

FOR IMMEDIATE RELEASE  
MARCH 17, 1966

COMMITTEE ON WAYS AND MEANS  
U. S. HOUSE OF REPRESENTATIVES  
1102 LONGWORTH HOUSE OFFICE BLDG.

Chairman Wilbur D. Mills (D., Ark.), Committee on Ways and Means, today announced that the Committee has ordered favorably reported to the House, with amendments, H. R. 13103, the "Foreign Investors Tax Act of 1966".

A brief summary of the amendments in the bill as it will be reported is set forth below:

1. Foreign Life Insurance Companies.--The definition of income effectively connected with the life insurance business of a foreign life insurance company was extended to include income from sources without the United States which is attributable to its U. S. business. This, in effect, continues the treatment which applies under the present regulations.

2. Effective Date of Foreign Source Sales Income.--Sales income from sources without the United States pursuant to binding contracts entered into on or before February 24, 1966, are not to be subject to the "effectively connected" rules to the extent of the negotiations occurring under such a contract before this date.

3. Foreign Tax Credit Limitation for Interest Income.--The provisions of the Code (sec. 904(f)), which require the use of the "per country" limitation, separately, in certain cases involving interest income, were modified. An exception in present law is provided for interest income received from a corporation in which the taxpayer owns at least 10 percent of the voting stock. This was extended by the Committee's action to interest received from a foreign corporation of the same affiliated group provided the taxpayer was formed and availed of for purposes of (1) borrowing abroad in the public market; and (2) using these funds to finance the foreign operation of related corporations.

4. Foreign Community Property Income of U. S. Citizen.--Under present law, U. S. citizens who reside abroad in a foreign country which has community property laws have been held to be subject to U. S. tax on one-half of the marital community income. As a result, where a U. S. citizen is a spouse of a foreigner and resides in a community property country, half of the income earned by the foreigner or derived from property of the foreigner is considered to be income of the U. S. spouse and subject to U. S. tax. The Committee amendment, in effect, permits taxpayers in such cases to elect out of the operation of the community property laws of foreign countries.

Legislative language implementing these amendments will not be available until the bill has been reported to the House. The Committee report will be filed in due course.

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