

New subsection (b) of section 2102 provides a special limitation on the allowance of the credit provided by section 2011, relating to State death taxes. Under this special limitation, the maximum credit allowable for State death taxes is the amount which bears the same ratio to the maximum credit computed as provided in section 2011(b) as the value of the property (determined at the date of death or as provided in sec. 2032 of the code) upon which a State death tax was actually paid and which is included in the gross estate under section 2103 bears to the value of the total gross estate under section 2103.

(c) *Property within the United States.*—Subsection (c) of section 8 of the bill amends section 2104 of the code (relating to property within the United States) by adding at the end thereof a new subsection (c) (relating to debt obligations).

Section 2103 provides that the value of the gross estate of every decedent nonresident not a citizen of the United States consists only of the value of that portion of the property otherwise includible in his gross estate which at the time of his death is situated in the United States. In the regulations under existing section 2104 of the code a debt obligation the written evidence of which is treated as being the property itself (e.g., a bond) is considered to be situated in the United States only if the written evidence is located within the United States. Under existing section 2105(b) of the code deposits in the United States with any person carrying on the banking business are considered situated within the United States only if the decedent was engaged in business in the United States at the time of his death. Any other debt obligation the written evidence of which is not treated as the property itself is considered, in the regulations under section 2104, to be situated within the United States if issued by or enforceable against a resident of the United States or a domestic corporation or governmental unit.

New subsection (c) of section 2104 provides that, with one exception, a debt obligation owned by a nonresident not a citizen of the United States is to be considered property within the United States, and thus includible in the gross estate of such a decedent, if the primary obligor with respect to such debt obligation is any of the following:

- (1) A U.S. person (as defined in sec. 7701(a)(30)), or
- (2) The United States, a State or any political subdivision thereof, or the District of Columbia.

This rule applies whether or not the written evidence of the debt obligation is treated as being the property itself. Except as provided in section 2105(b) (relating to deposits with a foreign branch of a domestic corporation), as amended by section 8(d) of the bill, this rule also applies in the case of bank deposits. Currency is not a debt obligation for purposes of subsection (c). The one exception to the rule is that a debt obligation of a domestic corporation is not to be treated as property within the United States when owned by a nonresident not a citizen in a case where any interest on such obligation, if it were received by the decedent at the time of his death, would be treated by reason of the application of section 861(a)(1)(B) of the code as income from sources without the United States.

This exception applies whether or not interest is in fact paid on the obligation. Debt obligations of obligors not described in section 2104(c) (1) and (2), as added by this subsection, are not to be deemed