

Due to the credit mechanisms in existing treaties, the Treasury proposal to substitute a 5-10-15 percent rate schedule for the regular U.S. rates will provide benefits to the estates of nonresident aliens that will be largely nullified by increases in the tax they owe in their domiciliary state. Under the usual treaty provisions, the domiciliary state allows a credit against its estate tax for taxes of the other contracting state attributable to property located in the latter state. The credit cannot exceed the lesser of the tax attributable to such property under the laws of the domiciliary state or the other contracting party. The liberalized rates proposed by the Treasury will reduce the credit for U.S. taxes paid available to the estate in filing its tax return in the domiciliary state. However, where U.S. rates greatly exceed the rates of the other contracting party or where no applicable treaty governs, the benefit will not necessarily be canceled out. This type of credit provision is contained in treaties with Canada, United Kingdom, France, Australia, Finland, Greece, Ireland, Italy, Japan, Norway, and Switzerland.

8. *Related estate tax matters*

The Treasury proposes to: (a) provide that bonds issued by domestic corporations or governmental units and held by nonresident aliens are property within the U.S. and therefore are subject to estate tax; (b) provide that transfers of intangible property by a nonresident alien engaged in business in the United States are not subject to gift tax; and (c) provide that the amount of credit for State death taxes granted nonresident aliens is limited to that portion of the credit allowed the estate which is allocable to property taxed by both the State and the Federal Government.

The Fowler task force made no recommendations in this regard.

9. *Expatriate American citizens*

The Treasury proposes to subject the U.S. source income of expatriate citizens of the United States to income tax at regular U.S. rates and their U.S. estates to estate tax at regular U.S. rates, where they surrendered their U.S. citizenship within 10 years preceding the taxable year in question unless the surrender was not tax motivated.

The Fowler task force made no recommendations in this regard.

10. *Retaining treaty bargaining position*

The Treasury proposes to provide that the President be given authority to eliminate with respect to a particular foreign country any liberalizing changes which have been enacted, if he finds that the country concerned has not acted to provide reciprocal concessions for our citizens after being requested to do so by the United States.

The Fowler task force made no recommendations in this regard.

11. *Quarterly payment of withheld taxes*

The Treasury proposes to provide that withholding agents collecting taxes from amounts paid to nonresident aliens be required to remit such taxes on a quarterly basis.

The Fowler task force made no recommendations in this regard.

12. *Exemption for bank deposits*

The Treasury proposes to extend to the deposits of savings and loans associations the exemption from income taxes, withholding, and estate taxes provided by present law for bank deposits of nonresident alien individuals not doing business in the United States.

The Fowler task force made no recommendations in this regard.

The following treaties exempt all interest from withholding taxes: Austria, Denmark, Finland, Germany, Greece, Honduras, Ireland, Netherlands, Netherlands Antilles, Norway, United Kingdom, United Kingdom Colonies.

13. *Foreign tax credit—Similar credit requirement*

The Treasury proposes to amend present law by eliminating the similar credit requirement of section 901(b)(3), subject to reinstatement by the President where the foreign country refuses a request to provide a similar credit for U.S. citizens. The similar credit requirement of present law allows a foreign tax credit to resident aliens only if the native country allows a similar credit to our citizens residing in that country.

The Fowler task force made no recommendations in this regard.