

107TH CONGRESS
1ST SESSION

H. R. 1437

To amend the Internal Revenue Code of 1986 to reduce the maximum estate and gift tax rate to 45 percent, to replace the unified credit against the estate and gift tax with a unified exemption amount, and to increase the gift exclusion amount.

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 2001

Mr. COLLINS (for himself, Mr. NORWOOD, Mr. DEAL of Georgia, and Mr. CHAMBLISS) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reduce the maximum estate and gift tax rate to 45 percent, to replace the unified credit against the estate and gift tax with a unified exemption amount, and to increase the gift exclusion amount.

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 “Estate Tax Relief Act
5 of 2001”.

1 **SEC. 2. MAXIMUM ESTATE AND GIFT TAX RATE REDUCED**
 2 **TO 45 PERCENT.**

3 (a) IN GENERAL.—The table contained in section
 4 2001(c)(1) of the Internal Revenue Code of 1986 is
 5 amended by striking the four highest brackets and insert-
 6 ing the following:

“Over \$1,500,000	\$555,800, plus 45% of the excess over \$1,500,000.”.
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7 (b) REPEAL OF PHASEOUT OF GRADUATED
 8 RATES.—

9 (1) IN GENERAL.—Subsection (c) of section
 10 2001 of such Code is amended by striking para-
 11 graph (2).

12 (2) CONFORMING AMENDMENT.—Section
 13 2001(c) is amended by striking “(1) IN
 14 GENERAL.—” and moving the text 2 ems to the left.

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

18 **SEC. 3. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES**
 19 **REPLACED WITH UNIFIED EXEMPTION**
 20 **AMOUNT.**

21 (a) IN GENERAL.—

22 (1) ESTATE TAX.—Subsection (b) of section
 23 2001 of the Internal Revenue Code of 1986 (relating

1 to computation of tax) is amended to read as fol-
2 lows:

3 “(b) COMPUTATION OF TAX.—

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

7 “(A) the tentative tax determined under
8 paragraph (2), over

9 “(B) the aggregate amount of tax which
10 would have been payable under chapter 12 with
11 respect to gifts made by the decedent after De-
12 cember 31, 1976, if the provisions of subsection
13 (c) (as in effect at the decedent’s death) had
14 been applicable at the time of such gifts.

15 “(2) TENTATIVE TAX.—For purposes of para-
16 graph (1), the tentative tax determined under this
17 paragraph is a tax computed under subsection (c) on
18 the excess of—

19 “(A) the sum of—

20 “(i) the amount of the taxable estate,
21 and

22 “(ii) the amount of the adjusted tax-
23 able gifts, over

24 “(B) the exemption amount.

1 “(3) EXEMPTION AMOUNT.—For purposes of
2 paragraph (2), the term ‘exemption amount’ means
3 \$10,000,000.

4 “(4) ADJUSTED TAXABLE GIFTS.—For pur-
5 poses of paragraph (2), the term ‘adjusted taxable
6 gifts’ means the total amount of the taxable gifts
7 (within the meaning of section 2503) made by the
8 decedent after December 31, 1976, other than gifts
9 which are includible in the gross estate of the dece-
10 dent.”.

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

14 “(a) COMPUTATION OF TAX.—

15 “(1) IN GENERAL.—The tax imposed by section
16 2501 for each calendar year shall be the amount
17 equal to the excess (if any) of—

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

20 “(B) the aggregate amount of tax that
21 would have been payable under this chapter
22 with respect to gifts made by the donor in pre-
23 ceding calendar periods if the tax had been
24 computed under the provisions of section
25 2001(c) as in effect for such calendar year.

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

5 “(A) the aggregate sum of the taxable gifts
 6 for such calendar year and for each of the pre-
 7 ceding calendar periods, over

8 “(B) the exemption amount under section
 9 2001(b)(3) for such calendar year.”.

10 (b) REPEAL OF UNIFIED CREDITS.—

11 (1) Section 2010 of such Code (relating to uni-
 12 fied credit against estate tax) is hereby repealed.

13 (2) Section 2505 of such Code (relating to uni-
 14 fied credit against gift tax) is hereby repealed.

15 (c) CONFORMING AMENDMENTS.—

16 (1)(A) Subsection (b) of section 2011 of such
 17 Code is amended—

18 (i) by striking “adjusted” in the table; and

19 (ii) by striking the last sentence.

20 (B) Subsection (f) of section 2011 of such Code
 21 is amended by striking “, reduced by the amount of
 22 the unified credit provided by section 2010”.

23 (2) Subsection (a) of section 2012 of such Code
 24 is amended by striking “and the unified credit pro-
 25 vided by section 2010”.

1 (3) Subparagraph (A) of section 2013(c)(1) of
2 such Code is amended by striking “2010,”.

3 (4) Paragraph (2) of section 2014(b) of such
4 Code is amended by striking “2010, 2011,” and in-
5 serting “2011”.

