of opportunity and contribution to hospitals and institutions of higher learning, to our arts institutions by donating murals and pictures, by protecting our national parks, by their wonderful largesse and their charitable attitude. These Americans do not want the estate tax repealed, they want to continue to do this and continue to be able to give, and they want to be able to give to America to protect its very precious resources.

Mr. Speaker, I say to my colleagues, support the Democratic alternative.

Mr. Speaker, I rise in opposition of H.R. 8, Estate Tax Repeal Act. This legislation is simply another reflection of poorly placed priorities that could jeopardize funds that would otherwise be used for next year's budget. The bill is so back-loaded that it does not even fully repeal the estate tax until 2011, beyond the 10-year budget window.

We all know that reform of the estate tax is a bipartisan issue—both Democrats and Republicans have long recognized the need to reform estate tax. I have often heard of the need to update the estate tax from constituents to reflect the increase in home prices, stock prices as they are reflected in individual savings for retirement, and the value of family-owned businesses. But the Republican response embodied in H.R. 8 has been to help the wealthiest first and foremost by repealing the tax altogether, squandering the surplus and creating the potential for tax evasion. The Democratic response has been to provide the tax relief quickly and to those who need it the most—family farms and small businesses.

The current estate tax applies to estates larger than $675,000. There are special provisions for farms and family-owned small businesses that increase the amount excluded from the tax. According to the Joint Tax Committee, the estate and gift tax will raise $410 billion between 2002 and 2011. Each year only 50,000 estates owe estate tax at all; less than 2 percent of Americans have to worry about the tax. Of these 50 estates, there are fewer than 3,000 farms and fewer than 3,000 that have non-corporate business assets. In fact, in 1998, there were only 642 which were made up mainly of farm assets.

Most of the revenues come from the largest estates—the ones that the Republicans have chosen to get the first and largest benefits from their bill. The Joint Tax Committee estimated that the cost of H.R. 8 as introduced would have been $370 billion. The long phase-in period in H.R. 8 kept the cost down; $192 billion over ten years. Combined with the first two tax cut bills passed by the House—H.R. 3 and H.R. 6—this bill raises the total cut to $1.55 trillion over ten ears. The total budget cost is nearly $2 trillion. That is just an unacceptable price.

Mr. Speaker, we cannot afford this costly approach. H.R. 8 would reduce the rates on the largest estates first, giving the greatest benefit to only a few wealthy estates while providing no tax relief to the great majority of smaller estates while providing no tax relief to the great majority of smaller estates. When fully repealed, more than half of the tax cuts

would go to the largest 5 percent of the estates—2,900 estates valued at more than $5 million each.

Mr. Speaker, we can reform the estate tax and target a larger segment of America at the same time. For this reason, I look forward to supporting the Democratic Estate Tax Reform Proposal as an alternative to the proposed bill. The Democratic substitute raises the exclusion from the tax to $2 million per person and $4 million per couple as of January 1, 2002 and gradually increases the exclusion so that it reaches $2.5 million per person and $5 million per couple. The net cost is $40 billion over ten years. Accordingly, the substitute would not cause enormous drains on the Treasury and it takes care of the problem for the vast majority of estates. The Republican proposal will cost Americans $662 billion over 10 years creating a fiscal crisis.

The Democratic alternative is simple and cost-effective. It maintains the progressive features of the current estate and gift tax system while effectively exempting two-thirds of all estate that would have to pay the estate tax under current law. It would exempt 99.4 percent of all farms that would otherwise have to pay the estate tax and would give more estate tax relief to estates of less than $10 million than the Republican bill through 2008. In short, the Democratic alternative exempts many more estates, more quickly.

Mr. Speaker, I urge my colleagues to oppose H.R. 8. Instead, I urge my colleagues to support the Democratic substitute.

Mr. RANGEL. Mr. Speaker, I yield 1 minute to the gentlewoman from California (Ms. MILLENDER-MCDONALD).

Ms. MILLENDER-MCDONALD. Mr. Speaker, I rise today in support of the Democratic alternative and in opposition to H.R. 8.

Mr. Speaker, I am not opposed to estate tax relief, but this tax bill, H.R. 8, does not speak to providing estate tax relief to small businesses and family farmers. The Democratic substitute targets tax relief to small businesses and farms, as well as those estates that have increased in value over time. The Democratic bill will not result in an enormous drain on the Treasury, and it takes care of the problems of the vast majority of estates. I will support the Democratic alternative bill today.

