

erty situated or deemed to be situated in the United States at the time of his death. While under prior law, the tax rates were the same as for citizens and residents of the United States, the deductions, credits, and exemptions were different: No marital deduction was allowed with respect to the estate of a nonresident alien; the specific exemption in determining the taxable estate was \$2,000 instead of the \$60,000 applicable in the case of U.S. citizens; no credit was allowed for foreign death taxes paid; and deductible expenses, losses, etc., were generally limited to the same proportion of these expenses which the alien's gross estate situated within the United States was of his entire gross estate.

Explanation of provision.—The act 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 act also increases the specific exemption available with respect to estates of nonresident aliens.)

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 1 shows a comparison of the effective rates for estates of nonresident aliens provided by this new schedule with the effective rates under prior 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 1.—Effective rates of U.S. tax on U.S. estates of nonresident aliens under prior law and under the act and on U.S. citizens under existing law

U.S. gross estate ¹	Effective rate of tax			
	Prior treatment of nonresident alien	Tax treatment of nonresident alien provided by act 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.