

116TH CONGRESS
1ST SESSION

H. R. 4857

To amend the Internal Revenue Code of 1986 to reinstate estate and generation-skipping taxes, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 24, 2019

Mr. GOMEZ (for himself, Mr. BLUMENAUER, Mr. CARSON of Indiana, Mr. CARTWRIGHT, Ms. JUDY CHU of California, Mr. COHEN, Mr. DANNY K. DAVIS of Illinois, Ms. DELAURO, Mr. DESAULNIER, Mr. DEFazio, Mr. MICHAEL F. DOYLE of Pennsylvania, Mr. ESPAILLAT, Mr. GARCÍA of Illinois, Mr. GREEN of Texas, Mr. GRIJALVA, Ms. HAALAND, Ms. NORTON, Ms. JACKSON LEE, Ms. JAYAPAL, Mr. KHANNA, Ms. LEE of California, Mr. LEVIN of Michigan, Mr. LOWENTHAL, Mr. MCGOVERN, Mr. NADLER, Mrs. NAPOLITANO, Ms. OCASIO-CORTEZ, Ms. OMAR, Mr. PAYNE, Mr. POCAN, Ms. PRESSLEY, Ms. SCHAKOWSKY, Mr. SERRANO, Mr. TAKANO, Mr. TONKO, Ms. TLAIB, Ms. VELÁZQUEZ, and Mrs. WATSON COLEMAN) 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 reinstate estate and generation-skipping taxes, and for other purposes.

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 “For the 99.8 Percent
5 Act”.

1 **SEC. 2. MODIFICATIONS TO ESTATE, GIFT, AND GENERA-**
 2 **TION-SKIPPING TRANSFER TAXES.**

3 (a) **MODIFICATION OF RATES.**—Section 2001(c) of
 4 the Internal Revenue Code of 1986 is amended by striking
 5 the last 2 rows and inserting the following:

“Over \$750,000 but not over \$3,500,000	\$248,300 plus 39 per- cent of the excess of such amount over \$750,000.
Over \$3,500,000 but not over \$10,000,000	\$1,320,800 plus 45 percent of the ex- cess of such amount over \$3,500,000.
Over \$10,000,000 but not over \$50,000,000	\$4,245,800 plus 50 percent of the ex- cess of such amount over \$10,000,000.
Over \$50,000,000 but not over \$1,000,000,000	\$24,245,800 plus 55 percent of the ex- cess of such amount over \$50,000,000.
Over \$1,000,000,000	\$546,745,800 plus 77 percent of the ex- cess of such amount over \$1,000,000,000.”.

6 (b) **EXCLUSION AMOUNT.**—

7 (1) **ESTATE TAX.**—Paragraph (3) of section
 8 2010(c) of the Internal Revenue Code of 1986 is
 9 amended to read as follows:

10 “(3) **BASIC EXCLUSION AMOUNT.**—For pur-
 11 poses of this section, the basic exclusion amount is
 12 \$3,500,000.”.

13 (2) **MODIFICATION TO GIFT TAX EXCLUSION**
 14 **AMOUNT.**—Paragraph (1) of section 2505(a) of the

1 Internal Revenue Code of 1986 is amended to read
2 as follows:

3 “(1) the applicable credit amount in effect
4 under section 2010(c) for such calendar year (deter-
5 mined as if the basic exclusion amount in section
6 2010(c)(2)(A) were \$1,000,000), reduced by”.

7 (3) MODIFICATIONS OF ESTATE AND GIFT
8 TAXES TO REFLECT DIFFERENCES IN CREDIT RE-
9 SULTING FROM DIFFERENT EXCLUSION AMOUNTS.—

10 (A) ESTATE TAX ADJUSTMENT.—Section
11 2001 of the Internal Revenue Code of 1986 is
12 amended by adding at the end the following
13 new subsection:

14 “(h) ADJUSTMENT TO REFLECT CHANGES IN EX-
15 CLUSION AMOUNT.—

16 “(1) IN GENERAL.—If, with respect to any gift
17 to which subsection (b)(2) applies, the applicable ex-
18 clusion amount in effect at the time of the dece-
19 dent’s death is less than such amount in effect at
20 the time such gift is made by the decedent, the
21 amount of tax computed under subsection (b) shall
22 be reduced by the amount of tax which would have
23 been payable under chapter 12 at the time of the
24 gift if the applicable exclusion amount in effect at
25 such time had been the applicable exclusion amount

1 in effect at the time of the decedent's death and the
2 modifications described in subsection (g) had been
3 applicable at the time of such gifts.

