

with respect to interest received by a domestic corporation after December 31, 1965, in taxable years of such recipient ending after that date.

SECTION 7 OF BILL. AMENDMENT TO PRESERVE EXISTING LAW ON DEDUCTIONS UNDER SECTION 931

(a) *Deductions*.—Subsection (a) of section 7 of the bill amends section 931(d) of the code (relating to deductions available to U.S. citizens and domestic corporations entitled to the benefits of sec. 931) in order to preserve existing law for determining the taxable income of such persons. Section 931(d), as so amended, adopts the provisions of subsections (a), (b), (c), and (e) of existing section 873 of the code and paragraphs (2) and (3) of existing section 882(c) of the code, except that under amended section 931(d) (2) (c) the individual is allowed a deduction for contributions or gifts to or for a trust described in section 170(c) (2). This is consistent with the change made in paragraph (2) of section 873(b), as amended by section 3(c) of the bill.

(b) *Effective date*.—Subsection (b) of section 7 of the bill provides that the amendment made by section (a) applies with respect to taxable years beginning after December 31, 1966.

SECTION 8 OF THE BILL. ESTATES OF NONRESIDENTS NOT CITIZENS

(a) *Rate of tax*.—Subsection (a) of section 8 of the bill strikes out subsection (a) of section 2101 of the code (relating to tax imposed in case of estates of nonresidents not citizens) and substitutes in its place a new subsection (a).

Under present subsection (a) of section 2101, the taxable estate of a nonresident not a citizen of the United States is subject to the tax computed in accordance with the table of rates contained in section 2001, which is the tax table used in computing the tax on estates of citizens or residents of the United States. These rates begin at 3 percent on the first \$5,000 of a taxable estate and reach a maximum of 77 percent on that part of a taxable estate in excess of \$10 million.

New subsection (a) of section 2101 contains a separate tax table of lower rates, ranging from 5 percent on the first \$100,000 of a taxable estate to a maximum rate of 25 percent on that part of a taxable estate in excess of \$2 million.

The new subsection applies to estates of nonresidents not citizens, including certain citizens of the United States who were residents of a possession of the United States and who are considered nonresidents not citizens under section 2209 of the code, who die after the date of enactment of the bill.

(b) *Credits against tax*.—Subsection (b) of section 8 of the bill amends section 2102 of the code (relating to credits allowed against estate tax). This amended section retains existing law in subsection (a), which provides that the estate tax imposed on the estate of a nonresident not a citizen of the United States is to be reduced by the credits prescribed in sections 2011 to 2013, inclusive, relating to State death taxes, gift tax, and estate tax on prior transfers, respectively.