(1) The amount of a particular foreign death tax attributable to property situated in the country imposing the tax and included in the decedent’s gross estate for Federal estate tax purposes, computed as set forth in §20.2014–2; or

(2) The amount of the Federal estate tax attributable to particular property situated in a foreign country, subjected to foreign death tax in that country, and included in the decedent’s gross estate for Federal estate tax purposes, computed as set forth in §20.2014–3.

(c) Credit allowable to estate of resident not a citizen.

(1) In the case of an estate of a decedent dying before November 14, 1966, who was a resident but not a citizen of the United States, a credit is allowed to the estate under section 2014 only if the foreign country of which the decedent was a citizen or subject, in imposing foreign death taxes, allows a similar credit to the estates of citizens of the United States who were resident in that foreign country at the time of death.

(2) In the case of an estate of a decedent dying on or after November 14, 1966, who was a resident but not a citizen of the United States, a credit is allowed to the estate under section 2014 without regard to the similar credit requirement of subparagraph (1) of this paragraph unless the decedent was a citizen or subject of a foreign country with respect to which there is in effect at the time of the decedent’s death a Presidential proclamation, as authorized by section 2014(h), reinstating the similar credit requirement. In the case of an estate of a decedent who was a resident of the United States and a citizen or subject of a foreign country with respect to which such a proclamation has been made, and who dies while the proclamation is in effect, a credit is allowed under section 2014 only if that foreign country, in imposing foreign death taxes, allows a similar credit to the estates of citizens of the United States who were resident in that foreign country at the time of death. The proclamation authorized by section 2014(h) for the reinstatement of the similar credit requirement with respect to the estates of citizens or subjects of a specific foreign country may be revoked by the President. In that case, a credit is allowed under section 2014 to the estate of a decedent who was a resident of the United States and a citizen or subject of that foreign country, without regard to the similar credit requirement if the decedent dies after the proclamation reinstating the similar credit requirement has been revoked.


§ 20.2014–2 “First limitation.”

(a) The amount of a particular foreign death tax attributable to property situated in the country imposing the tax and included in the decedent’s gross estate for Federal estate tax purposes is the “first limitation.” Thus, the credit for any foreign death tax is limited to an amount, A, which bears the same ratio to B (the amount of the foreign death tax without allowance of credit, if any, for Federal estate tax), as C (the value of the property situated in the country imposing the foreign death tax, subjected to the foreign death tax, included in the gross estate and for which a deduction is not allowed under section 2053(d)) bears to D (the value of all property subjected to
the foreign death tax). Stated algebraically, the “first limitation” (A) equals—

\[
A = \frac{\text{Value of property in foreign country subjected to foreign death tax, included in gross estate and for which a deduction is not allowed under section 2053(d)(C)}}{\text{Value of all property subjected to foreign death tax (D) \times Amount of foreign death tax (B)}}
\]

The values used in this proportion are the values determined for the purpose of the foreign death tax. The amount of the foreign death tax for which credit is allowable must be converted into United States money. The application of this paragraph may be illustrated by the following example:

**Example.** At the time of his death on June 1, 1966, the decedent, a citizen of the United States, owned stock in X Corporation (a corporation organized under the laws of Country Y) valued at $30,000. In addition, he owned bonds issued by Country Y valued at $70,000. The stock and bond certificates were in the United States. Decedent left by will $20,000 of the stock and $50,000 of the Country Y bonds to his surviving spouse. He left the rest of the stock and bonds to his son. Under the situs rules referred to in paragraph (a)(3) of § 20.2014–1 the stock is deemed situated in Country Y while the bonds are deemed to have their situs in the United States. (The bonds would be deemed to have their situs in Country Y if the decedent had died on or after November 14, 1966.) There is not death tax convention in existence between the United States and Country Y. The laws of Country Y provide for inheritance taxes computed as follows:

**Inheritance tax of surviving spouse:**
- Value of stock: $20,000
- Value of bonds: $50,000
- Total value: $70,000
- Tax (16 percent rate): $11,200

**Inheritance tax of son:**
- Value of stock: $60,000
- Value of bonds: $30,000
- Total value: $90,000
- Tax (16 percent rate): $14,400

The “first limitation” on the credit for foreign death taxes is:

\[
\frac{(20,000 + 60,000) \times 70,000 + 90,000 \times 50,000 + 90,000 \times 30,000 + 12,800}{90,000 \times 12,000 + 12,800} = \frac{12,800}{12,800} = 1
\]

**Example.** The facts are the same as those contained in the example set forth in paragraph (a) of this section, except that the tax of the surviving spouse was computed at a 10 percent rate and amounted to $7,000, and the tax of the son was computed at a 20 percent rate and amounted to $18,000. In this case, the “first limitation” on the credit for foreign death taxes is computed as follows:

**First limitation** with respect to inheritance tax of surviving spouse:
- $20,000 (factor C of the ratio stated at § 20.2014–2(a))\(\times\) $70,000 (factor D of the ratio stated at § 20.2014–2(a))\(\times\) $7,000 (factor B of the ratio stated at § 20.2014–2(a)) = $2,000.

**First limitation** with respect to inheritance tax of son:
- $60,000 (factor C of the ratio stated at § 20.2014–2(a))\(\times\) $90,000 (factor D of the ratio stated at § 20.2014–2(a))\(\times\) $18,000 (factor B of the ratio stated at § 20.2014–2(a)) = $12,000.

Total “first limitation” on the credit for foreign death taxes: $14,000.

**§ 20.2014–3 “Second limitation”**.

(a) The amount of the Federal estate tax attributable to particular property situated in a foreign country, subjected to foreign death tax in that country, and included in the decedent’s gross estate for Federal estate tax purposes is the “second limitation.” Thus, the credit is limited to an amount, E, which bears the same ratio to F (the gross Federal estate tax, reduced by any credit for State death taxes under section 2011 and by any credit for gift tax under section 2012) as G (the “adjusted value of the property situated in the foreign country, subjected to foreign death tax, and included in the gross estate”) computed as described in paragraph (b) of this section bears to H (the value of the entire gross estate,