

lative history of the House bill an attempt has been made, in discussing this particular provision, to deal with many of the fears that might otherwise arise. Whether that has been effectively and adequately done in the legislative history, I do not know. I would defer to Mr. Surrey about that. But I would also think that in that connection the Senate report might well direct itself to an interpretation or a meaning of this phrase that would allay some of the concern that ought really not be there.

Mr. SURREY. Yes.

I think the Secretary's statement indicates the situation. In the case you gave where the foreign investor is doing business in the United States and is also investing in the United States, we were trying to achieve a device which would not subject his investment income to the higher rates of business tax except in those cases where that investment income was, as the bill says, tied in or effectively connected with his business.

It is a phrase which we are now using in our treaties with the Western European countries in conformity with the model draft which the OECD has written. We are extending it in this bill to all of the countries without waiting for treaties on this particular point.

Now, it is a new phrase in our tax language, and, consequently, there will be doubts at the borderline until some more experience is gained.

If we could look at the particular problems that have been addressed to you, Senator, we could see whether there could be language put in the Senate committee report to further clarify this phrase. We would be glad to help in that regard, although we had thought that the House report had removed most of the difficulties. As I say, it is a rule which is now evolving in our treaties, as well as in European treaties, when those countries are dealing with each other.

Senator DIRKSEN. Would it be advisable to expand the definition in the statute itself so that they would be fully on notice without having to depend on any Treasury regulations?

Mr. SURREY. If the language could be found, Senator. It is like the situation today where, for example, we use the phrase "engaged in trade or business in the United States." It is rather hard to expand upon language of that nature. It takes time to gain experience with the borderline cases. The phrase "effectively connected" is defined to some extent in the statute on page 13, so that there are some guides there.

We would not be adverse to improving the language in the bill or to adding language in the committee report if it would give people more guidance.

Senator DIRKSEN. That is all.

Senator ANDERSON. Senator Curtis.

Senator CURTIS. Mr. Secretary, is the provision inserted by the House with respect to bank deposits the only portion of H.R. 13103 which increases the tax burden?

Secretary FOWLER. No. There are some other provisions, Senator Curtis. For example, one has to do with insurance. I think foreign insurance companies have enjoyed a considerable competitive advantage over U.S. insurance companies under present law and the bill attempts to equalize the competitive position of foreign insurance companies, primarily Canadian companies, with U.S. insurance companies. That results in some increased revenue.