A Texas pipeline tycoon who died two months ago may become the first American billionaire allowed to pass his fortune to his children and grandchildren tax-free.

Dan L. Duncan, a soft-spoken farm boy who started with $10,000 and two propane trucks, and built a network of natural gas processing plants and pipelines that made him the richest person in Houston, died in late March of a brain hemorrhage at 77.

Had his life ended three months earlier, Mr. Duncan's riches — Forbes magazine estimated his worth at $9 billion, ranking him as the 74th wealthiest in the world — would have been subject to a federal tax of at least 45 percent. If he had lived past Jan. 1, 2011, the rate would be even higher — 55 percent.

Instead, because Congress allowed the tax to lapse for one year and gave all estates a free pass in 2010, Mr. Duncan's four children and four grandchildren stand to collect billions that in any other year would have gone to the Treasury.

The United States enacted an estate tax in 1916, and when John D. Rockefeller, America's first billionaire, died in 1937, his estate paid 70 percent. Since then, the rates have fluctuated, but this is the first time the tax has been repealed altogether.

The bonanza in tax savings for Mr. Duncan's descendants is sure to be unsettling to those who have paid estate taxes on more modest wealth — until Jan. 1 of this year, it applied to any estate valued at more than $3.5 million, taxing only the money exceeding that threshold, or $7 million for a couple's estate.

Incendiary issue

Although the tax affects only about 5,500 estates a year, it is such an incendiary issue that when Congress unexpectedly let it lapse at the end of 2009, financial advisers warned that it might play a macabre factor in the end-of-life decisions being weighed by heirs of elderly Americans. Some estate lawyers worried that tax considerations might prompt their clients to keep an ill relative on life support through the end of 2009 to get the favorable treatment — or worse, resist life-prolonging measures to hasten a relative's demise before the end of 2010.

The one-year lapse in the estate tax was signed into law by President George W. Bush in 2001, an accounting quirk in his package of tax cuts. Although Democrats pledged to close that gap and reinstate a tax for 2010 when they took control of Congress, they failed to reach an agreement last December. The Senate Finance Committee is now trying to forge a compromise that would reinstate the tax, but even if that effort succeeds, it is unclear whether any changes might be retroactive and applied to those who have died so far in 2010.

Many lawyers say Mr. Duncan's heirs have the means and motivation to wage a fierce court battle to challenge the constitutionality of any retroactive tax.

Representatives of Mr. Duncan's family, his estate and his business interests did not return calls about the matter. Mr. Duncan's will, which is on file at the Harris County Probate Court in Houston, was written in 2006 and amended in 2008, a time when most estate planners assumed that Congress would not allow the tax to lapse. Federal law has long allowed an unlimited amount of assets to pass untaxed to a surviving spouse, and Mr. Duncan left his home and ranch to his wife of more than 20 years, Jan, along with stock valued at hundreds of millions of dollars.

But the bulk of his estate is left to his children and grandchildren, and would have been taxable in 2009 or 2011.

5,000-acre hunting ranch

In addition to personal effects bequeathed to his descendants — boats, jewelry, automobiles, shotguns and a 5,500-acre Texas hunting ranch stocked with wild game — he passed on his holdings in EPCO and Dan Duncan L.L.P., two entities in the natural gas and pipeline empire he built. The stock involved includes more than 100 million shares in Enterprise GP Holdings, which closed at $43.23 the last trading day before Mr. Duncan died. That asset alone could have resulted in a $2 billion estate tax.

The Treasury collected more than $25 billion in estate taxes in 2008, the most recent year for which data is available.

Elaborate estate plans with sophisticated trusts are often made many years before death to reduce estate taxes owed by the richest.

Advocates of the tax say it is unconscionable that Congressional leaders have allowed the richest Americans to reap a new tax break at a time when deficits are soaring and the income gap between wealthy and poor citizens remains near historic levels.

“The ultrawealthy in this country will still be able to pass on enormous wealth to the next generation,” said Chuck Collins, who studies income inequality and has worked with billionaires like Warren E. Buffett and Bill Gates to promote an estate tax. Mr. Collins argues that the tax is a “recycling program for economic opportunity.”

But opponents, who label it a death tax, say it is unfair because it taxes the same income twice — once when it is earned and again when it is passed on to heirs.

Mr. Duncan’s eldest daughter, Randa Duncan Williams, is serving as executor of the estate and is a voting member of the family trust that will now control her father’s interest in Enterprise GP Holdings.

Should the family trust sell these inherited shares, capital gains taxes would presumably be owed on the difference between Mr. Duncan’s original cost, which could be quite low, and their market value when sold. Capital gains taxes are capped at 15 percent.

Ms. Williams, who has served as a director and general partner at the family’s energy business for years, was deeply involved in her father’s philanthropic efforts and is expected to continue much of that charitable work.

During his life, Mr. Duncan contributed to a wide assortment of wildlife foundations and community institutions like the Houston Zoo and Houston Museum of Science, and an assortment of medical institutions. The various medical centers at Baylor College of Medicine received more than $250 million from Mr. Duncan and his wife, with more than $100 million used to found the Dan L. Duncan Cancer Center.

Mr. Duncan's will designates a handful of nonprofit groups and charitable foundations that will receive donations, all of which would have been tax-exempt even in years when the estate tax was in effect.

An avid big game hunter — Mr. Duncan has more than 500 entries in the Safari Club International record book for killing animals including polar bears, rhinoceroses, bighorn sheep, lions and elephants — he made a $1 million donation in his will to the Shikar Safari Club International Foundation.

The will also directs that any money or assets not otherwise specified for a relative or charity be deposited into two family charitable trusts, which can be used to donate to causes deemed worthy by his heirs.

This story, "*Legacy for One Billionaire: Death but No Taxes*," originally appeared in The New York Times.