



NEWS from U.S. Senator Bob Dole

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DOLE CALLS FOR REPEAL OF CARRYOVER BASIS PROVISIONS TO ESTATE TAX REFORMS

WASHINGTON -- Sen. Bob Dole (R-Kan.) today introduced legislation to repeal the carryover basis provisions adopted as part of the Tax Reform Act of 1976. Under the carryover basis rules, the beneficiaries of an estate take the same tax base on the property as that held by the decedent.

Dole said he opposes the provision because of the difficulties in proving basis and the increase in the relative tax burden which the provision causes.

Following is Dole's floor statement on the bill:

"This year Congress must decide the fate of the onerous and ill-conceived carryover basis provisions adopted as part of the Tax Reform Act of 1976. The legislation which I am introducing today will repeal carryover basis and restore the law to its former status.

PRIOR LAW

"Under the law prior to the Tax Reform Act of 1976, the basis of inherited property was generally stepped up or down to its value on the date of the decedent's death. Under the carryover basis rules, the beneficiaries of an estate take the basis in the property that was the same as the basis in the property held by the decedent. The carryover basis provisions unfortunately vitiated many of the other estate tax reforms passed during the Tax Reform Act of 1976. The carryover basis rules have severely complicated estate tax calculations and has in many cases caused an economic hardship.

THREE-YEAR DEFERRAL

"The Senate in passing the estate tax reforms in the 1976 Tax Reform Act did not adequately consider the changes made by carryover basis. When the Senate voted for final passage on 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 for broad, far-reaching changes never considered either in the Finance Committee nor on the floor of the Senate. This lack of consideration is apparent.

"The Revenue Act of 1978 postpones the effective date of carryover basis provisions so that they will only apply to property acquired from decedents dying after December 31, 1979. Congress must still decide whether carryover basis is the proper policy to pursue.

"The senator from Kansas believes that carryover basis is an unmitigated, complicated and unwarranted provision. There is no question that the current law is riddled with complexities that defy even the most sophisticated tax technician. However, even if the inordinate complexities could be eliminated, there still remains many difficulties with carryover basis. First of all, it is often difficult to prove basis. The record-keeping requirements and fiduciary responsibility cannot be overlooked. Established tax law is very clear -- the burden is on the taxpayer to prove his basis. If the taxpayer cannot, then he obtains no basis in the asset.

"Carryover basis also increases the relative tax burden. The impact of carryover basis must be examined from the standpoint of both death taxes and income taxes generated by the sale of assets to pay the estate tax. The cumulative effect of federal estate tax, state death taxes, and federal and state income taxes imposed upon an estate often will consume much of the assets. The harsh tax result that

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flows from selling assets to raise the money to pay death taxes is unwarranted.

"Mr. President, the enactment of carryover basis was a mistake. Congress should take the appropriate action to eliminate this error. I would urge the Senate Finance Committee to move expeditiously on my proposal so that no injustice can be inflicted by the carryover basis rules."