6. *Easing taxes on foreign pension trusts.*—Taxes and other restrictions imposed on foreign pension trusts and similar investors should be eased. Domestic pension funds enjoy a tax exemption on their investment income. Foreign pension funds cannot obtain this exemption without going through the difficult procedure of obtaining approval from numerous agencies of the U.S. Government. As a result, these investors are discouraged from investing here, especially if they are exempt from taxes in their country of domicile.

Pension funds in some foreign countries have grown dramatically in recent years. For example, the Joint Economic Committee study of European capital markets indicates that pension funds in Great Britain have been one of the fastest growing institutions in that country's financial structure, and had investments of $10 billion at the end of 1962.[1] Further growth is fully expected. It seems reasonable to assume, therefore, that by according foreign pension funds a tax treatment similar to that enjoyed by domestic funds, a considerable capital flow into the United States might be stimulated. Further, one can be confident that the Treasury in its regulations can provide the safeguards necessary to prevent any abuse of this legislation.

Consequently, taxes on the income of foreign pension funds and similar institutional investors should be eliminated by law; alternatively, these investors should be able to obtain tax exemption more readily. As a minimum step, the United States should work toward the mutual elimination of taxes on these types of investors.

The exchange, in endorsing the spirit of this bill, believes that adoption of these changes, amendments, and additions would greatly enhance its effectiveness and better achieve its objective of stimulating foreign investment and aiding our balance-of-payments position.

THE PROPRIETARY ASSOCIATION,
Washington, D.C., February 21, 1966.

Re H.R. 11297.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Proprietary Association respectfully recommends that public hearings be held on H.R. 11297.

Although we recognize that public hearings were held last year on H.R. 5916, the forerunner of H.R. 11297, substantive changes have been made since that time which go beyond the original proposed legislation. Because of these changes we believe that hearings on the present bill (H.R. 11297) would be in the public interest.

Respectfully submitted.

HOWARD A. PRENTICE,
Executive Vice President and Treasurer.

[1] U.S. Congress, Joint Economic Committee, "A Description and Analysis of Certain European Capital Markets," 1964, p. 238.