

If any amount as adjusted under the preceding sentence is not a multiple of \$10,000, such amount shall be rounded to the next lowest multiple of \$10,000.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying, and gifts made, after December 31, 1997.

SEC. 502. FAMILY-OWNED BUSINESS EXCLUSION.

(a) IN GENERAL.—Part III of subchapter A of chapter 11 (relating to gross estate) is amended by inserting after section 2033 the following new section:

“SEC. 2033A. FAMILY-OWNED BUSINESS EXCLUSION.

“(a) IN GENERAL.—In the case of an estate of a decedent to which this section applies, the value of the gross estate shall not include the lesser of—

“(1) the adjusted value of the qualified family-owned business interests of the decedent otherwise includible in the estate, or

“(2) the excess of \$1,300,000 over the applicable exclusion amount under section 2010(c) with respect to such estate.

“(b) ESTATES TO WHICH SECTION APPLIES.—

“(1) IN GENERAL.—This section shall apply to an estate if—

“(A) the decedent was (at the date of the decedent’s death) a citizen or resident of the United States,

“(B) the executor elects the application of this section and files the agreement referred to in subsection (h),

“(C) the sum of—

“(i) the adjusted value of the qualified family-owned business interests described in paragraph (2), plus

“(ii) the amount of the gifts of such interests determined under paragraph (3), exceeds 50 percent of the adjusted gross estate, and

“(D) during the 8-year period ending on the date of the decedent’s death there have been periods aggregating 5 years or more during which—

“(i) such interests were owned by the decedent or a member of the decedent’s family, and

“(ii) there was material participation (within the meaning of section 2032A(e)(6)) by the decedent or a member of the decedent’s family in the operation of the business to which such interests relate.

“(2) INCLUDIBLE QUALIFIED FAMILY-OWNED BUSINESS INTERESTS.—The qualified family-owned business interests described in this paragraph are the interests which—

“(A) are included in determining the value of the gross estate (without regard to this section), and

“(B) are acquired by any qualified heir from, or passed to any qualified heir from, the decedent (within the meaning of section 2032A(e)(9)).

“(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the excess of—

“(A) the sum of—