

into American bank branches. The result will be a net gain both in the Federal tax revenue and in the U.S. balance of payments.

FOREIGN BRANCH BANK INTEREST PROPOSED AMENDMENT TO H.R.
5916

Section 2. Income from sources within the United States:

(a) *Interest from U.S. sources.*—Section 861(a)(1) (relating to interest from sources within the United States) is amended to read as follows:

SEC. 861. (a) GROSS INCOME FROM SOURCES WITHIN THE UNITED STATES.—The following items of gross income shall be treated as income from sources within the United States.

(1) INTEREST.—Interest from the United States, any territory, any political subdivision of a territory, or the District of Columbia, and interest on bonds, notes or other interest-bearing obligations of residents, corporate or otherwise, not including—

(A) interest on deposits with any persons carrying on the banking business paid to persons not engaged in business within the United States;

(B) interest on deposits with foreign branches of persons carrying on the banking business. For purposes of this subparagraph, the term “foreign branch” shall mean a foreign branch established under the authority of section 9 or section 25 of the Federal Reserve Act (12 U.S.C. 321 or 601);

(C) interest received from a resident alien individual, a resident foreign corporation, or a domestic corporation, when it is shown to the satisfaction of the Secretary or his delegate that less than 20 percent of the gross income of such resident payor or domestic corporation has been derived from sources within the United States, as determined under the provisions of this part, for the 3-year period ending with the close of the taxable year of such payor preceding the payment of such interest, or for such part of such period as may be applicable;

(D) income derived by a foreign central bank of issue from bankers’ acceptances; and

(E) amounts paid to, or credited to the accounts of, depositors or holders of accounts not engaged within the United States on deposits or withdrawable accounts with savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law, if such amounts are deductible under section 591 in computing the taxable income of such institutions.