

109TH CONGRESS  
2D SESSION

# S. 3626

To amend the Internal Revenue Code of 1986 to provide estate tax relief and reform, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JUNE 29, 2006

Ms. LANDRIEU 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 provide estate tax relief and reform, 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 “Estate Tax Relief and  
5 Reform Act of 2006”.

6 **SEC. 2. ESTATE TAX RELIEF AND REFORM AFTER 2009.**

7 (a) EXCLUSION EQUIVALENT OF UNIFIED CREDIT  
8 EQUAL TO \$5,000,000.—Subsection (c) of section 2010  
9 of the Internal Revenue Code of 1986 (relating to unified  
10 credit against estate tax) is amended to read as follows:

1 “(c) APPLICABLE CREDIT AMOUNT.—

2 “(1) IN GENERAL.—For purposes of this sec-  
3 tion, the applicable credit amount is the amount of  
4 the tentative tax which would be determined under  
5 section 2001(c) if the amount with respect to which  
6 such tentative tax is to be computed were equal to  
7 the applicable exclusion amount.

8 “(2) APPLICABLE EXCLUSION AMOUNT.—

9 “(A) IN GENERAL.—For purposes of this  
10 subsection, the applicable exclusion amount is  
11 \$5,000,000, reduced (but not below zero) by an  
12 amount equal to 5 percent of so much of the  
13 amount with respect to which the tentative tax  
14 is to be computed as exceeds \$100,000,000.

15 “(B) INFLATION ADJUSTMENT.—In the  
16 case of any decedent dying in a calendar year  
17 after 2010, the \$5,000,000 amount in subpara-  
18 graph (A) shall be increased by an amount  
19 equal to—

20 “(i) such dollar amount, multiplied by

21 “(ii) the cost-of-living adjustment de-  
22 termined under section 1(f)(3) for such  
23 calendar year by substituting ‘calendar  
24 year 2009’ for ‘calendar year 1992’ in sub-  
25 paragraph (B) thereof.

1           If any amount as adjusted under the preceding  
2           sentence is not a multiple of \$10,000, such  
3           amount shall be rounded to the nearest multiple  
4           of \$10,000.”.

5           (b) FLAT ESTATE AND GIFT TAX RATES.—Sub-  
6           section (c) of section 2001 of the Internal Revenue Code  
7           of 1986 (relating to imposition and rate of tax) is amend-  
8           ed to read as follows:

9           “(c) TENTATIVE TAX.—The tentative tax is 35 per-  
10          cent of the amount with respect to which the tentative tax  
11          is to be computed.”.

12          (c) INCREASE IN AGGREGATE REDUCTION IN FAIR  
13          MARKET VALUE ALLOWED UNDER SPECIAL USE VALU-  
14          ATION.—Section 2032A(a) of the Internal Revenue Code  
15          of 1986 (relating to value based on use under which prop-  
16          erty qualifies) is amended—

17               (1) by striking “\$750,000” each place it ap-  
18               pears and inserting “\$5,000,000”,

19               (2) by striking “after 1998” in paragraph (3)  
20               and inserting “after 2010”, and

21               (3) by striking “1997” in paragraph (3)(B) and  
22               inserting “2009”.

23          (d) TAX DEDUCTION FOR FAMILY-OWNED BUSINESS  
24          INTERESTS.—

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) is amended—

4                   (A) by striking “\$675,000” in paragraph  
5                   (2) and inserting “\$2,500,000”, and

6                   (B) by striking paragraph (3).

7           (2) PERMANENT DEDUCTION.—Section 2057 of  
8           such Code is amended by striking subsection (j).

9           (e) MODIFICATIONS OF ESTATE AND GIFT TAXES TO  
10          REFLECT DIFFERENCES IN UNIFIED CREDIT RESULTING  
11          FROM DIFFERENT TAX RATES.—

12           (1) ESTATE TAX.—

13                   (A) IN GENERAL.—Section 2001(b)(2) of  
14                   the Internal Revenue Code of 1986 (relating to  
15                   computation of tax) is amended by striking “if  
16                   the provisions of subsection (c) (as in effect at  
17                   the decedent’s death)” and inserting “if the  
18                   modifications described in subsection (g)”.

19                   (B) MODIFICATIONS.—Section 2001 of  
20                   such Code is amended by adding at the end the  
21                   following new subsection:

22           “(g) MODIFICATIONS TO GIFT TAX PAYABLE TO RE-  
23          FLECT DIFFERENT TAX RATES.—For purposes of apply-  
24          ing subsection (b)(2) with respect to 1 or more gifts, the  
25          rates of tax under subsection (c) in effect at the decedent’s

1 death shall, in lieu of the rates of tax in effect at the time  
2 of such gifts, be used both to compute—

3 “(1) the tax imposed by chapter 12 with respect  
4 to such gifts, and

5 “(2) the credit allowed against such tax under  
6 section 2505, including in computing—

7 “(A) the applicable credit amount under  
8 section 2505(a)(1), and

9 “(B) the sum of the amounts allowed as a  
10 credit for all preceding periods under section  
11 2505(a)(2).

12 For purposes of paragraph (2)(A), the applicable  
13 credit amount for any calendar year before 1998 is  
14 the amount which would be determined under sec-  
15 tion 2010(c) if the applicable exclusion amount were  
16 the dollar amount under section 6018(a)(1) for such  
17 year.”.

18 (2) GIFT TAX.—Section 2505(a) of such Code  
19 (relating to unified credit against gift tax) is amend-  
20 ed by adding at the end the following new flush sen-  
21 tence:

22 “For purposes of applying paragraph (2) for any calendar  
23 year, the rates of tax in effect under section 2502(a)(2)  
24 for such calendar year shall, in lieu of the rates of tax  
25 in effect for preceding calendar periods, be used in deter-

1 mining the amounts allowable as a credit under this sec-  
2 tion for all preceding calendar periods.”.

3 (f) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to estates of decedents dying, gen-  
5 eration-skipping transfers, and gifts made, after Decem-  
6 ber 31, 2009.

7 (g) ADDITIONAL MODIFICATIONS TO ESTATE TAX.—

8 (1) IN GENERAL.—The following provisions of  
9 the Economic Growth and Tax Relief Reconciliation  
10 Act of 2001, and the amendments made by such  
11 provisions, are hereby repealed:

12 (A) Subtitles A and E of title V.

13 (B) Subsection (d), and so much of sub-  
14 section (f)(3) as relates to subsection (d), of  
15 section 511.

16 (C) Paragraph (2) of subsection (b), and  
17 paragraph (2) of subsection (e), of section 521.

18 The Internal Revenue Code of 1986 shall be applied  
19 as if such provisions and amendments had never  
20 been enacted.

21 (2) SUNSET NOT TO APPLY TO TITLE V OF  
22 EGTRRA.—Section 901 of the Economic Growth and  
23 Tax Relief Reconciliation Act of 2001 shall not  
24 apply to title V of such Act.

25 (3) REPEAL OF DEADWOOD.—

1           (A) Sections 2011 and 2604 of the Inter-  
2           nal Revenue Code of 1986 are hereby repealed.

3           (B) The table of sections for part II of  
4           subchapter A of chapter 11 of such Code is  
5           amended by striking the item relating to section  
6           2011.

7           (C) The table of sections for subchapter A  
8           of chapter 13 of such Code is amended by strik-  
9           ing the item relating to section 2604.

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