

emption in view of developments in the balance-of-payments situation and other factors.

(b) *Estate tax treatment.*—Under existing law, United States bank deposits of nonresidents who are not citizens are not includible in their gross estates. Under the bill as passed by the House, these bank deposits would have been includible in these gross estates, effective with respect to decedents dying after the date of the enactment of the bill.

Under the Senate amendment, U.S. bank deposits, accounts with mutual savings banks, building and loan associations, etc., and amounts held on deposit by insurance companies were, in general, deemed to be property not within the United States (and therefore not includible in the gross estate of a nonresident not a citizen of the United States), effective with respect to decedents dying after the date of the enactment of the bill.

The effect of the action recommended in the accompanying conference report is to provide the estate tax treatment for these deposits, accounts, and amounts contained in the Senate amendment (namely, that they are not includible in the gross estate of nonresidents who are not citizens of the United States) with respect to estates of decedents dying after the date of the enactment of the bill and before January 1, 1973. In the case of estates of decedents who are nonresidents and not citizens of the United States and who die after December 31, 1972, these deposits, accounts, and amounts will be includible in gross estate for purposes of the Federal estate tax.

OTHER MODIFICATIONS

Title I of the Senate amendment, while in general retaining the substance of the bill as passed by the House with respect to matters other than the tax treatment of bank deposits, made numerous technical and other modifications in the provisions which relate to the tax treatment of foreign investors. For an explanation of the more important of these modifications, which are included in the action recommended in the accompanying conference report, see the report of the Committee on Finance of the Senate (S. Rept. No. 1707, 89th Cong., 2d sess.).

TITLE II—OTHER AMENDMENTS TO INTERNAL REVENUE CODE

APPLICATION OF INVESTMENT CREDIT TO PROPERTY USED IN POSSESSIONS OF THE UNITED STATES

Section 48(a)(2)(A) of the code provides the general rule that property used predominantly outside the United States is not to be included within the term "section 38 property" and therefore is not eligible for the investment credit. Section 48(a)(2)(B) of the code provides exceptions to this general rule.

The Senate amendment (in proposed section 201) amends section 48(a)(2)(B) to include among the exceptions from the general rule with respect to property used predominantly outside the U.S. property which is owned by a domestic corporation (other than a corporation entitled to the benefits of section 931 or 934(b)) or by a U.S. citizen (other than a citizen entitled to the benefits of sec. 931, 932, 933, or 934(c)) and which is used predominantly in a possession of the United