117th CONGRESS
1st Session

S.

To amend the Internal Revenue Code of 1986 to realize gains from property at the time of death, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. Van Hollen 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 realize gains from property at the time of death, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Sensible Taxation and Equity Promotion Act of 2021”.

SEC. 2. REALIZATION OF GAINS AT TIME OF GIFT OR DEATH.

(a) TREATMENT AS SALE.—

(1) IN GENERAL.—Part IV of subchapter P of chapter 1 of the Internal Revenue Code of 1986 is
amended by adding at the end the following new section:

“SEC. 1261. GAINS FROM CERTAIN PROPERTY TRANSFERRED BY GIFT OR AT DEATH.

“(a) IN GENERAL.—Any property which is transferred by gift, in trust, or upon death shall be treated as sold for its fair market value to the transferee on the date of such gift, death, or transfer.

“(b) SPECIAL RULES FOR TRUSTS.—

“(1) GRANTOR TRUSTS.—

“(A) IN GENERAL.—In the case of a trust for which the transferor is considered the owner under subpart E of part I of subchapter J—

“(i) except as provided in subparagraph (C), subsection (a) shall not apply to property transferred to such trust, and

“(ii) subparagraph (B) shall apply.

“(B) DEEMED TRANSFERS.—Property held by a trust described in subparagraph (A)—

“(i) shall be treated as transferred by the owner in a transfer to which subsection (a) applies on any date that—

“(I) the owner ceases to be treated as the owner under this chapter,
“(II) such property is distributed to any person other than the owner, or

“(III) the property would no longer be included in the owner’s gross estate under chapter 11, or and

“(ii) shall be treated as transferred by the owner upon the death of the owner.

“(C) EXCEPTION.—Subparagraph (A)(i) shall not apply to property if such property would not be included in the gross estate of the transferor immediately after the transfer.

“(2) NONGRANTOR TRUSTS.—In the case of any trust not described in paragraph (1)—

“(A) all property held by such trust shall be treated as sold for fair market value on the last day of the taxable year ending 21 years after latest of—

“(i) December 31, 2005,

“(ii) the date such trust was established, or

“(iii) the last date on which such property was treated as sold by reason of this subsection, and
“(B) proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account under subparagraph (A).

“(c) EXCEPTIONS AND OTHER SPECIAL RULES.—

“(1) TANGIBLE PROPERTY.—This section shall not apply to any tangible personal property other than a collectible (as defined in section 408(m) without regard to paragraph (3) thereof) which is not held—

“(A) in connection with a trade or business, or

“(B) for any purpose described in section 212.

“(2) SPOUSAL EXCEPTION.—

“(A) IN GENERAL.—Subsections (a) and (b)(1)(B) shall not apply to any transfer if such transfer—

“(i) is made to the spouse or surviving spouse of the transferor, or

“(ii) is a transfer of qualified terminal interest property or of property to which section 2056(b)(5) or 2523(e) applies.

“(B) CERTAIN REMAINDER INTERESTS TREATED AS TRANSFERRED BY SPOUSE.—Prop-
property described in subparagraph (A)(ii) shall be treated as sold by the spouse or surviving spouse on the earlier of the date of the disposition of such property by such spouse or surviving spouse or the date of the death of such spouse or surviving spouse.

“(C) Qualified terminal interest property.—For purposes of this paragraph, the term ‘qualified terminal interest property’ means any property described in section 2056(b)(7) or 2523(f)(2).

“(D) Disallowance of spousal exception where spouse or surviving spouse not United States citizen or long-term resident.—

“(i) In general.—Subparagraph (A) shall not apply if the spouse or surviving spouse of the decedent is not a citizen or long-term resident of the United States.

“(ii) Long-term resident.—For purposes of clause (i), the term ‘long-term resident’ means any individual (other than a citizen of the United States) who is a lawful permanent resident of the United States—
“(I) for the taxable year in which
the transfer described in subsection
(a) or (b)(1) occurs, and
“(II) in at least 8 taxable years
during the period of 15 taxable years
ending with the taxable year during
which the transfer described in sub-
section (a) or (b)(1) occurs.

