

Table 2 shows a comparison of the effective rates for estates of nonresident aliens provided by this new schedule with the effective rates under present law for nonresident aliens and U.S. citizens with and without a marital deduction. It will be noted that the effective rates resulting from the new schedule closely approximate those applicable in the case of the estate of a citizen with a marital deduction.

TABLE 2.—*Effective rates of U.S. tax on U.S. estates of nonresident aliens under present law and under the bill and on U.S. citizens under present law*

U.S. gross estate ¹	Effective rate of tax			
	Present treatment of nonresident alien	Tax treatment of nonresident alien provided by bill ²	U.S. citizen	
			With marital deduction	Without marital deduction
\$2,000.....				
\$10,000.....	2.9			
\$30,000.....	7.7			
\$60,000.....	12.5	2.0		
\$100,000.....	17.3	3.0		
\$500,000.....	25.8	7.4	8.0	3.0
\$1,000,000.....	28.8	10.1	11.1	22.1
\$5,000,000.....	43.0	17.8	16.9	26.7
\$10,000,000.....	53.3	20.6	21.2	42.3
				52.8

¹ For purposes of these computations it is assumed 10 percent of gross estate is deducted for funeral and other expenses both in the case of U.S. citizens and nonresident aliens.

² Takes into account the increase in the exemption from \$2,000 to \$30,000.

2. *Limitation on credit for State death taxes (sec. 8(b) of the bill and sec. 2102 of the code)*

(a) *Present law.*—Under present law, the estate of a nonresident alien is allowed a credit against its U.S. estate tax for death taxes it pays to any of the States of the United States. The only death tax some of the States impose is a so-called pickup tax, that is, a tax equal to the maximum credit for State death taxes allowable against the Federal estate tax. Other States impose a pickup tax in addition to their regular death taxes.

(b) *Reasons for provision.*—The credit for State death taxes in the Federal statute is based on the taxes actually paid to any State. At the same time the so-called pickup taxes ⁸ are designed to impose a sufficiently heavy tax on property within their jurisdiction to absorb any Federal tax with respect to which credit may be obtained. A problem arises from the interrelationship of these Federal and State rules where property, such as stocks, has a situs in the United States but for State death tax purposes is not considered to have a situs in any particular State—since the nonresident alien has no residence in any State. In such cases the effect of a State pickup tax may be to impose a disproportionately heavy State death tax on what may be the minor portion of the nonresident alien decedent's gross estate located there, in order to absorb the full Federal credit which may be available with respect to property, such as stocks, which have a U.S. situs

⁸ In addition to State pickup taxes, the problem here described may also arise where the State death tax with respect to the property located within its jurisdiction is heavier than the Federal estate tax with respect to such property.