

1971 interest on this account would not be taxed by the United States. Moreover, interest on deposits in U.S. branches in foreign countries by foreigners will not be taxed under the bill at any time. I should also say that there are no special rules in this bill applicable exclusively to Mexico. Mexico is treated the same as any other foreign country.

Mr. DE LA GARZA. I understand what the bill does, and I am glad it does not tax interest on deposits of Mexican residents in U.S. banks until after 1971. I wish it did not do so after that time. Mexico is a matter of interest to me, since it is close to me.

Mr. MILLS. I understand.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 minutes.

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Chairman, the bill before us deals primarily with the taxation of the income derived from U.S. sources by nonresident aliens, both individuals and foreign corporations. The bill is largely technical in nature. Many of these matters are covered by tax treaty. However, the bill will provide rules to apply in the absence of treaty, and in areas which may not be covered with the foreign country if we have such a treaty.

According to the estimates submitted by the Treasury Department and incorporated in the committee report, you will note that the bill shows a net revenue gain when fully effective of about \$1 million.

In order to encourage investment in the United States, the bill seeks to eliminate progressive taxation of nonresident aliens not engaged in a trade or business in the United States and to place a ceiling on the estate tax rates applicable to the investments producing such an income. Added together, these provisions result in a revenue loss of about \$3,800,000.

This is largely offset by a provision modifying the rules for taxing the income of foreign life insurance companies doing business in the United States—mainly Canadian—which results in a revenue gain of about \$3 million. This change cures an admitted deficiency in existing law in the taxation of foreign life insurance companies.

The bill further provides for the payment on a quarterly basis, or more frequently if the Treasury should elect, of taxes withheld from foreigners. Under present law, such taxes are paid to the Treasury only once each year. As you know, the Treasury has taken steps to have taxes withheld on American citizens paid over to the Treasury twice a month. I see no reason why taxes withheld on nonresident aliens and foreign

corporations should not be turned over to the Treasury more often than once each year. If the Treasury collects these taxes quarterly, the provision will raise about \$22,500,000 on a "one-shot" basis. In turn, the savings in interest on this amount is estimated at about \$1,600,000 annually thereafter.

Under existing law, interest derived by a nonresident alien on bank deposits in the United States is exempt from tax. However, interest on savings and loan deposits or on funds deposited with an insurance company are taxable. Under the bill interest from all three sources is treated in the same manner. Up to December 31, 1971, all such interest would be exempt from tax. After December 31, 1971, all such interest would be taxable in the same manner as any other income derived by nonresident aliens from U.S. sources. When this provision goes into effect, it is estimated that an additional \$300,000 in revenue will be realized.

Admittedly, in terms of revenue loss or revenue gain, the bill has only minor significance. The bill is not designed, and is not intended either to grant any tax concession or incentives for investments in the United States or to raise revenues by imposing additional taxes on the income derived from foreign investments in the United States.

After very careful study and review, and extensive hearings, the committee put together this bill primarily to do "equity" to foreign investors. You will note that the bill incorporates some 22 new tax rules dealing with investments from abroad. When taken together, it is hoped that the bill will provide a better climate—and more certainty and clarification—for those from abroad who are presently investing their funds in the United States, as well as new investors from abroad. As far as I know, everyone conversant with this field agrees that the bill is fair and equitable and deserves support.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, I only take this time to play a pleasant role, because I so often find myself playing an unpleasant role. I wish to say that not only am I in accord with the bill that has been presented here in detail, and it is a very technical bill, the result of considerable work, but also to point out that the procedures followed by the committee, in considering and drafting this bill in my judgment, were exemplary. There were extensive public hearings. To those who are interested in the Congress exercising initiative, I would underline the remarks of the chairman of the committee that when this bill was presented to us it was on a policy of stimulating investments by foreigners in the United States. This