4 “(2) LIMITATION.—The aggregate amount of
5 gifts made in any calendar year to which the reduc-
6 tion under paragraph (1) applies shall not exceed
7 the excess of—

8 “(A) the applicable exclusion amount in ef-
9 fect for such calendar year, over

10 “(B) the applicable exclusion amount in ef-
11 fect at the time of the decedent's death.

12 “(3) APPLICABLE EXCLUSION AMOUNT.—The
13 term ‘applicable exclusion amount’ means, with re-
14 spect to any period, the amount determined under
15 section 2010(c) for such period, except that in the
16 case of any period for which such amount includes
17 the deceased spousal unused exclusion amount (as
18 defined in section 2010(c)(4)), such term shall mean
19 the basic exclusion amount (as defined under section
20 2010(c)(3), as in effect for such period).”.

21 (B) GIFT TAX ADJUSTMENT.—Section
22 2502 of such Code is amended by adding at the
23 end the following new subsection:

24 “(d) ADJUSTMENT TO REFLECT CHANGES IN EX-
25 CLUSION AMOUNT.—

1 “(1) IN GENERAL.—If the taxpayer made a tax-
2 able gift in an applicable preceding calendar period,
3 the amount of tax computed under subsection (a)
4 shall be reduced by the amount of tax which would
5 have been payable under chapter 12 for such appli-
6 cable preceding calendar period if the applicable ex-
7 clusion amount in effect for such preceding calendar
8 period had been the applicable exclusion amount in
9 effect for the calendar year for which the tax is
10 being computed and the modifications described in
11 subsection (g) had been applicable for such pre-
12 ceding calendar period.

13 “(2) LIMITATION.—The aggregate amount of
14 gifts made in any applicable preceding calendar pe-
15 riod to which the reduction under paragraph (1) ap-
16 plies shall not exceed the excess of—

17 “(A) the applicable exclusion amount for
18 such preceding calendar period, over

19 “(B) the applicable exclusion amount for
20 the calendar year for which the tax is being
21 computed.

22 “(3) APPLICABLE PRECEDING CALENDAR YEAR
23 PERIOD.—The term ‘applicable preceding calendar
24 year period’ means any preceding calendar year pe-
25 riod in which the applicable exclusion amount ex-

1 ceeded the applicable exclusion amount for the cal-
 2 endar year for which the tax is being computed.

3 “(4) APPLICABLE EXCLUSION AMOUNT.—The
 4 term ‘applicable exclusion amount’ means, with re-
 5 spect to any period, the amount determined under
 6 section 2010(c) for such period, except that in the
 7 case of any period for which such amount includes
 8 the deceased spousal unused exclusion amount (as
 9 defined in section 2010(c)(4)), such term shall mean
 10 the basic exclusion amount (as defined under section
 11 2010(c)(3), as in effect for such period).”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to estates of decedents dying, and
 14 generation-skipping transfers and gifts made, after De-
 15 cember 31, 2019.

16 **SEC. 3. MODIFICATION OF RULES FOR VALUE OF CERTAIN**
 17 **FARM, ETC., REAL PROPERTY.**

18 (a) IN GENERAL.—Paragraph (2) of section
 19 2032A(a) of the Internal Revenue Code of 1986 is amend-
 20 ed by striking “\$750,000” and inserting “\$3,000,000”.

21 (b) INFLATION ADJUSTMENT.—Paragraph (3) of sec-
 22 tion 2032A(a) of such Code is amended—

- 23 (1) by striking “1998” and inserting “2019”;
- 24 (2) by striking “\$750,000” each place it ap-
 25 pears and inserting “\$3,000,000”; and

1 (3) by striking “calendar year 1997” and in-
2 serting “calendar year 2018” in subparagraph (B).

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, 2019.

