

other purposes, which was developed by the administration on the basis of the recommendations of the so-called Fowler Task Force. The Committee on Ways and Means conducted public hearings on this legislation on June 30 and July 1, 1965, and received testimony not only from Secretary of the Treasury Fowler, but also from interested public witnesses who asked to be heard, as well as representatives of the task force which developed the original recommendations. In addition, numerous written statements were received by the committee and made a part of the published hearings on H.R. 5916. The printed hearings were made available to the general public.

It will be further recalled that in July 1965, the Committee on Ways and Means met for several days in executive session to consider the provisions of H.R. 5916 in the light of the testimony which had been received from the Treasury Department and from the interested public witnesses as well as the written statements on the bill. At the conclusion of the executive consideration of this subject, Chairman Mills, at the direction of the Committee on Ways and Means, introduced a new bill on this subject, H.R. 11297, on September 28, 1965, which succeeded H.R. 5916 and is known as the Foreign Investors Tax Act of 1965. Immediately following the introduction of H.R. 11297, a printed explanation of its provisions was made available to the public. In this printed explanation an invitation was issued to the general public to express their views on the bill, as follows: "The bill was introduced by Chairman Wilbur D. Mills at the instruction of the Committee on Ways and Means in order to make it available for the information of the general public. Comments received will be reviewed by the committee before the bill is reported to the House in the next session of the Congress." As a result of that announcement, numerous written comments were received during the fall of 1965 and in the early weeks of the current year. These comments were all consolidated and made available to the members of the Committee on Ways and Means for their consideration.

The bill which Chairman Mills plans to introduce on Monday, February 28, represents a further refinement of H.R. 11297, particularly with respect to the concept of "effectively connected" income. It is only on the further refinements of this proposed legislation that the Committee on Ways and Means will receive testimony on Monday, March 7, 1966.

Chairman Mills emphasized that the committee is interested only in receiving comments on the further refinements of this legislation and is not interested in receiving a duplication of comments which have already been presented to the committee in the public hearings on June 30 and July 1, 1965, and in the written comments which have been made available to the committee during the fall of 1965 and in the early weeks of the current year.

DIFFERENCES BETWEEN H.R. 11297 AND THE BILL TO BE INTRODUCED

The most significant respects in which the provisions of the revised bill differs from those contained in H.R. 11297 are:

The provision relating to interest paid on deposits with the foreign branch of a U.S. bank has been amended so that such interest will not be treated as income from sources within the United States regardless of whether the deposit is in dollars or in a foreign currency. In addition, all such deposits held by non-resident aliens will be exempt from estate tax. The effective date of the provision subjecting to tax interest paid to foreigners on deposits with U.S. banks has been postponed to January 1, 1972.

The section in H.R. 11297 dealing with "effectively connected" income has also been revised. While the new bill continues the segregation of U.S. investment income from U.S. business income which was provided for in H.R. 11297, it substantially limits the foreign source income which may be treated as being effectively connected to a U.S. business. Under the provisions of the new bill, foreign source income will only be treated as effectively connected with a U.S. business if the foreigner conducts such business through an office or other fixed place of business within the United States to which such income is attributable and such income is of certain specified types. These types of income are (1) royalties for the use of intangible property, which are derived in the active conduct of a licensing business, (2) dividend, interest, and gains from the sale of stock, securities or notes derived in the conduct of a banking,