

Mr. SEGHERS. I feel that I have fully covered that in my previous answer. I didn't know that you were going to ask that question, but I do believe I fully covered this.

Mr. WATTS. That is all I have, Mr. Chairman.

The CHAIRMAN. Any further questions of Mr. Seghers?

If not, Mr. Seghers, we thank you, sir, for coming to the committee this morning with your views.

Mr. SEGHERS. I thank you very sincerely for the opportunity and I think you have done a magnificent job with this H.R. 13103. I still don't like the concept in it, but it certainly has eliminated most of the evils of the earlier one.

The CHAIRMAN. Thank you, sir.

Mr. SEGHERS. Thank you.

The CHAIRMAN. That completes the hearing this morning and without objection the committee will adjourn.

(Whereupon, at 10:27 a.m. the committee adjourned.)

MATERIAL RECEIVED FOR THE RECORD

(The material which follows includes statements which were submitted for the record in lieu of a personal appearance.)

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS,
New York, N.Y., March 7, 1966.

HON. WILBUR D. MILLS,
Chairman, House Ways and Means Committee, Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN MILLS: On February 24 you issued a release affording interested persons the opportunity to submit comments on the new features of H.R. 13103 prior to the close of business Monday, March 7.

Enclosed for your committee's consideration are the comments developed on H.R. 13103 by the subcommittee on taxation of foreign source income of the institute's committee on Federal taxation. Because of the pressure of time this document has not been considered by the entire committee on Federal taxation, as is our usual practice.

We appreciate this opportunity to present our views.

Very truly yours,

DONALD T. BURNS,
General Chairman, Committee on Federal Taxation.

COMMENTS AND RECOMMENDATIONS REGARDING H.R. 13103

On January 12, 1966, the institute's committee on Federal taxation submitted a statement of comments and recommendations regarding H.R. 11297, the predecessor of subject bill. That statement recommended certain changes in H.R. 11297 which are not reflected in H.R. 13103. We believe that our earlier recommendations are still valid, particularly as they relate to (1) the taxation of foreign source income under the "effectively connected" concept; and (2) the income and estate taxation of deposits in U.S. banks.

We are mindful and appreciative of the fact that H.R. 13103 contains significant modifications of H.R. 11297 in both of these areas. However, the proposed new code section 864(c) (4) (C) (ii) illustrates the complexity inherent in any departure from the traditional source of income rules. This subsection provides that no income, gain, or loss from sources without the United States shall be treated as effectively connected with the conduct of a trade or business within the United States if it "is subpart F income within the meaning of section 952 (a)." We can think of three examples of apparent ambiguities or inconsistencies in this statutory language:

EXAMPLE 1

Section 954(b) (4) of the code provides that foreign base company income (and hence supt. F income) "does not include any item of income * * * if it is