

Calendar No. 2262

81ST CONGRESS }
2d Session }

SENATE

{ REPORT
{ No. 2261

EXCLUDING FROM GROSS ESTATE OF A NONRESIDENT ALIEN WORKS OF ART ON LOAN TO THE TRUSTEES OF THE NATIONAL GALLERY OF ART

AUGUST 9 (legislative day JULY 20), 1950.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. J. Res. 497]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 497) to exclude from gross estate of a nonresident alien works of art on loan to the trustees of the National Gallery of Art, having considered the same, report favorably thereon without amendment and recommend that the joint resolution do pass.

PURPOSE

The joint resolution would exempt from the Federal estate tax, and the District of Columbia estate and personal property taxes, works of art imported into the United States for exhibition purposes which are loaned for such purposes to the trustees of the National Gallery of Art by a nonresident who is not a citizen of the United States.

GENERAL STATEMENT

The National Gallery of Art has received on loan, for temporary exhibition in the United States, a number of old master paintings owned by a citizen of a foreign country. This art collection is being loaned without charge to the National Gallery of Art, but the owner has stated that he cannot allow his paintings to remain in the United States for any appreciable length of time unless the Congress enacts legislation exempting the collection from estate taxation in the event of his death while they are in the United States, as well as from such other taxes as might be applicable to the paintings. Accordingly, the trustees of the National Gallery of Art have urged that the necessary legislation be enacted in order that these paintings may be exhibited in the United States as long as possible.

The Treasury Department and the Board of Commissioners of the District of Columbia have indicated that they would have no objection to the enactment of the joint resolution, and the Bureau of the Budget has advised the National Gallery of Art that the proposed legislation would be in accordance with the program of the President.

TECHNICAL EXPLANATION

Section 1 of the joint resolution would amend section 863 of the Internal Revenue Code by adding at the end thereof a new subsection providing that works of art loaned by a nonresident alien to the trustees of the National Gallery of Art solely for exhibition purposes and devoted to such purposes shall not, for the purpose of the Federal estate tax, be deemed property within the United States. The effect of this amendment would be to exclude works of art so loaned from the net estate of the nonresident alien in the event of his death. The exemption applies not only while the works of art are on exhibition, but also while en route to or from exhibition either in the National Gallery of Art or in such other public gallery or museum as the trustees of the National Gallery of Art may designate.

Section 2 would add a new subsection to section 1, article I, title V, of the District of Columbia Revenue Act of 1937, as amended, to provide a similar exemption from the District of Columbia inheritance tax. Under this exemption, works of art owned by a nonresident of the United States who is not a citizen of the United States lent without charge to the trustees of the National Gallery of Art solely for exhibition without charge to the general public, shall not be deemed to have a taxable situs in the District of Columbia. Section 3 of the joint resolution would exempt such works of art from the District of Columbia personal property tax.

The amendments made by sections 1 and 2 are applicable in the case of decedents dying after the date of enactment of the joint resolution. The amendment made by section 3 is applicable beginning July 1, 1950.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the joint resolution are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Section 863 of the Internal Revenue Code:

SEC. 863. PROPERTY WITHOUT THE UNITED STATES

The following items shall not, for the purpose of this subchapter, be deemed property within the United States:

(a) **PROCEEDS OF LIFE INSURANCE.**—The amount receivable as insurance upon the life of a nonresident not a citizen of the United States; and

(b) **BANK DEPOSITS.**—Any moneys deposited with any person carrying on the banking business, by or for a nonresident not a citizen of the United States who was not engaged in business in the United States at the time of his death.

(c) **WORKS OF ART ON LOAN FOR EXHIBITION.**—*Works of art owned by a nonresident not a citizen of the United States imported into the United States solely for exhibition purposes, loaned to the Trustees of the National Gallery of Art for such purpose, and, at the time of the death of the owner, on exhibition, or en route to or from exhibition, either in the National Gallery of Art or in such other public gallery or museum as the Trustees of the National Gallery of Art may have designated.*

Section 1, article I, title V, of the District of Columbia Revenue Act of 1937, as amended:

TITLE V—INHERITANCE AND ESTATE TAXES

ARTICLE I—INHERITANCE TAX

SEC. 1. (a) All real property and tangible and intangible personal property, or any interest therein, having its taxable situs in the District of Columbia, transferred from any person who may die seized or possessed thereof, either by will or by law, or by right of survivorship, and all such property, or interest therein, transferred by deed, grant, bargain, gift, or sale (except in cases of a bona fide purchase for full consideration in money or money's worth), made or intended to take effect in possession or enjoyment after the death of the decedent, or made in contemplation of death, to or for the use of, in trust or otherwise (including property of which the decedent has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death (1) the possession or enjoyment of, or the right to the income from such property of (2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom), to the father, mother, husband, wife, children by blood or legally adopted children, or any other lineal descendants or lineal ancestors of the decedent, shall be subject to a tax as follows: 1 per centum of so much of said property as is in excess of \$5,000 and not in excess of \$50,000; 2 per centum of so much of said property as is in excess of \$50,000 and not in excess of \$100,000; 3 per centum of so much of said property as is in excess of \$100,000 and not in excess of \$500,000; 4 per centum of so much of said property as is in excess of \$500,000 and not in excess of \$1,000,000; 5 per centum of so much of said property as is in excess of \$1,000,000.

