

but no situs in any particular State. Since the credit for death taxes was intended to be available with respect to death taxes, imposed at a level up to the Federal credit level, by States on property within their jurisdiction, it seems inappropriate to allow a credit for a State death tax at a rate above the Federal rate on the property merely on the grounds that there is other property subject to the Federal tax outside the jurisdiction of the State.

(c) *Explanation of provision.*—Your committee has amended present law to provide that the maximum credit for State death taxes allowable against the Federal estate tax imposed on estates of non-residents not citizens is to be an amount which bears the same ratio to the credit (computed without regard to this limitation) as the value of the property upon which the State death taxes are paid (and which is includible in the gross estate) bears to the total gross estate for Federal tax purposes.

(d) *Effective date.*—This amendment applies with respect to estates of decedents dying after the date of the enactment of this bill.

3. *Bond situs rule (sec. 8(c) of the bill and sec. 2104 of the code)*

(a) *Present law.*—Under present law, a nonresident alien is subject to the U.S. estate tax only with respect to property which is situated in the United States at the time of his death. The code provides so-called situs rules for determining under what conditions various types of property are to be considered as having a U.S. situs and therefore includible in the estate tax base of a decedent. Under these rules stock of a domestic corporation owned by a nonresident alien is considered to be property within the United States regardless of the location of the share certificates. In the case of bonds issued by U.S. corporations, no such statutory situs rule exists. Instead, for Federal estate tax purposes, the debt represented by a bond of a domestic corporation is considered to be situated at the location where the certificate is held. Other intangible debt obligations of U.S. obligors are treated as being situated within the United States.

(b) *Reasons for provision.*—The difference in treatment for bonds is based upon the view that bonds constitute the debt itself and hence the debt is situated with the bonds, but with respect to other obligations the written statement of the obligation is only evidence of the existence of the debt and hence the debt is situated with the debtor. Your committee believes that this distinction is an unsatisfactory basis for exempting these bonds from the U.S. estate tax. Moreover, it sees no reason for treating bonds and stock differently in this respect.

(c) *Explanation of provision.*—For the reasons given above your committee's bill adds a new provision to the law providing that for purposes of the tax imposed on the estates of nonresidents not citizens, all debt obligations (including bonds) of a U.S. person, the United States, a State or political subdivision of a State, or of the District of Columbia owned by a nonresident not a citizen of the United States are to be deemed to be property situated within the United States. An exception to this rule is provided for debt obligations of U.S. corporations which have derived less than 20 percent of their gross income from U.S. sources for the 3 years prior to the nonresident's death. In such cases these debt obligations are to be considered as