posed Section 2107 commencing at line 12, page 38 would retain to a major extent the existing provisions of our estate tax law with respect to those nonresident aliens who, within a ten-year period ending with the date of death, lost U.S. citizenship, and such loss had for one of its principal purposes the avoidance of U.S. taxes. Such an expatriate would be subject to the present estate tax rates with respect to that portion of his estate, which at the date of death was located in the United States. The following types of property would be deemed to be located within the United States: stock in U.S. corporations, debt obligations issued by or enforceable against U.S. persons, and stock in foreign corporations controlled by the decedent at the date of death to the extent of the decedent's proportional interest in the value of assets owned by that foreign corporation which are situated in the United States.

Under proposed Section 2107(e), the burden of proving that a decedent's loss of United States citizenship did not have for one of its principal purposes the avoidance of United States taxes shall be on the executor of the decedent's estate. It will be difficult for the executors of any expatriate to meet this burden of proof. In the ordinary case such a result is probably appropriate. However, in the case of an individual who became a U.S. citizen by naturalization process and then loses his U.S. citizenship or surrenders it upon returning to his native country, the provisions of proposed Section 2107 should apply only to that portion of the gross estate situated in the United States, which is in the ratio of the portion of such gross estate going to U.S. heirs to the total of such gross estate.

Section 9 of the Bill commencing on line 1, page 43, would substantially change the liability to gift tax of nonresident alien individuals. Proposed Section 2501(a)(3) and proposed Section 2511(b) would continue the present gift tax liability with respect to expatriates. The burden of proving an absence of tax avoidance purpose in the loss of United States citizenship is on the donor. As in the case of the estate tax, where a naturalized U.S. citizen loses his U.S. citizenship or surrenders it upon returning to his native country, the provisions of proposed Sections 2501(a)(3) and 2511(b) which are applicable to expatriates, should apply only to gifts to U.S. citizens.