Mr. Speaker, I am opposed to H.R. 8. I want to urge all of my colleagues to support the only tax plan that gives true relief from estate taxes.

Mr. RANGEL. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, one of my Republican friends brought to me an ad which ran in The Washington Post where African American businesspeople were calling for an end to the estate tax. I was moved by their concern for these African Americans. I thought it was the beginning of the new Republican civil rights movement. But I told them that I had shared my concerns about this with some of these people, and they agreed with me that only in a country as great as America can someone be born in poverty and be able to achieve the great economic success that they have been able to achieve.

But in doing this, we also had an obligation to America, to those people who are less fortunate. Whether they be black or white or Jew or gentile, there has to be a basic understanding that we have to secure for ourselves a sound economic system that allows all of the people to hope and aspire to achieve economically, a sound public school system that gives us the tools to be able to negotiate one's way through success; a Nation that would not only allow us to move forward, but have a concern about the Social Security System, the Medicare System, to be concerned about one whose parents who are dependent on Social Security and dependent on prescription drugs. In other words, yes, we have to be prepared to give something back to this great Republic that has given so much to so few.

So it seems to me as we conclude this argument, if people are talking and debating about repealing the estate taxes now, we have the wrong debate. Yes, that figure, $662 billion, no longer applies because the Republicans do not want repeal; not now, not next year, not the year after. They are talking about a decade from now. So call it the Republican I-Hope-You-Live-For-10-Years bill, but do not say relief is being given now, because the relief is in the Democratic substitute and the relief is when? The relief is now.

The Republicans would expose those who hold property that have appreciated in value to additional capital gains taxes after they die. We do not do that.

So what I am suggesting to my colleagues is that we have to live with some framework of what we are going to do in the future, and I can tell my colleagues this. The Republicans are talking about $1.6 trillion today, but tomorrow they will be talking about $2 trillion, the next day they will be talking about $2.5 trillion, and before we leave this House, they will be talking about a $3 trillion bill. Am I making it up? No.

The thing is that there is nothing left for them to cut after this bill. If this bill passes, they would have taken a $662 billion budget bill and squeezed it into a wedge that is left for $200 billion. But that is the last wedge, and this is our last chance.

Mr. THOMAS. Mr. Speaker, folks have heard a lot of numbers here today in the debate. The one that is real, 1998, in the States of the last 3 speakers, Texas, California and New York, those families had $7.9 billion taken from them in the death tax.

Mr. Speaker, I yield the balance of my time on this measure to the gentleman from Texas (Mr. ARMEY), the majority leader.

Mr. ARMEY. Mr. Speaker, I thank the gentleman for yielding me this time. I want to thank the chairman of the committee and the committee for bringing this bill to the floor.

Mr. Speaker, I do not often feel a need to answer the arguments made by my Democrat colleagues and, Mr. Speaker, I do not often argue by analogy, but for just a moment, Mr. Speaker, I would like to use an analogy to answer one of the arguments that they have made from the other side of the aisle.

We have brought here before the American people an effort to end the death tax. We choose to do that because we think it fundamentally wrong to tax a family's legacy. We have had testimony here about the fact that a handful of very, very rich people in America, most of whom on that list have more money than their families could ever spend in several lifetimes, have signed a letter saying, please do not end the death tax. My Democrat colleagues have seized upon that as testimony to the virtue of continuing the death tax. They are wrong to do so, and let me give my colleagues the analogy.

We have laws, Mr. Speaker, against battery, because we believe it is wrong to beat on a person. Now, Mr. Speaker, if a handful of masochists were to write a letter saying, oh, lift the ban on battery, beat us, beat us, I am sure the gentleman from New York (Mr. RANGEL) would not say, oh, by all means, we will not only beat the masochists, but we will beat everyone else who happens to have similar socioeconomic, demographic characteristics. No, he would immediately say, well, that is wrong. If it is wrong, it is wrong, and we cannot allow the sadists to beat the masochists just because the masochist says, beat me.

But if we follow the logic that they have applied to this effort to end this wrongful taxation, that is precisely the logic we would find them applying to the whole question of battery.

□ 1445

So we see they are wrong because they missed the point. We have here come today to end the death tax because it is wrong, and just as a compassionate man would end the battery even for the masochist, we would choose to end the death tax for the tax masochist that signed that letter. Because a conservative that is compassionate and understands recognizes that when one is taxed one's entire life, it is unfair, it is wrong, to be taxed again after one is dead.

