

NEW YORK, N.Y., *June 24, 1965.*

WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Washington, D.C.:

Concur with all provisions of H.R. 5916 on removal of tax barriers to foreign investment in the United States with the exception of limited exemption in case of taxable estate we prefer recommendation No. 29 of report of Fowler task force and strongly urge complete elimination of estate taxes on all intangible personal property of nonresident alien decedents. It is our opinion that this tax is the major deterrent to foreign investors, participation in U.S. investments.

REAL ESTATE TRADE MISSION TO EUROPE,
J. D. SAWYER, *Chairman.*

SHEARMAN & STERLING,
New York, June 25, 1965.

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,
U.S. House of Representatives, Washington 25, D.C.

DEAR SIR: Pursuant to your request for statements with respect to the above legislation, I enclose a copy of a memorandum I submitted to Hon. Stanley S. Surrey, Assistant Secretary of the Treasury, under date of May 12, 1965. You will note that a change was suggested in H.R. 5916 to eliminate an inequity to one of our clients, Schlumberger, Ltd., a foreign corporation with its principal office in the United States. Schlumberger, Ltd., which has annual revenues in the magnitude of \$300 million, is listed on the New York Stock Exchange and a check for interest equalization tax purposes established that more than 65 percent of its outstanding stock is owned of record by U.S. persons.

Historically, Schlumberger, Ltd., has never derived any benefit from the provisions of the income tax treaty between the United States and the Netherlands because it is resident in the United States. H.R. 5916 would make the provisions of the treaty applicable for the first time to Schlumberger, Ltd.'s dividend income from its U.S. subsidiaries. This would have the effect of increasing the U.S. tax rate from 7.2 to 30 percent on dividends from a U.S. holding company subsidiary owning U.S. operating subsidiaries, despite the fact that such earnings had already been subjected to U.S. income tax at ordinary rates on a consolidated return. The tax could not be avoided by including Schlumberger, Ltd., in the consolidated return because it is a foreign corporation, ineligible to be a member of an affiliated group for U.S. tax purposes.

Very truly yours,

CHARLES GOODWIN, Jr.