Netherlands, for example, but substantially below those imposed on resident estates in the United Kingdom, Canada, and Italy. Thus, investment in the United States from these latter countries would bear no higher estate tax than investments made domestically because of exemptions or credits that the latter countries allow for U.S. taxes. The proposed tax treatment of the U.S. estates of nonresident aliens is substantially similar to the treatment accorded the estates of nonresidents by Canada, whose rates on the estates of its citizens are comparable to our own. Where additional reductions are justified, these may be made by treaty.

For these reasons, the Treasury urges that the estate tax changes embodied in H.R. 5916 be adopted.

Effective rates of U.S. tax on U.S. estates of nonresident aliens and U.S. citizens

U.S. gross estate [1]	Effective rate of tax			
	Present treatment of nonresident alien	Nonresident alien [2]	U.S. citizen — With marital deduction [3]	U.S. citizen — Without marital deduction [4]
$2,000				
$10,000	2.9			
$30,000	7.7			
$60,000	12.5	2.0		
$100,000	17.3	3.0		3.0
$250,000	23.0	5.8	3.0	16.1
$500,000	25.8	7.4	8.0	22.1
$750,000	27.5	7.9	9.9	24.8
$1,000,000	28.8	8.8	11.1	26.7
$5,000,000	43.0	12.6	16.9	42.3
$10,000,000	53.3	13.0	21.2	52.8

[1] 10 percent of gross estate is deducted for funeral and other expenses of U.S. citizens and nonresident aliens.

[2] Effective rate of tax with $30,000 exemption and rate schedule as follows:

If taxable estate is—	The tax shall be—
Not over $100,000	5 percent of the taxable estate.
Over $100,000 but not over $750,000	$5,000+10 percent of excess over $100,000.
Over $750,000	$70,000 +15 percent of excess over $750,000.

[3] Effective rate of tax on U.S. citizens under current rate schedule with $60,000 exemption and marital deduction.

[4] Effective rate of tax on U.S. citizens under current rate schedule with $60,000 exemption but without marital deduction.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, July 2, 1965.