

U.S. estate taxes on all intangible personal property of nonresident alien decedents. Those recommendations in our opinion were not only soundly conceived but realistic as well in terms of the problem to be solved. The proposal in H.R. 11297 to tax U.S. bank interest paid to nonresident aliens and foreign corporations not doing business in the United States (for the first time since the Revenue Act of 1921) is completely contrary to the recommendations of the task force and should be eliminated.

With respect to potential administrative problems created alike for the Internal Revenue Service, withholding agents and aliens by elimination of annual reporting and payment of withheld taxes, and presumably the ultimate substitution of quarterly reports, these problems probably have relatively little effect on balance of payments, and opposition to this provision is obviously secondary in importance to the other stated objections to H.R. 11297. However, the needless introduction of new administrative problems has no relationship to the stated purposes of the bill and should be eliminated.

On the other hand, treatment as foreign source income of interest paid on foreign currency deposits in foreign branches of American banks is a step in the right direction toward tax equality between foreign banks and American branch banks in competing for deposits abroad, and similar treatment for interest paid on dollar deposits would be even more beneficial to the balance of payments in retaining and attracting dollars to the American banking system.

WALTER H. PAGE,
Executive Vice President.

MOSES & SINGER,
New York, N.Y., December 23, 1965.

Re Foreign Investors Tax Act of 1965 (H.R. 11297).

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

DEAR CHAIRMAN MILLS: Reference is made to section 4 of the proposed Foreign Investors Tax Act of 1965 (H.R. 11297) in which it is proposed to amend paragraph (7) of section 542(c) of the Internal Revenue Code of 1954, relating to corporations not subject to the personal holding company tax, as follows:

"(7) A foreign corporation, if all of its stock outstanding during the last half of the taxable year is owned by nonresident alien individuals, whether directly or indirectly through foreign estates, foreign trusts, foreign partnerships, or other foreign corporations;".

It is submitted that the jurisdiction in which a corporation is incorporated should be irrelevant in an income tax system concerned with substance and not with form. On a parity of reasoning with that underlying the proposed amendment concerning the exemption from the personal holding company tax of foreign corporations with certain foreign shareholders, a similar exemption provided for *domestic* corporations with foreign shareholders and solely investment income. If this were done, foreigners wishing to invest in American stock and securities would be able to do so through the vehicle of a