

(i) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to estates of decedents dying after the date of the enactment of this Act.

SEC. 9. TAX ON GIFTS OF NONRESIDENTS NOT CITIZENS.

(a) **IMPOSITION OF TAX.**—Subsection (a) of section 2501 (relating to general rule for imposition of tax) is amended to read as follows:

“(a) **TAXABLE TRANSFERS.**—

“(1) **GENERAL RULE.**—For the calendar year 1955 and each calendar year thereafter a tax, computed as provided in section 2502, is hereby imposed on the transfer of property by gift during such calendar year by any individual, resident or nonresident.

“(2) **TRANSFERS OF INTANGIBLE PROPERTY.**—Except as provided in paragraph (3), paragraph (1) shall not apply to the transfer of intangible property by a nonresident not a citizen of the United States.

“(3) **EXCEPTIONS.**—Paragraph (2) shall not apply in the case of a donor who at any time after March 8, 1965, and within the 10-year period ending with the date of transfer lost United States citizenship unless—

“(A) such donor's loss of United States citizenship resulted from the application of section 301(b), 350, or 355 of the Immigration and Nationality Act, as amended (8 U.S.C. 1401(b), 1482, or 1487), or

“(B) such loss did not have for one of its principal purposes the avoidance of taxes under this subtitle or subtitle A.

“(4) **BURDEN OF PROOF.**—If the Secretary or his delegate establishes that it is reasonable to believe that an individual's loss of United States citizenship would, but for paragraph (3), result in a substantial reduction for the calendar year in the taxes on the transfer of property by gift, the burden of proving that such loss of citizenship did not have for one of its principal purposes the avoidance of taxes under this subtitle or subtitle A shall be on such individual.”

(b) **TRANSFER IN GENERAL.**—Subsection (b) of section 2511 (relating to situs rule for stock in a corporation) is amended to read as follows:

“(b) **INTANGIBLE PROPERTY.**—For the purposes of this chapter, in the case of a nonresident not a citizen of the United States who is excepted from the application of section 2501(a)(2)—

“(1) shares of stock issued by a domestic corporation, and

“(2) debt obligations of—

“(A) a United States persons, or

“(B) the United States, a State or any political subdivision thereof, or the District of Columbia,

which are owned by such nonresidents shall be deemed to be property situated within the United States.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to the calendar year 1967 and all calendar years thereafter.

SEC. 10. TREATY OBLIGATIONS.

No amendment made by this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States. For purposes of the preceding sentence, the extension of a benefit provided by any amendment made by this Act shall not be deemed to be contrary to a treaty obligation of the United States.

Passed the House of Representatives June 15, 1966.

Attest:

RALPH R. ROBERTS,
Clerk.

(Departmental comments on H.R. 13103 follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 10, 1966.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Bureau of the Budget on H.R. 13103, an act “To amend the Internal Revenue Code of 1954 to provide equitable tax treatment for foreign investment in the United States,” and on an amendment intended to be proposed by Mr. Dirksen to H.R. 13103.