ports. We have taken the one dealing with this particular area very much into account.

Senator CARLSON. Under existing law, then, you are authorized and permited to deal administratively with this particular section of the law?

Secretary FOWLER. That is right—to allocate income and deductions between the domestic seller and his foreign affiliate.

Senator CARLSON. Then I get back just to one other question and that deals with treaties. Now, when we begin to negotiate treaties between countries, as we are doing and have done, does this section have any effect in this way, in a way that we will either take care of it in a treaty——

Secretary FOWLER. Not until fairly recently. Lately, however, it is my understanding that provisions have been included in our income tax conventions which in essence provides that the treaty countries will get together in an effort to prevent them from both taxing the same income if there is a section 482 type adjustment made which affects related companies.

Senator CARLSON. That is all, Mr. Chairman.

Senator ANDERSON. Senator Talmadge.

Senator TALMADGE. Mr. Secretary, do you know how much money foreigners have on deposit in banks, savings and loan associations, and insurance companies in the United States?

Secretary FOWLER. We have the figure on time deposits, Senator Talmadge, and that is two and a half billion dollars.

Senator TALMADGE. Do you have figures for other type deposits? One of my correspondents said the sum total of the three was $13 billion.

Secretary FOWLER. I think that includes all short-term banking liabilities to private foreigners, of which bank time deposits are only a part.

Within that larger total the private time deposits are two and a half billion dollars.

Senator TALMADGE. Let us look further into this problem and see how it might affect our balance of payments.

Assume that a citizen of South America has had deposits, for example in the Chase National Bank in certificates of deposit in the amount of $1 million. The interest rate now on this type deposit I think, is 5½ percent.

Secretary FOWLER. Yes, sir.

Senator TALMADGE. The interest on the $1 million over a period of 1 year would be $55,000, would it not?

Secretary FOWLER. That is right.

Senator TALMADGE. Now, if this bill passes in its present form it would be subject in 1971 to a 30-percent flat tax rate, would it not?

Secretary FOWLER. In 1972, it would be subject to a 30-percent U.S. tax rate. That is correct, sir.

Senator TALMADGE. That would be $16,500 he would pay on his certificate of deposit.

Assuming a citizen did not want to pay that tax, what would prevent him from withdrawing his money in the New York bank and transferring it to the same bank in Paris, France?

Secretary FOWLER. Nothing whatsoever.