

The possibility of using such a holding company would be made even easier due to a provision in the bill which would exempt from the personal holding company tax a foreign corporation if all of its stock is owned by foreigners.

Sophisticated investors may take advantage of this means of escaping estate tax; others will reject the complications and additional costs. It would seem preferable to enable both types of investors to acquire U.S. securities without concern for a substantial U.S. estate tax.

*Bill section 8: Proposed code section 2105(b)*

(10) *Inclusion of bank deposits in the gross estate (p. 58, lines 16-24).*—The bill would remove the existing exemption from the gross estate for U.S. bank deposits owned by a nonresident alien decedent who was not engaged in business in the United States at the time of his death. This provision should be eliminated from the bill since, if enacted, it is likely to have an immediately adverse effect on the U.S. balance of payments.

The exclusion of bank deposits from the gross estate would also result from the adoption of the recommendation in item 9 above. In any event, as far as bank deposits are concerned, the proposed inclusion in the gross estate is clearly in the wrong direction.

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THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,  
COMMITTEE ON TAXATION,  
*New York, January 19, 1966.*

HON. WILBUR D. MILLS.

*Chairman, Ways and Means Committee of the House of Representatives, New House Office Building, Washington, D.C.*

DEAR MR. MILLS: This committee has in preparation a report concerning H.R. 11297, the Foreign Investors Tax Act of 1965, which is critical of certain provisions of the bill. We hope to file the report with your committee within the next 10 days. We would appreciate notice of any hearings to be held on the bill.

Respectfully yours,

LAURENCE F. CASEY, *Chairman.*

COMMENTS ON H.R. 11297—FOREIGN INVESTORS TAX ACT OF 1965

Set forth below are the comments of the Committee on Taxation of the Association of the Bar of the City of New York on H.R. 11297.

According to the Ways and Means Committee's summary, a principal purpose of the bill is to encourage foreign investment in the United States—thereby beneficially affecting the U.S. balance of payments—by removing tax barriers to such investment. The committee believes that certain changes made under the bill will have precisely the contrary effect. For instance, the elimination of the income and estate tax exemptions relating to U.S. bank deposits must lead to withdrawals of substantial existing deposits from, and discourage potential deposits in, this country.