

STATEMENT OF UNITED STATES SAVINGS & LOAN LEAGUE RE
H.R. 5916

The United States Savings & Loan League enthusiastically endorses the provisions of H.R. 5916 by Chairman Mills relating to nonresident aliens not doing business in the United States.

For many years now, interest paid on the bank deposits of this special category of persons has been treated for Federal tax purposes as income not arising from sources within the United States. The result has been that interest paid on bank deposits to such persons has been exempted under the withholding requirement applicable to other income payable to such persons. This distinction carries over into the estate tax law and relieves from estate taxes the bank deposits of nonresident aliens not doing business in the United States.

These exemptions have not been applied to savings accounts in mutual savings and loan associations. On the other hand, a technical ruling does exempt the earnings on accounts of these individuals with most stock-type savings and loan associations.

This difference in treatment has resulted in mutual institutions losing many accounts of this type. Obviously some of this money has been withdrawn from the United States.

This difference in treatment between the savings accounts in commercial banks, mutual savings banks, and stock-type associations and the treatment afforded savings accounts in mutual savings associations would be corrected by H.R. 5916. It should be pointed out that elsewhere in the Internal Revenue Code earnings on savings accounts in savings and loan associations are treated in the same manner as are earnings on the savings accounts in commercial banks and mutual savings banks. For example, dividends paid by savings and loan associations are treated as interest. Also, the tax laws have not permitted any dividend deduction or credit for those dividends paid by savings and loan associations.

The Treasury Department has recommended that this distinction be eliminated, and the United States Savings & Loan League strongly concurs. The league respectfully requests that this legislation be enacted.

UNITED STATES TRUST CO. OF NEW YORK,
New York, N.Y., June 24, 1965.

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

DEAR MR. CHAIRMAN: I am taking the liberty of writing to you to express to you and your committee the point of view of the United States Trust Co. of New York on legislation pending before you to increase foreign investment in the United States, and particularly H.R. 5916 which you introduced on March 8, 1965.

As your committee is aware from testimony by our chairman, Mr. Hoyt Ammidon, given before you on March 20, 1963 (hearings on the tax recommendations of the President, pt. 5, p. 2725), the United States Trust Co. of New York is a banking institution which