Secretary FOWLER. But don't forget the other provisions, such as those dealing with the estate tax, with capital gains, graduated income tax rates, segregation of business income from investment income——

Mr. BYRNES. You misunderstand the purport of my question. I am not suggesting that the bill itself as a whole doesn't do anything. I am just trying to focus at the one aspect of dividends. We move to a flat 30-percent rate in the absence of treaty.

Secretary FOWLER. That is right.

Mr. BYRNES. While already the rate of tax on dividends of residents of the industrial nations by treaty for the most part is 15 percent, and it will continue to be 15 percent.

Secretary FOWLER. That is right.

Mr. BYRNES. So that I wonder whether the dividend provision will have any particular impact. I am not saying we shouldn't enact it, but I am just wondering whether that would have any particular impact as far as investments here are concerned.

Secretary FOWLER. Insofar as that phase of our taxation of foreign investment is concerned, it is primarily a maintenance of the status quo and it is certainly a debatable point as to whether changes should be effected.

The task force committee considered that at some length. There were differences of opinion. There were those that felt perhaps there should be some, let's say, waiver or diminution of taxation of dividends.

There was another opinion. Our opinion in the Treasury Department was that the retention of the status quo in this particular area, Congressman Byrnes, was an important aspect of retaining, you might say, a degree of adequate bargaining power in connection with the tax treaties.

Mr. BYRNES. You are maintaining some bargaining power because you are maintaining 15 percentage points as an area of bargaining, aren't you?

You can enter into the same kind of a treaty with some other country where you don't have a treaty today. You can offer that country a reduction to 15 percentage points from a 30-percentage-point tax.

Secretary FOWLER. That is correct.

Mr. BYRNES. But you have given up some of your bargaining power, have you not, by going down to the 30 percent as a flat unilateral action by this country?

Secretary FOWLER. I don't think very much, if any. I think we retain the essential bargaining power that we have in that area.

Mr. BYRNES. Either the 30 percent is meaningless or it is a reduction in the rate.

Secretary FOWLER. Let Mr. Surrey comment.

Mr. BYRNES. The 30 percent makes a change in the tax rate applicable where a treaty does not exist. Then they automatically get this. All you leave for treaty bargaining is whether you will go down to 15 percent.

Mr. SURREY. At present, Mr. Byrnes, the rate is 30 percent in the law, but if the individual's total income from the United States is more than $21,000, then we go to graduated rates.

Mr. BYRNES. That is right.

Mr. SURREY. What we have removed, as you said, is the graduated rate provision, leaving the rate at 30 percent for everybody regardless of the level of income.