

States. At the request of the administration, Chairman Mills introduced a bill on that date, H. R. 5916, designed to carry out the recommendations of the Treasury Department. As stated by the Treasury Department, the proposed legislation was a part of the President's program to improve the U.S. balance of payments. The changes included in the proposed legislation were designed to stimulate foreign investment in the United States by modifying existing tax rules which are not consistent with sound tax policy and act as barriers to such investment.

On June 30 and July 1, 1965, your committee held public hearings on H.R. 5916. Following these hearings, the committee considered the bill at length in executive sessions. On the basis of these considerations a new version of the bill, H.R. 11297, was introduced by Chairman Mills on September 28, 1965, at the instruction of your committee in order to make it available for the information of the general public. Comments were requested on this revised version of the bill for the committee's consideration of the bill in 1966.

The committee, in its executive sessions in 1965, modified considerably the objectives of the earlier bill. The bill as modified by your committee sought, as its primary objective, the equitable tax treatment by the United States of nonresident aliens and foreign corporations. While, as stated above, the initial bill proposed by the Treasury Department was designed primarily to stimulate investments by foreigners in the United States, your committee considered more generally the tax provisions of present law affecting nonresident aliens and foreign corporations.

Your committee concluded in the course of its analysis that considerable revision and modification of the tax treatment accorded these persons were justified. Although the tax laws have been substantially revised on several occasions in recent years, the tax treatment of nonresident aliens and foreign corporations has not been appreciably changed in over 25 years.

Some of the revisions made in H.R. 11297 were a matter of concern to taxpayers as indicated by the comments received by the committee following the end of the first session of this Congress. As a result, your committee reconsidered the bill in executive session, analyzing these various comments and, on this basis, on February 28, 1966, Chairman Mills introduced a further revised bill, H.R. 13103. Public hearings were held on this bill on March 7, 1966. Following these hearings, the bill was again considered in executive session and it is favorably reported with amendments.

The foreign investors tax bill, as reported here, contains a broad revision of the present method of taxing income derived from the United States by foreign individuals and corporations. The legislation is designed to increase the equity of the tax treatment accorded foreign investment in the United States.

III. REVENUE ESTIMATES

It is expected that the bill, as presented here, will result in a revenue gain at current income and investment levels of slightly over \$1 million a year. In addition, the provision in the bill calling for quarterly payments of withheld taxes, instead of annual payments, is expected