

having a foreign situs. For purposes of this provision U.S. currency is not to be considered a debt obligation of the United States.

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

4. *Deposits in U.S. banks or foreign branch banks of U.S. corporations (sec. 8(d) of the bill and sec. 2105 of the code)*

(a) *Present law.*—Present law provides that, for purposes of estate tax, the deposits of nonresident aliens with U.S. persons carrying on the banking business will not be considered to have a situs within the United States if the decedent was not engaged in a trade or business in the United States at the time of his death and a situs within the United States if the decedent was so engaged. This rule applies to deposits in foreign branch banks of U.S. corporations as well as to deposits in domestic banks.

(b) *Reasons for provision.*—As explained above with respect to the rules for determining the source of interest payments on bank deposits with U.S. banks (see No. A-1 above), your committee believes that it is questionable whether deposits of this type which are clearly situated in the United States should be treated as though situated without the United States and thereby allowed to escape U.S. estate taxation. On the other hand, deposits in foreign branch banks of U.S. corporations are, in fact, situated in a foreign country. Additionally, with respect to deposits in foreign branch banks of U.S. corporations, it is understood that foreign persons often have been uncertain as to whether they would be held to be “engaged in business in the United States” and that as a result they have been reluctant to deposit their funds in foreign branch banks of U.S. corporations for fear this might subject their estate to U.S. tax. As a result they are likely to place their deposits in competing foreign banks. Thus the present treatment clearly discriminates against the U.S. branches and adversely affects their ability to compete in foreign countries.

(c) *Explanation of provision.*—Your committee, for the reasons given above, has deleted the provision of present law which treats U.S. bank deposits of a nonresident alien as situated without the United States. Additionally, the bill adds to the code a new provision which deems the situs of deposits by foreigners in foreign branch banks of U.S. corporations to be without the United States. The new situs rule provides that for purposes of the U.S. estate tax on estates of nonresident aliens, deposits in a foreign branch bank of a U.S. corporation, if the branch is engaged in the commercial banking business, are not to be deemed to be property within the United States. Therefore these deposits will not be included in the foreigner’s taxable U.S. estate.

(d) *Effective date.*—This amendment is applicable to the estates of decedents dying after the effective date of this act.

5. *Definition of taxable estate (sec. 8(e) of the bill and sec. 2106(a) (3) of the code)*

(a) *Present law.*—Under present estate tax law, the estate of a citizen of the United States is entitled to a \$60,000 exemption. In the case of the estate of a nonresident alien, however, present law allows only a \$2,000 exemption. In the case of decedents who were residents