In view of the considerations set forth above, your committee believes that the taxation of the U.S. estates of nonresident aliens should be reduced to more closely equate with the taxation of the estates of U.S. citizens. The bill therefore establishes a new schedule of graduated estate tax rates applicable to estate of nonresident aliens which will impose a tax on the U.S. estates of these persons in an amount which is generally equivalent to the tax imposed on an estate of similar value of a U.S. citizen with the maximum marital deduction. (As is explained subsequently the bill also increases the specific exemption available with respect to estates of nonresident aliens.)

Explanation of provision.—The new schedule of rates applicable to estates of nonresidents not citizens is as follows:

If the taxable estate is:	The tax shall be:
Not over $100,000	5 percent of the taxable estate.
Over $100,000 but not over $500,000	$5,000 plus 10 percent of excess over $100,000.
Over $500,000 but not over $1,000,000	$45,000, plus 15 percent of excess over $500,000.
Over $1,000,000 but not over $2,000,000	$120,000, plus 20 percent of excess over $1,000,000.
Over $2,000,000	$320,000, plus 25 percent of excess over $2,000,000.

Table 2 shows a comparison of the effective rates for estates of nonresident aliens provided by this new schedule with the effective rates under present law for nonresident aliens and U.S. citizens with and without a marital deduction. It will be noted that the effective rates resulting from the new schedule closely approximate those applicable in the case of the estate of a U.S. citizen with a marital deduction.

TABLE 2.—*Effective rates of U.S. tax on U.S. estates of nonresident aliens under present law and under the bill and on U.S. citizens under present law*

U.S. gross estate [1]	Effective rate of tax			
	Present treatment of nonresident alien	Tax treatment of nonresident alien provided by bill [2]	U.S. citizen	
			With marital deduction	Without marital deduction
$2,000				
$10,000	2.9			
$30,000	7.7			
$60,000	12.5	2.0		
$100,000	17.3	3.0		3.0
$500,000	25.8	7.4	8.0	22.1
$1,000,000	28.8	10.1	11.1	26.7
$5,000,000	43.0	17.8	16.9	42.3
$10,000,000	53.3	20.6	21.2	52.8

[1] For purposes of these computations it is assumed 10 percent of gross estate is deducted for funeral and other expenses both in the case of U.S. citizens and nonresident aliens.
[2] Takes into account the increase in the exemption from $2,000 to $30,000.

b. Limitation on credit for State death taxes (sec. 108(b) of the bill and sec. 2102 of the code)

Present law.—Under present law, the estate of a nonresident alien is allowed a credit against its U.S. estate tax for death taxes it pays to any of the States of the United States. The only death tax some of the States impose is a so-called pickup tax, that is, a tax equal to the maximum credit for State death taxes allowable against the Federal