strongly that should such a law be enacted, our foreign branches would suffer considerable loss of dollar and foreign currency deposits as non-resident foreigners holding these deposits would merely walk across the street and put their money with Canadian, British, or European banks not doing business here and thereby avoid the tax. Deposits of such foreigners with our head office and domestic branches would likewise be shifted to foreign banks not subject to U.S. jurisdiction. This would have a drastic effect on our balance of payments and, certainly, this was not the intention of our committee. It is also evident that there would be no gain in revenue but probably a loss of tax payable by U.S. banks on the income they would generate on such deposits if the present interest-bearing deposits seek areas outside of the United States, where such tax would not apply.

We do not see any benefit from the proposed changes in this bill, while on the other hand the undesirable effects are substantial. We are, naturally, very much concerned with the adverse effects this bill in its present form would have on our deposit base both here and abroad, but just as important is the drastic effect it would have on our balance-of-payments position should it be enacted.

Sincerely,

WALTER B. WRISTON,
Executive Vice President.

HOUSE OF REPRESENTATIVES,
Washington, D.C., January 13, 1966.

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

DEAR MR. CHAIRMAN: This letter concerns H.R. 5916 and H.R. 11297 in the Foreign Investors Tax Act.

It is my understanding that H.R. 11297 supersedes entirely H.R. 5916 on which hearings have already been held. It is also my understanding that additional public hearings have not been scheduled for H.R. 11297. This bill would have a serious impact on the economy of my district and all of south Texas because of our many ties with Mexico and other Latin American areas. It seems to me that a number of recent changes in the law have already hurt commerce and trade with Mexico, and it is my strong conviction that if this trend is not reversed, irreparable damage can result.

I would hope that any public hearings will be held on the new bill H.R. 11297, so that persons interested, including myself, would have a chance to express themselves on the contemplated changes in the tax laws with respect to foreign investment in the United States. As you know, the banking industry has already made a significant contribution on a voluntary basis in our balance-of-trade problem.

Sincerely yours,

HENRY B. GONZALEZ,
Member of Congress.