Effective date.—These new rates are to be effective with respect to estates of decedents dying after November 13, 1966.

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

Prior law.—Under prior law, the estate of a nonresident alien was allowed a credit against its U.S. estate tax for death taxes it paid 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 estate tax. Other States impose a pickup tax in addition to their regular death taxes.

Explanation of provisions.—The act amends prior 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 November 13, 1966.

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

Prior law.—Under existing 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, under prior law, for Federal estate tax purposes, the debt represented by a bond of a domestic corporation was considered to be situated at the location where the certificate was held. Other intangible debt obligations of U.S. obligors have been treated as being situated within the United States.

Explanation of provision.—The act adds a new provision to the law providing that for purposes of the tax imposed on the estates of nonresidents not citizens, all debt obligations (including bonds) of a U.S. person, the United States, a State or political subdivision of a State, or of the District of Columbia owned and held by a nonresident not a citizen of the United States are to be deemed to be property situated within the United States. An exception to this rule is provided for debt obligations of U.S. corporations which have derived less than 20 percent of their gross income from U.S. sources for the 3 years prior to the nonresident's death. In such cases these debt obligations are to be considered as having a foreign situs. For purposes of this provision U.S. currency is not to be considered a debt obligation of the United States.

Effective date.—This amendment applies with respect to estates of decedents dying after November 13, 1966.