

(5) *Accumulated earnings tax*

Under section 531, a corporation becomes subject to the penalty tax for failure to distribute unreasonably accumulated surplus. In cases where domestic corporations are controlled by nonresident aliens, this provision requires the remittance of dollars to foreign countries. It would be desirable to remove this stimulus to the outflow of gold by specifying that the accumulated earnings tax shall not apply to corporations which are controlled by nonresident aliens.

ARMONK, N.Y., *June 24, 1965.*

HON. WILBUR D. MILLS,
House of Representatives, Washington, D.C.:

Having been a member of the Fowler committee I would like to urge your favorable consideration of the tax bill, H.R. 5916, relating to the committee's recommendations. Having just read the National Foreign Trade Council statement on H.R. 5916 I believe that this merits your consideration also.

Thank you.

ARTHUR K. WATSON.

WOOL ASSOCIATES OF THE NEW YORK
COTTON EXCHANGE, INC.,
New York, N.Y.

COMMITTEE ON WAYS AND MEANS,
House of Representatives,
Longworth House Office Building, Washington, D.C.

GENTLEMEN: The Wool Associates of the New York Cotton Exchange, Inc., favors the principles of H.R. 5916, the act to remove tax barriers to foreign investment in the United States. This organization, however, believes that the new tax on foreign dealers in commodities proposed in the bill will prevent the attainment of its objectives.

It is the opinion of the wool associates that the bill will—

- (1) Decrease certain foreign investments in the United States; and
- (2) Add to the gold deficit.

DECREASE CERTAIN FOREIGN INVESTMENTS IN THE UNITED STATES

The Wool Associates of the New York Cotton Exchange, Inc., provides a marketplace for trading in wool top and grease wool for future delivery. Many of the orders executed on the exchange originate in foreign lands. Should the bill be adopted in its present form, an additional tax barrier will be erected. This barrier will divert such orders to similar exchanges in foreign lands. Hence, foreign investments in wool top and grease wool futures in the United States will be drastically decreased.