WRITTEN STATEMENTS RECEIVED BY THE COMMITTEE ON WAYS AND MEANS ON H.R. 5916, REMOVING TAX BARRIERS TO FOREIGN INVESTMENT IN THE UNITED STATES AND MAKING CERTAIN TECHNICAL AMENDMENTS

TRUST DIVISION,
THE AMERICAN BANKERS ASSOCIATION,
New York, N.Y., June 24, 1965.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: I am writing to you, on behalf of the Trust Division of the American Bankers Association, in connection with the provisions imposing the estate tax on nonresident aliens, proposed in H.R. 5916.

The imposition of any estate tax on estates of nonresident aliens will always be a deterrent to their investing in U.S. securities, and the difference between no tax and a small tax is not just one of degree but of principle. However, if the estate tax on such nonresident aliens cannot be eliminated entirely, then we urge that the provisions of H.R. 5916 be amended to incorporate the recommendation of the Fowler Tax Force to "Eliminate U.S. estate taxes on all intangible personal property of nonresident alien decedents."

As pointed out in the Fowler report, a foreigner with sufficient funds who is willing to go to the necessary trouble and expense can establish a personal holding company in such a way as to avoid estate taxes legally. On the other hand, foreigners with amounts to invest which do not justify a holding company are reluctant to buy U.S. securities because of the possibility of the estate tax.

It may quite properly be argued that the present bill by providing for an increased exemption and lower tax rates should encourage investments by aliens of relatively small means. However, as long as there is a tax aliens will be concerned about what the future rate of tax might be and this one fact would still be the major deterrent to their investing in this country.

The revenues received by the United States from estate taxes on intangible personal property in estates of nonresident alien decedents are said to be relatively minor. The elimination of the tax would not cost much in revenue, would encourage foreign investment in the United States, and what little revenue is lost might very well be more than made up by the increased income taxes paid by U.S. banks and brokers on their increased foreign business. The principle of jurisdiction to tax that intangibles follow the person is still a pretty sound one, and it would fully justify treating intangibles differently from tangible property situated in this country.

Respectfully yours,

REESE H. HARRIS, Jr.