

10 REMOVE TAX BARRIERS TO FOREIGN INVESTMENT IN U.S.

are redesignated as subsections (d) and (e), and the following new subsection is added after subsection (b):

“(c) **SIMILAR CREDIT REQUIRED FOR CERTAIN ALIEN RESIDENTS.**—Whenever the President finds that—

“(1) in the case of an alien individual who is a resident of the United States or who is a bona fide resident of Puerto Rico during the entire taxable year, the foreign country of which such alien resident is a citizen or subject, in imposing income, war profits, and excess profits taxes, does not allow to citizens of the United States residing in such foreign country a credit similar to the credit allowed under subsection (b),

“(2) such foreign country, when requested by the United States to do so, has not acted to provide such a similar credit to citizens of the United States residing in such foreign country, and

“(3) it is in the public interest to allow the credit under subsection (b) to such alien resident of the United States or Puerto Rico only if such foreign country allows such a similar credit to citizens of the United States residing in such foreign country,

the President shall proclaim that, for taxable years beginning after such proclamation, such alien resident of the United States or Puerto Rico shall be allowed the credit under subsection (b) only if such foreign country, in imposing income, war profits, and excess profits taxes, allows to citizens of the United States residing in such foreign country a credit similar to the credit allowed under such subsection.”

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

SEC. 7. AMENDMENT TO PRESERVE EXISTING LAW ON DEDUCTIONS UNDER SECTION 931.

(a) **DEDUCTIONS.**—Subsection (d) of section 931 (relating to deductions) is amended to read as follows:

“(d) **DEDUCTIONS.**—

“(1) **GENERAL RULE.**—Except as otherwise provided in this subsection and subsection (e), in the case of persons entitled to the benefits of this section the deductions shall be allowed only if and to the extent that they are connected with income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined as provided in part I, under regulations prescribed by the Secretary or his delegate.

“(2) **EXCEPTIONS.**—The following deductions shall be allowed whether or not they are connected with income from sources within the United States:

“(A) The deduction, for losses not connected with the trade or business if incurred in transactions entered into for profit, allowed by section 165(c)(2), but only if the profit, if such transaction had resulted in a profit, might be taxable under this subtitle.

“(B) The deduction, for losses of property not connected with the trade or business if arising from certain casualties or theft, allowed by section 165(c)(3), but only if the loss is of property within the United States.

“(C) The deduction for charitable contributions and gifts allowed by section 170, but, in the case of a citizen of the United States entitled to the benefits of this section, only for contributions or gifts made to domestic corporations, or to community chests, funds or foundations, created in the United States.

“(3) **DEDUCTION DISALLOWED.**—For disallowance of standard deduction, see section 142(b)(2).”

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

SEC. 8. ESTATES OF NONRESIDENTS NOT CITIZENS.

(a) **RATE OF TAX.**—Subsection (a) of section 2101 (relating to tax imposed in case of estates of nonresidents not citizens) is amended to read as follows:

“(a) **RATE OF TAX.**—A tax computed in accordance with the following table, except as provided in section 2107, is hereby imposed on the transfer of the taxable estate, determined as provided in section 2106, of every decedent nonresident not a citizen of the United States dying after the enactment of this section:

If the taxable estate is:	The tax shall be:
Not over \$100,000.....	5% of the taxable estate.
Over \$100,000 but not over \$750,000.....	\$5,000, plus 10% of excess over \$100,000.
Over \$750,000.....	\$70,000, plus 10% of excess over \$750,000.”