

RECOMMENDATIONS

1. As to estate taxation of nonresident aliens, it is recommended that the initial suggestion of the Fowler task force with regard to the elimination of U.S. estate taxes on intangible personal property of nonresident aliens decedents be followed.

2. It is recommended that interest paid on deposits in foreign branches of U.S. banks be treated as foreign source income. This treatment is proposed in H.R. 11297 for foreign currency deposits; it should be extended to include dollar deposits.

3. As to income taxation of interest paid on bank deposits in the United States to nonresident aliens and foreign corporations not doing business in the United States, it is recommended that the treatment proposed in H.R. 11297 for the period 1966 through 1970, which in effect continues the present exemption which has existed since 1921, be continued after 1970.

4. As to the taxation of nonresident aliens and foreign corporations engaged in trade or business in the United States, it is recommended that such persons be taxed only on their U.S. source income. It is further recommended that the term "effectively connected" be defined so as to eliminate the problems discussed above.

5. Because of the importance of the above-described changes in the U.S. tax law proposed by H.R. 11297, it is urged that hearings be held by the Ways and Means Committee to consider the full implications of the proposals.

NEW YORK CHAMBER OF COMMERCE,
New York, N.Y., January 11, 1966.

*To the Members of the Committee on Finance and Currency and
Committee on Taxation, New York Chamber of Commerce, New
York, N.Y.*

GENTLEMEN: Mr. Norris Johnson, chairman of the Committee on Finance and Currency has drafted the attached memorandum on H.R. 11297, pointing out certain discriminations against American banks which are included in this bill. If enacted into law, these inequities would not only penalize American banks, but they would have the direct opposite effect for which H.R. 11297 is intended to produce—to alleviate the balance-of-payments deficit.

Mr. Johnson believes that a joint statement on H.R. 11297 by the Committee on Finance and Currency and the Committee on Taxation should be drafted to make known the chamber's views on this bill. Mr. Weston Vernon, Jr., chairman of the Committee on Taxation concurs with this suggestion.

A statement will be drafted in the near future for submission to members of both committees. In the meantime, if any committee member wishes to express any opinion on the memorandum or the bill itself, please contact me.

Sincerely yours,

FRANK A. BRADY, JR.,
Research Department.