WILLIAM R. ENGSTROM

BOSTON, MASS., *June 28, 1965.*

THE WAYS AND MEANS COMMITTEE,
The House of Representatives,
Washington, D.C.

GENTLEMEN: In regard to your forthcoming deliberations toward liberalizing tax barriers to foreign investment in the United States, may I request that these factors be also entertained:

1. U.S. foreign policy is best served by the strengthening of the economies of other countries, particularly the lesser developed ones, since with the strengthening of these economies their internal politics also strengthen. But to the extent that foreign entrepreneurs invest in the United States we debilitate the program of investment in foreign countries and thereby undermine our own foreign policy.

2. The U.S. balance-of-payments position is not really as critical as the present method of bookkeeping may indicate and if the Congress passes this legislation it will give the appearance of panic, since this is hardly as sound an approach to solving the problem as, say, would be the institution of giving tax relief on export sales as a method of encouraging greater exports.

Cordially yours,

SEDGWICK, ENGSTROM & CO., INC.
WILLIAM R. ENGSTROM.

FIRST NATIONAL CITY BANK,
New York, N.Y., June 29, 1965.

Re H.R. 5916.

LEO H. IRWIN, Esq.,
Chief Counsel, Committee on Ways and Means,
1102 Longworth House Office Building,
Washington, D.C.

DEAR SIR: Enclosed is a proposed amendment to H.R. 5916 dealing with interest payments by foreign branches of U.S. banks, together with our supporting memorandum. We urge that the Ways and Means Committee include our proposed language in the bill when it is reported to the House.

Sincerely yours,

WALTER B. WRISTON.

FOREIGN BRANCH BANK INTEREST

MEMORANDUM IN SUPPORT OF PROPOSED AMENDMENT TO INTERNAL REVENUE CODE SECTION 861(A)(1)

Summary of comments

This memorandum relates to a proposed new subparagraph (B) to be added to Internal Revenue Code, section 861(a)(1), to exclude from the definition of income from sources within the United States interest paid by foreign branches of U.S. banks. Under existing law interest on deposits with persons carrying on the banking business paid to persons not engaged in business within the United States is not