

Mr. ULLMAN. Thank you very much. Insofar as the tax bill before us is concerned, as you have indicated, it goes further than your recommendations. Do you and the task force approve of the additional items that are in the tax bill beyond—

Mr. EATON. Never formally. We have not met formally on it, but I can say that both Mr. Meyer and I who were primarily responsible for the tax activity of the committee do approve of it.

Mr. ULLMAN. Thank you, Mr. Eaton. Are there questions?

Mr. BYRNES. I did want to compliment Mr. Eaton and the other members of the task force for the service they performed and the recommendations and the actions that were forthcoming as a result of it. I think they were very salutary and I do appreciate Mr. Eaton's coming to testify and to help us in this tax legislation.

As I understand it, you really only have a difference in one item, between what the task force recommended, and you still recommend, and what the Treasury proposes. That is in the area of the estate tax.

Mr. EATON. That is correct. We have two or three technical points that I have commented on. I don't want to stress their unimportance.

Mr. BYRNES. No.

Mr. EATON. Because they are important. I also should add that there are other areas of changes that might be made in the tax structure that might also be helpful in encouraging foreign investment, but I have limited myself, and I intend to, solely to those that were covered by the task force report, I don't mean by so doing to indicate that there may not be other changes that will be recommended by others that might not also be helpful in the balance-of-payments problem.

Mr. BYRNES. Are there any outstanding recommendations that the task force made with respect to changes in the tax law that are not included in the recommendations of the Treasury?

Mr. EATON. No, other than the estate tax.

Mr. BYRNES. And the other variations that you have are technical aspects that arise out of the application of the specific legislative recommendations of the Treasury as contained in the bill?

Mr. EATON. That is correct.

Mr. BYRNES. Rather than the principle involved necessarily.

Mr. EATON. That is correct.

Mr. BYRNES. Is that right?

Mr. EATON. As always happens when a very technical statute is redrafted, it raises some other problems. As an example, under this bill it would be quite possible for a foreign investment banking house to set up and trade in the United States and not pay any capital gains tax. This ought to be corrected because foreigners who do a security business here ought to be taxed. The Treasury is well aware of that and I am sure will correct it.

Mr. BYRNES. Our technicians and the Treasury technicians have been apprised of the technical points that you have found that may be defective and this should have attention.

Mr. EATON. That is correct. There are only two or three of them and I don't think they present a problem for either of us.

Mr. BYRNES. Thank you very much.

Mr. ULLMAN. Thank you for appearing here. You have been very helpful.

Mr. EATON. Thank you very much.