For purposes of the preceding sentence, an
individual shall not be treated as a lawful
permanent resident for any taxable year if
such individual is treated as a resident of
a foreign country for the taxable year
under the provisions of a tax treaty be-
tween the United States and the foreign
country and does not waive the benefits of
such treaty applicable to residents of the
foreign country.

“(3) GIFTS AND BEQUESTS TO CHARITY.—

“(A) TRANSFERS.—Subsections (a) and
(b)(1)(B) shall not apply to any transfer if such
transfer is made to or for the use of an organi-
ization described in section 170(e).

“(B) PROPERTY HELD IN TRUST.—Sub-
section (b)(2) shall not apply to any property
which is set aside for the use of an organization described in section 170(c).

“(C) Valuation of certain transfers in trust.—For purposes of this section, rules similar to the rules of section 2702 shall apply.

“(D) Income interests, etc.—Subparagraph (A) shall not apply to the value of any interest in property (other than a remainder interest) transferred in trust unless the interest is in the form of a guaranteed annuity or the trust instrument specifies that the interest is a fixed percentage distributed yearly of the fair market value of the trust property (to be determined yearly).

“(4) Qualified disability trusts and cemetery perpetual care funds.—Subsection (b)(2) shall not apply to any qualified disability trust (as defined in section 642(b)(2)(C)(ii)) or any cemetery perpetual care fund described in section 642(i).”.

(2) Clerical amendment.—The table of sections for part IV of subchapter P of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 1261. Gains from certain property transferred by gift or upon death.”.

(b) Treatment of basis for gifts and bequests to which tax applies.—
(1) PROPERTY ACQUIRED BY GIFT.—Subsection (a) section 1015 of the Internal Revenue Code of 1986 is amended—

(A) by striking “If the property” and inserting the following:

“(1) GIFTS BEFORE JANUARY 1, 2021.—If the property”,

(B) by inserting “and before January 1, 2021” after “after December 31, 1920”, and

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

“(2) GIFTS AFTER DECEMBER 31, 2020.—

“(A) IN GENERAL.—If the property was acquired by gift after December 31, 2020, the basis shall be the value of the property taken into account by the donor for purposes of section 1261(a).

“(B) SPECIAL RULES FOR CHARITABLE ORGANIZATIONS.—In the case of any property acquired by an organization described in section 170(c) by gift, subparagraph (A) shall not apply and paragraph (1) shall be applied without regard to the phrase ‘and before January 1, 2021’.”.
(2) PROPERTY ACQUIRED IN TRUST.—Subsection (b) section 1015 of the Internal Revenue Code of 1986 is amended—

(A) by striking “If the property” and inserting the following:

“(1) TRANSFERS IN TRUST BEFORE JANUARY 1, 2021.—If the property’’;

(B) by inserting “and before January 1, 2021” after “after December 31, 1920”, and

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

“(2) TRANSFERS IN TRUST AFTER DECEMBER 31, 2020.—

“(A) IN GENERAL.—If the property was acquired after December 31, 2020, by a transfer in trust (other than by a transfer in trust by a gift, bequest, or devise) the basis shall be the value of the property taken into account by the grantor for purposes of section 1261(a).

“(B) SPECIAL RULES FOR CHARITABLE ORGANIZATIONS.—In the case of any property acquired by an organization described in section 170(c) by a transfer in trust, subparagraph (A) shall not apply and paragraph (1) shall be ap-
plied without regard to the phrase ‘and before January 1, 2021’.”.

(3) **PROPERTY ACQUIRED FROM A DECEDE**

DENT.—

(A) **IN GENERAL.—**Section 1014(a) of the Internal Revenue Code of 1986 is amended by striking paragraphs (1) through (4) and inserting the following:

“(1) in the case of property to which section 1261(a) applies by reason of the decedent’s death, the value of the property taken into account by the decedent for purposes of section 1261(a), and

“(2) in any other case, the fair market value of the property at the date of the decedent’s death.”.

