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

IN THE SENATE OF THE UNITED STATES

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

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
4 SECTION 1. SHORT TITLE.
5 This Act may be cited as the “For the 99.8 Percent
6 Act”.
7
8 SEC. 2. MODIFICATIONS TO ESTATE, GIFT, AND GENERA-
9 TION-SKIPPING TRANSFER TAXES.
10 (a) Modification of Rates.—Section 2001(c) of
11 the Internal Revenue Code of 1986 is amended by striking
12 the last 2 rows and inserting the following:
(b) **Exclusion Amount.**—

(1) **Estate Tax.**—Paragraph (3) of section 2010(c) of the Internal Revenue Code of 1986 is amended to read as follows:

“(3) **Basic Exclusion Amount.**—For purposes of this section, the basic exclusion amount is $3,500,000.”.

(2) **Modification to Gift Tax Exclusion Amount.**—Paragraph (1) of section 2505(a) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) the applicable credit amount in effect under section 2010(c) for such calendar year (determined as if the basic exclusion amount in section 2010(c)(2)(A) were $1,000,000), reduced by”.”
(3) Modifications of estate and gift taxes to reflect differences in credit resulting from different exclusion amounts.—

(A) Estate tax adjustment.—Section 2001 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(h) Adjustment to reflect changes in exclusion amount.—

“(1) In general.—If, with respect to any gift to which subsection (b)(2) applies, the applicable exclusion amount in effect at the time of the decedent’s death is less than such amount in effect at the time such gift is made by the decedent, the amount of tax computed under subsection (b) shall be reduced by the amount of tax which would have been payable under chapter 12 at the time of the gift if the applicable exclusion amount in effect at such time had been the applicable exclusion amount in effect at the time of the decedent’s death and the modifications described in subsection (g) had been applicable at the time of such gifts.

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

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

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

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

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

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

“(1) IN GENERAL.—If the taxpayer made a tax-
able gift in an applicable preceding calendar period,
the amount of tax computed under subsection (a)
shall be reduced by the amount of tax which would
have been payable under chapter 12 for such appli-
cable preceding calendar period if the applicable exclusion amount in effect for such preceding calendar period had been the applicable exclusion amount in effect for the calendar year for which the tax is being computed and the modifications described in subsection (g) had been applicable for such preceding calendar period.

“(2) LIMITATION.—The aggregate amount of gifts made in any applicable preceding calendar period to which the reduction under paragraph (1) applies shall not exceed the excess of—

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

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

“(3) APPLICABLE PRECEDING CALENDAR YEAR PERIOD.—The term ‘applicable preceding calendar year period’ means any preceding calendar year period in which the applicable exclusion amount exceeded the applicable exclusion amount for the calendar year for which the tax is being computed.

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

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

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

(a) IN GENERAL.—Paragraph (2) of section 2032A(a) of the Internal Revenue Code of 1986 is amended by striking “$750,000” and inserting “$3,000,000”.

(b) INFLATION ADJUSTMENT.—Paragraph (3) of section 2032A(a) of such Code is amended—

(1) by striking “1998” and inserting “2019”,

(2) by striking “$750,000” each place it appears and inserting “$3,000,000”, and

(3) by striking “calendar year 1997” and inserting “calendar year 2018” in subparagraph (B).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2019.
SEC. 4. MODIFICATION OF ESTATE TAX RULES WITH RESPECT TO LAND SUBJECT TO CONSERVATION EASEMENTS.

(a) Modification of Exclusion Limitation.—Subparagraph (B) of section 2031(c)(1) of the Internal Revenue Code of 1986 is amended by striking “$500,000” and inserting “$2,000,000”.

(b) Modification of Applicable Percentage.—Paragraph (2) of section 2031(c) of the Internal Revenue Code of 1986 is amended by striking “40 percent” and inserting “60 percent”.

(c) Effective Date.—The amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2019.

SEC. 5. CONSISTENT BASIS REPORTING FOR PROPERTY ACQUIRED BY GIFTS AND TRANSFERS IN TRUST.

(a) Consistent Use of Basis.—Section 1015 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(f) Basis Must Be Consistent With Gift Tax Return.—

“(1) In General.—The basis of any property to which this section applies shall not exceed—

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

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

“(2) DETERMINATION.—For purposes of paragraph (1), the basis of property has been determined for purposes of the tax imposed by chapter 12 if—

“(A) the value of such property is shown on a return under section 6019 and such value is not contested by the Secretary before the expiration of the time for assessing a tax under chapter 12,

“(B) in a case not described in subparagraph (A), the value is specified by the Secretary and such value is not timely contested by the donor of such property, or

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

“(3) REGULATIONS.—The Secretary may by regulations provide exceptions to the application of this subsection.”.
(b) INFORMATION REPORTING.—

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

(A) in the heading, by inserting “OR BY GIFT” after “DECEDEDENT”,

(B) by redesignating subsection (b) as subsection (c),

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

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

“(1) IN GENERAL.—Each person making a transfer by gift who is required to file a return under section 6019 with respect to such transfer shall furnish to the Secretary and to each person acquiring any interest in property by reason of such transfer a statement identifying the value of each interest in such property as reported on such return and such other information with respect to such interest as the Secretary may prescribe.