6 **SEC. 4. MODIFICATION OF ESTATE TAX RULES WITH RE-**
7 **SPECT TO LAND SUBJECT TO CONSERVATION**
8 **EASEMENTS.**

9 (a) MODIFICATION OF EXCLUSION LIMITATION.—
10 Subparagraph (B) of section 2031(c)(1) of the Internal
11 Revenue Code of 1986 is amended by striking “\$500,000”
12 and inserting “\$2,000,000”.

13 (b) MODIFICATION OF APPLICABLE PERCENTAGE.—
14 Paragraph (2) of section 2031(c) of the Internal Revenue
15 Code of 1986 is amended by striking “40 percent” and
16 inserting “60 percent”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to estates of decedents dying, and
19 gifts made, after December 31, 2019.

20 **SEC. 5. CONSISTENT BASIS REPORTING FOR PROPERTY AC-**
21 **QUIRED BY GIFTS AND TRANSFERS IN TRUST.**

22 (a) CONSISTENT USE OF BASIS.—Section 1015 of
23 the Internal Revenue Code of 1986 is amended by adding
24 at the end the following new subsection:

1 “(f) BASIS MUST BE CONSISTENT WITH GIFT TAX
2 RETURN.—

3 “(1) IN GENERAL.—The basis of any property
4 to which this section applies shall not exceed—

5 “(A) in the case of property the final value
6 of which has been determined for purposes of
7 the tax imposed by chapter 12 on the donor of
8 such property, such value, and

9 “(B) in the case of property not described
10 in subparagraph (A) and with respect to which
11 a statement has been furnished under section
12 6035(b) identifying the value of such property,
13 such value.

14 “(2) DETERMINATION.—For purposes of para-
15 graph (1), the basis of property has been determined
16 for purposes of the tax imposed by chapter 12 if—

17 “(A) the value of such property is shown
18 on a return under section 6019 and such value
19 is not contested by the Secretary before the ex-
20 piration of the time for assessing a tax under
21 chapter 12,

22 “(B) in a case not described in subpara-
23 graph (A), the value is specified by the Sec-
24 retary and such value is not timely contested by
25 the donor of such property, or

1 “(C) the value is determined by a court or
2 pursuant to a settlement agreement with the
3 Secretary.

4 “(3) REGULATIONS.—The Secretary may by
5 regulations provide exceptions to the application of
6 this subsection.”.

7 (b) INFORMATION REPORTING.—

8 (1) IN GENERAL.—Section 6035 of the Internal
9 Revenue Code of 1986 is amended—

10 (A) in the heading, by inserting “**OR BY**
11 **GIFT**” after “**DECEDENT**”;

12 (B) by redesignating subsection (b) as sub-
13 section (c);

14 (C) by inserting after subsection (a) the
15 following new subsection:

16 “(b) INFORMATION WITH RESPECT TO PROPERTY
17 ACQUIRED BY GIFT.—

18 “(1) IN GENERAL.—Each person making a
19 transfer by gift who is required to file a return
20 under section 6019 with respect to such transfer
21 shall furnish to the Secretary and to each person ac-
22 quiring any interest in property by reason of such
23 transfer a statement identifying the value of each in-
24 terest in such property as reported on such return

1 and such other information with respect to such in-
2 terest as the Secretary may prescribe.

3 “(2) TIME FOR FURNISHING STATEMENT.—

4 “(A) IN GENERAL.—Each statement re-
5 quired to be furnished under paragraph (1)
6 shall be furnished at such time as the Secretary
7 may prescribe, but in no case at a time later
8 than the earlier of—

9 “(i) the date which is 30 days after
10 the date on which the return under section
11 6019 was required to be filed (including
12 extensions, if any), or

13 “(ii) the date which is 30 days after
14 the date such return is filed.

15 “(B) ADJUSTMENTS.—In any case in
16 which there is an adjustment to the information
17 required to be included on a statement filed
18 under paragraph (1) after such statement has
19 been filed, a supplemental statement under
20 such paragraph shall be filed not later than the
21 date which is 30 days after such adjustment is
22 made.”; and

23 (D) in paragraph (1) of subsection (c), as
24 redesignated by subparagraph (B), by striking

1 “estate tax return” and inserting “estate or gift
2 tax return”.

