



NEWS from U.S. Senator Bob Dole

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STATEMENT BY SENATOR BOB DOLE ESTATE TAX RELIEF FOR SMALL BUSINESSMEN AND FARMERS

MR. DOLE, Mr. President, the bills introduced today seek to restore Congressional intent in providing estate tax relief to small businessmen and farmers. The estate tax revisions passed last year in the Tax Reform Act have severely complicated estate tax calculations and in some cases, caused an economic hardship on many estates and beneficiaries.

Under prior law, the cost or other basis of the property acquired from a decedent was "stepped-up" to its fair market value at the date of death. Section 2005 of the Tax Reform Act of 1976 added section 1023 to the Internal Revenue Code. Simply stated, that section provides that with certain modification, a decedent's predeath federal income tax basis will now carry-over to his estate and ultimately to the beneficiary irrespective of the value reflected in his federal income tax return.

The Senator from Kansas is pleased to have the distinguished senior senator from Virginia join in helping solve the tax problems caused by Section 2005 of the Tax Reform Act of 1976.

KANSAS SURVEY

The new law is riddled with transitional rules. It is complicated and very difficult to understand -- even for a qualified attorney or Certified Public Accountant. Several months ago I sent a letter to Kansas attorneys and CPA's requesting their opinions and insights on a number of matters.

There was almost complete agreement among the respondents that the carryover basis provisions are arbitrary, inequitable, and that enormous costs are involved to comply with the law.

Mr. President, the population affected by this provision, in many instances cannot afford the legal specialists to interpret the law. In some cases, it can take hours of research and calculations to determine the basis of a single asset.

The calculations to be made are incredible. Even after the basis is established the new law provides for 4 possible adjustments to basis. Each adjustment turns on calculations made in the preceding adjustment.

The adjustments must be made with respect to each asset. Even a modest estate will have a number of different assets. Moreover, there may not be one but several basis for a single asset since the adjustments in value are made only for the purpose of determining gain, not loss.

NO SENATE CONSIDERATION

Mr. President, the Senate, in passing the estate tax reforms last year, did not adequately consider the changes in carryover basis. When the Senate voted for final passage of the tax legislation in August, 1976, there were only a few estate tax modifications in the bill. The Senate conferees accepted, as a substitute for its version, sweeping changes initiated by the House Ways and Means Committee. Hence, when the Senate voted on the conference report, it voted on broad, far-reaching changes never considered in either the Finance Committee or on the floor of the Senate.

Mr. President, this lack of consideration is apparent. The bills introduced today by the Senators from Kansas and Virginia would ease the incredible nightmare caused by carryover basis.

The carryover basis provision raises many complex issues, the resolution of which will require considerable study. I believe the present law is essentially unworkable. Hearings held by the Subcommittee on Taxation and Debt Management have established, as public record, the inordinate technical and practical difficulties involved.

TWO YEAR DEFERRAL

Mr. President, the first bill introduced today would defer for two years the enactment of carryover basis. This is the most desirable of the two bills.

There have been reports that the Administration's forthcoming tax reform proposals may include a recommendation to replace the carryover basis provisions with rules making death a recognition event for income tax purposes. If such a proposal is enacted within the next year or two, the enormously complex machinery of carryover basis would be operational only for a relatively brief time. This situation would be highly disruptive and wasteful of the resources of taxpayers, their representatives and those responsible for administering and enforcing the internal revenue laws.

The second bill is an alternative to the two year deferral proposal. In the event that deferral of carryover basis cannot be obtained, then Congress must act to fill the holes in the present law. Since hearings have been scheduled next week, I believe that the Finance Committee should have both measures before them

Mr. President, this second bill essentially provides that the basis of all property held on December 31, 1976 shall be determined under the old law. In addition, the minimum basis for assets is stepped up from the present \$60,000 to a level equal to the \$175,000 estate tax credit.

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