estate tax. Other States impose a pickup tax in addition to their regular death taxes.

Reasons for provision.—The credit for State death taxes in the Federal statute is based on the taxes actually paid to any State. At the same time the so-called pickup taxes [6] are designed to impose a sufficiently heavy tax on property within their jurisdiction to absorb any Federal tax with respect to which credit may be obtained. A problem arises from the interrelationship of these Federal and State rules where property, such as stocks, has a situs in the United States but for State death tax purposes is not considered to have a situs in any particular State—since the nonresident alien has no residence in any State. In such cases the effect of a State pickup tax may be to impose a disproportionately heavy State death tax on what may be the minor portion of the nonresident alien decedent's gross estate located there, in order to absorb the full Federal credit which may be available with respect to property, such as stocks, which have a U.S. situs but no situs in any particular State. Since the credit for death taxes was intended to be available with respect to death taxes, imposed at a level up to the Federal credit level, by States on property within their jurisdiction, it seems inappropriate to allow a credit for a State death tax at a rate above the Federal rate on the property merely on the grounds that there is other property subject to the Federal tax outside the jurisdiction of the State.

Explanation of provisions.—The bill amends present law to provide that the maximum credit for State death taxes allowable against the Federal estate tax imposed on estates of nonresidents not citizens is to be an amount which bears the same ratio to the credit (computed without regard to this limitation) as the value of the property upon which the State death taxes are paid (and which is includible in the gross estate) bears to the total gross estate for Federal tax purposes.

Effective date.—This amendment applies with respect to estates of decedents dying after the date of the enactment of this bill.

c. Bond situs rule (sec. 108(c) of the bill and sec. 2104 of the code)

Present law.—Under present law, a nonresident alien is subject to the U.S. estate tax only with respect to property which is situated in the United States at the time of his death. The code provides so-called situs rules for determining under what conditions various types of property are to be considered as having a U.S. situs and therefore includible in the estate tax base of a decedent. Under these rules stock of a domestic corporation owned by a nonresident alien is considered to be property within the United States regardless of the location of the share certificates. In the case of bonds issued by U.S. corporations, no such statutory situs rule exists. Instead, for Federal estate tax purposes, the debt represented by a bond of a domestic corporation is considered to be situated at the location where the certificate is held. Other intangible debt obligations of U.S. obligors are treated as being situated within the United States.

Reasons for provision.—The difference in treatment for bonds is based upon the view that bonds constitute the debt itself and hence the debt is situated with the bonds, but with respect to other obliga-

[6] In addition to State pickup taxes, the problem here described may also arise where the State death tax with respect to the property located within its jurisdiction is heavier than the Federal estate tax with respect to such property.