upon the Convention with the understanding that in these circumstances the real property in the United States owned by the foreign foreign corporation should not have a situs for estate tax purposes in the United States. The same principle was illustrated in the committee's report with respect to other types of property, such as ships and aircraft.

It would be regrettable to depart from the principle established by the Foreign Relations Committee by adopting section 2107(b), even for the entirely worthy cause of discouraging U.S. resident citizens from surrendering their citizenship for the sake of lower estate taxes. If, however, the rules of section 2107(b) are retained in the bill, it is suggested that conflict with the Estate Tax Convention be kept to a minimum by a clear statement that, for estate tax purposes, the corporate entity of a foreign corporation is to be disregarded only in the situation where the foreign decedent has given up his U.S. citizenship for purposes of avoiding or reducing the U.S. estate taxes.

A copy of this letter is being sent to each member of the Committee on Ways and Means.

Respectfully submitted.

FULTON C. UNDERHAY.

INVESTMENT CO. INSTITUTE,
New York, N.Y., June 23, 1965.

Re H.R. 5916, "Act to remove tax barriers to foreign investment in the United States."

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives 1102 Longworth House Office Building,
Washington, D.C.

DEAR CHAIRMAN MILLS: H.R. 5916 is largely based on the recommendations of the Presidential Task Force on Promoting Increased Foreign Investment in U.S. Corporate Securities. Having had the honor of serving as a member of that task force, I am pleased, personally and as president of the Investment Co. Institute, to express to you approval in general of the bill without reference to its technicalities.

While the bill does not go as far as the task force's recommendation that the U.S. estate tax on intangible personal property of nonresident decedents be eliminated entirely, I understand that there may be technical reasons for this. Assuming these reasons to be valid, the reduction of the maximum rate 77 to 15 percent and the replacement of the present $2,000 exemption with a $30,000 exemption represent a long step in the right direction and should be supported.

Other major provisions of the bill, such as those relating to nonbusiness income and withholding and also relating to taxation of capital gains, are substantially in accordance with the task force's recommendations.

It is gratifying that the Treasury has so promptly acted on the recommendations of the task force designed to increase foreign investment in the United States. I appreciate the opportunity to express these views to you.

Very truly yours,

DORSEY RICHARDSON, *President.*