3 (2) CLERICAL AMENDMENT.—The table of sec-
4 tions for subpart A of part III of subchapter A of
5 chapter 61 of the Internal Revenue Code of 1986 is
6 amended by striking the item relating to section
7 6035 and inserting the following:

“Sec. 6035. Basis information to persons acquiring property from decedent or
by gift.”.

8 (c) PENALTY FOR INCONSISTENT REPORTING.—

9 (1) IN GENERAL.—Paragraph (8) of section
10 6662(b) of the Internal Revenue Code of 1986 is
11 amended by inserting “or gift” after “estate”.

12 (2) INCONSISTENT BASIS REPORTING.—Sub-
13 section (k) of section 6662 of such Code is amended
14 to read as follows:

15 “(k) INCONSISTENT ESTATE OR GIFT BASIS RE-
16 PORTING.—For purposes of this section, there is an ‘in-
17 consistent estate or gift basis’ if—

18 “(1) in the case of property acquired from a de-
19 cedent, the basis of property claimed on a return ex-
20 ceeds the basis as determined under section 1014(f),
21 and

22 “(2) in the case of property acquired by gift,
23 the basis of property claimed on a return exceeds
24 the basis as determined under section 1015(f).”.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to transfers for which returns are
3 filed after the date of the enactment of this Act.

4 **SEC. 6. VALUATION RULES FOR CERTAIN TRANSFERS OF**
5 **NONBUSINESS ASSETS; LIMITATION ON MI-**
6 **NORITY DISCOUNTS.**

7 (a) IN GENERAL.—Section 2031 of the Internal Rev-
8 enue Code of 1986 is amended by redesignating subsection
9 (d) as subsection (f) and by inserting after subsection (c)
10 the following new subsections:

11 “(d) VALUATION RULES FOR CERTAIN TRANSFERS
12 OF NONBUSINESS ASSETS.—For purposes of this chapter
13 and chapter 12—

14 “(1) IN GENERAL.—In the case of the transfer
15 of any interest in an entity other than an interest
16 which is actively traded (within the meaning of sec-
17 tion 1092)—

18 “(A) the value of any nonbusiness assets
19 held by the entity with respect to such interest
20 shall be determined as if the transferor had
21 transferred such assets directly to the trans-
22 feree (and no valuation discount shall be al-
23 lowed with respect to such nonbusiness assets),
24 and

1 “(B) such nonbusiness assets shall not be
2 taken into account in determining the value of
3 the interest in the entity.

4 “(2) NONBUSINESS ASSETS.—For purposes of
5 this subsection—

6 “(A) IN GENERAL.—The term ‘nonbusi-
7 ness asset’ means any asset which is not used
8 in the active conduct of one or more trades or
9 businesses.

10 “(B) EXCEPTION FOR CERTAIN PASSIVE
11 ASSETS.—Except as provided in subparagraph
12 (C), a passive asset shall not be treated for pur-
13 poses of subparagraph (A) as used in the active
14 conduct of a trade or business unless—

15 “(i) the asset is property described in
16 paragraph (1) or (4) of section 1221(a) or
17 is a hedge with respect to such property,
18 or

19 “(ii) the asset is real property used in
20 the active conduct of one or more real
21 property trades or businesses (within the
22 meaning of section 469(c)(7)(C)) in which
23 the transferor materially participates and
24 with respect to which the transferor meets

1 the requirements of section
2 469(e)(7)(B)(ii).

3 For purposes of clause (ii), material participa-
4 tion shall be determined under the rules of sec-
5 tion 469(h), except that section 469(h)(3) shall
6 be applied without regard to the limitation to
7 farming activity.

8 “(C) EXCEPTION FOR WORKING CAP-
9 ITAL.—Any asset (including a passive asset)
10 which is held as a part of the reasonably re-
11 quired working capital needs of a trade or busi-
12 ness shall be treated as used in the active con-
13 duct of a trade or business.

