

U.S. penalty taxes on undistributed personal holding company income, can already legally avoid estate taxes. Consequently, for such an investor U.S. estate taxes are avoidable through complicated and expensive procedures, while for other foreign investors they are likely to result in a considerable tax penalty. This is an unsound situation which directly deters foreign investment in the United States and significantly worsens the overall image of this country as a desirable place to invest.

I think, therefore, that the recommendation in H.R. 5916 and the recommendation of the task force adopt the same basic point of view and the same premise and the same governing considerations. The recommendation of the task force simply goes further and says, in effect, that the advantages we would gain from complete elimination outweigh any revenue we might obtain from a retention of the estate tax law.

I think the Treasury's position can roughly be characterized as limiting relief so that the tax on the estates of nonresident alien decedents is comparable to the tax applicable to estates of U.S. citizens. That is the basic margin of difference between the two.

The CHAIRMAN. Is it the Treasury's position that the Fowler task force recommendation for eliminating the U.S. estate taxes on all intangible personal property of nonresident alien decedents should not be enacted?

Secretary FOWLER. I am in this position, Mr. Chairman. As a member of the task force and its chairman, I go along with the task force recommendation—and now as Secretary of the Treasury, I approve of the Treasury recommendation.

Insofar as they are different, I would be inclined to say that this Secretary of the Treasury would not strongly resist any effort on the part of the Congress to go further and adopt the task force report.

The CHAIRMAN. I was not endeavoring to in any way embarrass the Secretary by that question.

Secretary FOWLER. You are not embarrassing me at all. I think I am expressing an attitude. I do think that this is something the committee ought to carefully examine and it may well wish to come out for the full elimination which the task force report recommended.

With regard to any further analysis of the reasons for the Treasury position, I would like to have Secretary Surrey comment so that the committee can be informed.

(A memorandum on this matter appears at p. 64).

The CHAIRMAN. Let me ask you briefly, if I may, Mr. Secretary, before we go to Assistant Secretary Surrey, is this now the principal difference, or are there some other differences in the recommendations of the task force report?

Secretary FOWLER. I think this is the only significant difference, and I think to the extent there are other differences the Treasury proposals have gone somewhat beyond the task force recommendations. These additional differences are of a minor nature and not of very great consequence. The proposal fully reflects and carries out the task force recommendations in all the other provisions.

The CHAIRMAN. Is there anything in H.R. 5916 that was not dealt with by the task force report?

Secretary FOWLER. Yes; there are some provisions. In a sense, as the statement indicates, we have made this the occasion not only for implementing the task force report, but for generally revising and dealing with, and in a sense rationalizing, the outworn and obsolete