Just consider, Mr. Speaker, what all we are taxed on today. Our wages are taxed, our property is taxed, our spending is taxed, our savings is taxed, our investment is taxed, and even our marriage is taxed, although we are trying to end that.

But for some of my colleagues, that is still not enough taxation. For them, as we draw our last breath, they want the tax man to pay us one final visit.

No, Mr. Speaker, it is just not right. It is not only unfair, it is not only immoral, but the death tax strikes at the very heart of the American dream.

What do I mean by that? Mr. Speaker, this is a nation that has drawn people from all over the world. They have come to this country with a dream. Their dream has been to work hard,

obey the laws, and build a better life for themselves and their families. They have pulled themselves up by their bootstraps. They want to leave the fruits of their life's labor to their children.

At the very moment when our final dream in life is to be realized, where we can pass on to our children all our life's work and its benefits, they have the government step in and pull the rug right out from underneath us. With that death tax, the government says to the family, ''Your small business is destroyed. To your loyal friends and employees, your jobs are lost. Another farm is put up for auction.''

It is not enough. It is not, in fact, a tax on big business. The death tax is not a tax on just rich people. It is a tax on a family's legacy, and that is why it is wrong. It taxes the family's capital, it taxes the small business, and it attacks the American dream, so we have come here today to put an end to it.

I say to my colleagues, look only at this one question: Is it right or is it wrong for the Federal government of the United States to be the largest grave robber in the world?

It is time for us to put an end to this immoral tax; not compromise, not end it for just a few, not continue to tax the masochistic rich because they do not feel the pain of the tax, but put an end to it for one very simple reason: It is wrong, and it should stop.

Ms. DUNN. Mr. Speaker, the Democratic substitute is short term fix masquerading as real tax relief. It will not solve the problem. Here is why:

First, it does not address the high death tax rates. On the first after their $2 million dollar credit, the family is forced to pay taxes starting at a 49 percent rate on every dollar over the credit. For businesses valued at 6 million dollars, this could mean a tax bill approaching 2 million. Under the substitute the U.S. will still have the second-highest death tax rates in the world—behind bastions of free market capitalism such as France and Sweden.

Second, every attempt to provide relief from the death tax has been a failure. In 1997, with the best intentions, we fashioned the Qualified Family-Owned Business Exemption as a way of addressing the concerns of small businesses and farmers, but it has not been the solution we envisioned. It is so complicated and onerous that the American Bar Association has called for its repeal. It also has a limited reach. According to Treasury estimates, only between 3 and 5 percent of estates qualify. In short, our experience shows that reform will only prolong the problem.

Finally, and perhaps most importantly, the substitute affirms the flawed notion that it is fair and reasonable to tax people at the end of their life. Instead of rewarding them for saving or for building a business, we punish them by assessing a burdensome tax. I urge my colleagues to reject the substitute and eliminate the death tax once and for all.

The SPEAKER pro tempore (Mr. LAHOOD). All time has expired.

Pursuant to House Resolution 111, the previous question is ordered on the bill, as amended, and on the amendment in the nature of a substitute offered by the gentleman from New York (Mr. RANGEL).

The question is on the amendment in the nature of a substitute offered by the gentleman from New York (Mr. RANGEL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. RANGEL. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 201, nays 227, not voting 3, as follows:

[Roll No. 82]

YEAS—201

Ackerman
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett
Bentsen
Bereuter
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Castle
Clay
Clayton
Clement
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Davis (CA)
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank
Frost
Gephardt
Gonzalez
Green (TX)
Gutierrez
Hall (OH)
Hall (TX)
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley
Hoyer
Inslee
Israel
Jackson-Lee (TX)
Jefferson
John
Johnson, E.B.
Jones (OH)
Kaptur
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Levin
Lewis (GA)
Lipinski
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Moakley
Mollohan
Moore
Moran (VA)
Morella
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Ross
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Schiff
Scott
Serrano
Sherman
Shows
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thurman
Tierney
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NAYS—227

