

plying section 904 with respect to the credit allowed pursuant to section 906, no excess tax may be carried from or to any taxable year beginning before January 1, 1967. Thus, in determining under section 906 foreign income taxes paid or accrued for a taxable year beginning after December 31, 1966, no taxes are to be deemed paid or accrued for such year by reason of a carryover under section 904 (d) or (e) from any taxable year beginning before January 1, 1967. Moreover, if in applying section 906 for any taxable year beginning after December 31, 1966, the foreign income taxes paid or accrued for such year with respect to income effectively connected with the conduct of a trade or business within the United States exceed the applicable limitation under section 904(a) with respect to the tax imposed pursuant to amended section 871(b) or 882(a), none of such excess taxes may be carried back and deemed paid or accrued in any taxable year beginning before January 1, 1967. Computations in respect of a taxable year beginning before January 1, 1967, are in no way to serve to reduce a carryback or a carryover from a taxable year beginning after December 31, 1966, in respect of the foreign income taxes allowable as a credit pursuant to section 906(a).

(b) *Alien residents of the United States or Puerto Rico.*—Subsection (b) of section 6 of the bill provides for the elimination, subject to specified safeguards, of the so-called similar credit requirement in respect of the income tax credit allowed by reason of section 901(b) (3) of the code for certain foreign income taxes and in respect of the estate tax credit allowed by reason of section 2014(a) of the code for certain foreign death taxes.

Under existing section 901(b) (3) an alien individual who is a resident of the United States or who is a bona fide resident of Puerto Rico for the entire taxable year is allowed the credit under section 901 for income, war profits, and excess profits taxes paid or accrued to any foreign country, only if the foreign country of which such alien is a citizen or subject provides a similar credit to citizens of the U.S. resident in the country of which such alien is a citizen or subject.

Under existing section 2014(a) the estate of a decedent who was not a citizen of the United States but was a resident thereof is allowed the credit under section 2014 for estate, inheritance, legacy, or succession taxes paid to any foreign country, only if the foreign country of which such decedent was a citizen or subject provides a similar credit to the estate of a citizen of the United States resident at the time of death in the country of which such alien was a citizen or subject.

*Deletion of the similar credit requirement in case of income taxes*

Paragraph (1) of section 6(b) of the bill deletes the similar credit requirement now contained in section 901(b) (3) of the code. Paragraph (2) of section 6(b) makes existing subsections (c) and (d) of section 901 subsections (d) and (e) and adds a new subsection (c). New subsection (c) provides that the President may reinstate such similar credit requirement if certain findings are made. The findings required to be made by the President as a prerequisite to the reinstatement of such similar credit requirement are substantially the same as those required as a prerequisite for the reinstatement of pre-1967 income tax law under the authority of section 896, as added by section