14 “(3) PASSIVE ASSET.—For purposes of this
15 subsection, the term ‘passive asset’ means any—

16 “(A) cash or cash equivalents,

17 “(B) except to the extent provided by the
18 Secretary, stock in a corporation or any other
19 equity, profits, or capital interest in any entity,

20 “(C) evidence of indebtedness, option, for-
21 ward or futures contract, notional principal con-
22 tract, or derivative,

23 “(D) asset described in clause (iii), (iv), or
24 (v) of section 351(e)(1)(B),

25 “(E) annuity,

1 “(F) real property used in one or more
2 real property trades or businesses (as defined in
3 section 469(c)(7)(C)),

4 “(G) asset (other than a patent, trade-
5 mark, or copyright) which produces royalty in-
6 come,

7 “(H) commodity,

8 “(I) collectible (within the meaning of sec-
9 tion 408(m)), or

10 “(J) any other asset specified in regula-
11 tions prescribed by the Secretary.

12 “(4) LOOK-THRU RULES.—

13 “(A) IN GENERAL.—If a nonbusiness asset
14 of an entity consists of a 10-percent interest in
15 any other entity, this subsection shall be ap-
16 plied by disregarding the 10-percent interest
17 and by treating the entity as holding directly its
18 ratable share of the assets of the other entity.
19 This subparagraph shall be applied successively
20 to any 10-percent interest of such other entity
21 in any other entity.

22 “(B) 10-PERCENT INTEREST.—The term
23 ‘10-percent interest’ means—

24 “(i) in the case of an interest in a cor-
25 poration, ownership of at least 10 percent

1 (by vote or value) of the stock in such cor-
2 poration,

3 “(ii) in the case of an interest in a
4 partnership, ownership of at least 10 per-
5 cent of the capital or profits interest in the
6 partnership, and

7 “(iii) in any other case, ownership of
8 at least 10 percent of the beneficial inter-
9 ests in the entity.

10 “(5) COORDINATION WITH SUBSECTION (b).—

11 Subsection (b) shall apply after the application of
12 this subsection.

13 “(e) LIMITATION ON MINORITY DISCOUNTS.—For
14 purposes of this chapter and chapter 12, in the case of
15 the transfer of any interest in an entity other than an in-
16 terest which is actively traded (within the meaning of sec-
17 tion 1092), no discount shall be allowed by reason of the
18 fact that the transferee does not have control of such enti-
19 ty if the transferor, the transferee, and members of the
20 family (as defined in section 2032A(e)(2)) of the trans-
21 feror and transferee—

22 “(1) have control of such entity, or

23 “(2) own the majority of the ownership inter-
24 ests (by value) in such entity.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to transfers after the date of the
3 enactment of this Act.

4 **SEC. 7. REQUIRED MINIMUM 10-YEAR TERM, ETC., FOR**
5 **GRANTOR RETAINED ANNUITY TRUSTS.**

6 (a) IN GENERAL.—Subsection (b) of section 2702 of
7 the Internal Revenue Code of 1986 is amended—

8 (1) by redesignating paragraphs (1), (2), and
9 (3) as subparagraphs (A), (B), and (C), respectively,
10 and by moving such subparagraphs (as so redesign-
11 nated) 2 ems to the right;

12 (2) by striking “For purposes of” and inserting
13 the following:

14 “(1) IN GENERAL.—For purposes of”;

15 (3) by striking “paragraph (1) or (2)” in para-
16 graph (1)(C) (as so redesignated) and inserting
17 “subparagraph (A) or (B)”;

18 (4) by adding at the end the following new
19 paragraph:

20 “(2) ADDITIONAL REQUIREMENTS WITH RE-
21 SPECT TO GRANTOR RETAINED ANNUITIES.—For
22 purposes of subsection (a), in the case of an interest
23 described in paragraph (1)(A) (determined without
24 regard to this paragraph) which is retained by the

1 transferor, such interest shall be treated as de-
2 scribed in such paragraph only if—

3 “(A) the right to receive the fixed amounts
4 referred to in such paragraph is for a term of
5 not less than 10 years and not more than the
6 life expectancy of the annuitant plus 10 years,

7 “(B) such fixed amounts, when determined
8 on an annual basis, do not decrease during the
9 term described in subparagraph (A), and

10 “(C) the remainder interest has a value, as
11 determined as of the time of the transfer, which
12 is—

13 “(i) not less than an amount equal to
14 the greater of—

15 “(I) 25 percent of the fair mar-
16 ket value of the property in the trust,
17 or

18 “(II) \$500,000, and

19 “(ii) not greater than the fair market
20 value of the property in the trust.”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to transfers made after the date
23 of the enactment of this Act.

