banks. We believe also that the proposed tax would have the effect of relegating the foreign branches of the U.S. banks to minor factors in the Euro-currency markets thereby reducing their foreign earnings which are a credit to the balance of payments and a source of U.S. income tax revenue.

The proposed estate tax mentioned under (2) above would be put into effect immediately and would, we believe, force withdrawal of a very large proportion of the foreign individual deposit accounts in U.S. banks, both those held in their domestic offices and those in their foreign branches. We know of no source which gives the amount of the deposits of foreign individuals but we think they are a sizable part of the $2 billion estimate given above as a total of deposits in the domestic offices of U.S. banks of foreign individuals, corporations, and banks (other than central banks) not doing business in the United States. They are probably a smaller percentage of the $2 billion total of such deposits held by *foreign* branches of U.S. banks. In the past these deposits of foreign individuals have been held by the U.S. banks both in the United States and abroad because of the stability of the U.S. dollar and of the banks which have their capital in this currency. This factor has been enough to overcome certain advantages offfered by foreign banks often including a higher interest rate for U.S. dollar deposits. However, we believe that an estate tax on these deposits would quickly force foreign depositors to other depositories for their funds. Estate administration in the United States is difficult and expensive for nonresident aliens. The simplicity under present law of transfer of bank deposits through the means of a joint account without the necessity of filing tax returns is important to their heirs. Inclusion of bank deposits in the taxable estate would add administrative complications as an additional deterent to alien bank deposits in the United States.

Point (3) above requires no extensive comment. A provision to include additional intangibles in the taxable estate of nonresident alien certainly has no place in a bill designed to aid the U.S. balance of payments by encouraging investment in the United States.

For the foregoing reasons it is a certainty, if this bill is passed as written, that U.S. banks will not only fail to attract further cash deposits from nonresident alien individuals and foreign corporations not doing business in the United States, but is an equal certainty that American banks will lose a substantial portion of their present deposits from these customers. Obviously loss of all or part of $4 billion deposits in U.S. banks will have a major effect on the U.S. balance of payments. Although in lesser amounts the same effect would be produced as regards to individual accounts as a result of the proposed immediate imposition of the *estate tax*, regardless of whether or not the payment of income tax on interest earned is deferred until 1971.

The bill likewise contains administrative problems for the nonresident alien, the Internal Revenue Service and withholding agents. Section 3(h) of the above bill amends section 1461 of the Internal Revenue Code by eliminating the provision in that section for the filing of withholding tax returns and the payment of tax by March 15 of each succeeding year. The presumption is that quarterly returns accompanied by the payment of tax will be required. This will represent a substantial increase in the amount of work involved in handling tax