

widespread through the use of corporations to hold U.S. investments. It would appear desirable to include in the taxable estate shares of stock and debt obligations of U.S. corporations controlled by the decedent and his family. Moreover, property located within the United States and owned by foreign corporations controlled by non-resident aliens or their families should be included in the taxable estate.

EXEMPTION AND RATE OF TAX

H.R. 5916 proposes to increase the exemption for nonresident alien estates from \$2,000 to \$30,000 and to reduce tax rates to a maximum of 15 percent.

By excluding debt obligations and shares of stock from the tax base, the two principal media for the attraction of foreign capital would be freed from the estate tax burden. No purpose can, however, be served by permitting more advantageous tax treatment for noninvestment-type assets such as patents.

Accordingly, it is felt that property which remains includable in the gross estate be subjected to the same \$60,000 exemption and be eligible for the marital deduction as are estates of U.S. citizens or residents.

RETURNS

H.R. 5916 does not coordinate the amendments relative to estate taxes with the return requirements.

Code section 6018(b) should be amended to require the filing of the return only if the gross estate exceeds the exemption.

OTHER STATUTORY DEFECTS

The amendment to code section 2102(b) as contained in section 8(b) of the bill does not make provision for estates using the alternative valuation date under code section 2032.

GIFT TAX

Under sections 2501 and 2511 of the code, nonresident aliens not engaged in trade or business in the United States are subjected to gift tax only on transfers of tangible property located here. Nonresident aliens who are engaged in business here are also subjected to taxation on gifts of intangibles located in the United States—that is, shares of stock of domestic corporations and evidences of indebtedness of domestic obligors which are physically located here.

Section 9 of H.R. 5916 proposes to exempt gifts of intangibles by nonresident aliens from gift tax whether or not the donor is engaged in business here.

Certainly, the abolition of the distinction between persons doing business in the United States and those not so engaged should be endorsed. However, tax avoidance could be prevented only if the tax base for gift tax purposes were changed so as to be identical to the estate tax base. In accordance with the recommendation herein contained, shares of stock and evidences of indebtedness of non-controlled corporations would be excluded. However, there appears to be no reason why assets which serve to bolster the outflow of gold, such as patents, should be tax exempt.