

resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country”.

(2) Section 901 is amended by redesignating subsections (c) and (d) as subsections (d) and (e), and by inserting after subsection (b) the following new subsection:

“(c) **SIMILAR CREDIT REQUIRED FOR CERTAIN ALIEN RESIDENTS.**—Whenever the President finds that—

“(1) a foreign country, in imposing income, war profits, and excess profits taxes, does not allow to citizens of the United States residing in such foreign country a credit for any such taxes paid or accrued to the United States or any foreign country, as the case may be, similar to the credit allowed under subsection (b) (3),

“(2) such foreign country, when requested by the United States to do so, has not acted to provide such a similar credit to citizens of the United States residing in such foreign country, and

“(3) it is in the public interest to allow the credit under subsection (b) (3) to citizens or subjects of such foreign country only if it allows such a similar credit to citizens of the United States residing in such foreign country, the President shall proclaim that, for taxable years beginning while the proclamation remains in effect, the credit under subsection (b) (3) shall be allowed to citizens or subjects of such foreign country only if such foreign country, in imposing income, war profits, and excess profits taxes, allows to citizens of the United States residing in such foreign country such a similar credit.”

(3) Section 2014 (relating to credit for foreign death taxes) is amended by striking out the second sentence of subsection (a), and by adding at the end of such section the following new subsection:

“(h) **SIMILAR CREDIT REQUIRED FOR CERTAIN ALIEN RESIDENTS.**—Whenever the President finds that—

“(1) a foreign country, in imposing estate, inheritance, legacy, or succession taxes, does not allow to citizens of the United States resident in such foreign country at the time of death a credit similar to the credit allowed under subsection (a),

“(2) such foreign country, when requested by the United States to do so, has not acted to provide such a similar credit in the case of citizens of the United States resident in such foreign country at the time of death, and

“(3) it is in the public interest to allow the credit under subsection (a) in the case of citizens or subjects of such foreign country only if it allows such a similar credit in the case of citizens of the United States resident in such foreign country at the time of death, the President shall proclaim that, in the case of citizens or subjects of such foreign country dying while the proclamation remains in effect, the credit under subsection (a) shall be allowed only if such foreign country allows such a similar credit in the case of citizens of the United States resident in such foreign country at the time of death.”

(4) The amendments made by this subsection (other than paragraph (3)) shall apply with respect to taxable years beginning after December 31, 1966. The amendment made by paragraph (3) shall apply with respect to estates of decedents dying after the date of the enactment of this Act.

(c) **FOREIGN TAX CREDIT IN CASE OF CERTAIN OVERSEAS OPERATIONS FUNDING SUBSIDIARIES.**—

(1) Section 904(f) (2) (relating to application of limitations on foreign tax credit in case of certain interest income) is amended—

(A) by striking out “or” at the end of subparagraph (C),

(B) by striking out the period at the end of subparagraph (D) and inserting in lieu thereof “, or”, and

(C) by adding at the end thereof the following new subparagraph:

“(E) received by an overseas operations funding subsidiary on obligations of a related foreign corporation.”

(2) Section 904(f) is amended by adding at the end thereof the following new paragraph:

“(5) **DEFINITIONS FOR PURPOSES OF PARAGRAPH (1) (E).**—For purposes of paragraph (1) (E).—

“(A) the term ‘overseas operations funding subsidiary’ means a domestic corporation which (i) is a member of an affiliated group (within the meaning of section 1504) and is not the common parent corporation, and (ii) was formed and is availed of for the principal purpose of raising funds outside the United States through public offer-