

*Effective date.*—The amendment relating to the 30-percent withholding rule applies with respect to payments made in taxable years beginning after December 31, 1966. The amendment relating to domestic wage withholding applies with respect to remuneration paid after December 31, 1966.

*f. Withheld taxes and declarations of estimated income tax (secs. 103 (i) and (j) of the bill and secs. 1461 and 6015 of the code)*

Under present law, persons who are required to withhold on amounts paid to nonresident aliens and foreign corporations are required to file a return and remit the taxes withheld during any calendar year by March 15 of the following year. This procedure is unusual since all other withheld taxes, such as the employees' social security taxes and domestic wage withholding, are required to be remitted (together with the return) at least quarterly. As a result of the delay in the remittance of these 30-percent-withholding taxes, the withholding agents are given the use of these revenues for periods of time which are, in some cases, more than 1 year.

Your committee agrees with the House that there is no reason for not requiring the remittance of these tax revenues at a time period approximating that applicable in the case of domestic withholding. Therefore, your committee's bill amends present law to provide the Treasury Department with the authority to require more current remittance of the taxes withheld on nonresident aliens and foreign corporations. This amendment is effective with respect to payments made after December 31, 1966.

The bill also amends the provisions of present law which require individuals to file declarations of estimated tax. The amendment continues present law which includes nonresident aliens within the category of individuals required to file these declarations. However, the application of this provision to nonresident aliens is limited to those who receive income which is effectively connected with the conduct of a trade or business within the United States.

These amendments are effective with respect to taxable years beginning after December 31, 1966.

*g. Foreign estates or trusts (sec. 103 (e) and (l) of the bill and secs. 875 and 7701a(a) (31) of the code)*

Present law defines the terms "foreign trust" and "foreign estate" to mean a trust or estate, whose income from sources without the United States is not included in gross income for U.S. income tax purposes. Your committee's and the House bill amends this definition to conform it to the effectively connected concept. As amended, the terms mean an estate or trust the income from which from sources without the United States, which is not effectively connected with the conduct of a trade or business within the United States, is not included in gross income for U.S. income tax purposes. This amendment applies for taxable years beginning after December 31, 1966.

Your committee added an amendment which imputes the business activities of a trust or estates to its beneficiaries. In other words, if a trust, whether a foreign or a domestic trust, is engaged in a trade or business in the United States, its beneficiaries are deemed to also be engaged in that trade or business.