

105TH CONGRESS  
1ST SESSION

# H. R. 1674

To amend the Internal Revenue Code of 1986 to increase the amount of the unified credit against estate and gift taxes and to increase the amount of estate tax deferral available to owners of small businesses.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 20, 1997

Mr. SMITH of Michigan introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of the unified credit against estate and gift taxes and to increase the amount of estate tax deferral available to owners of small businesses.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Death Tax and Legal  
5 Fee Relief Act of 1997”.

1 **SEC. 2. UNIFIED CREDIT INCREASED TO EQUIVALENT OF**  
 2 **\$1,200,000 EXCLUSION.**

3 (a) **IN GENERAL.**—Subsection (a) of section 2010 of  
 4 the Internal Revenue Code of 1986 (relating to unified  
 5 credit against estate tax) is amended by striking  
 6 “\$192,800” and inserting “the applicable credit amount”.

7 (b) **APPLICABLE CREDIT AMOUNT.**—Section 2010 of  
 8 such Code is amended by redesignating subsection (c) as  
 9 subsection (d) and by inserting after subsection (b) the  
 10 following new subsection:

11 “(c) **APPLICABLE CREDIT AMOUNT.**—For purposes  
 12 of this section—

13 “(1) **IN GENERAL.**—The applicable credit  
 14 amount is the amount of the tentative tax which  
 15 would be determined under the rate schedule set  
 16 forth in section 2001(c) if the amount with respect  
 17 to which such tentative tax is to be computed were  
 18 the applicable exclusion amount determined in ac-  
 19 cordance with the following table:

<b>“In the case of estates of decedents dying, and gifts made, during:</b>	<b>The applicable exclusion amount is:</b>
1998 .....	\$750,000

20 “(2) **COST-OF-LIVING ADJUSTMENTS.**—In the  
 21 case of any decedent dying, and gifts made, in a cal-  
 22 endar year after 1998, the \$750,000 amount set

1       forth in paragraph (1) shall be increased by an  
2       amount equal to—

3               “(A) \$750,000, multiplied by

4               “(B) the cost-of-living adjustment deter-  
5               mined under section 1(f)(3) for such calendar  
6               year by substituting ‘calendar year 2002’ for  
7               ‘calendar year 1992’ in subparagraph (B)  
8               thereof.

9       If any amount as adjusted under the preceding sen-  
10       tence is not a multiple of \$10,000, such amount  
11       shall be rounded to the nearest multiple of  
12       \$10,000.”

13       (c) UNIFIED GIFT TAX CREDIT.—Paragraph (1) of  
14       section 2505(a) of such Code is amended by striking  
15       “\$192,800” and inserting “the applicable credit amount  
16       in effect under section 2010(c) for such calendar year”.

17       (d) CONFORMING AMENDMENTS.—

18               (1) Paragraph (1) of section 6018(a) of such  
19       Code is amended by striking “\$600,000” and insert-  
20       ing “the applicable exclusion amount in effect under  
21       section 2010(c) (as adjusted under paragraph (2)  
22       thereof) for the calendar year which includes the  
23       date of death”.

24               (2) Paragraph (2) of section 2001(c) of such  
25       Code is amended by striking “\$21,040,000” and in-

1       serting “the amount at which the average tax rate  
2       under this section is 55 percent”.

3               (3) Subparagraph (A) of section 2102(c)(3) of  
4       such Code is amended by striking “\$192,800” and  
5       inserting “the applicable credit amount in effect  
6       under section 2010(c) for the calendar year which  
7       includes the date of death”.

8       (e) EFFECTIVE DATE.—The amendments made by  
9       this section shall apply to the estates of decedents dying,  
10      and gifts made, after December 31, 1997.

11      **SEC. 3. INCREASE IN AMOUNT OF ESTATE TAX DEFERRAL**  
12                              **AVAILABLE TO OWNERS OF SMALL BUSI-**  
13                              **NESSES.**

14       (a) IN GENERAL.—Subsection (a) of section 6166 of  
15      the Internal Revenue Code of 1986 (relating to extension  
16      of time for payment of estate tax where estate consists  
17      largely of interest in closely held business) is amended by  
18      adding at the end the following new paragraph:

19                      “(4) INTEREST NOT REQUIRED TO BE PAID IF  
20      CLOSELY HELD BUSINESS IS SMALL BUSINESS.—

21                      “(A) IN GENERAL.—In the case of an in-  
22                      terest in a closely held business which is a small  
23                      business at all times on or after the date of the  
24                      enactment of this paragraph, no interest shall  
25                      be required to be paid on any installment per-



1 the aggregate of the amounts of the unused pre-  
2 deceased spouse credit.

3 “(2) UNUSED PREDECEASED SPOUSE CRED-  
4 IT.—For purposes of paragraph (1)—

5 “(A) IN GENERAL.—The term ‘unused pre-  
6 deceased spouse credit’ means, with respect to  
7 any predeceased spouse of the decedent, the  
8 amount equal to the excess of—

9 “(i) the maximum amount allowable  
10 under subsection (a) to the estate of such  
11 spouse, over

12 “(ii) the tax imposed by section 2001  
13 reduced by the credits against such tax  
14 other than the credit allowed by this sec-  
15 tion.

16 “(B) LIMITATION BASED ON CREDIT  
17 EQUIVALENT OF VALUE OF PROPERTY PASSING  
18 TO DECEDENT FROM PREDECEASED SPOUSE.—  
19 The amount of the unused predeceased spouse  
20 credit with respect to any predeceased spouse  
21 shall not exceed the credit equivalent of the ag-  
22 gregate value of property acquired from or  
23 passing from (within the meaning of section  
24 1014) the predeceased spouse to the decedent.

1           “(C) CREDIT EQUIVALENT.—For purposes  
2           of subparagraph (B), the credit equivalent is  
3           the amount of the tentative tax which would be  
4           determined under the rate schedule set forth in  
5           section 2001(c) if the amount with respect to  
6           which the tentative tax is to be computed were  
7           the aggregate value of the property referred to  
8           in subparagraph (B).

9           “(3) LIMITATION ON AGGREGATE INCREASE  
10          WHERE MORE THAN 1 PREDECEASED SPOUSE.—In  
11          no event may the amount of the increase under  
12          paragraph (1) exceed the dollar amount contained in  
13          subsection (a).

14          “(4) PREDECEASED SPOUSE.—For purposes of  
15          this subsection, the term ‘predeceased spouse’  
16          means, with respect to the decedent, an individual  
17          who was married to the decedent on the date of such  
18          individual’s death.”

19          (b) GIFT TAX.—Section 2505 of such Code is amend-  
20          ed by redesignating subsections (b) and (c) as subsections  
21          (c) and (d), respectively, and by inserting after subsection  
22          (a) the following new subsection:

23          “(b) INCREASE IN CREDIT FOR UNUSED UNIFIED  
24          CREDIT OF PREDECEASED SPOUSE.—Rules similar to the  
25          rules of section 2010(b) shall apply with respect to cal-

1 endar years beginning after the date of death of any pre-  
2 deceased spouse of the donor.”

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to estates of decedents dying, and  
5 gifts made, after December 31, 1997.

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