



The Daily Whip

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WEDNESDAY, APRIL 13, 2005

House Meets At...	Last Vote Predicted At...
10:00 a.m.: Legislative Business Unlimited "One Minutes"	4:00 - 5:00 p.m.

FLOOR SCHEDULE AND BILL SUMMARY

Suspensions (3 bills):

- 1) **H.R. 1463** – To designate a portion of the Federal building located at 2100 Jamieson Avenue, in Alexandria, Virginia, as the "Justin W. Williams United States Attorney's Building" (*Rep. Tom Davis – Transportation & Infrastructure*)
- 2) **H.R. 483** – To designate a United States courthouse in Brownsville, Texas, as the "Reynaldo G. Garza and Filemon B. Vela United States Courthouse" (*Rep. Ortiz – Transportation & Infrastructure*)
- 3) **H.R. 787** – To designate the United States courthouse located at 501 I Street in Sacramento, California, as the "Robert T. Matsui United States Courthouse" (*Rep. Thompson {CA} – Transportation & Infrastructure*)

H.R. 8 – Permanent Estate Tax Repeal Act of 2005 (*Rep. Hulshof – Ways & Means*) (**Subject to a Rule**). This bill is essentially the same as H.R. 8 in the 108th Congress -- considered in June 2003 -- however, the 10-year cost of this bill is now \$290 billion.

Current law (EGTRRA passed in 2001) provides for an increase of the exclusion from estate taxes per decedent from now through January 1, 2010. The exemption per decedent for 2005 is \$1.5 million (\$3 million per couple), increasing to \$2 million in 2006-2008, and \$3.5 million in 2009. In 2010, the estate tax is repealed, but is reinstated in 2011 at pre-EGTRRA levels. H.R. 8 repeals the 2011 reinstatement.

- **Costs of Permanent Repeal Mounts as the 10-year cost of total repeal is now \$290 billion.** In 2003, when the House last considered estate tax legislation, the estimated cost was \$162 billion -- this increase is due to the extension of the 10-year scoring to 2015, rather than 2013. The cost of permanent repeal over the first ten years of full repeal (2012 to 2021) is now nearly \$1 trillion with debt service.
- **Permanent Repeal Raises Taxes for Thousands of Families, Farms and Small Businesses.** Under current law, the tax basis for inherited property is "stepped up" to its value at transfer through 2009, which helps farmers and small business owners who inherit property by reducing the amount of capital gains taxes to which the property is subject. Under current law, in 2010, "carry-over" basis rules (with a \$1.3 million exemption) replace the "stepped-up" basis rules, creating burdensome new requirements and increasing the tax liability for many of these property-owners. **H.R.8 makes this switch permanent and creates more losers than winners.** Under current law, only 7,500 estates nationwide would have any estate tax liability in 2009, while the permanent switch to "carry-over" basis rules would impact an estimated 71,000 estates in 2010. The Department of Agriculture has estimated that more farm estates would have increased tax liability from "carry-over" basis rules than would benefit from the repeal.
- **National Fiscal Situation Worsens.** Under GOP control, the nation's fiscal condition has worsened dramatically, with a projected deficit near \$400 billion in FY 2005. The CBO

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projects that the President's economic policies will borrow every penny of the Social Security Trust Fund over the next ten years, with on-budget deficits averaging \$500 billion a year. With the cost of permanent repeal costing over \$1 trillion from 2012 to 2021, H.R. 8 continues draining resources needed to ensure solvency of Social Security.

The Rules Committee has recommended a Rule that provides one hour of general debate and one motion to recommit with or without instructions. The Rule also makes in order one amendment in the nature of a substitute to be offered by Rep. Pomeroy or his designee.

- **Pomeroy Amendment in the Nature of a Substitute (1 hour).** This substitute offers more relief sooner, and is a simpler and more responsible solution over the long-term. The Pomeroy Substitute is a responsible alternative (at a cost of less than 1/3 of the cost of H.R. 8) and is similar to the Democratic alternatives offered in 2002 and 2003. The Pomeroy Substitute would increase the current exclusion amounts to \$3 million per individual (\$6 million per couple) in 2006 and make the 2009 level permanent (\$3.5 /\$7 million), **thereby exempting 99.7 % of estates from estate tax liability.** The Pomeroy Substitute also benefits small businesses and farm estates by retaining the "step-up" basis rather than changing to the "carry-over" basis preserved in H.R. 8.

Democrats are urged to VOTE YES on the Democratic Pomeroy Substitute. If the Democratic Substitute is not adopted, **Democrats are urged to VOTE NO on Final Passage of H.R. 8.**

TOMORROW'S OUTLOOK

The GOP Leadership has announced the following schedule: on Thursday, the House will meet at 10:00 a.m. for legislative business. The House is expected to consider **S. 256 – Bankruptcy Abuse Prevention and Consumer Protection Act of 2005** (*Sen. Grassley – Judiciary*) (*Subject to a Rule*)

Daily Quote...

"There should be no misunderstanding of what is at stake here, for members and for the House as an institution. In the days and weeks to come, all members will need to decide whether they wish to continue to have a credible, effective ethics process, and to then consider the actions and conditions necessary for such a process to exist. We believe that an essential first step is to repeal the rules changes made at the start of this Congress [by House Republicans]."

- Rep. Joel Hefley, former Chairman of the Committee on Standards of Official Conduct, and Rep. Alan Mollohan, Ranking Democrat on the Committee, in *The Washington Post* this morning