

We have tried to do what we could to impress this upon the Congress. Obviously it was futile to ask this committee to hear it until the House finally acted. The House finally acted in June, and we have been urging that it be scheduled as soon as possible for hearings before this committee.

Senator WILLIAMS. I will withhold further questions at this moment.

Senator ANDERSON. May I comment here for just a second once again. One of these documents I received is from Brown Bros. & Harriman, sent to me by a former very fine member of the Senate, Prescott Bush, and I want to read just one part of it:

We, therefore, urge that H.R. 13103 be amended by dropping the provisions of the tax on bank deposits; namely, that interest on such deposits will continue to remain exempt from Federal income tax and withholding and that such deposits continue to remain exempt from Federal and estate taxation.

That is the big item they have that is going to be the big fight before the committee before they report a bill out.

Can you tell me what your attitude would be on this if the bill was reported out without that provision, would you be for it?

Secretary FOWLER. Yes.

Answering Senator Talmadge's comments on it, I made note of the fact that this was a decision of the House Ways and Means Committee and that from the standpoint of tax equity the conclusion appears to be a correct one. But the decision also has very serious current balance-of-payments implications, according to the banking community who deal in this particular area. I would hope, without taking a position one way or another—because I am not in a position to make a judgment about this matter—that this committee would pay very careful attention to representations such as the one you referred to, and to the testimony which, I think, will be forthcoming from representatives of the banking community as to the impact of this deferred intention to remove the exemption which becomes effective in 1972.

Senator ANDERSON. I understand that you do not violently object.

Secretary FOWLER. No, sir; I do not either object—

Senator ANDERSON. If it should develop, Mr. Secretary, that we got stuck on these, you would not object in regard to the rest of this bill?

Secretary FOWLER. No, sir.

Senator CARLSON. Mr. Secretary, in your statement you mentioned that the Internal Revenue Code now provides for a general exemption in capital gains tax for nonresident foreigners doing business in the United States with two exceptions. These two exceptions you mentioned are, first, the foreigners' gains are subject to the capital gains tax if he is physically present in the United States when the gain is realized and, second, all gains during the year are taxable if he has spent 90 days or more in the United States during that year. This raises a question in my mind.

You mentioned in your statement, too, that many invest in mutual funds, they pay capital gains. How does that fit in under this bill? Would they be subject to tax under mutual funds, investments in mutual funds?

Secretary FOWLER. A foreigner investing in a mutual fund?

Senator CARLSON. Mutual fund. Presently they are not.

Mr. SURREY. Under this bill, if he is not present in the United States for 183 days during a taxable year he would not be subject to tax.