

"They are not intended to turn the United States into a tax haven, nor to drain funds from developing countries." In so doing, the U.S. balance of payments would be bettered, and long-range benefits to U.S. corporations operating abroad would also result.

The council is of the opinion that the objectives of H.R. 5916 could be more fully attained if the bill were modified somewhat. A summary of our recommendations in this respect is contained in appendix I.

The task force report also contained certain other recommendations, addressed to the financial and business community, as to certain actions it could take to assist in achieving the objective. In this connection, the council earlier this year sent to a number of its members, with substantial operations outside the United States, a questionnaire concerning the recommendations in the report of the Fowler task force designated "Actions Involving U.S.-Based International Corporations." A summary of the responses is contained in appendix II for your information.

Sincerely yours,

JOSEPH B. BRADY,
Vice President.

APPENDIX I

SUGGESTED CHANGES TO H.R. 5916

Taxation of estates of nonresident aliens

The most desirable change in connection with the taxation of estates of nonresident aliens which could be added to the bill is that recommended in the report of the Fowler task force; namely, that the bill should "eliminate U.S. estate taxes on all intangible personal property of nonresident alien decedents." Any tax on estates of nonresident decedents, particularly those with comparatively small amounts of property in the United States, could form an obstacle to investment in U.S. securities. Even if the present provisions of the bill were enacted aliens may well be concerned that the 5-, 10-, and 15-percent rates might be increased.

If H.R. 5916 as introduced were enacted, taxes on estates of nonresident aliens could be avoided by the formation of a corporation to hold any property of such aliens. However, since the formation and maintenance of a corporation is complicated and expensive this procedure would appeal only to aliens with large amounts of property in the United States, and not to aliens with small or medium amounts of property in the United States. It is believed that the changes in the bill are intended especially to induce the latter group to invest in the United States.

Graduated taxes—Filing of return should not be required

Recommendation 30 of the Fowler report concerning the imposition of graduated tax on aliens has been implemented by the Treasury proposals and provisions of H.R. 5916. However the bill should contain an affirmative statement to the effect that where the non-business income of a nonresident alien, not engaged in trade or business, is subject to withholding, no return need be made by the alien. Possibly the bill as introduced implies that in such a situation no return need be made. However, in order to avoid any misunder-