

"SEC. 896. APPLICATION OF PRE-1966 TAX PROVISIONS.

"(a) IMPOSITION OF MORE BURDENSOME TAXES BY FOREIGN COUNTRY.—Whenever the President finds that—

"(1) under the laws of any foreign country, considering the tax system of such foreign country, citizens of the United States not residents of such foreign country or corporations of the United States are being subjected to more burdensome taxes, on any item of income received by such citizens or corporations from sources within such foreign country, than taxes imposed by the provisions of this subtitle on similar income derived from sources within the United States by residents or corporations of such foreign country,

"(2) such foreign country, when requested by the United States to do so, has not acted to revise or reduce such taxes so that they are no more burdensome than taxes imposed by the provisions of this subtitle on similar income derived from sources within the United States by residents or corporations of such foreign country, and

"(3) it is in the public interest to apply pre-1966 tax provisions in accordance with the provisions of this section to residents or corporations of such foreign country,

the President shall proclaim that the tax on such similar income derived from sources within the United States by residents and corporations of such foreign country shall, for taxable years beginning after such proclamation, be determined under this subtitle without regard to amendments made to this subchapter on or after the date of enactment of this section.

"(b) ALLEVIATION OF MORE BURDENSOME TAXES.—Whenever the President finds that the laws of any foreign country with respect to which the President has made a proclamation under subsection (a) have been modified so that such citizens or corporations of the United States are no longer subject to more burdensome taxes on such item of income derived by such citizens or corporations from sources within such foreign country, he shall proclaim that the tax on such similar income derived from sources within the United States by residents and corporations of such foreign country shall, for any taxable year beginning after such proclamation, be determined under this subtitle by taking into account amendments made to this subchapter on or after the date of enactment of this section.

"(c) NOTIFICATION OF CONGRESS REQUIRED.—No proclamation shall be issued by the President pursuant to this section unless, at least thirty days prior to such proclamation, he has notified the Senate and the House of Representatives of his intention to issue such proclamation.

"(d) IMPLEMENTATION BY REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as he deems necessary or appropriate to implement this section."

(b) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter N of chapter 1 is amended by adding at the end thereof the following:

"Sec. 896. Application of pre-1966 tax provisions."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1965.

SEC. 6. FOREIGN TAX CREDIT.

(a) CREDIT ALLOWED TO ALIEN RESIDENTS OF THE UNITED STATES OR PUERTO RICO.—Subsection (b) of section 901 (relating to the amount of foreign tax credit allowed) is amended to read as follows:

"(b) AMOUNT ALLOWED.—Subject to the applicable limitation of section 904, the following amounts shall be allowed as the credit under subsection (a):

"(1) **INDIVIDUALS AND DOMESTIC CORPORATIONS.—**In the case of an individual who is a citizen or resident of the United States or who is a bona fide resident of Puerto Rico during the entire taxable year and in the case of a domestic corporation, the amount of any income, war profits, and excess profits taxes paid or accrued during the taxable year to any foreign country or to any possession of the United States; and

"(2) **PARTNERSHIPS AND ESTATES.—**In the case of any individual described in paragraph (1), who is a member of a partnership or a beneficiary of an estate or trust, the amount of the proportionate share of the taxes (described in such paragraph) of the partnership or the estate or trust paid or accrued during the taxable year to a foreign country or to any possession of the United States, as the case may be."

(b) SIMILAR CREDIT REQUIREMENTS.—Subsections (c) and (d) of section 901 (relating to corporations treated as foreign and to cross references, respectively)