gifts by donors who within the 10 years immediately before the date of the gift became expatriates of the United States with a principal purpose of avoiding U.S. income, estate, or gift taxes.

As in the case of similar amendments made by your committee with respect to the income and estate taxes, the new provision provides a special rule relating to the burden of proof. Under this rule if the Secretary of the Treasury or his delegate establishes that it is reasonable to believe that the individual's loss of U.S. citizenship will result in a substantial reduction in the gift tax payable by the donor, the burden of proving that tax avoidance was not one of the principal purposes rests with the donor. Certain types of losses of citizenship, as in the case of similar income and estate tax provisions, are not to result in the application of this provision (see No. C-3 above).

This amendment applies with respect to the calendar year 1967 and all calendar years thereafter.

2. Situs of bonds given by expatriates (sec. 9(b) of the bill and sec. 2511 of the code)

Under present law bonds issued by U.S. persons, unlike other debt obligations, are considered to be situated where the instrument is located for purposes of the gift tax applicable to nonresident aliens. Under this rule (and in the absence of the provision added here) a person who becomes an expatriate with a principal purpose of avoiding U.S. taxes would continue to escape U.S. gift taxation (even under the special gift tax rules this bill makes applicable to them) on the transfer of a debt obligation of a U.S. person. To prevent this result, your committee's bill amends the present gift tax laws to provide that debt obligations of a U.S. person, or of the United States, a State or political subdivision thereof, or the District of Columbia which are owned by nonresident aliens are deemed to be situated in the United States. This amendment applies with respect to the calendar year 1967 and all calendar years thereafter.

H. TREATY OBLIGATIONS

The bill provides that no amendment made by this bill is to apply in any case where its application would be contrary to any treaty obligation of the United States. However, for purposes of this provision, the granting of a benefit provided by any amendment made by this bill will not be considered to be contrary to a treaty obligation.

V. TECHNICAL EXPLANATION

SECTION 1 OF BILL. SHORT TITLE, ETC.

(*a*) *Short title.*—Subsection (a) of section 1 of the bill provides that the bill may be cited as the "Foreign Investors Tax Act of 1966."

(*b*) *Table of contents.*—Subsection (b) of section 1 of the bill contains a table of contents of the sections of the bill.

(*c*) *Amendment of 1954 code.*—Subsection (c) of section 1 of the bill provides that, except as otherwise expressly provided, whenever in the bill an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954.