

HUBACHEK, KELLY, MILLER, RAUCH & KIRBY,
ATTORNEYS AT LAW,
Chicago, Ill., December 3, 1965.

Re Section 8 of H.R. 11297.

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

DEAR MR. MILLS: It is clear that the estate tax proposals in section 8 of H.R. 11297 would not improve our balance-of-payments deficit or defend our gold reserves. On the contrary, enactment of these proposals would have the opposite effect.

The key recommendation of the President's task force was complete elimination of U.S. estate taxes on all intangible personal property of nonresident alien decedents. The task force pointed out that the annual estate tax revenue loss would be negligible. H.R. 11297 effectively rejects this task force recommendation.

In the first place, the task force recognized that the United States could not expect to attract substantial foreign investment in securities so long as our estate tax rates are appreciably higher than those imposed by other countries. Even the 5- 10- 15-percent rate schedule proposed in H.R. 5916 would be higher than the corresponding rate schedules of Switzerland, France, Germany, and the Netherlands—the most prosperous countries in continental Europe. It is inconceivable, therefore, that citizens of those countries would be encouraged to invest here by reason of the even higher 5- to 25-percent rate proposed by H.R. 11297.

In the second place, section 8 of H.R. 11297 proposes to greatly enlarge the traditional estate tax base applicable to nonresident alien decedents. This would be extremely unwise and would go flatly contrary to the stated objectives of the bill. Requiring the inclusion of corporate bonds and bank deposits in the estate tax base will not only fail to attract foreign investment but will drive existing foreign investment away. Enormous foreign cash and bond balances have built up here under existing law. If sections 8(c) and 8(d) are enacted, these balances will be withdrawn by the simple expedients of writing a check or tax-free sales.

In the third place, the task force recommendations to the private sector of our economy have been adopted to a most encouraging degree. Enactment of section 8 of H.R. 11297 would represent a total failure by the Government to support the U.S. financial community in its renewed effort to attract foreign investment.

Mr. Mills, I urge your committee to reject section 8 of H.R. 11297 and to adopt instead the task force recommendation to eliminate the estate tax on intangible personal property. The job of reducing our balance-of-payments deficit and reversing our gold drain must be accomplished. It deserves positive and direct action by the Congress. Section 8 of H.R. 11297 obviously is not the answer.

Sincerely yours,

GEORGE W. RAUCH.