

respect to the income tax applicable to residents or corporations of a specified foreign country. The President may reinstate these taxes if the laws of the foreign country in question impose upon the income of U.S. nonresident citizens or U.S. corporations more burdensome taxes with respect to any item of income than the taxes imposed by the United States on similar income derived from sources within the United States by residents or corporations of such foreign country. The provisions are to be reinstated, however, only where the foreign country has been requested by the United States to correct the situation and has not done so, and the President finds it is in the public interest to apply the pre-1966 tax provisions.

25. *Foreign tax credit.*—The bill allows a foreign tax credit to nonresident aliens and foreign corporations with respect to income from sources without the United States, which is effectively connected with the conduct of a trade or business within the United States. No credit or deduction will be allowed for taxes paid to a country solely by reason of the foreigners being domiciled there for tax purposes.

26. *Similar income tax credit requirement.*—Present law provides for the disallowance of the foreign tax credit to foreigners who are resident in the United States if the foreign country of which they are nationals does not allow a similar credit to U.S. citizens who are resident in the foreign country. The bill provides that the credit is to be disallowed in such cases only where the President has requested the allowance of such credit to U.S. citizens resident there, and his request having been turned down, he finds that the disallowance of the credit to the foreigners is in the public interest.

27. *Similar estate tax credit requirement.*—Present law provides in certain cases for the disallowance of the estate tax credit for foreign death taxes paid by the estate of an alien decedent who dies a resident in the United States where the country of which the decedent was a national does not allow a similar credit for U.S. citizens. The bill modifies this provision in the same way as described above in the case of the foreign tax credit under the income tax provisions.

28. *Estate tax rates.*—The bill provides a new schedule of estate tax rates applicable to estates of nonresident aliens. The rates are as follows:

Taxable estate	Tax rate on described portion of taxable estate (percent)
1st \$100,000.....	5
From \$100,000 to \$500,000.....	10
From \$500,000 to \$1,000,000.....	15
From \$1,000,000 to \$2,000,000.....	20
Over \$2,000,000.....	25

These rates are designed to accord approximately the same treatment as that applicable to U.S. citizen decedents eligible for the maximum marital deduction (taking into account the change in exemptions described in No. 33 below).

29. *Credit for State death taxes paid.*—The bill limits the credit for State death taxes allowable to the estate of a nonresident alien to the same proportion of the Federal taxes which the value of the property upon which the State death taxes are imposed bears to the total gross estate.

30. *Property within the United States.*—The bill provides that for purposes of determining the tax on estates of nonresident aliens, debt obligations (including bonds) of a U.S. person, the United States, a