

statute or in its report that subchapter K rules above outlined are in no way affected by H.R. 11297.

I shall, of course, be glad to expand on this matter or supply you with any additional information you may like to have.

Thank you in advance for your consideration of this matter.

Sincerely yours,

MICHAEL WARIS, Jr., Esq.

BANKERS' ASSOCIATION FOR FOREIGN TRADE,
Chicago, Ill., February 8, 1966.

HON. WILBUR D. MILLS,
*Chairman, House Ways and Means Committee,
House Office Building, Washington, D.C.*

DEAR MR. MILLS: The board of directors of the Bankers' Association for Foreign Trade has asked me to record with you our most serious reservations regarding certain portions of the proposed Foreign Investors Tax Act, H.R. 11297, the stated purpose of which is to encourage foreign investments in the United States.

We recognize and applaud those provisions in the bill which will encourage overseas investment in our country. However, we are particularly concerned with the effect of section 861 (effective after December 31, 1970) which would treat as taxable income interest paid by U.S. banks and their overseas branches on deposits of nonresident alien individuals or foreign corporations, and section 2105 (effective upon enactment) which would treat as part of the taxable estates of nonresident alien individuals dollar deposits with American banks and their foreign branches.

We submit that it is untimely to propose additional taxes on foreign dollar deposits when we so urgently need these funds to support loans which finance our domestic and international trade and particularly at a time when we should be encouraging overseas holders of dollars to continue to invest them here to support our balance-of-payments efforts.

The American banking system must compete with foreign banks throughout the world for U.S. dollar deposits. Increased tax burdens on such deposits will only encourage overseas holders of dollar balances to transfer them to foreign banks overseas or to convert them to other currencies to eventually become a drain on our gold reserves.

Even though the proposed tax in section 861 will not become effective until 1971, its enactment would have an unsettling interim effect on the international money markets and we see no worthy purpose to be served by passing legislation now which attempts to anticipate conditions 5 years hence.

The effectiveness of American banks to compete with foreign banks for dollar deposits can only be impaired by the imposition of new taxes now and the prospects of increased taxes in the future. The unfavorable impact on the U.S. balance of payments and the adverse effect on money markets both in the United States and abroad are not warranted by the modest revenue these taxes would produce.

We strongly urge that sections 861 and 2105 be eliminated from H.R. 11297.

Respectfully yours,

G. E. KEIDEL, *President.*