

and to the uncertainty of the "effectively controlled" provisions. Clarification could be most effectively accomplished by amending the proposed wording of section 882 as now continued in H.R. 11297. One way in which this might be done would be to insert a provision such as that contained in the attachment to this letter. If your committee would be uncertain as to the advisability of this change, then we would strongly request an opportunity for public hearings.

We will be happy to discuss this matter with you at your convenience, or to supply you with any additional information which you may desire.

We are enclosing sufficient copies of this letter so that you may distribute them to members of your committee should you so desire.

Very truly yours,

GEORGE F. JAMES,  
*Senior Vice President.*

PROPOSED REVISION OF SECTION 882 AS CONTAINED IN THE FOREIGN  
INVESTORS TAX ACT

Section 882 as contained in section 4(b) of the Foreign Investors Tax Act, H.R. 11297, should be modified by inserting a provision along the following lines:

"(d) CONTROLLED FOREIGN CORPORATIONS.—In the case of a controlled foreign corporation as defined in section 957(a), gross income shall include only gross income from sources within the United States. Deductions allowable under subsection (c) of this section shall be allowed only to the extent connected with income from sources within the United States."

The succeeding subsections would be renumbered (e) and (f) accordingly.

JANUARY 25, 1966.

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UPJOHN INTERNATIONAL, INC.,  
*Kalamazoo, Mich., February 11, 1966.*

WILBUR D. MILLS,  
*Chairman, House Ways and Means Committee,  
House Office Building, Washington, D.C.:*

Our company respectfully requests public hearings on H.R. 11297, designed to encourage foreign investments in the United States. Substantial changes are incorporated in historical rules for determining income of foreign corporations doing business in the United States. Hearings are specifically needed to clarify language "effectively connected."

R. M. BOUDEMAN,  
*President.*