

reasons, as it might affect our company, but also because we do not believe that it will have the desired beneficial effect on the balance of payments or make investment in the United States more appealing to foreign investors.

The language of House bill H.R. 11297 is so vague that it is difficult to determine what it means and what it will accomplish. Yet, at the same time the language is so broad in application, that a reasonable interpretation of it indicates that the "effectively connected" principle could result in inequitable taxation of foreign income earned outside the United States by foreign manufacturing subsidiaries of U.S. corporations. In other words, double taxation of income could easily result from the provisions of this bill.

We respectfully request that public hearings be held so that the true significance and possible impact of the provisions of H.R. 11297 will become clear to you before you formally act on the administration's request that the bill be passed by Congress.

Sincerely yours,

R. F. SUMERWELL, *Tax Manager.*

CONTINENTAL ILLINOIS NATIONAL BANK
& TRUST CO. OF CHICAGO,
OFFICE OF CHAIRMAN OF THE BOARD,
Chicago, Ill., January 19, 1966.

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

DEAR MR. MILLS: The Foreign Investors Tax Act of 1965 (H.R. 11297) which has recently been referred to the Committee on Ways and Means contains a number of desirable provisions designed to promote foreign investment in the United States by removing tax barriers. It is regrettable that the bill also proposes changes in the present U.S. income tax treatment of deposits of nonresident aliens in U.S. banks and in their branches abroad. These deposit provisions would have a serious adverse effect on the ability of American banks to attract and maintain deposits from foreign sources and would result in a large outflow of funds from the United States. I am sure you will agree that this would not be in furtherance of our national objective to improve the U.S. balance-of-payments position, which is the primary aim of the proposed legislation.

Those sections of the new bill imposing a withholding tax on the interest earned by foreigners on deposits in U.S. banks would inevitably cause a large outflow of funds from the United States. Our experience shows that foreigners are very much aware of U.S. taxes and deposits would simply be transferred to Canadian, European, and other foreign banks in order to avoid the withholding tax. Thus, no additional tax revenue would be provided by the legislation. In fact, the proposal would probably result in a revenue loss to the Government since U.S. banks would have less available deposit funds from foreign