

107TH CONGRESS  
1ST SESSION

# S. 179

To amend the Internal Revenue Code of 1986 to phase in a full estate tax deduction for family-owned business interests and to increase the unified credit exemption.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 25, 2001

Mr. DORGAN introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to phase in a full estate tax deduction for family-owned business interests and to increase the unified credit exemption.

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. PHASE-IN OF FULL ESTATE TAX DEDUCTION**

4 **FOR FAMILY-OWNED BUSINESS INTERESTS.**

5 (a) PHASE-IN.—

6 (1) IN GENERAL.—Paragraph (2) of section  
7 2057(a) of the Internal Revenue Code of 1986 (re-  
8 lating to family-owned business interests) is amend-  
9 ed to read as follows:

1 “(2) MAXIMUM DEDUCTION.—

2 “(A) IN GENERAL.—The deduction allowed  
3 by this section shall not exceed the sum of—

4 “(i) the applicable deduction amount,  
5 plus

6 “(ii) in the case of a decedent de-  
7 scribed in subparagraph (C), the applicable  
8 unused spousal deduction amount.

9 “(B) APPLICABLE DEDUCTION AMOUNT.—  
10 For purposes of subparagraph (A)(i), the appli-  
11 cable deduction amount is determined in ac-  
12 cordance with the following table:

<b>“In the case of estates of de- cedents dying after—</b>	<b>The applicable amount is—</b>	<b>deduction</b>
December 31, 2000 .....		\$2,375,000
December 31, 2001 .....		\$4,375,000
December 31, 2002 .....		\$6,375,000
December 31, 2003 .....		\$8,375,000
December 31, 2004 .....		\$9,375,000.

13 “(C) APPLICABLE UNUSED SPOUSAL DE-  
14 DEDUCTION AMOUNT.—With respect to a decedent  
15 whose immediately predeceased spouse died  
16 after December 31, 2000, and the estate of  
17 such immediately predeceased spouse met the  
18 requirements of subsection (b)(1), the applica-  
19 ble unused spousal deduction amount for such  
20 decedent is equal to the excess of—

21 “(i) the applicable deduction amount  
22 allowable under this section to the estate

1 of such immediately predeceased spouse,  
 2 over

3 “(ii) the sum of—

4 “(I) the applicable deduction  
 5 amount allowed under this section to  
 6 the estate of such immediately pre-  
 7 deceased spouse, plus

8 “(II) the amount of any increase  
 9 in such estate’s unified credit under  
 10 paragraph (3)(B) which was allowed  
 11 to such estate.”.

12 (2) CONFORMING AMENDMENTS.—Section  
 13 2057(a)(3)(B) of such Code (relating to coordination  
 14 with unified credit) is amended—

15 (A) by striking “\$675,000” both places it  
 16 appears and inserting “the applicable deduction  
 17 amount”, and

18 (B) by striking “\$675,000” in the heading  
 19 and inserting “APPLICABLE DEDUCTION  
 20 AMOUNT”.

21 (3) EFFECTIVE DATE.—The amendments made  
 22 by this subsection shall apply to estates of decedents  
 23 dying after December 31, 2000.

24 (b) REMOVAL OF DOLLAR LIMITATION.—

1           (1) IN GENERAL.—Section 2057(a) of the In-  
 2           ternal Revenue Code of 1986 (relating to deduction  
 3           for family-owned business interests), as amended by  
 4           subsection (a), is amended—

5                   (A) by striking paragraphs (2), (3), and  
 6                   (4), and

7                   (B) by striking “GENERAL RULE.—” and  
 8                   all that follows through “For purposes” and in-  
 9                   serting “ALLOWANCE OF DEDUCTION.—For  
 10                  purposes”.

11           (2) EFFECTIVE DATE.—The amendments made  
 12           by this subsection shall apply to estates of decedents  
 13           dying after December 31, 2005.

14 **SEC. 2. INCREASE IN AMOUNT OF UNIFIED CREDIT**  
 15 **AGAINST ESTATE AND GIFT TAXES.**

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

19           “(c) APPLICABLE CREDIT AMOUNT.—For purposes  
 20           of this section—

21                   “(1) IN GENERAL.—The applicable credit  
 22                   amount is the amount of the tentative tax which  
 23                   would be determined under the rate schedule set  
 24                   forth in section 2001(c) if the amount with respect

to which such tentative tax is to be computed were equal to the sum of—

“(A) the applicable exclusion amount, plus

“(B) in the case of a decedent described in paragraph (3), the applicable unused spousal exclusion amount.

“(2) APPLICABLE EXCLUSION AMOUNT.—For purposes of paragraph (1)(A), the applicable exclusion amount is determined in accordance 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>
2001 and 2002 .....	\$1,000,000
2003 and 2004 .....	\$1,125,000
2005 .....	\$1,500,000
2006 or thereafter .....	\$2,000,000.

“(3) APPLICABLE UNUSED SPOUSAL EXCLUSION AMOUNT.—With respect to a decedent whose immediately predeceased spouse died after December 31, 2000, the applicable unused spousal exclusion amount for such decedent is equal to the excess of—

“(A) the applicable exclusion amount allowable under this section to the estate of such immediately predeceased spouse, over

“(B) the applicable exclusion amount allowed under this section to the estate of such immediately predeceased spouse.”.

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

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