

News from Senator

BOB DOLE



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FOR IMMEDIATE RELEASE
MONDAY, NOVEMBER 19, 1979

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DOLE LEADS SENATE IN REPEAL OF 'INEQUITABLE' INHERITANCE TAX LAW

WASHINGTON -- The Senate today overwhelmingly agreed to repeal the carryover basis rule, thus reducing the taxes on inherited property and making it easier for land to be passed on from generation to generation. Leading the floor debate for repeal of carryover basis was Senator Bob Dole (R-Kan.), who has been actively working for the repeal for several years along with Senator Harry Byrd (I-Va.).

In rejecting the enacting of the carryover basis rule, which unless repealed will go into effect Jan. 1, 1980, the Senate has taken a firm stand in recognizing the importance of continuous family ownership of property, Dole said. The heirs of farmers and small-businessmen stand to gain the most from repeal, he added.

The complicated carryover basis rule, passed by Congress in 1976, would apply when a person who has inherited property sells it. A capital gains tax would be assessed on the difference between the value of the property when it was first acquired by the person who died and the price received for it when sold by the heirs. Under current tax laws, the capital gains tax is paid only on the difference between the property's value at the time of the owner's death and the amount it is later sold for by the heirs.

Officials estimate implementation of the provision next year would increase tax revenues by \$1 million, but income from the tax would hit more than \$800 million by the year 2000.

"Carryover basis has the potential to drive thousands of farmers from the land by making it difficult to pass land on to future generations," Dole said. "It is heartening that the Senate recognizes the pressures working against inheritance. The heirs of farmers and small-businessmen in many instances are forced to sell some or all of their inherited property in order to pay death and estate taxes. Adding a capital gains tax on top of that will simply worsen the financial problems of these people.

"Most of the capital of farmers is tied up in land. And we all know what has happened to the price of land in the last few years -- it's gone up with inflation.

"But in addition to the obvious hardships carryover basis places upon inheritors, there is the very real problem of enforcing the law. Because the law would require inheritors to pay taxes on land from the time it was originally purchased by the decedent, it would be necessary to locate original land titles. In many cases this is an impossible proposition, since many of these documents are old and illegible, or else have been misplaced."

The final vote on the amendment, which was attached to the windfall profits tax bill, was 81-4.

"Clearly, carryover basis would be a disaster for farmers and small-businessmen," Dole said. "From the start, the rule has been a clear slap in the face of middle-class Americans, for whom inheritance has traditionally been an important part of life. It is my hope that we have seen the last of this inequitable and unfair tax."