taxable year is to be subjected to a tax of 30% on net capital gains derived from sources within the United States. But then lines 20 through 25, page 7 seem to state, through reference to proposed Section 871(b)(1), lines 17–25, page 4, as modified by proposed Sections 871(b)(2) and 871(b)(3), lines 1–21, page 5 that capital gains are not to be taxed. We suggest that clarification is needed.

It is assumed that the intent of the Bill is to subject nonresident aliens who are present in the United States for 183 days or more during a year to a 30-percent rate of tax. This provision places such an alien in a disadvantageous position in comparison with a domestic investor, because under the provisions of lines 1–4, page 8, the alternative tax and capital loss carryover provisions are not to be allowed. This seems contrary to the intent of the Bill.

Bill section 4:
Proposed code section:

(7)

881

Suggested Reduction in Rate of Tax on Portfolio Investments of Foreign Corporations Not Engaged in Business in the United States (*Page 21, lines 1–7*)

It is noted that the 30-percent rate of present Section 881 on portfolio investments of foreign corporations not engaged in business in the United States is not proposed to be changed. We believe some reduction should be made to further the purpose of the legislation to provide an incentive for investments in the United States.

(8)

882(c)(1)

Softening of Provision Disallowing All Deductions for Failure to File a Return (*Page 21, line 22 through page 22, line 7*)

The disallowance of all deductions for failure to file a return under proposed Section 882(c)(1), is an unusually harsh provision. Even though this provision is a part of the present law, the purposes of the Bill would seem to indicate that the provision should be softened.

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