

source income. Thus distributions by a foreign corporation doing business here of amounts originally received by it as dividends from U.S. corporations will not result in the imposition of any American income tax a second time if less than 80 percent of the gross business income of the corporation is from sources in the United States.

*Comments*

*Association of the Bar of the City of New York, Committee on Taxation*

A *de minimis* rule should be adopted providing that code section 861(a)(2)(B) not be applicable unless at least 25 percent of the foreign corporation's entire income constitutes "gross business income" under code section 882(a)(3).

*II. Taxation of nonresident alien individuals (sec. 3 of the bill)*

Under present law, a nonresident alien individual engaged in business in the United States is taxed on all his U.S. source income in the same manner as a resident would be taxed. The bill would amend code section 871 to tax the business income of nonresident alien individuals engaged in business in the United States separately from the nonbusiness income of these individuals. The nonbusiness income would be taxed in the same manner as such income is taxed in the case of nonresident alien individuals who are not engaged in business in the United States.

*Comments*

*S. B. Bledsoe of Salvage & Lee, representing the Board of Trade of the City of Chicago*

The board of trade is concerned with the definition of the term "engaged in business within the United States." It fears that the language will exclude foreign commodity traders from the benefits of the bill and that as a result business will be diverted to foreign commodity markets.

*G. Keith Funston (a member of the task force), representing the New York Stock Exchange*

Expand the exclusion from "engaged in trade or business within the United States" to cover foreign securities and commodities dealers trading for their own accounts, whether or not these dealers grant discretionary authority to agents in the United States.

Repeal or reduce the withholding tax on interest and dividends paid to foreigners.

*Charles R. Rudd, representing the Wool Association of the New York Cotton Exchange, Inc.*

The bill imposes an unjust tax on foreign dealers in commodities and in this respect is objectionable.

*Joseph B. Brady, representing the National Foreign Trade Council, Inc.*

Securities dealers should be encouraged to participate in the marketing of U.S. securities to foreigners by including such dealers in the securities trading exemption from the definition of "engaged in trade or business within the United States."