

It is recommended that consideration be given to the deletion of subsection (b) of section 2107. This subsection introduces extremely complicated computations into the determination of the taxable estates of expatriates. It is questioned whether the limited revenue benefits would warrant adding to the complexity of the code.

In subsection (c) of section 2107 "sections 2011 to 2013, inclusive" should be changed to read "section 2102." Section 2102, as amended, would modify section 2011, and it already incorporates sections 2011 to 2013. inclusive.

In subsection (d) of section 2107 the first two lines of the text, plus the first word of the third line, should be changed to read as follows:

Subsection (a) shall not apply to the transfer of the estate of a decedent whose loss of United States citizenship resulted from the applicability of * * *.

The foregoing change is recommended for the same reasons indicated above in regard to section 3(d) of the bill.

Section 9(a)

It is recommended that "ending with" in the second line of subsection(a) (3) of section 2501 be changed to read "immediately preceding" and that subparagraphs (A) and (B) of subsection (a)(3) be changed to read as follows:

(A) such loss did not have for one of its principal purposes the avoidance of United States taxes, or

(B) such loss resulted from the applicability of section 301(b), 350, or 355 of the Immigration and Nationality Act, as amended (8 U.S.C. 1401(b), 1482, or 1487).

As noted above in regard to section 3(d) of the bill, it is not clear why exception is made in the case of voluntary loss of citizenship under section 350 of the Immigration and Nationality Act.

Section 9(b)

In subsection (b)(2) of section 2511 "debt obligations" should be changed to read "evidences of indebtedness constituting property which are."

Section 4(b): Tax on resident foreign corporations

The bill amends section 882 of the code to subject a resident foreign corporation to normal and surtax upon its taxable income from U.S. sources which is business income and to subject its nonbusiness income to a flat 30-percent tax (or such lesser amount as may be provided by treaty). As a result of classifying dividend income as nonbusiness income, a resident foreign corporation is denied the right to the dividends received deduction. By thus subjecting a resident foreign corporation to a higher rate of tax on dividends as is now the case under existing law, the bill seems to defeat its announced purpose of encouraging foreign investments in the United States. Similarly, a resident foreign corporation is thereby placed at a competitive disadvantage with U.S. corporations. Accordingly, consideration should be given to permitting a resident foreign corporation to continue to utilize the dividends received deduction in respect of its dividend income.