

5(b) of the bill. These amendments are effective for taxable years beginning after December 31, 1966.

The President is to proclaim the application of the similar credit requirement with respect to resident alien individuals who are citizens or subjects of a particular foreign country if he finds (1) that such foreign country does not allow a similar credit to citizens of the United States resident in such foreign country; (2) that such foreign country, after being requested by the United States, has not acted to provide a similar credit to such citizens of the United States; and (3) that it is in the public interest to allow the credit under section 901(b)(3) to citizens or subjects of such foreign country only on a reciprocal basis. For taxable years beginning while the President's proclamation is in effect, the credit under section 901(b)(3) is to be allowed to citizens or subjects of the foreign country with respect to which the proclamation is issued only if a similar credit is provided by such country to citizens of the United States resident in such country.

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

Paragraph (3) of section 6(b) of the bill amends section 2014(a) of the code (relating to credit for foreign death taxes) by deleting the similar credit requirement contained therein and by adding a new subsection (h) authorizing the President to reinstate the similar credit requirement under prescribed conditions. The amendment is applicable to estates of decedents dying after the date of the enactment of the bill. The provisions of new subsection (h) are essentially similar to the provisions of new subsection (c) of section 901, as added by paragraph (2) of section 6(b), except that new subsection (h) applies to the Federal estate tax.

*Effective dates*

Paragraph (4) of section 6(b) provides that the amendments made by subsection (b) of section 6, other than by paragraph (3), apply with respect to taxable years beginning after December 31, 1966. The amendment made by paragraph (3) applies with respect to estates of decedents dying after the date of the enactment of the bill.

(c) *Foreign tax credit in case of certain overseas operations funding subsidiaries.*—Subsection (c) of section 6 of the bill amends section 904(f) of the code (relating to the application of limitations on the foreign tax credit in the case of certain interest income). In general, section 904(f) presently provides that, in determining the limitation on the amount of the foreign tax credit under section 904, interest from foreign sources is to be treated separately from other income from foreign sources and the per-country limitation is to be applied in computing the limitation on the foreign tax credit in the case of such interest. Paragraph (2) of subsection (f), which describes the interest to which subsection (f) applies, excepts from the application of that subsection: (1) Interest derived from any transactions, directly related to the active conduct of a trade or business in a foreign country or U.S. possession; (2) interest derived in the conduct of a banking, financing, or similar business (such as an insurance company business); (3) interest received from a corporation in which the taxpayer owns at least 10 percent of the voting stock; and (4) interest received on obligations acquired as the result of disposition