Abercrombie
Aderholt
Akin
Armey
Bachus
Baker
Ballenger
Barr
Bartlett
Barton
Bass
Biggert
Bilirakis
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Chabot
Chambliss
Clyburn
Coble
Collins
Combest
Cooksey
Cox
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal
DeLay
DeMint
Diaz-Balart
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Fossella
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (WI)
Greenwood
Grucci
Gutknecht
Hansen
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hilleary
Hilliard
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Issa
Istook
Jackson (IL)
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Kanjorski
Keller
Kelly
Kennedy (MN)
Kerns
King (NY)
Kingston
Kirk
Knollenberg
Kolbe
LaHood
Largent
LaTourette
Leach
Lee
Lewis (CA)
Lewis (KY)
Linder
LoBiondo
Lucas (OK)
Manzullo
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Murtha
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Reynolds
Riley
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Saxton
Scarborough
Schaffer
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Simmons
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Spence
Stearns
Stump
Sununu
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thompson (MS)
Thornberry
Thune
Tiahrt
Tiberi
Toomey
Towns
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—3

Becerra
Kennedy (RI)
Latham

□ 1508

Messrs. SIMMONS, CRANE, TERRY, BAKER, NETHERCUTT, and GILMAN changed their vote from ''yea'' to ''nay.''

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. LAHOOD). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. POMEROY

Mr. POMEROY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. POMEROY. Yes, Mr. Speaker, I am.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. POMEROY moves to recommit the bill, H.R. 8, to the Committee on Ways and Means with instructions that the Committee report the same back to the House promptly with an amendment in the nature of a substitute that—

1. provides immediate relief from estate and gift taxes by increasing the estate and gift tax exemption with a goal of providing an exemption level that eliminates estate and gift tax liability for over two-thirds of those currently subject to the tax and exempts at least 99% of all farms from estate and gift taxes;

2. in no event increases the exemption to a level less than the increased exemption provided in H.R. 8 as introduced;

3. does not have growing budgetary costs like those shown in the Committee report that begin at $4 million in fiscal year 2002 and grow to $49.2 billion in fiscal year 2011, the last fiscal year beginning before the bill is fully effective; and

4. in no event includes provisions that would result in net tax increases (through additional capital gains tax levies) on the estates of certain decedents (such as farmers with average debt levels) with net assets below current law estate tax exemption levels.

Mr. THOMAS (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from North Dakota (Mr. POMEROY) is recognized for 5 minutes in support of his motion to recommit.

Mr. POMEROY. Mr. Speaker, I offer this motion on behalf of myself and the gentleman from Texas (Mr. TURNER).

The majority would have us believe that estate taxes collected by the Federal Government are the single greatest obstacle interrupting the passage of a family farm, a small business from one generation to the next.

To place the issue in perspective, 2 percent of all estates in this country were subject to the estate tax at present levels. Of those 2 percent, a single percent had assets that were at least half involved in farming. Ninety-nine percent of the 2 percent had not had operations involved in farming.

Mr. Speaker, I represent more production acres than any other Member of this body, and I will tell my colleagues there are an awful lot more farms lost to the ruinous cost of long-term care than ever lost to estate taxes collected by the Federal Government, but the majority has nothing in this bill to address that issue. By passing this bill, it will deprive this body of the resources to ever address the long-term care cost issue threatening the passage of farms and small businesses.

The motion to recommit has three fundamental principles: first, we should provide relief now, as opposed to relief later. The bulk of the majority bill takes effect 10 years from now. Mr. Speaker, we cannot bind future Congresses. There will be no fewer than four additional Congresses past this one that would have the opportunity to tinker with the majority's bill. Let us put relief in place now.

The second point, this should not explode in the outyears. It should take a relatively level hit on the Federal budget so we know what we are dealing with. The explosion of the majority bill just at the time the baby boomers move into retirement, escalating the costs of Social Security and Medicare will wreck the Federal budget. Why would we want to pass this on? Let us deal with it now.

The third, and very important, point, the majority bill exposes farms and small businesses to a level of capital gains that they do not have presently. Today, we have farms and small businesses that will pass under the estate tax but be fully protected against capital gains in a subsequent sale because of this stepped-up basis ultimately used to calculate capital gains.

□ 1515

Mr. Speaker, the majority bill does away with that, puts back in carryover basis. The effect is to tax farms and small businesses that do not have a capital gains exposure and gives them capital gains exposure. That is not the kind of tax relief our farmers are looking for.

Mr. Speaker, I yield to the gentleman from Texas (Mr. TURNER).

