grants to the President the authority to apply the income tax law without regard to the amendments which this or later acts make to the provisions relating to the taxation of foreigners (including corporations) in the case of any country which imposes more burdensome taxes on U.S. citizens and corporations than the United States does on nonresident aliens and foreign corporations.

The new section gives special authority to the President where he finds that—

(1) under the laws of any foreign country, citizens of the United States (not residents of the foreign country) or U.S. corporations are being subject to more burdensome taxes on any item of income from sources within the foreign country, than those imposed by the United States on similar U.S. source income of residents or corporations of the foreign country;

(2) when asked so to do the foreign country has not acted to revise or reduce its taxes to eliminate this condition; and

(3) it is in the public interest to reimpose the pre-1967 income tax provisions.

Where these conditions exist, the President may proclaim that the tax on similar income derived from U.S. sources by residents or corporations of the foreign country for taxable years beginning after the proclamation is to be determined by disregarding the amendments to the income tax law, as it relates to nonresident aliens and foreign corporations, made by this bill or by subsequent acts.

If after such a proclamation, the foreign country modifies the offending provisions of its tax law so that the President finds they are no longer more burdensome, he may proclaim that the U.S. tax on similar items of income derived from U.S. sources by residents or corporations of the foreign country, for taxable years beginning after such proclamation, is to be determined by taking into account the amendments made to the income tax provisions of the code relating to nonresident aliens and foreign corporations by this bill and later acts. Before the President makes a proclamation under this new provision, he is to give the Congress 30 days notice of his intention so to do.

(*c*) *Effective date.*—This provision is effective for taxable years beginning after December 31, 1966.

3. Foreign community property income (sec. 5(e) of the bill and new sec. 981 of the code)

(*a*) *Present law.*—The general income tax provisions provide, in effect, that the worldwide income of a U.S. citizen is subject to tax from whatever source derived. In a recent case,[5] it was held that an American citizen who acquired residence in a foreign country with community property laws, and who married a nonresident alien, had a sufficient interest in one-half of the marital partnership income—even though earned by the husband foreigner—to render her subject to U.S. taxation on that income.

(*b*) *Reasons for provision.*—Your committee believes that it is undesirable to require a U.S. citizen to pay U.S. tax on income earned by a spouse who is a foreigner merely because of the attribution of one-half of the income to the U.S. citizen through the community

[5] *Katrushka J. Parsons* v. *Commissioner*, 43 T.C. 331 (1964).