

“(e) Burden of proof.

“SEC. 2108. Application of pre-1966 estate tax provisions.

“(a) Imposition of more burdensome tax by foreign country.

“(b) Alleviation of more burdensome tax.

“(c) Notification of Congress required.

“(d) Implementation by regulations.”

(g) Estate tax returns.

(h) Clerical amendment.

(i) Effective date.

SEC. 9. Tax on gifts of nonresidents not citizens.

(a) Imposition of tax.

(b) Transfers in general.

(c) Effective date.

SEC. 10. Treaty obligations.

(c) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. SOURCE OF INCOME.

(a) INTEREST.—

(1)(A) Subparagraph (A) of section 861(a)(1) (relating to interest from sources within the United States) is amended to read as follows:

“(A) interest on amounts described in subsection (c) received by a nonresident alien individual or a foreign corporation, if such interest is not effectively connected with the conduct of a trade or business within the United States.”

(B) Section 861 is amended by adding at the end thereof the following new subsection:

“(c) INTEREST ON DEPOSITS, ETC.—For purposes of subsection

(a)(1)(A), the amounts described in this subsection are—

“(1) deposits with persons carrying on the banking business,

“(2) deposits or withdrawable accounts with savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law, but only to the extent that amounts paid or credited on such deposits or accounts are deductible under section 591 in computing the taxable income of such institutions, and

“(3) amounts held by an insurance company under an agreement to pay interest thereon.

Effective with respect to amounts paid or credited after December 31, 1970, subsection (a)(1)(A) and this subsection shall cease to apply.”

(2) Section 861(a)(1) is amended by striking out “and” at the end of subparagraph (B), by striking out the period at the end of subparagraph (C) and inserting in lieu thereof “, and”, and by adding at the end thereof the following new subparagraph:

“(D) interest on deposits with a foreign branch of a domestic corporation, if such branch is engaged in the commercial banking business and if such deposits are payable only in foreign currency.”

(3)(A) Section 895 (relating to income derived by a foreign central bank of issue from obligations of the United States) is amended—

(i) by striking out “shall not be included” and inserting