

The CHAIRMAN. Is there objection? I wanted to ask you, if you would, Mr. Secretary, to point out to the committee wherein the bill, H.R. 5916, differs from the Fowler task force report. Which of the 39 items, for example, are not included in the bill, and which of the recommendations are modified in the bill?

Secretary FOWLER. I think, Mr. Chairman, that the most significant difference, and the only one worth consideration, is No. 29.

The CHAIRMAN. Pardon me for interrupting you, but I thought you or I in the beginning should point out that some of these recommendations, of course, of the Fowler task force report are not actually tax matters.

Secretary FOWLER. Right. The first 28 are really outside the scope of this bill.

The CHAIRMAN. Outside the jurisdiction of taxation and this committee, so my inquiry really is limited to 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, and 39 presumably.

Secretary FOWLER. Actually 29 to 34. Recommendations 35 to 39 have to do with what might be called diplomatic action—

The CHAIRMAN. Rather than tax action. All right.

Secretary FOWLER (continuing). To secure a lowering of the barriers that might exist to foreign investment in the United States by foreign governments.

The CHAIRMAN. Let's put it this way then. With respect to those recommendations of the Fowler task force report which deal with taxation, how do they differ from the provisions of H.R. 5916?

Secretary FOWLER. First, Mr. Chairman, the most significant one I think has to do with recommendation No. 29. The task force report recommended that the Congress eliminate U.S. estate tax on all intangible personal property of nonresident alien decedents.

The recommendations of H.R. 5916 would fall short of that task force recommendation. The bill before you would increase the exemption for U.S. estates of foreign decedents from \$2,000 to \$30,000 and would tax such estates on the basis of a 5-, 10-, 15-percent rate schedule.

With this significant increase in the exemption and the reduction in rates, the effective U.S. estate tax rate on foreign decedents would no longer be considerably higher than most other countries and would be more comparable to rates prevailing elsewhere.

The task force recommendation which is contained in the report on this matter, I think, is worthy of the committee's attention. In this connection, and with your permission, I would like to read briefly from the task force report:

U.S. estate taxes, especially as applied to shares of U.S. corporations owned by nonresident alien decedents (which are subject to U.S. estate taxes irrespective of whether they are held in this country or abroad), are believed to be one of the most important deterrents in our tax laws to foreign investment in the United States. U.S. estate tax rates are materially in excess of those existing in many countries of the world and, despite the treaties in effect with several countries, the taxes paid on a nonresident alien decedent's estate, some portion of which is invested in the United States, generally would be greater than those paid on a nonresident alien decedent's estate, no portion of which is invested in the United States. We understand that the revenues received by the United States as a result of estate taxes levied on intangible personal property in estates of nonresident alien decedents are not large.

Under existing U.S. tax law, a foreigner willing to go through the expense and trouble of establishing a personal holding company, incorporated abroad, and assuring himself that this personal holding company does not run afoul of the