“(2) TIME FOR FURNISHING STATEMENT.—

“(A) IN GENERAL.—Each statement required to be furnished under paragraph (1) shall be furnished at such time as the Secretary
may prescribe, but in no case at a time later than the earlier of—

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

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

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

(D) in paragraph (1) of subsection (e), as redesignated by subparagraph (B), by striking “estate tax return” and inserting “estate or gift tax return”.

(2) CLERICAL AMENDMENT.—The table of sections for subpart A of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by striking the item relating to section 6035 and inserting the following:
(c) **Penalty for Inconsistent Reporting.**—

(1) **In General.**—Paragraph (8) of section 6662(b) of the Internal Revenue Code of 1986 is amended by inserting “or gift” after “estate”.

(2) **Inconsistent Basis Reporting.**—Subsection (k) of section 6662 of such Code is amended to read as follows:

“(k) **Inconsistent Estate or Gift Basis Reporting.**—For purposes of this section, there is an ‘inconsistent estate or gift basis’ if—

“(1) in the case of property acquired from a decedent, the basis of property claimed on a return exceeds the basis as determined under section 1014(f), and

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

(d) **Effective Date.**—The amendments made by this section shall apply to transfers for which returns are filed after the date of the enactment of this Act.
SEC. 6. VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS; LIMITATION ON MINORITY DISCOUNTS.

(a) In General.—Section 2031 of the Internal Revenue Code of 1986 is amended by redesignating subsection (d) as subsection (f) and by inserting after subsection (c) the following new subsections:

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

“(1) In General.—In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092)—

“(A) the value of any nonbusiness assets held by the entity with respect to such interest shall be determined as if the transferor had transferred such assets directly to the transferee (and no valuation discount shall be allowed with respect to such nonbusiness assets), and

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

“(2) NONBUSINESS ASSETS.—For purposes of this subsection—
“(A) In General.—The term ‘nonbusiness asset’ means any asset which is not used in the active conduct of 1 or more trades or businesses.

“(B) Exception for Certain Passive Assets.—Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—

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

“(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(c)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(c)(7)(B)(ii).

For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.
“(C) EXCEPTION FOR WORKING CAPITAL.—Any asset (including a passive asset) which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.

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

“(A) cash or cash equivalents,

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

“(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative,

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

“(E) annuity,

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

“(G) asset (other than a patent, trademark, or copyright) which produces royalty income,

“(H) commodity,
“(I) collectible (within the meaning of section 408(m)), or

“(J) any other asset specified in regulations prescribed by the Secretary.

“(4) LOOK-THRU RULES.—

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

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

“(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation,

“(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and
“(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.

“(5) Coordination with subsection (b).—Subsection (b) shall apply after the application of this subsection.

“(e) Limitation on Minority Discounts.—For purposes of this chapter and chapter 12, in the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092), no discount shall be allowed by reason of the fact that the transferee does not have control of such entity if the transferor, the transferee, and members of the family (as defined in section 2032A(e)(2)) of the transferor and transferee—

“(1) have control of such entity, or

“(2) own the majority of the ownership interests (by value) in such entity.”.

(b) Effective Date.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

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

(a) In General.—Subsection (b) of section 2702 of the Internal Revenue Code of 1986 is amended—
(1) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively, and by moving such subparagraphs (as so redesignated) 2 ems to the right;

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

“(1) IN GENERAL.—For purposes of”;

(3) by striking “paragraph (1) or (2)” in paragraph (1)(C) (as so redesignated) and inserting “subparagraph (A) or (B)”;

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

“(2) ADDITIONAL REQUIREMENTS WITH RESPECT TO GRANTOR RETAINED ANNUITIES.—For purposes of subsection (a), in the case of an interest described in paragraph (1)(A) (determined without regard to this paragraph) which is retained by the transferor, such interest shall be treated as described in such paragraph only if—

“(A) the right to receive the fixed amounts referred to in such paragraph is for a term of not less than 10 years and not more than the life expectancy of the annuitant plus 10 years,
“(B) such fixed amounts, when determined on an annual basis, do not decrease during the term described in subparagraph (A), and

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

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

“(I) 25 percent of the fair market value of the property in the trust, or

“(II) $500,000, and

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

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

SEC. 8. CERTAIN TRANSFER TAX RULES APPLICABLE TO GRANTOR TRUSTS.

