

Exhibit 63

“(i) paragraph (1) (other than subparagraph (C) thereof) shall be applied separately with respect to each spouse, but

“(ii) paragraph (1)(C) shall be applied with respect to their combined adjusted gross income.

“(C) DETERMINATION OF MARITAL STATUS.—For purposes of this subsection, marital status shall be determined under section 7703(a).

“(D) JOINT RETURN.—For purposes of this subsection, the term ‘joint return’ means the joint return of a husband and wife made under section 6013.”

(c) MOVING EXPENSE DEDUCTION NOT ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 (as amended by subsection (b)) is amended by striking out paragraph (8).

(d) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 1 is amended by adding at the end thereof the following new item:

“Sec. 67. 2-percent floor on miscellaneous itemized deductions.”

SEC. 133. MEDICAL EXPENSE DEDUCTION LIMITATION INCREASED.

Subsection (a) of section 213 (relating to deduction for medical, dental, etc., expenses) is amended by striking out “5 percent” and inserting in lieu thereof “7.5 percent”.

SEC. 134. REPEAL OF DEDUCTION FOR STATE AND LOCAL SALES TAXES.

(a) GENERAL RULE.—Subsection (a) of section 164 (relating to deduction for taxes) is amended—

(1) by striking out paragraph (4) and by redesignating paragraph (5) as paragraph (4), and

(2) by adding at the end thereof the following new sentence: “Notwithstanding the preceding sentence, any tax (not described in the first sentence of this subsection) which is paid or accrued by the taxpayer in connection with an acquisition or disposition of property shall be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition.”

(b) CONFORMING AMENDMENTS.—Subsection (b) of section 164 is amended—

(1) by striking out paragraphs (2) and (5), and

(2) by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

SEC. 135. REPEAL OF DEDUCTION FOR ADOPTION EXPENSES.

(a) GENERAL RULE.—Section 222 (relating to deduction for adoption expenses) is hereby repealed.

(b) CONFORMING AMENDMENTS.—

(1) Section 223 is redesignated as section 220.

(2) The table of sections for part VII of subchapter B of chapter 1 is amended by striking out the items relating to sections 222 and 223 and inserting in lieu thereof the following:

“Sec. 220. Cross references.”

“(b) **INFORMATION RETURNS.**—The Secretary may by regulations require a return to be filed containing such information as he determines to be necessary for purposes of this chapter.

“**SEC. 2663. REGULATIONS.**

“The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this chapter, including—

“(1) such regulations as may be necessary to coordinate the provisions of this chapter with the recapture tax imposed under section 2032A(c), and

“(2) regulations (consistent with the principles of chapters 11 and 12) providing for the application of this chapter in the case of transferors who are nonresidents not citizens of the United States.”

(b) **CLERICAL AMENDMENT.**—The table of chapters for subtitle B is amended by striking out the item relating to chapter 13 and inserting in lieu thereof the following:

“CHAPTER 13. Tax on generation-skipping transfers.”

SEC. 1432. RELATED AMENDMENTS.

(a) **INCOME TAX DEDUCTION FOR GENERATION-SKIPPING TRANSFER TAX.**—

(1) **IN GENERAL.**—Subsection (a) of section 164 (relating to deduction for certain taxes), as amended by section 134, is amended by inserting after paragraph (4) the following new paragraph:

“(5) the GST tax imposed on income distributions.”

(2) **DEFINITIONS.**—Subsection (b) of section 164, as so amended, is amended by adding at the end thereof the following new paragraph:

“(4) **SPECIAL RULES FOR GST TAX.**—

“(A) **IN GENERAL.**—The GST tax imposed on income distributions is—

“(i) the tax imposed by section 2601, and

“(ii) any State tax described in section 2604,

but only to the extent such tax is imposed on a transfer which is included in the gross income of the distributee and to which section 666 does not apply.

“(B) **SPECIAL RULE FOR TAX PAID BEFORE DUE DATE.**—Any tax referred to in subparagraph (A) imposed with respect to a transfer occurring during the taxable year of the distributee (or, in the case of a taxable termination, the trust) which is paid not later than the time prescribed by law (including extensions) for filing the return with respect to such transfer shall be treated as having been paid on the last day of the taxable year in which the transfer was made.”

(3) **DEDUCTION FOR TAX IN CASE OF TAXABLE TERMINATIONS.**—Paragraph (3) of section 691(c) (relating to deduction for estate tax) is amended to read as follows:

“(3) **SPECIAL RULE FOR GENERATION-SKIPPING TRANSFERS.**—In the case of any tax imposed by chapter 13 on a taxable termination or a direct skip occurring as a result of the death of the transferor, there shall be allowed a deduction (under principles similar to the principles of this subsection) for the portion of such tax attributable to items of gross income of the trust which

were not properly includible in the gross income of the trust for periods before the date of such termination.”

(b) **DISTRIBUTIONS IN REDEMPTION OF STOCK TO PAY GENERATION-SKIPPING TRANSFER TAXES.**—Subsection (d) of section 303 is amended to read as follows:

“(d) **SPECIAL RULES FOR GENERATION-SKIPPING TRANSFERS.**—Where stock in a corporation is the subject of a generation-skipping transfer (within the meaning of section 2611(a)) occurring at the same time as and as a result of the death of an individual—

“(1) the stock shall be deemed to be included in the gross estate of such individual;

“(2) taxes of the kind referred to in subsection (a)(1) which are imposed because of the generation-skipping transfer shall be treated as imposed because of such individual’s death (and for this purpose the tax imposed by section 2601 shall be treated as an estate tax);

“(3) the period of distribution shall be measured from the date of the generation-skipping transfer; and

“(4) the relationship of stock to the decedent’s estate shall be measured with reference solely to the amount of the generation-skipping transfer.”

(c) **AVAILABILITY OF ALTERNATE VALUATION ELECTION.**—

(1) **IN GENERAL.**—Paragraph (2) of section 2032(c) (relating to election must decrease gross estate and estate tax) is amended to read as follows:

“(2) the sum of the tax imposed by this chapter and the tax imposed by chapter 13 with respect to property includible in the decedent’s gross estate (reduced by credits allowable against such taxes).”

(2) **CONFORMING AMENDMENT.**—Subsection (g) of section 2013 is hereby repealed.

(d) **GENERATION-SKIPPING TAX TREATED AS TAXABLE GIFT.**—

(1) **IN GENERAL.**—Subchapter B of chapter 12 is amended by inserting after section 2514 the following new section:

“**SEC. 2515. TREATMENT OF GENERATION-SKIPPING TRANSFER TAX.**

“In the case of any taxable gift which is a direct skip (within the meaning of chapter 13), the amount of such gift shall be increased by the amount of any tax imposed on the transferor under chapter 13 with respect to such gift.”

(2) **CLERICAL AMENDMENT.**—The table of sections for subchapter B of chapter 12 is amended by inserting after the item relating to section 2514 the following new item:

“Sec. 2515. Treatment of generation-skipping transfer tax.”

(e) **EXTENSION OF TIME FOR PAYMENT OF TAX ON CERTAIN DIRECT SKIPS.**—Section 6166 is amended by redesignating subsections (i) and (j) as subsections (j) and (k), respectively, and by inserting after subsection (h) the following new subsection:

“(i) **SPECIAL RULE FOR CERTAIN DIRECT SKIPS.**—To the extent that an interest in a closely held business is the subject of a direct skip (within the meaning of section 2612(c)) occurring at the same time as and as a result of the decedent’s death, then for purposes of this section any tax imposed by section 2601 on the transfer of such interest shall be treated as if it were additional tax imposed by section 2001.”