State or political subdivision of a State, or the District of Columbia owned by the decedent are deemed to be property within the United States. This has the effect of including bonds of U.S. corporations in the U.S. estate tax base of nonresident alien decedents even though physically located outside the United States.

31. *Property without the United States.*—The bill deletes the rule of present law that provides that bank deposits of nonresident aliens who were not engaged in business in the United States are property without the United States for purposes of computing the estate tax of such an alien. Thus, such bank deposits in the future will be in their U.S. estate tax base.

32. *Deposits in foreign banking branches of U.S. corporations.*—The bill provides that deposits in a foreign branch of a U.S. corporation which is engaged in a commercial banking business are to be treated as property without the United States if the deposits are payable only in foreign currency. Thus such amounts will not be included in the U.S. estate tax base of a nonresident alien decedent.

33. *Estate tax exemption for nonresident aliens.*—The bill increases the exemption from U.S. estate tax in the case of estates of nonresident aliens from $2,000 to $30,000.

34. *Estate tax: Expatriation to avoid tax.*—The bill provides for the taxation of the U.S. assets of an estate of a nonresident alien at the regular estate tax rates if within 10 years of his death the alien had expatriated from the United States with one of the principal purposes being the avoidance of U.S. taxes. (However, the Government must establish the probability that the expatriation substantially reduced his death taxes.)

35. *Application of pre-1966 estate tax provisions.*—The bill, in certain circumstances, permits the President to reinstate certain estate tax provisions of the code in effect prior to the enactment of this bill with respect to the estate taxes applicable to residents of a specified foreign country. The President may reinstate these taxes if the laws of the foreign country in question impose upon the death of U.S. nonresident citizens with estates in such country more burdensome taxes than the taxes imposed by the United States on similar estates situated within the United States of nonresident alien individuals 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.

36. *Estate tax returns.*—The bill provides that the estate of a nonresident alien is required to file an estate tax return only if its U.S. gross estate exceeds $30,000, instead of $2,000 as under present law.

37. *Tax on gifts of nonresident aliens.*—The bill excludes from the gift tax transfers of intangible property by nonresident aliens whether or not they are engaged in business in the United States (but not in the case of expatriates for a period of up to 10 years).

38. *Treaty obligations.*—The bill provides that the amendments made by this bill are not to apply where their application would be contrary to any treaty obligation of the United States. (However, the extension of a tax benefit provided by this bill is not to be deemed to be contrary of a treaty obligation.)