(B) **CONFORMING AMENDMENTS AND OTHER MODIFICATIONS.—**

(i) Section 1014(b) of such Code is amended—

(I) by striking paragraphs (6) and (9),

(II) by redesignating paragraph (10) as paragraph (6),

(III) by inserting after paragraph (6) (as so redesignated) the following new paragraph:
“(7) Property to which section 1261(a) applies by reason of the decedent’s death.”, and

(IV) by striking the last sentence.

(ii) Section 1014 of such Code is amended—

(I) by striking subsections (d) and (e) and by redesignating subsection (f) as subsection (d), and

(II) in subsection (d)(1) (as so redesignated), by striking “subsection (a)” and inserting “subsection (a)(2)”.

(C) Property Acquired from Decedent Spouses.—Section 1014 of such Code, as amended by subparagraph (B), is amended by adding at the end the following new subsection:

“(e) Property Acquired from Decedent Spouses.—In the case of any property acquired from or which has passed from a decedent in a transfer described in section 1041(a)(1), the basis of such property in the hands of the transferee shall be determined under section 1041(b) and not this section.”.
(4) Rule for Transfers Between Spouses.—

(A) In General.—Section 1041(b) of the Internal Revenue Code of 1986 is amended to read as follows:

“(b) Transferee Has Transferor’s Basis.—In the case of any transfer of property described in subsection (a), the basis of the transferee in the property shall be the adjusted basis of the transferor.”.

(B) Conforming Amendment.—Section 1015(e) of such Code is amended by striking “1041(b)(2)” and inserting “1041(b)”.

(c) Treatment of Related Taxpayers.—

(1) In General.—Section 267(g) of such Code is amended—

(A) by striking “shall not apply to any transfer” and inserting “shall not apply to—

“(1) any transfer”,

(B) by striking the period at the end and inserting “, and”, and

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

“(2) any transfer—
“(A) to which section 1261 (relating to gains from certain property transferred by gift or at death) applies, and

“(B) which is made by reason of the death of the taxpayer.”.

(2) CONFORMING AMENDMENT.—The heading of section 267(g) of such Code is amended by striking “WITH SECTION 1041”.

(d) REPORTING REQUIREMENT FOR CERTAIN TRUSTS.—

(1) IN GENERAL.—Subpart B of chapter 3 of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by inserting after section 6048 the following new section:

“SEC. 6048A. INFORMATION WITH RESPECT TO CERTAIN DOMESTIC TRUSTS.

“(a) IN GENERAL.—In the case of any trust described in subsection (b), the trustee shall submit to the Secretary—

“(1) a full and complete accounting of all trust activities and operations for the year,

“(2) the name, address, and TIN of the trustee,

“(3) the name, address, and TIN of the grantor,
“(4) the name, address, and TIN of each beneficiary of the trust, and

“(5) such other information as the Secretary may prescribe.

“(b) TRUST DESCRIBED.—A trust is described in this subsection for any taxable year if—

“(1) the aggregate value of the assets of the trust on the last day of the taxable year exceeds $1,000,000, or

“(2) the gross income of the trust for the taxable year exceeds $20,000.

“(c) EXCEPTION.—This section shall not apply to any trust for a taxable year if section 6034(b) or 6048(b) applies to such trust for such taxable year.”.

(2) PENALTIES.—Section 6724(d)(1) of such Code is amended by striking “and” at the end of subparagraph (C)(ii), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) any information required to be submitted to the Secretary under section 6048A.”.

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of chapter 3 of subchapter A of chapter 61 of such Code is amended by inserting
after the item relating to section 6048 the following new item:

“Sec. 6048A. Information with respect to certain domestic trusts.”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2020.

SEC. 3. EXCLUSION OF CERTAIN AMOUNTS OF REALIZED GAIN.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986, as amended by section 111, is amended by inserting after section 139H the following new section:

“SEC. 139I. EXCLUSION OF GAIN FROM TRANSFERS OF CERTAIN APPRECIATED ASSETS.

