

American Institute of Certified Public Accountants, Committee on Federal Taxation

The proposed code section 2107 excludes certain expatriates from the beneficial estate tax rates provided by the bill. In the case of expatriation of a naturalized citizen who loses his U.S. citizenship upon returning to his native country, this exclusion should apply only to that proportionate part of the gross estate situated in the United States which is equal to the ratio of that part of the gross estate going to U.S. heirs, over the total gross estate.

Reese H. Harris, Jr., representing the Trust Division, American Bankers Association

No estate tax should be imposed on estates of nonresident aliens. Alternatively the Fowler Task Force recommendation should be adopted to eliminate U.S. estate taxes on all intangible personal property of nonresident alien decedents.

Manufacturing Chemist's Association, Inc.

Under present law, bonds owned by a nonresident alien are subject to the U.S. estate tax only if the actual paper instruments are physically in the United States. The bill would change this rule to provide that bonds of U.S. corporations would be subject to U.S. estate tax regardless of where the pieces of paper were located. The organization states that some of its members have followed the President's recommendations and the suggestions of the Fowler Task Force in raising capital for foreign operations. In order to minimize the outlay of U.S. dollars, some members of the association have sold bonds of U.S. obligors in foreign capital markets to raise funds needed abroad. The buyers of these bonds are not subject to U.S. estate tax under existing law unless the bonds are located in the United States. However, these individuals would become subject to the U.S. estate tax as to these bonds under the situs rule proposed by the bill. Accordingly, the bill should be amended to provide that intangibles owned by nonresident aliens be exempted from the estate tax altogether. Alternatively, the present situs rules should be retained.

Frederick M. Eaton, representing the Fowler Task Force

It is better to eliminate all estate taxes on intangible property of nonresident alien decedents, rather than reduce the estate tax rate from 5 percent to 15 percent and increase the exemption from \$2,000 to \$30,000. From a psychological standpoint, it is important to eliminate the tax. Since the present revenue of all U.S. estate taxes paid by foreigners on U.S. property is between \$3 and \$6 million, the loss from complete elimination cannot be great, in view of the fact that most of the \$3 to \$6 million would be lost anyway, under the lower rates proposed by the Treasury.

U.S. Trust Co.

The bill moves in the right direction in lessening the estate tax on nonresident aliens but it does not go far enough. In order to really encourage foreign investment in the United States, the estate tax on nonresident aliens should be eliminated altogether