1 **SEC. 8. CERTAIN TRANSFER TAX RULES APPLICABLE TO**
2 **GRANTOR TRUSTS.**

3 (a) IN GENERAL.—Subtitle B of the Internal Rev-
4 enue Code of 1986 is amended by adding at the end the
5 following new chapter:

6 **“CHAPTER 16—SPECIAL RULES FOR**
7 **GRANTOR TRUSTS**

“Sec. 2901. Application of transfer taxes.

8 **“SEC. 2901. APPLICATION OF TRANSFER TAXES.**

9 “(a) IN GENERAL.—In the case of any portion of a
10 trust to which this section applies—

11 “(1) the value of the gross estate of the de-
12 ceased deemed owner of such portion shall include
13 all assets attributable to that portion at the time of
14 the death of such owner,

15 “(2) any distribution from such portion to one
16 or more beneficiaries during the life of the deemed
17 owner of such portion shall be treated as a transfer
18 by gift for purposes of chapter 12, and

19 “(3) if at any time during the life of the
20 deemed owner of such portion, such owner ceases to
21 be treated as the owner of such portion under sub-
22 part E of part 1 of subchapter J of chapter 1, all
23 assets attributable to such portion at such time shall
24 be treated for purposes of chapter 12 as a transfer
25 by gift made by the deemed owner.

1 “(b) PORTION OF TRUST TO WHICH SECTION AP-
2 PLIES.—This section shall apply to—

3 “(1) the portion of a trust with respect to
4 which the grantor is the deemed owner, and

5 “(2) the portion of the trust to which a person
6 who is not the grantor is a deemed owner by reason
7 of the rules of subpart E of part 1 of subchapter J
8 of chapter 1, and such deemed owner engages in a
9 sale, exchange, or comparable transaction with the
10 trust that is disregarded for purposes of subtitle A.

11 For purposes of paragraph (2), the portion of the trust
12 described with respect to a transaction is the portion of
13 the trust attributable to the property received by the trust
14 in such transaction, including all retained income there-
15 from, appreciation thereon, and reinvestments thereof, net
16 of the amount of consideration received by the deemed
17 owner in such transaction.

18 “(c) EXCEPTIONS.—This section shall not apply to—

19 “(1) any trust that is includible in the gross es-
20 tate of the deemed owner (without regard to sub-
21 section (a)(1)), and

22 “(2) any other type of trust that the Secretary
23 determines by regulations or other guidance does not
24 have as a significant purpose the avoidance of trans-
25 fer taxes.

1 “(d) DEEMED OWNER DEFINED.—For purposes of
2 this section, the term ‘deemed owner’ means any person
3 who is treated as the owner of a portion of a trust under
4 subpart E of part 1 of subchapter J of chapter 1.

5 “(e) REDUCTION FOR TAXABLE GIFTS TO TRUST
6 MADE BY OWNER.—The amount to which subsection (a)
7 applies shall be reduced by the value of any transfer by
8 gift by the deemed owner to the trust previously taken
9 into account by the deemed owner under chapter 12.

10 “(f) LIABILITY FOR PAYMENT OF TAX.—Any tax im-
11 posed pursuant to subsection (a) shall be a liability of the
12 trust.”.

13 (b) CLERICAL AMENDMENT.—The table of chapters
14 for subtitle B of such Code is amended by adding at the
15 end the following new item:

“CHAPTER 16. SPECIAL RULES FOR GRANTOR TRUSTS”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply—

18 (1) to trusts created on or after the date of the
19 enactment of this Act;

20 (2) to any portion of a trust established before
21 the date of the enactment of this Act which is attrib-
22 utable to a contribution made on or after such date;
23 and

24 (3) to any portion of a trust established before
25 the date of the enactment of this Act to which sec-

1 tion 2901(a) of the Internal Revenue Code of 1986
2 (as added by subsection (a)) applies by reason of a
3 transaction described in section 2901(b)(2) of such
4 Code on or after such date.

