

(b) **CREDITS AGAINST TAX.**—Section 2102 (relating to credits allowed against estate tax) is amended to read as follows:

“SEC. 2102. CREDITS AGAINST TAX.

“(a) **IN GENERAL.**—The tax imposed by section 2101 shall be credited with the amounts determined in accordance with sections 2011 to 2013, inclusive (relating to State death taxes, gift tax, and tax on prior transfers), subject to the special limitation provided in subsection (b).

“(b) **SPECIAL LIMITATION.**—The maximum credit allowed under section 2011 against the tax imposed by section 2101 for State death taxes paid shall be an amount which bears the same ratio to the credit computed as provided in section 2011(b) as the value of the property, at the date of death, upon which State death taxes were paid and which is included in the gross estate under section 2103 bears to the value of the total gross estate under section 2103. For purposes of this subsection, the term ‘State death taxes’ means the taxes described in section 2011(a).”

(c) **PROPERTY WITHIN THE UNITED STATES.**—Section 2104 (relating to property within the United States) is amended by adding at the end thereof the following new subsection:

“(c) **DEBT OBLIGATIONS.**—For purposes of this subchapter debt obligations owned by a nonresident not a citizen of the United States shall be deemed property within the United States if issued by or enforceable against—

“(1) a citizen or resident of the United States, a domestic partnership, domestic estate or trust, or domestic corporation; or

“(2) the United States, a State, or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia.”

(d) **PROPERTY WITHOUT THE UNITED STATES.**—Subsection (b) of section 2105 (relating to bank deposits) is amended to read as follows:

“(b) **BANK DEPOSITS AND WITHDRAWABLE ACCOUNTS.**—For purposes of this subchapter, the following items shall not be deemed property within the United States:

“(1) **BANKING INSTITUTIONS.**—Any moneys deposited with any person carrying on the banking business, by or for a nonresident not a citizen of the United States who was not engaged in business in the United States at the time of his death.

“(2) **MUTUAL SAVINGS BANKS, ETC.**—Any moneys deposited, or placed in withdrawable accounts, with savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law, by or for a nonresident not a citizen of the United States who was not engaged in business in the United States at the time of his death, if amounts paid or credited on such deposits or accounts are deductible under section 591 in computing the taxable income of such institutions.”

(e) **DEFINITION OF TAXABLE ESTATE.**—Paragraph (3) of section 2106(a) (relating to deduction of exemption from gross estate) is amended to read as follows:

“(3) **EXEMPTION.**—

“(A) **GENERAL RULE.**—An exemption of \$30,000.

“(B) **RESIDENTS OF POSSESSIONS OF THE UNITED STATES.**—In the case of a decedent who is considered to be a ‘nonresident not a citizen of the United States’ under the provisions of section 2209, the exemption shall be the greater of (i) \$30,000, or (ii) that portion of the exemption authorized by section 2052 which the value of that part of the decedent’s gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.”

(f) **SPECIAL METHODS OF COMPUTING TAX.**—Subchapter B of chapter 11 (relating to estates of nonresidents not citizens) is amended by adding at the end thereof the following new sections:

“SEC. 2107. EXPATRIATION TO AVOID TAX.

“(a) **RATE OF TAX.**—A tax computed in accordance with the table contained in section 2001 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 date of enactment of this section, if within the 10-year period ending with the date of death such decedent lost United States citizenship and such loss had for one of its principal purposes the avoidance of United States taxes.

“(b) **GROSS ESTATE.**—For purposes of the tax imposed by subsection (a), the value of the gross estate of every decedent to whom subsection (a) applies shall be determined as provided in section 2103, except that—