(b) So much of said property so transferred to each of the brothers and sisters of the whole or half blood of the decedent shall be subject to a tax as follows: 3 per centum of so much of said property as is in excess of \$2,000 and not in excess of \$25,000; 4 per centum of so much of said property as is in excess of \$25,000 and not in excess of \$50,000; 6 per centum of so much of said property as is in excess of \$50,000 and not in excess of \$100,000; 8 per centum of so much of said property as is in excess of \$100,000 and not in excess of \$500,000; 10 per centum of so much of said property as is in excess of \$500,000.

(c) So much of said property so transferred to any person other than those included in paragraphs (a) and (b) of this section and all firms, institutions, associations, and corporations shall be subject to a tax as follows: 5 per centum of so much of said property as is in excess of \$1,000 and not in excess of \$25,000; 7 per centum of so much of said property as in excess of \$25,000 and not in excess of \$50,000; 9 per centum of so much of said property as is in excess of \$50,000 and not in excess of \$100,000; 12 per centum of so much of said property as is in excess of \$100,000 and not in excess of \$500,000; 15 per centum of so much of said property as is in excess of \$500,000.

(d) Executors, administrators, trustees, and other persons making distribution shall only be discharged from liability for the amount of such tax, with the payment of which they are charged, by paying the same as hereinafter described.

(e) Property transferred exclusively for public or municipal purposes, to the United States or the District of Columbia, or exclusively for charitable, educational, or religious purposes within the District of Columbia, and property transferred to the American National Red Cross, shall be exempt from any and all taxation under the provisions of this section.

(f) Where any beneficiary has died or may hereafter die within six months after the death of the decedent and before coming into the possession and enjoyment of any property passing to him, and before selling, assigning, transferring, or in any manner contracting with respect to his interest in such property, such property shall be taxed only once, and if the tax on the property so passing to said beneficiary has not been paid, then the tax shall be assessed on the property received from such share by each beneficiary thereof, finally entitled to the possession and enjoyment thereof, as if he had been the original beneficiary, and the exemptions and rates of taxation shall be governed by the respective relationship of each of the ultimate beneficiaries to the first decedent.

(g) The provisions of article I of this title shall apply to property in the estate of every person who shall die after this title becomes effective.

(h) The transfer of any property, or interest therein, within 2 years prior to death, shall, unless shown to the contrary, be deemed to have been made in contemplation of death.

(i) All property and interest therein which shall pass from a decedent to the same beneficiary by one or more of the methods specified in this section, and all beneficial interests which shall accrue in the manner herein provided to such beneficiary on account of the death of such decedent, shall be united and treated as a single interest for the purpose of determining the tax hereunder.

(j) Whenever any person shall exercise a general power of appointment derived from any disposition of property, made either before or after the passage of this title, such appointment, when made, shall be deemed a transfer taxable, under the provisions of this title, in the same manner as though the property to which such appointment relates belonged absolutely to the donee of such power; and whenever any person possessing such power of appointment so derived shall omit or fail to exercise the same, within the time provided therefor, in whole or in part, a transfer taxable under the provisions of this title shall be deemed to take place to the extent of such omissions or failure in the same manner as though the person or persons thereby becoming entitled to the possession or enjoyment of the property to which such power related had succeeded thereto by the will of the donee of the power failing to exercise such power, taking effect at the time of such omission or failure.

(k) The doctrine of equitable conversion shall not be invoked in the assessment of taxes under this article.

(l) *Works of art owned by a nonresident of the United States who is not a citizen of the United States lent without charge to the Trustees of the National Gallery of Art solely for exhibition without charge to the general public shall not be deemed to have a taxable situs in the District of Columbia.*

Paragraph 10 of section 6 of the act of July 1, 1902 (32 Stat. 620, ch. 1352):

PAR. 10. The following personal property shall be exempt from taxation:

First. The personal property of all library, benevolent, charitable, and scientific institutions incorporated under the laws of the United States or of the District of Columbia and not conducted for private gain.

Second. Libraries, schoolbooks, wearing apparel, and all family portraits.

Third. Household and other belongings, not held for sale, to the value of \$1,000, owned by the occupant of any dwelling house or other place of abode, in which such household and other belongings may be located.

Fourth. Household and other belongings not held for sale and owned by any person in the public service temporarily residing in the District of Columbia who is a citizen of any State or Territory and who is taxed on such personal property in such State or Territory.

Fifth. *Works of art owned by a nonresident of the United States who is not a citizen of the United States lent without charge to the trustees of the National Gallery of Art solely for exhibition without charge to the general public.*

