

d. Deposits in U.S. banks or foreign branch banks of U.S. corporations (sec. 108(d) of the act and sec. 2105 of the code)

Prior law.—Prior law provided that, for purposes of estate tax, the deposits of nonresident aliens with U.S. persons carrying on the banking business were not considered to have had a situs within the United States if the decedent was not engaged in a trade or business in the United States at the time of his death. This rule applied to deposits in foreign branch banks of U.S. corporations as well as to deposits in domestic branches.

Explanation of provision.—The act provides that after 1972 deposits of nonresident aliens and foreign corporations with U.S. persons carrying on the banking business will be considered to have a situs within the United States. The 1973 effective date conforms this estate tax provision to the effective date of the income tax provision which taxes the interest derived from these deposits beginning after 1972. Also, the new situs rule provides that for purposes of the U.S. estate tax on estates of nonresident aliens, deposits in a foreign branch bank of a U.S. corporation or partnership, if the branch is engaged in the commercial banking business, are not to be deemed to be property within the United States. Therefore these deposits will not be included in the foreigner's taxable U.S. estate.

Effective date.—This amendment is applicable to the estates of decedents dying after November 13, 1966.

e. Definition of taxable estate (sec. 108(e) of the act and sec. 2106 (a) (3) of the code)

Prior law.—Under existing estate tax law, the estate of a citizen of the United States is entitled to a \$60,000 exemption. In the case of the estate of a nonresident alien, however, prior law allowed only a \$2,000 exemption. In the case of decedents who were residents of U.S. possessions at the time of death and were citizens of the United States solely by reason of being a citizen of the possession, or by reason of birth or residence in the possession, the exemption provided by prior law was the greater of \$2,000, or the proportion of the \$60,000 exemption which the value of that part of the decedent's gross estate which was situated in the United States bore to the value of his entire gross estate.

Explanation of provision.—Under the act, the estate of a nonresident not a citizen is allowed to deduct a \$30,000 exemption in computing the taxable estate. The exemption which the estate of a resident of a U.S. possession to which the special rule applies is allowed, under the act, is to be the greater of \$30,000 or the proportion of the \$60,000 exemption allowable under existing law.

Effective date.—These amendments apply to estates of decedents dying after November 13, 1966.

f. Expatriation to avoid tax (sec. 108(f) of the act and new sec. 2107 of the code)

Prior law.—The U.S. estate tax applies to U.S. citizens and U.S. residents with respect to their estate no matter where situated. However, a foreign estate tax credit is allowable with respect to foreign death taxes paid in the case of property having a situs outside of the United States. In the case of nonresident aliens, prior law provided that the U.S. estate tax applied but only with respect to property having a U.S. situs. Under prior law, if an individual who had