Mr. TURNER. Mr. Speaker, many Members on both sides of the aisle know that we can do better than the version of H.R. 8 that is before us today. The average number of estates each year subject to taxation in a congressional district in this country is 115. Just 115.

Now some of my colleagues come from more affluent areas, and that number is higher. Some of us come from areas that are of less affluence, and it is far lower. But whether my colleagues have 50 or 350 estates a year that are subject to the estate tax, these families would like to see significant estate tax relief now, not 10 years from now.

Mr. Speaker, this motion states that the exemption shall be no less than provided in H.R. 8 as originally introduced, which was $1.3 million, rather than the $700,000 under the current Thomas bill. This motion provides that it should be our goal to provide immediate repeal of the estate and gift tax for two-thirds of those currently covered by the tax, including 99 percent of all family farms. As the gentleman from North Dakota noted, the bill should guarantee that no family should pay more tax because of what is done here today.

Under H.R. 8, a $2 million estate would pay approximately $450,000 in 2002. With an affordable tax cut we can do better. We can make that family's estate tax zero in 2002. It all comes down to one's sense of fairness. Shall we start by giving the largest tax cuts to the wealthiest families in America, and no significant relief for the next 10 years to the smaller estates; or should we repeal the tax at the lower end immediately while granting gradual rate reductions for the upper end?

Mr. Speaker, I hope a majority of the House will support the latter approach and support this motion. This motion says we should start by repealing the tax for two-thirds of the taxable estates at the lower end rather than continuing to subject these families to 10 years of taxation.

I talked to a prominent senior citizen in my district who has a sizable estate to pass on the other day about these alternatives. He told me, whatever you do, do it now. I do not have 10 years.

Mr. Speaker, to pass a shell of a bill with a 10-year fuse is not tax relief. It is an empty promise to all who will lose loved ones over the next decade, and who may be forced to sell their family farm or family business to pay the estate tax. We will not be able to tell these families that we cannot afford to help them, because we can afford it, and we should do it now.

Mr. Speaker, I urge my colleagues to vote for the motion to recommit.

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from California (Mr. THOMAS) is recognized for 5 minutes in opposition to the motion to recommit.

Mr. THOMAS. Mr. Speaker, I think the debate today has been very good. H.R. 8 seeks repeal of the death tax, and the substitute by my friend and colleague on the Committee on Ways and Means, the gentleman from New York (Mr. RANGEL), sought relief.

If one listens to my two colleagues discussing this motion to recommit, one would have thought that that debate was continuing; their motion to recommit is for relief, and the underlying bill is for repeal. I want my colleagues to be very, very careful. I apologize to my colleagues; once again, I read their motion to recommit.

Mr. Speaker, in looking at the particulars, in the first particular it says it provides immediate relief. There is no repeal in any of the four items. One would think we are continuing the debate that we have had all afternoon, relief versus repeal. If my colleagues wanted to support our friends on the other side of the aisle, like the gentleman from Hawaii (Mr. ABERCROMBIE) or the gentleman from Georgia (Mr. BISHOP), my colleagues would have

voted no on the gentleman from New York's substitute because it was only relief. H.R. 8 is repeal.

But under the rules of the House, my colleagues ought to read the first paragraph, because what the first paragraph says is: Mr. Speaker, I move to recommit the bill, H.R. 8, to the Committee on Ways and Means with instructions that the Committee report the same back to the House promptly.

Normally when we see these motions to recommit, the word that is normally used is ''forthwith.'' A motion to recommit forthwith is immediate. It has a time certain to it. For those of us who have been around awhile, we have had a motion to recommit when, forthwith, it is brought right back to the floor, and we discuss the change that is in the motion to recommit.

Mr. Speaker, this is a motion to recommit promptly. When is promptly? No one knows. It is not a time certain. It is uncertain. The motion to recommit kills the bill. What does that mean? It is not an argument between relief and repeal. It is between killing this bill, having no change whatsoever, or repeal.

Mr. Speaker, I think the choice is clear. Vote no on the motion to recommit so my colleagues can vote yes on H.R. 8, and repeal the death tax.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. POMEROY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device, if ordered, will be taken on the question of passage of the bill.