“(a) IN GENERAL.—In the case of an individual, gross income for any taxable year ending before the date of the taxpayer’s death shall not include so much of the gain from transfers described in section 1261(a) of any property as does not exceed the excess of—

“(1) $100,000, over

“(2) the aggregate amount excluded under this subsection for all preceding taxable years.

“(b) INCREASED AMOUNT FOR TAXABLE YEAR OF DEATH.—In the case of an individual, gross income for any taxable year which includes the date of the taxpayer’s death shall not include so much of the gain from transfers
described in section 1261(a) of any property as does not exceed the excess of—

“(1) $1,000,000, over

“(2) the aggregate amount excluded under this subsection (a) for all preceding taxable years.

“(c) INFLATION ADJUSTMENTS.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2021, the $100,000 amount in subsection (a)(1) and the $1,000,000 amount in subsection (b)(1) shall each be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting in subparagraph (A)(ii) thereof ‘calendar year 2020’ for ‘calendar year 2016’.

“(2) Rounding.—If any amount as adjusted under paragraph (1) is not a multiple of $10,000, such dollar amount shall be rounded to the next lowest multiple of $10,000.”.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of such Code
is amended by inserting after section 139H the following new item:

“Sec. 139I. Exclusion of gain from transfers of certain appreciated assets.”.

**SEC. 4. DEDUCTION FOR COSTS OF APPRAISAL OF APPRECIATED ASSETS.**

(a) In General.—Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 199B. APPRAISALS OF CERTAIN ASSETS.

“There shall be allowed as a deduction costs paid or incurred with respect to the appraisal of any property which is treated as sold during the taxable year by reason of section 1261.”.

(b) Deduction Not Treated as Miscellaneous Itemized Deduction.—Section 67(b) of such Code is amended by striking “, and” at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting “, and”, and by adding at the end the following new paragraph:

“(13) the deduction allowed under section 199B (relating to appraisals of certain assets).”.

(c) Clerical Amendment.—The table of sections for part VI of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 199B. Appraisals of certain assets.”.
SEC. 5. EXTENSION OF TIME FOR PAYMENT OF TAX.

(a) Extension of Time.—

(1) In General.—Subpart B of chapter 62 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 6168. EXTENSION OF TIME FOR PAYMENT OF GAINS ON CERTAIN ASSETS REALIZED BY REASON OF DEATH.

“(a) 10-Year Installment Payment.—

“(1) In General.—In the case of any gain with respect to an eligible asset that is recognized under section 1261(a) by reason of the death of the taxpayer or under section 1261(b)(2), the taxpayer (or in the case of a decedent, the person filing the final return of income tax with respect to the person recognizing such gain) may elect to pay part or all of the tax imposed on such gain in 2 or more (but not exceeding 10) equal installments.

“(2) Date for Payment of Installments.—

If an election is made under paragraph (1), the first installment shall be paid on or before the date selected by the person described in paragraph (1) which is not more than 5 years after the date prescribed by section 6151(a) for payment of the tax, and each succeeding installment shall be paid on or before the date which is 1 year after the date pre-
scribed by this paragraph for payment of the pre-
ceeding installment.

“(b) ELIGIBLE ASSET.—For purposes of this section,
the term ‘eligible asset’ means any property other than
personal property of a type which is actively traded (within
the meaning of section 1092(d)(1)).

“(c) PORTION OF TAX ELIGIBLE.—The amount of
tax to which this section applies shall not exceed the excess
of—

“(1) the tax computed under chapter 1 (deter-
mined after application of section 1261), over

“(2) the tax computed under chapter 1 (deter-
mined without regard to section 1261).

“(d) ELECTION.—Any election under subsection (a)
shall be made not later than the time prescribed by section
6072 for filing the return of tax imposed under chapter
1 (including extensions thereof), and shall be made in such
manner as the Secretary shall by regulations prescribe. If
an election under subsection (a) is made, the provisions
of this subtitle shall apply as though the Secretary were
extending the time for payment of the tax.

