

exemption is granted from the 30-percent-withholding provision, the bill amends the domestic wage withholding provisions to, in effect, permit the Secretary of the Treasury or his delegate to require withholding under those provisions.

The bill also makes amendments of a technical nature to conform the language of the withholding provisions to the language used in the taxing provisions.

(d) *Effective date.*—The amendment relating to the 30-percent withholding rule applies with respect to taxable years beginning after December 31, 1966. The amendment relating to domestic wage withholding applies with respect to remuneration paid after December 31, 1966.

6. *Withheld taxes and declarations of estimated income tax (secs. 3 (h) and (i) of the bill and secs. 1461 and 6015 of the code)*

Under present law, persons who are required to withhold on amounts paid to nonresident aliens and foreign corporations are required to file a return and remit the taxes withheld during any calendar year by March 15 of the following year. This procedure is unusual since all other withheld taxes, such as the employees' social security taxes and domestic wage withholding, are required to be remitted (together with the return) at least quarterly. As a result of the delay in the remittance of these 30-percent-withholding taxes, the withholding agents are given the use of these revenues for periods of time which are, in some case, more than one year.

Your committee sees no reason for not requiring the remittance of these tax revenues at a time period approximating that applicable in the case of domestic withholding. Therefore, your committee's bill amends present law to provide the Treasury Department with the authority to require more current remittance of the taxes withheld on nonresident aliens. This amendment is effective with respect to payments made after December 31, 1966.

Your committee's bill also amends the provisions of present law which require individuals to file declarations of estimated tax. The amendment continues present law which includes nonresident aliens within the category of individuals required to file these declarations. However, the application of this provision to nonresident aliens is limited to those who receive income which is effectively connected with the conduct of a trade or business within the United States.

These amendments are effective with respect to taxable years beginning after December 31, 1966.

7. *Gain from disposition of certain depreciable realty (sec. 3(j) of the bill and sec. 1250(d) of the code)*

(a) *Present law.*—Present law provides, in general, for the taxation of the gain on the sale or other disposition of depreciable real property as ordinary income rather than as capital gain, to the extent the gain is attributable to the allowance of depreciation deductions in excess of those that would have been allowed had the property been depreciated under the straight line method. This applies, however, only in the first 10 years during which a property is held and then to a lesser extent as the holding approaches the end of the 10-year period. This is commonly known as the real property recapture rule.