5 **SEC. 9. ELIMINATION OF GENERATION-SKIPPING TRANS-**
6 **FER TAX EXEMPTION FOR CERTAIN TRUSTS.**

7 (a) IN GENERAL.—Section 2642 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new subsection:

10 “(h) ELIMINATION OF GST EXEMPTION FOR CER-
11 TAIN TRUSTS.—

12 “(1) IN GENERAL.—

13 “(A) TRANSFERS FROM NON-QUALIFYING
14 TRUSTS.—In the case of any generation-skip-
15 ping transfer made from a trust that is not a
16 qualifying trust, the inclusion ratio with respect
17 to any property transferred in such transfer
18 shall be one.

19 “(B) QUALIFYING TRUST.—For purposes
20 of this subsection, the term ‘qualifying trust’
21 means a trust for which the date of termination
22 of such trust is not greater than 50 years after
23 the date on which such trust is created.

24 “(2) TRUSTS CREATED BEFORE DATE OF EN-
25 ACTMENT.—In the case of any trust created before

1 the date of the enactment of this subsection, such
2 trust shall be deemed to be a qualifying trust for a
3 period of 50 years after the date of the enactment
4 of this subsection.

5 “(3) DATE OF CREATION OF CERTAIN DEEMED
6 SEPARATE TRUSTS.—In the case of any portion of a
7 trust which is treated as a separate trust under sec-
8 tion 2654(b)(1), such separate trust shall be treated
9 as created on the date of the first transfer described
10 in such section with respect to such separate trust.

11 “(4) DATE OF CREATION OF POUR-OVER
12 TRUSTS.—In the case of any generation-skipping
13 transfer of property which involves the transfer of
14 property from 1 trust to another trust, the date of
15 the creation of the transferee trust shall be treated
16 as being the earlier of—

17 “(A) the date of the creation of such trans-
18 feree trust, or

19 “(B) the date of the creation of the trans-
20 feror trust.

21 In the case of multiple transfers to which the pre-
22 ceding sentence applies, the date of the creation of
23 the transferor trust shall be determined under the
24 preceding sentence before the application of the pre-

1 ceding sentence to determine the date of the creation
2 of the transferee trust.

3 “(5) REGULATIONS.—The Secretary may pre-
4 scribe such regulations or other guidance as may be
5 necessary or appropriate to carry out this sub-
6 section.”.

7 (b) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect on the date of the enactment
9 of this Act.

10 **SEC. 10. SIMPLIFYING GIFT TAX EXCLUSION FOR ANNUAL**
11 **GIFTS.**

12 (a) IN GENERAL.—Paragraph (1) of section 2503(b)
13 of the Internal Revenue Code of 1986 is amended to read
14 as follows:

15 “(1) IN GENERAL.—

16 “(A) LIMIT PER DONEE.—In the case of
17 gifts made to any person by the donor during
18 the calendar year, the first \$10,000 of such
19 gifts to such person shall not, for purposes of
20 subsection (a), be included in the total amount
21 of gifts made during such year.

22 “(B) CUMULATIVE LIMIT PER DONOR.—

23 “(i) IN GENERAL.—The aggregate
24 amount excluded under subparagraph (A)
25 with respect to all transfers described in

1 clause (ii) made by the donor during the
2 calendar year shall not exceed twice the
3 dollar amount in effect under such sub-
4 paragraph for such calendar year.

5 “(ii) TRANSFERS SUBJECT TO LIMITA-
6 TION.—The transfers described in this
7 clause are—

8 “(I) a transfer in trust,

9 “(II) a transfer of an interest in
10 a passthrough entity,

11 “(III) a transfer of an interest
12 subject to a prohibition on sale, and

13 “(IV) any other transfer of prop-
14 erty that, without regard to with-
15 drawal, put, or other such rights in
16 the donee, cannot immediately be liq-
17 uidated by the donee.”.

18 (b) CONFORMING AMENDMENT.—Section 2503 of the
19 Internal Revenue Code of 1986 is amended by striking
20 subsection (c).

21 (c) REGULATIONS.—The Secretary of the Treasury,
22 or the Secretary of the Treasury’s delegate, may prescribe
23 such regulations or other guidance as may be necessary
24 or appropriate to carry out the amendments made by this
25 section.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to any calendar year beginning
3 after the date of the enactment of this Act.

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