“(e) PRORATION OF DEFICIENCY TO INSTALL-
MENTS.—If an election is made under subsection (a) to
pay any part of the tax imposed under chapter 1 in install-
ments and a deficiency has been assessed, the deficiency
shall (subject to the limitation provided by subsection (a)(2)) be prorated to the installments payable under subsection (a). The part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax.

“(f) Time for Payment of Interest.—If the time for payment of any amount of tax has been extended under this section—

“(1) Interest for First 5 Years.—Interest payable under section 6601 of any unpaid portion of such amount attributable to the first 5 years after the date prescribed by section 6151(a) for payment of the tax shall be paid annually.

“(2) Interest for Periods After First 5 Years.—Interest payable under section 6601 on any unpaid portion of such amount attributable to any period after the 5-year period referred to in paragraph (1) shall be paid annually at the same time
as, and as a part of, each installment payment of
the tax.

“(3) Interest in the case of certain deficiencies.—In the case of a deficiency to which sub-
section (e) applies which is assessed after the close
of the 5-year period referred to in paragraph (1), in-
terest attributable to such 5-year period, and inter-
est assigned under paragraph (2) to any installment
the date for payment of which has arrived on or be-
fore the date of the assessment of the deficiency,
shall be paid upon notice and demand from the Sec-
retary.

“(4) Selection of shorter period.—If the
person described in subsection (a)(1) has selected a
period shorter than 5 years under subsection (a)(2),
such shorter period shall be substituted for 5 years
in paragraphs (1), (2), and (3) of this subsection.

“(g) Acceleration of Payment.—

“(1) In general.—If, at any time after the
date on which the gain on an eligible asset was re-
ognized under section 1261—

“(A) any portion of an interest in such eli-
gible asset is distributed, sold, exchanged, or
otherwise disposed of, or
“(B) nonrecourse indebtedness is secured in whole or in part by a portion of such eligible capitol asset, then the extension of time for payment of tax provided in subsection (a) shall cease to apply with respect to such portion of the interest in such eligible capitol asset, and the unpaid portion of the tax payable in installments shall be paid upon notice and demand from the Secretary.

“(2) Failure to make payment of principal or interest.—

“(A) In general.—Except as provided in subparagraph (B), if any payment of principal or interest under this section is not paid on or before the date fixed for its payment by this section (including any extension of time), the unpaid portion of the tax payable in installments shall be paid upon notice and demand from the Secretary.

“(B) Payment within 6 months.—If any payment of principal or interest under this section is not paid on or before the date determined under subparagraph (A) but is paid within 6 months of such date—
“(i) the provisions of subparagraph
(A) shall not apply with respect to such
payment,

“(ii) the provisions of section 6601(k)
shall not apply with respect to the deter-
mination of interest on such payment, and

“(iii) there is imposed a penalty in an
amount equal to the product of—

“(I) 5 percent of the amount of
such payment, multiplied by

“(II) the number of months (or
fractions thereof) after such date and
before payment is made.

The penalty imposed under clause (iii)
shall be treated in the same manner as a
penalty imposed under subchapter B of
chapter 68

“(h) Regulations.—The Secretary shall prescribe
such regulations as may be necessary to the application
of this section.

“(i) Cross References.—

“(1) Security.—For authority of the Sec-
etary to require security in the case of an extension
under this section, see section 6165.
“(2) LIEN.—For special lien (in lieu of bond) in the case of an extension under this section, see section 6324C.

“(3) PERIOD OF LIMITATION.—For extension of the period of limitation in the case of an extension under this section, see section 6503(d).

“(4) INTEREST.—For provisions relating to interest on tax payable in installments under this section, see subsection (k) of section 6601.”.

(2) CLERICAL AMENDMENT.—The table of sections for subpart B of chapter 62 is amended by adding at the end the following new item:

“Sec. 6168. Extension of time for payment of gains on certain assets realized by reason of death.”.

