

association including 192 U.S. member companies, large and small, which together account for more than 90 percent of the country's productive capacity for chemicals.

Our association has reviewed H.R. 11297, the Foreign Investors Tax Act of 1965, introduced by you last year. We understand the purpose of this bill is to remove tax barriers to investment in the United States by foreigners and thereby contribute to an improvement in our balance of payments.

Although the predecessor bill, H.R. 5916, was the subject of public hearings before your committee in 1965, that bill did not contain the new concept which would be incorporated in section 882 of the Internal Revenue Code that foreign corporations engaged in trade or business in the United States would be taxed on all of their income which is "effectively connected" with the conduct of such trade or business. We are seriously concerned with this new concept in that it represents a very significant change from the past basis upon which foreign corporations engaged in trade or business in the United States were taxed.

We believe that it would be quite helpful to your committee and taxpayers alike if public hearings were held on this new provision in H.R. 11297, and we would like to respectfully request that this be done.

Sincerely,

G. H. DECKER, *President.*

MORGAN GUARANTY TRUST CO. OF NEW YORK,
New York, N.Y., January 31, 1966.

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

DEAR MR. MILLS: I understand that your committee is holding hearings currently concerning H.R. 11297, the so-called Foreign Investors Tax Act. There are some parts of this bill as presently written which we believe would be detrimental to the U.S. balance of payments, if passed. I enclose a memorandum which outlines the reasons we think it would have this effect.

I understand that Mr. Thornton D. Strecker, deputy comptroller of this bank, outlined verbally our thoughts to Mr. L. M. Woodworth of your staff last week, but if we can supply any further information we would be pleased to do so.

Sincerely,

THOMAS S. GATES,
Chairman of the Board.

MEMORANDUM: POSITION OF MORGAN GUARANTY TRUST CO. OF NEW YORK ON PROPOSED H.R. 11297, THE FOREIGN INVESTORS TAX ACT OF 1965

There are three proposals in the above bill which in our view will have a serious adverse effect on the U.S. balance of payments:

- (1) Proposed imposition of income tax (and withholding thereof) on interest received by nonresident aliens, foreign cor-