The vote was taken by electronic device, and there were—ayes 192, noes 235, not voting 4, as follows:

[Roll No. 83]

AYES—192

Ackerman
Allen
Baca
Baird
Baldacci
Baldwin
Barrett
Bentsen
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Clay
Clayton
Clement
Clyburn
Conyers
Coyne
Crowley
Cummings
Davis (CA)
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank
Frost
Gephardt
Gonzalez
Gutierrez
Hall (OH)
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Lucas (KY)
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCarthy (MO)
McCollum
McDermott
McGovern
McIntyre
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Moakley
Mollohan
Moore
Moran (VA)
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Pomeroy
Price (NC)
Rahall
Rangel
Reyes
Rivers
Rodriguez
Roemer
Ross
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sanders
Sandlin
Sawyer
Schakowsky
Scott
Serrano
Sherman
Skelton
Slaughter
Smith (WA)
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Stupak
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Woolsey
Wu
Wynn

NOES—235

Abercrombie
Aderholt
Akin
Andrews
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Bartlett
Barton
Bass
Bereuter
Biggert
Bilirakis
Blunt
Boehlert
Boehner
Bonilla
Bono
Brady (TX)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Castle
Chabot
Chambliss
Coble
Collins
Combest
Condit
Cooksey
Costello
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis, Jo Ann
Davis, Tom
Deal
DeLay
DeMint
Diaz-Balart
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Everett
Ferguson
Flake
Fletcher
Foley
Fossella
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (WI)
Greenwood
Grucci
Gutknecht
Hall (TX)
Hansen
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hilleary
Hilliard
Hobson
Hoekstra
Horn
Hostettler
Houghton
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Issa
Istook
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
Kerns
King (NY)
Kingston
Kirk
Knollenberg
Kolbe
LaHood
Largent
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (OK)
Manzullo
Matheson
McCarthy (NY)
McCrery
McHugh
McInnis
McKeon
Mica
Miller (FL)
Miller, Gary
Moran (KS)
Morella
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Reynolds
Riley
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryan (WI)
Ryun (KS)
Saxton
Scarborough
Schaffer
Schiff
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Souder
Spence
Stearns
Stump
Sununu
Sweeney
Tancredo
Tanner
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Tiberi
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Young (AK)
Young (FL)

NOT VOTING—4

Becerra
Green (TX)
Kennedy (RI)
Latham

□ 1540

Mr. HUTCHINSON changed his vote from ''aye'' to ''no.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

Stated for:

Mr. GREEN of Texas. Mr. Speaker, I was unavoidably detained just a few minutes ago on Rollcall No. 83. If I had been present, I would have voted ''aye.''

The SPEAKER pro tempore (Mr. LAHOOD). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. THOMAS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. This is a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 274, nays 154, not voting 3, as follows:

[Roll No. 84]

YEAS—274

Abercrombie
Aderholt
Akin
Andrews
Armey
Baca
Bachus
Baird
Baker
Ballenger
Barcia
Barr
Bartlett
Barton
Bass
Bereuter
Berkley
Berry
Biggert
Bilirakis
Bishop
Blunt
Boehlert
Boehner
Bonilla
Bono
Boswell
Boucher
Boyd
Brady (TX)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Capps
Carson (OK)
Chabot
Chambliss
Clement
Coble
Collins
Combest
Condit
Cooksey
Costello
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cunningham
Davis (CA)
Davis, Jo Ann
Davis, Tom
Deal
DeLay
DeMint
Diaz-Balart
Dooley
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Etheridge
Everett
Farr
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Goode

Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (WI)
Greenwood
Grucci
Gutknecht
Hall (TX)
Hansen
Harman
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hilleary
Hinojosa
Hobson
Hoekstra
Holt
Honda
Hooley
Horn
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Israel
Issa
Istook
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
Kerns
King (NY)
Kingston
Kirk
Knollenberg
Kolbe
LaHood
Lampson
Largent
Larsen (WA)
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (KY)
Lucas (OK)
Maloney (CT)
Manzullo
Mascara
Matheson
McCarthy (NY)
McCrery
McHugh
McInnis
McIntyre
McKeon
Mica
Miller (FL)
Miller, Gary
Moore
Moran (KS)
Myrick
Nethercutt
Ney
Northup
Norwood
Nussle
Ortiz
Osborne
Ose
Otter
Oxley
Paul
Pence
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Platts
Pombo
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Regula
Rehberg
Reynolds
Riley
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Roukema
Royce
Ryan (WI)
Ryun (KS)
Sanchez
Sandlin
Saxton
Scarborough
Schaffer
Schiff
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Souder
Spence
Stearns
Stenholm
Stump
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thornberry
Thune
Tiahrt
Tiberi
Toomey
Traficant
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Wynn
Young (AK)
Young (FL)

