Comparison of Treasury Recommendations of H.R. 5916 With Recommendations of Fowler Task Force

TREASURY RECOMMENDATIONS	FOWLER TASK FORCE
1. *Graduated rates.*—Eliminate the taxation at graduated rates of U.S. source income of nonresident alien individuals not doing business in the United States. Under existing law all of a nonresident alien's U.S. source income is taxed at regular rates if he derives gross income of more than $21,200 from U.S. sources. Where nonresident alien is not engaged in a trade or business in the United States, no return need be made.	1. Eliminate (with respect to income not connected with the conduct of a trade or business) the provisions for progressive taxation of U.S. source income of nonresident alien individuals in excess of $19,000 ($21,200 after 1965) and provide that no nonresident alien whose tax liability is fully satisfied by withholding shall be required to file returns. (Recommendation No. 30.)
2. *Segregation of investment and business income and related matters.*—Provide that—	2.
(*a*) nonresident alien individuals engaged in trade or business in the United States be taxed on investment (nonbusiness) income at the 30-percent statutory withholding rate, or applicable treaty rate (for purposes of determining the applicability of treaty rates, the alien will be deemed not to have a permanent establishment in this country) rather than at graduated rates;	(*a*) Provide that a nonresident alien individual engaged in trade or business within the United States be taxed at regular rates only on income connected with such trade or business. (Recommendation No. 32.)
(*b*) foreign corporations engaged in business in the United States be denied the 85-percent dividends received deduction be subject to the 30-percent rate (or lesser treaty rate assuming a nonpermanent establishment) on income from stock investments; and be exempt from tax on their capital gains from investments in U.S. stocks.	(*b*) None.
(*c*) Nonresident alien individuals and foreign corporations not be deemed engaged in trade or business in the United States because of investment activity in the United States or because they have granted a discretionary power to a U.S. banker, broker, or adviser;	(*c*) Clarify the definitions of engaging in trade or business to make it clear: (i) that a nonresident alien individual or foreign corporation investing in the United States will not be deemed engaged in trade or business because of activity in an investment account or by granting a discretionary investment power to a U.S. banker, broker, or adviser. (Recommendation No. 34(i).) A nonresident alien individual or foreign corporation will not be deemed engaged in trade or business by reason of the mere ownership of real property, by reason of a strict net lease, or by reason of an agent's activity in connection with the selection