poration will be taxed at the lower treaty rate if one is provided. This provision does not apply in computing the special tax applicable to U.S. citizens who become expatriates with a primary purpose of avoiding tax.

Effective date.—This new provision is effective for taxable years beginning after December 31, 1966.

6. *Adjustment of tax on nationals, residents, and corporations of certain foreign countries (sec. 105(b) of the act and new sec. 896 of the code)*

Explanation of provisions.—(A) Imposition of more burdensome taxes.—To prevent a deterioration in our position in negotiating treaties as a consequence of revising these statutory provisions, the act has added a provision to the tax laws which generally grants to the President the authority to apply the income tax law without regard to the amendments which this or later acts make to the provisions relating to the taxation of foreigners (including corporations) in the case of any country which imposes more burdensome taxes on U.S. citizens and corporations than the United States does on nonresident aliens and foreign corporations.

The new section gives special authority to the President where he finds that—

(1) under the laws of any foreign country, citizens of the United States (not residents of the foreign country) or U.S. corporations are being subject to more burdensome taxes on any item of income from sources within the foreign country than those imposed by the United States on similar U.S. source income of residents or corporations of the foreign country;

(2) the foreign country has not acted upon a request to revise or reduce its taxes to eliminate this condition; and

(3) it is in the public interest to reimpose the pre-1967 income tax provisions.

Where these conditions exist, the President may proclaim that the tax on similar income derived from U.S. sources by residents or corporations of the foreign country for taxable years beginning after the proclamation is to be determined by disregarding the amendments to the income tax law, as it relates to nonresident aliens and foreign corporations, made by this act or by subsequent acts.

If, after such a proclamation, the foreign country modifies the offending provisions of its tax law so that the President finds they are no longer more burdensome, he may proclaim that the U.S. tax on similar items of income derived from U.S. sources by residents or corporations of the foreign country, for taxable years beginning after such proclamation, is to be determined by taking into account the amendments made to the income tax provisions of the code relating to nonresident aliens and foreign corporations by this and later acts. Before the President makes a proclamation under this new provision he is to give the Congress 30 days notice of his intention so to do.

(B) *Imposition of discriminatory taxes by foreign country.*—This provision granting the President the authority to take such action as is necessary to raise the effective rate of U.S. tax on income received by nationals, residents, or corporations of a discriminating country to substantially the same rates as are applied in the other country was added.