(a) IN GENERAL.—Subtitle B of the Internal Revenue Code of 1986 is amended by adding at the end the following new chapter:

“CHAPTER 16—SPECIAL RULES FOR GRANTOR TRUSTS

“Sec. 2901. Application of transfer taxes.
"SEC. 2901. APPLICATION OF TRANSFER TAXES.

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

“(1) the value of the gross estate of the deceased deemed owner of such portion shall include all assets attributable to that portion at the time of the death of such owner,

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

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

“(b) PORTION OF TRUST TO WHICH SECTION APPLIES.—This section shall apply to—

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

“(2) the portion of the trust to which a person who is not the grantor is a deemed owner by reason of the rules of subpart E of part 1 of subchapter J of chapter 1, and such deemed owner engages in a
sale, exchange, or comparable transaction with the
trust that is disregarded for purposes of subtitle A.
For purposes of paragraph (2), the portion of the trust
described with respect to a transaction is the portion of
the trust attributable to the property received by the trust
in such transaction, including all retained income there-
from, appreciation thereon, and reinvestments thereof, net
of the amount of consideration received by the deemed
owner in such transaction.

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

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

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

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

“(e) REDUCTION FOR TAXABLE GIFTS TO TRUST
MADE BY OWNER.—The amount to which subsection (a)
applies shall be reduced by the value of any transfer by
1 gift by the deemed owner to the trust previously taken
2 into account by the deemed owner under chapter 12.
3
4 “(f) LIABILITY FOR PAYMENT OF TAX.—Any tax im-
5 posed pursuant to subsection (a) shall be a liability of the
6 trust.”.
7
8 (b) CLERICAL AMENDMENT.—The table of chapters
9 for subtitle B of such Code is amended by adding at the
10 end the following new item:
11
12 “CHAPTER 16. SPECIAL RULES FOR GRANTOR TRUSTS”.
13
14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply—
16
17 (1) to trusts created on or after the date of the
18 enactment of this Act,
19
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, and
23
24 (3) to any portion of a trust established before
25 the date of the enactment of this Act to which sec-
26 tion 2901(a) of the Internal Revenue Code of 1986
27 (as added by subsection (a)) applies by reason of a
28 transaction described in section 2901(b)(2) of such
29 Code on or after such date.
SEC. 9. ELIMINATION OF GENERATION-SKIPPING TRANSFER TAX EXEMPTION FOR CERTAIN TRUSTS.

(a) In General.—Section 2642 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(h) Elimination of GST Exemption for Certain Trusts.—

“(1) In General.—

“(A) Transfers from Non-Qualifying Trusts.—In the case of any generation-skipping transfer made from a trust that is not a qualifying trust, the inclusion ratio with respect to any property transferred in such transfer shall be 1.

“(B) Qualifying Trust.—For purposes of this subsection, the term ‘qualifying trust’ means a trust for which the date of termination of such trust is not greater than 50 years after the date on which such trust is created.

“(2) Trusts Created Before Date of Enactment.—In the case of any trust created before the date of the enactment of this subsection, such trust shall be deemed to be a qualifying trust for a period of 50 years after the date of the enactment of this subsection.
“(3) Date of creation of certain deemed
separate trusts.—In the case of any portion of a
trust which is treated as a separate trust under sec-
tion 2654(b)(1), such separate trust shall be treated
as created on the date of the first transfer described
in such section with respect to such separate trust.

“(4) Date of creation of pour-over
trusts.—In the case of any generation-skipping
transfer of property which involves the transfer of
property from 1 trust to another trust, the date of
the creation of the transferee trust shall be treated
as being the earlier of—

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

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

In the case of multiple transfers to which the pre-
ceeding sentence applies, the date of the creation of
the transferor trust shall be determined under the
preceding sentence before the application of the pre-
ceding sentence to determine the date of the creation
of the transferee trust.

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

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

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

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

“(1) IN GENERAL.—

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

“(B) CUMULATIVE LIMIT PER DONOR.—

“(i) IN GENERAL.—The aggregate
amount excluded under subparagraph (A)
with respect to all transfers described in
clause (ii) made by the donor during the
calendar year shall not exceed twice the
dollar amount in effect under such sub-
paragraph for such calendar year.
“(ii) TRANSFERS SUBJECT TO LIMITATION.—The transfers described in this clause are—

“(I) a transfer in trust,

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

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

“(IV) any other transfer of property that, without regard to withdrawal, put, or other such rights in the donee, cannot immediately be liquidated by the donee.”.

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

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

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