

country, than is imposed on the estates of residents of that country by the United States;

(b) The foreign country, when requested so to do, has not revised its taxes to eliminate this extra burden; and

(c) It is in the public interest to reimpose the pre-1967 estate tax provisions.

Where these conditions exist the President may proclaim that the U.S. tax on estates of residents of the foreign country is to be determined under certain provisions of U.S. estate tax laws (secs. 2101, 2102, 2106, and 6018) as in effect prior to amendment by this or any subsequent act. Such a proclamation is to apply to the estates of decedents dying after the date of the proclamation.

If after making such a proclamation the President finds that the laws of the foreign country have been revised to alleviate the excess burden on the estates of U.S. citizens he may proclaim that the tax on the estates of residents of the country is to be determined by taking into account the amendments made by this bill, and any subsequent act. Such a proclamation is to be effective with respect to estates of decedents dying after its date.

Before issuing a proclamation under the new provision the President is required to give 30 days notice of his intent so to do to the Senate and the House of Representatives.

This new section is applicable with respect to estates of decedents dying after the date of the enactment of this bill.

#### *8. Estate tax returns (sec. 8(g) of the bill and sec. 6018 of the code)*

Under present law the executor of the estate of a nonresident alien is required to file a U.S. estate tax return if the U.S. estate exceeds \$2,000. The filing of returns with respect to these estates of over \$2,000 is required because only a \$2,000 exemption is granted to the estates of nonresident aliens under present law. Since your committee's bill has increased the \$2,000 exemption to \$30,000, the return filing requirement is likewise increased by the bill from \$2,000 to \$30,000. This amendment applies with respect to estates of decedents dying after the enactment of this bill.

### G. GIFT TAX PROVISIONS

#### *1. Tax on gifts of nonresidents not citizens (sec. 9(a) of the bill and sec. 2501 of the code)*

Under present law a gift of intangible property having a U.S. situs by a nonresident alien who is engaged in trade or business in the United States is subject to U.S. gift tax.

In practice this rule has proved to be impossible to enforce, since there is no practical way for the Internal Revenue Service to find out when these gifts are made. Moreover, it does not occur to many nonresident aliens that these transfers are subject to U.S. gift tax. Thus the revenue significance of this provision is minimal.

For the above reasons your committee's bill amends present law to provide that gifts of intangible property by nonresident aliens are not to be subject to the U.S. gift tax.

To prevent this new rule from becoming a means of tax avoidance by U.S. citizens, the bill also provides that the rule is not to apply to