

nonbanking, contained in the voluntary 1966 guidelines addressed by the Board of Governors of the Federal Reserve System to financial institutions, and with the letter of Secretary of Commerce Connor to major industrial enterprises asking that they retain the maximum possible amount of liquid funds in this country. Finally, the proposed changes would run counter to the purpose of the interest equalization tax, which is to restrain capital outflow from the United States to those very countries whose banks would probably benefit most from a transfer of bank deposits of nonresident foreigners out of the United States.

Having expressed our concern on the adverse points in H.R. 11297, we would like to express agreement with the change in source rules which would classify interest paid by foreign branches of American banks on foreign currency deposits as foreign source income. We would urge that this same treatment be granted to interest paid on dollar deposits in foreign branches of American banks.

In view of the above, we urge the elimination from H.R. 11297 of the proposed amendments to sections 861 and 2104 of the Internal Revenue Code which would subject to income and estate taxation bank deposits and interest thereon owned by nonresident foreign individuals and foreign corporations not engaged in business within the United States.

The New York Clearing House Association: The Bank of New York; the Chase Manhattan Bank (National Association); First National City Bank; Chemical Bank New York Trust Co.; Morgan Guaranty Trust Co. of New York; Manufacturers Hanover Trust Co.; Irving Trust Co.; Bankers Trust Co.; Marine Midland Grace Trust Co. of New York; United States Trust Co. of New York.

JANUARY 19, 1966.

NEW YORK COUNTY LAWYERS ASSOCIATION,
COMMITTEE ON TAXATION,
New York, N.Y., January 18, 1966.

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

DEAR MR. MILLS: This committee has made a study of the Foreign Investors Tax Act of 1965 (H.R. 11297) and wishes to file a memorandum objecting to certain provisions thereof. However, due to the extreme pressure of work over the yearend, we have been unable to complete the memorandum.

I should appreciate it if you would advise when hearings on the bill will be held and the deadline for filing objections thereto.

Very truly yours,

CARTER T. LOUTHAN, *Chairman.*