(b) LIEN.—

(1) IN GENERAL.—Part II of subchapter C of chapter 64 of the Internal Revenue Code of 1986 is amended by inserting after section 6324B the following new section:

“SEC. 6324C. SPECIAL LIEN FOR TAXES DEFERRED UNDER SECTION 6168.

“(a) IN GENERAL.—In the case of any interest in an eligible asset with respect to which an election has been made under section 6168, if the person described in section 6168(a)(1) makes an election under this section (at such time and in such manner as the Secretary shall by
regulations prescribe) and files the agreement referred to in subsection (e), the deferred amount (plus any interest, additional amount, addition to tax, assessable penalty, and costs attributable to the deferred amount) shall be a lien in favor of the United States on any section 6168 lien property.

“(b) Section 6168 Lien Property.—

“(1) In general.—For purposes of this section, the term ‘section 6168 lien property’ means interests in an eligible asset with respect to which an election has been made under section 6168 to the extent such interests—

“(A) can be expected to survive the defer-ral period, and

“(B) are designated in the agreement re-ferred to in subsection (e).

“(2) Maximum value of required prop-erty.—The maximum value of the property which the Secretary may require as section 6168 lien prop-erty with respect to any eligible asset shall be a value which is not greater than the sum of—

“(A) the deferred amount, and

“(B) the required interest amount.

For purposes of the preceding sentence, the value of any property shall be determined as of the date pre-
scribed by section 6151(a) for payment of the tax imposed by chapter 1 and shall be determined by taking into account any encumbrance.

“(3) **PARTIAL SUBSTITUTION OF BOND FOR LIEN.**—If the value required as section 6168 lien property pursuant to paragraph (2) exceeds the value of the interests in property covered by the agreement referred to in subsection (c), the Secretary may accept bond in an amount equal to such excess conditioned on the payment of the amount extended in accordance with the terms of such extension.

“(c) **AGREEMENT.**—The agreement referred to in this subsection is—

“(1) in the case of a taxpayer who is a trustee making an election with respect to eligible assets recognized under section 1261(b)(2), a written agreement signed by such trustee, and

“(2) in the case of a decedent with respect to whom eligible assets are recognized under section 1261(a) by reason of death, a written agreement signed by each person in being who has an interest (whether or not in possession) in any property designated in such agreement—
“(A) consenting to the creation of the lien under this section with respect to such prop-
erty, and

“(B) designating a responsible person who shall be the agent for the person described in section 6168(a) and for the persons who have consented to the creation of the lien in dealings with the Secretary on matters arising under section 6168 or this section.

“(d) **Special Rules.**—

“(1) **Requirement that lien be filed.**—The lien imposed by this section shall not be valid as against any purchaser, holder of a security interest, mechanic’s lien, or judgment lien creditor until notice thereof which meets the requirements of section 6323(f) has been filed by the Secretary. Such notice shall not be required to be refiled.

“(2) **Period of lien.**—The lien imposed by this section shall arise at the time notice is filed pur-
suant to paragraph (1) and shall continue until the liability for the deferred amount is satisfied or be-
comes unenforceable by reason of lapse of time.

“(3) **Priorities.**—Even though notice of a lien imposed by this section has been filed as provided in
paragraph (1), such lien shall not be valid to the ex-
tent provided in section 6323(b).

“(4) LIEN TO BE IN LIEU OF SECTION 6321 LIEN.—If there is a lien under this section on any property, there shall not be any lien under section 6321 on such property.

“(5) ADDITIONAL LIEN PROPERTY REQUIRED IN CERTAIN CASES.—If at any time the value of the property covered by the agreement is less than the unpaid portion of the deferred amount and the re-
quired interest amount, the Secretary may require the addition of property to the agreement (but he may not require under this paragraph that the value of the property covered by the agreement exceed such unpaid portion). If property having the re-
quired value is not added to the property covered by the agreement (or if other security equal to the re-
quired value is not furnished) within 90 days after notice and demand therefor by the Secretary, the failure to comply with the preceding sentence shall be treated as an act accelerating payment of the in-
stallments under section 6168(g).

