

(e) **DEFINITION OF TAXABLE ESTATE.**—Paragraph (3) of section 2106(a) (relating to deduction of exemption from gross estate) is amended to read as follows:

“(3) **EXEMPTION.**—

“(A) **GENERAL RULE.**—An exemption of \$30,000.

“(B) **RESIDENTS OF POSSESSIONS OF THE UNITED STATES.**—In the case of a decedent who is considered to be a ‘nonresident not a citizen of the United States’ under the provisions of section 2209, the exemption shall be the greater of (i) \$30,000, or (ii) that proportion of the exemption authorized by section 2052 which the value of that part of the decedent’s gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.”

(f) **SPECIAL METHODS OF COMPUTING TAX.**—Subchapter B of chapter 11 (relating to estates of nonresidents not citizens) is amended by adding at the end thereof the following new sections:

“**SEC. 2107. EXPATRIATION TO AVOID TAX.**

“(a) **RATE OF TAX.**—A tax computed in accordance with the table contained in section 2001 is hereby imposed on the transfer of the taxable estate, determined as provided in section 2106, of every decedent nonresident not a citizen of the United States dying after the date of enactment of this section, if after March 8, 1965, and within the 10-year period ending with the date of death such decedent lost United States citizenship, unless such loss did not have for one of its principal purposes the avoidance of taxes under this subtitle or subtitle A.

“(b) **GROSS ESTATE.**—For purposes of the tax imposed by subsection (a), the value of the gross estate of every decedent to whom subsection (a) applies shall be determined as provided in section 2103, except that—

“(1) if such decedent owned (within the meaning of section 958(a)) at the time of his death 10 percent or more of the total combined voting power of all classes of stock entitled to vote of a foreign corporation, and

“(2) if such decedent owned (within the meaning of section 958(a)), or is considered to have owned (by applying the ownership rules of section 958(b)), at the time of his death, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of such foreign corporation,

then that proportion of the fair market value of the stock of such foreign corporation owned (within the meaning of section 958(a)) by such decedent at the time of his death, which the fair market value of any assets owned by such foreign corporation and situated in the United States, at the time of his death, bears to the total fair market value of all assets owned by such foreign corporation at the time of his death, shall be included in the gross estate of such decedent. For purposes of the preceding sentence, a decedent shall be treated as owning stock of a foreign corporation at the time of his death if, at the time of a transfer, by trust or otherwise, within the meaning of sections 2035 to 2038, inclusive, he owned such stock.

“(c) **CREDITS.**—The tax imposed by subsection (a) shall be credited with the amounts determined in accordance with section 2102.

“(d) **EXCEPTION FOR LOSS OF CITIZENSHIP FOR CERTAIN CAUSES.**—Subsection (a) shall not apply to the transfer of the estate of a decedent whose loss of United States citizenship resulted from the application of section 301(b), 350, or 355 of the Immigration and Nationality Act, as amended (8 U.S.C. 1401(b), 1482, or 1487).

“(e) **BURDEN OF PROOF.**—If the Secretary or his delegate establishes that it is reasonable to believe that an individual’s loss of United States citizenship would, but for this section, result in a substantial reduction in the estate, inheritance, legacy, and succession taxes in respect of the transfer of his estate, the burden of proving that such loss of citizenship did not have for one of its principal purposes the avoidance of taxes under this subtitle or subtitle A shall be on the executor of such individual’s estate.

“**SEC. 2108. APPLICATION OF PRE-1967 ESTATE TAX PROVISIONS.**

“(a) **IMPOSITION OF MORE BURDENSOME TAX BY FOREIGN COUNTRY.**—Whenever the President finds that—

“(1) under the laws of any foreign country, considering the tax system of such foreign country, a more burdensome tax is imposed by such foreign country on the transfer of estates of decedents who were citizens of the United States and not residents of such foreign country than the tax imposed