NAYS—154

Ackerman
Allen
Baldacci
Baldwin
Barrett
Bentsen
Berman
Blagojevich
Blumenauer
Bonior
Borski
Brady (PA)
Brown (FL)
Brown (OH)
Capuano
Cardin
Carson (IN)
Castle
Clay
Clayton
Clyburn
Conyers
Coyne
Crowley
Cummings
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Doyle
Edwards
Engel
Eshoo
Evans
Fattah
Filner
Frank
Frost
Gephardt
Gonzalez
Green (TX)
Gutierrez
Hall (OH)
Hastings (FL)
Hill
Hilliard
Hinchey
Hoeffel
Holden
Houghton
Hoyer
Inslee
Jackson (IL)
Jackson-Lee (TX)
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
Langevin
Lantos
Larson (CT)
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Luther
Maloney (NY)
Markey
Matsui
McCarthy (MO)
McCollum
McDermott
McGovern
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Moakley
Mollohan
Moran (VA)
Morella
Murtha
Nadler
Napolitano
Neal
Oberstar
Obey
Olver
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Pomeroy
Price (NC)
Rangel
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schakowsky
Scott
Serrano
Sherman
Slaughter
Snyder
Solis
Spratt
Stark
Strickland
Stupak
Taylor (MS)
Thompson (MS)
Thurman
Tierney
Towns
Turner
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Woolsey
Wu

NOT VOTING—3

Becerra
Kennedy (RI)
Latham

□ 1548

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 8, the bill just passed.

The SPEAKER pro tempore (Mr. LAHOOD). Is there objection to the request of the gentleman from California?

There was no objection.

AUTHORIZING SPEAKER, MAJORITY LEADER, AND MINORITY LEADER TO ACCEPT RESIGNATIONS AND TO MAKE APPOINTMENTS AUTHORIZED BY LAW OR THE HOUSE NOT WITHSTANDING ADJOURNMENT

Mr. WAMP. Mr. Speaker, I ask unanimous consent that notwithstanding any adjournment of the House until Tuesday, April 24, 2001, the Speaker, majority leader and minority leader be authorized to accept resignations and to make appointments authorized by law or by the House.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY, APRIL 25, 2001

Mr. WAMP. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday, April 25, 2001.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 877

Mr. WAMP. Mr. Speaker, I ask unanimous consent that my name be removed as cosponsor of H.R. 877.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 1076

Mrs. JOHNSON of Connecticut. Mr. Speaker, I ask unanimous consent to remove the name of the gentleman from Texas (Mr. PAUL) from H.R. 1076, to which it was added mistakenly.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Connecticut?

There was no objection.

APPOINTMENT OF HONORABLE FRANK R. WOLF TO ACT AS SPEAKER PRO TEMPORE TO SIGN ENROLLED BILLS AND JOINT RESOLUTIONS THROUGH APRIL 24, 2001

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, DC,
April 4, 2001.

I hereby appoint the Honorable FRANK R. WOLF to act as Speaker pro tempore to sign enrolled bills and joint resolutions through April 24, 2001.

J. DENNIS HASTERT,
Speaker of the House of Representatives.

The SPEAKER pro tempore. Without objection, the appointment is approved.

There was no objection.

MEMBERS OF THE HOUSE TO BE AVAILABLE TO SERVE ON INVESTIGATIVE SUBCOMMITTEES OF THE COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

The SPEAKER pro tempore. Without objection, and pursuant to clause 5(a)(4)(A) of rule X, the Chair announces that the Speaker named the following Members of the House to be available to serve on investigation subcommittees of the Committee on Standards of Official Conduct for the 107th Congress:

Mr. GEKAS of Pennsylvania;
Mr. CHABOT of Ohio;
Mr. LATOURETTE of Ohio;
Mr. SHADEGG of Arizona;
Mr. WICKER of Mississippi;
Mr. MORAN of Kansas;
Mr. FOSSELLA of New York;
Mr. GREEN of Wisconsin; and
Mr. TERRY of Nebraska.

There was no objection.

NEWSPAPERS' RECOUNT SHOWS GEORGE W. BUSH WON ELECTION

(Mr. KINGSTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous material.)

Mr. KINGSTON. Mr. Speaker, there has been much said about the Florida election returns, and we hear over and