“(6) LIEN TO BE IN LIEU OF BOND.—The Sec-
retary may not require under section 6165 the fur-
nishing of any bond for the payment of any tax to
which an agreement which meets the requirements
of subsection (e) applies.

“(e) DEFINITIONS.—For purposes of this section—

“(1) DEFERRED AMOUNT.—The term ‘deferred
amount’ means, with respect to any eligible asset,
the aggregate amount deferred under section 6168
(determined as of the date prescribed by section
6151(a) for payment of the tax imposed by chapter
1).

“(2) REQUIRED INTEREST AMOUNT.—The term
‘required interest amount’ means, with respect to
any eligible asset, the aggregate amount of interest
which will be payable over the first 4 years of the
deferral period with respect to the deferred amount
(determined as of the date prescribed by section
6151(a) for the payment of the tax imposed by
chapter 1).

“(3) DEFERRAL PERIOD.—The term ‘deferral
period’ means, with respect to any eligible asset, the
period for which the payment of tax is deferred pur-
suant to the election under section 6168.

“(4) APPLICATION OF DEFINITIONS IN CASE OF
DEFICIENCIES.—In the case of a deficiency, a sepa-
rate deferred amount, required interest amount, and
deferral period shall be determined as of the due
date of the first installment after the deficiency is prorated to installments under section 6168.

“(5) ELIGIBLE ASSET.—The term ‘eligible asset’ has the meaning given such term under section 6168.”.

(2) CLERICAL AMENDMENT.—The table of sections for part II of subchapter C of chapter 64 of such Code is amended by inserting after the item related to section 6324B the following new item:

“Sec. 6324C. Special lien for taxes deferred under section 6168.”.

(c) SUSPENSION OF PERIOD OF LIMITATION.—Section 6503 of the Internal Revenue Code of 1986 is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) EXTENSION OF TIME FOR PAYMENT OF GAINS ON CERTAIN ASSETS REALIZED BY REASON OF DEATH.—The running of the period of limitations for collection of the tax attributable to an eligible asset (within the meaning of section 6168) with respect to which an election has been made under section 6168 shall be suspended for the period of any extension of time for payment under section 6168.”.

(d) INTEREST.—Section 6601 of the Internal Revenue Code of 1986 is amended by redesignating subsection
31

(k) as subsection (l) and by inserting after subsection (j) the following new subsection:

“(k) Special Rate for Tax Extended Under Section 6168.—If the time for payment of an amount of tax imposed by chapter 1 is extended as provided in section 6168, in lieu of the annual rate provided by subsection (a), interest shall be paid at a rate equal to 45 percent of the annual rate provided by subsection (a). For purposes of this subsection, the amount of any deficiency which is prorated to installments payable under section 6168 shall be treated as an amount of tax payable in installments under such section.”.

(e) Limitation for Deduction on Interest.—

Section 2053(c)(1) of the Internal Revenue Code of 1986 is amended by adding at the end the following new sub-paragraph:

“(E) Section 6168 Interest.—No deduction shall be allowed under this section for any interest payable under section 6601 on any unpaid portion of the tax imposed by chapter 1 for the period during which an extension of time for payment of such tax is in effect under section 6168.”.
SEC. 6. WAIVER OF PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX.

Section 6654(e)(3) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

“(C) GAINS PAYABLE UPON DEATH.—In the case of a taxpayer who died during the taxable year, no addition to tax shall be imposed under subsection (a) with respect to any underpayment to the extent that the Secretary determines that the amount of the underpayment is due to gains that were realized by reason of section 1261.”.

SEC. 7. EFFECTIVE DATE.

Except as otherwise provided, the amendments made by this Act shall apply to transfers after December 31, 2020, in taxable years beginning after such date.

SEC. 8. SEVERABILITY.

If any provision of this Act or amendment made by this Act, or the application of a provision or amendment to any person or circumstance, is held to be unconstitutional, the remainder of this Act and amendments made by this Act, and the application of the provisions and amendment to any person or circumstance, shall not be affected by the holding.