

mining laborious other efforts to bring our international payments into balance and stop the gold drain. We need to attract foreign money, not drive it out.

NORRIS O. JOHNSON.

DECEMBER 29, 1965.

NEW YORK CLEARING HOUSE,
New York, N.Y., January 19, 1966.

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

DEAR MR. MILLS: The member banks of the New York Clearing House Association are disturbed by certain provisions of the bill now before your committee described as the "Foreign Investors Tax Act of 1965" (H.R. 11297).

I enclose a memorandum setting forth our views on this bill which I hope will be helpful to you. Copies of the memorandum are also being sent to the members of your committee and to its staff.

If the Clearing House can be of further assistance in this matter please call on us.

Sincerely yours,

GEORGE CHAMPION, *President.*

MEMORANDUM RELATING TO H.R. 11297

This memorandum is submitted by the New York Clearing House Association to emphasize the conflict between the Government's over-riding policy of encouraging foreign investments in the United States and the proposals of H.R. 11297 to end the exemption of nonresident foreign individuals and foreign corporations not engaged in business within the United States from U.S. income and estate taxes on their bank deposits.

The exemption from U.S. income tax for U.S. bank deposit interest received from nonresident foreign individuals or foreign corporations not engaged in business within the United States was first inserted into the Internal Revenue Code in 1921. The proponents of the exemption were at that time deeply concerned that U.S. banks were being prevented by reason of the U.S. tax on bank interest paid to such persons from effectively competing with foreign banks for the business of these foreign individuals and corporations. Since similar taxes were not imposed by most countries whose banks were competing with ours, Congress determined that the welfare of the United States would best be served by eliminating our income tax on this category of interest. These considerations are even more urgent today. The threat to our balance of payments if such interest becomes taxable now or in the near future points up the importance of maintaining the present exemption.

As introduced to the Ways and Means Committee of the House of Representatives, H.R. 11297 would subject interest paid to nonresident foreign individuals and foreign corporations not engaged in