

could be obtained if section 904(f) (1) (C) could be amended to read as follows:

“(C) Received from a corporation in which the taxpayer owns *or, if the taxpayer is a member of an affiliated group (as defined in section 1504(a), except that section 1504(b) (3) shall not apply) if another member of the affiliated group owns at least 10 percent of the voting stock * * **” [Italic denotes additional language to be inserted in the statute.]

In essence, it appears to me that borrowing U.S. dollars in foreign markets is occasioned solely by the desire to comply with the President's voluntary program. It appears to be highly inequitable that a substantial detriment such as loss of foreign tax credit should be a direct consequence of such compliance. Moreover, the creation of a completely unwieldy corporate structure should not be necessitated in order to avoid such loss of foreign tax credit.

I shall be pleased to furnish any additional information you may require.

JAMES W. RIDDELL.

FIRST NATIONAL CITY BANK,
New York, N.Y., December 27, 1965.

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

DEAR MR. CHAIRMAN: In late 1963, I served on a Presidential Task Force chaired by Henry Fowler, then Under Secretary of the Treasury, to examine ways and means of promoting increased foreign investment in the securities of U.S. private companies and increased foreign financing for U.S. business operating abroad. One of the areas where we made several recommendations was in the field of taxation. These recommendations for changes in taxation of foreign investors were intended to remove elements in our tax structure which complicate investment in this country without generating material tax revenues. Our proposals were conceived to simplify the tax laws and reporting requirements applicable to foreign investors; in part, to reduce taxation of foreign investors and also to make evident to the world that we welcome foreign investment. A review of the tax laws involving foreign investment in this country was high on our list of priorities for encouraging foreigners to make investments in our country.

The latest result of our efforts in this field is the present Foreign Investors Tax Act of 1965 (H.R. 11297), which is now pending with the House Ways and Means Committee. The current version of this bill proposes changes which, in my opinion, are regressive and not in harmony with our recommendations, to wit: (1) to increase estate tax rates for nonresident alien decedents over the rates originally recommended, and (2) the introduction of income and estate taxation on interest earned by foreigners on their deposits in U.S. banks. We are particularly concerned with the portion of the bill which proposes a withholding tax after December 31, 1970, on interest income from deposits of nonresident foreigners with our bank or branches of our bank in the United States or abroad. We have received a number of letters from our foreign branches overseas which point out very