

COUDERT BROS.,
ATTORNEYS AND COUNSELORS AT LAW,
New York, N.Y., February 14, 1966.

MR. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.*

DEAR MR. MILLS: We have noted with interest the proposed changes to the Internal Revenue Code as set forth in H.R. 11297 (Foreign Investors Tax Act of 1965).

In view of the far-reaching changes proposed in this act, which include the introduction of certain new and undefined concepts, it is respectfully submitted that your committee schedule hearings before the act is approved and sent to the House of Representatives.

The dimension of the changes and unforeseen effects of the "effectively connected" concept are so great as to make hearings on the subject an absolute necessity. It is my understanding that the Committee on Foreign Tax Problems of the Tax Section of the American Bar Association is preparing comments on the act which are in the process of completion. I am sure that these comments as well as other public comments that can be considered at open hearings will be of great interest to your committee and, accordingly, hearings should be scheduled.

Respectfully yours,

E. A. DOMINIANNI, Esq.

DAVIS, POLK, WARDWELL, SUNDERLAND & KIENDL,
New York, N.Y., February 24, 1966.

HON. WILBUR D. MILLS,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.*

DEAR SIR: This letter comments on two aspects of H.R. 11297 now before your committee. It is respectfully submitted that those provisions of the bill dealing with gain from the sale of collapsible corporation stock, original issue discount and interest paid by foreign branches of domestic banks should be reexamined in the light of the technical and policy questions which they raise.

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Technical and Policy Problems Suggested by Proposal To Tax Gain From the Sale of Stock in Collapsible Corporations and Original Issue Discount on the Same Basis as Investment Income

There is no published explanation of the proposal to amend section 871(a) (1) to provide a new subparagraph (C) and amend section 881(a) to provide a new paragraph (3) taxing section 341 gains and section 1232 gains realized by nonresident aliens and foreign corporations as if they were investment income. The application of these provisions to the two classes of income require separate consideration, for the classes of income themselves present different problems. Presumably, both categories of income have been equated with those