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

8 “(ii) to treat any reduction in the tax
9 imposed by paragraph (1)(A) by reason of
10 the credit allowable under section 2010 (as
11 in effect on the day before the date of the
12 enactment of the Estate Tax Relief Act of
13 2001) or the exemption amount allowable
14 under section 2001(b) with respect to the
15 decedent as a credit under section 2505
16 (as so in effect) or exemption under section
17 2501 (as the case may be) allowable to
18 such surviving spouse for purposes of de-
19 termining the amount of the exemption al-
20 lowable under section 2501 with respect to
21 taxable gifts made by the surviving spouse
22 during the year in which the spouse be-
23 comes a citizen or any subsequent year,”.

24 (6)(A) Section 2057 of such Code is repealed
25 and the table of sections for part IV of subchapter

1 A of chapter 11 of such Code is amended by striking
2 the item relating to section 2057.

3 (B) Paragraph (10) of section 2031(c) of such
4 Code is amended by inserting “(as in effect on the
5 day before the date of the enactment of this par-
6 enthetical)” before the period.

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

9 “(b) COMPUTATION OF TAX.—

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

13 “(A) the tentative tax determined under
14 paragraph (2), over

15 “(B) a tentative tax computed under sec-
16 tion 2001(c) on the amount of the adjusted tax-
17 able gifts.

18 “(2) TENTATIVE TAX.—For purposes of para-
19 graph (1), the tentative tax determined under this
20 paragraph is a tax computed under section 2001(c)
21 on the excess of—

22 “(A) the sum of—

23 “(i) the amount of the taxable estate,
24 and

1 “(ii) the amount of the adjusted tax-
2 able gifts, over

3 “(B) the exemption amount for the cal-
4 endar year in which the decedent died.

5 “(3) EXEMPTION AMOUNT.—

6 “(A) IN GENERAL.—The term ‘exemption
7 amount’ means \$60,000.

8 “(B) RESIDENTS OF POSSESSIONS OF THE
9 UNITED STATES.—In the case of a decedent
10 who is considered to be a nonresident not a cit-
11 izen of the United States under section 2209,
12 the exemption amount under this paragraph
13 shall be the greater of—

14 “(i) \$60,000, or

15 “(ii) that proportion of \$175,000
16 which the value of that part of the dece-
17 dent’s gross estate which at the time of his
18 death is situated in the United States
19 bears to the value of his entire gross estate
20 wherever situated.

21 “(C) SPECIAL RULES.—

22 “(i) COORDINATION WITH TREA-
23 TIES.—To the extent required under any
24 treaty obligation of the United States, the
25 exemption amount allowed under this para-

graph 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 Estate Tax Relief 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

1 (whichever applies) shall be reduced by the
2 exemption so allowed under section 2501
3 (or, in the case of such a credit, by the
4 amount of the gift for which the credit was
5 so allowed).”.

6 (8) Section 2102 of such Code is amended by
7 striking subsection (c).

8 (9)(A) Paragraph (1) of section 2107(a) of
9 such Code is amended by striking “the table con-
10 tained in”.

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

13 “(1) EXEMPTION AMOUNT.—For purposes of
14 subsection (a), the exemption amount under section
15 2001 shall be \$60,000.”

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

18 (D) The heading of subsection (c) of section
19 2107 of such Code is amended to read as follows:
20 “(c) EXEMPTION AMOUNT AND CREDITS.—”.

21 (10) Paragraph (1) of section 6018(a) of such
22 Code is amended by striking “the applicable exclu-
23 sion amount in effect under section 2010(c)” and in-
24 serting “the exemption amount under section
25 2001(b)(3)”.

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

3 “(A) the amount of the tentative tax which
4 would be determined under the rate schedule
5 set forth in section 2001(c) if the amount with
6 respect to which such tentative tax is to be
7 computed were \$1,000,000, or”.

8 (12) The table of sections for part II of sub-
9 chapter A of chapter 11 of such Code is amended by
10 striking the item relating to section 2010.

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

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

17 **SEC. 4. INCREASE IN ANNUAL GIFT EXCLUSION AMOUNT.**

18 (a) IN GENERAL.—Paragraph (1) of section 2503(b)
19 of the Internal Revenue Code of 1986 (relating to general
20 exclusion from gifts) is amended by striking “\$10,000”
21 and inserting “\$50,000”.

22 (b) INFLATION ADJUSTMENT.—Paragraph (2) of sec-
23 tion 2503(b) of such Code is amended—

24 (1) by striking “\$10,000” both places it ap-
25 pears and inserting “\$50,000”,

1 (2) by striking “1998” and inserting “2001”,
2 and

3 (3) by striking “1997” and inserting “2000”.

4 (c) CONFORMING AMENDMENT.—Section 2523(i)(2)
5 of such Code is amended by striking “\$10,000” and in-
6 serting “\$50,000”.

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

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