

Senator CURTIS. Are there any others of significance?

Mr. SURREY. There is one other situation where a foreign corporation is engaged in business activities in the United States but because of our technical source rules the income is technically not within the present taxing jurisdiction of the United States. In three or four limited cases the United States under this bill will assert tax in these situations. It is impossible to estimate the revenue gain from that, but there will be some revenue gain.

Senator CURTIS. What will be the revenue gain from the House provisions in reference to bank deposits?

Secretary FOWLER. \$300,000 is the only estimate currently. That has to do with the estate tax that now excludes bank deposits, but would, after the law is passed, include bank deposits. That is not an estimate of what would be the effect of the law in 1972 when the interest on bank deposits would become taxable.

On page 7 of the House report the elements of gain are calculated: \$300,000 from the estate tax on excluded bank deposits; \$3 million from taxation of foreign life insurance company income from non-trustee investments in the United States; and \$1,593,000 from savings on interest costs to the U.S. Government resulting from the quarterly payment of withheld taxes. That last provision changes the rules on when taxes withheld from foreign persons are to be returned to the Treasury by the person collecting the tax. It accelerates that process.

Senator CURTIS. Is that a one-time gain or reoccurring?

Secretary FOWLER. Sir?

Senator CURTIS. Is that a one-time gain?

Secretary FOWLER. The interest costs each year are an annual gain. The one-shot benefit is about \$22 million.

Senator CURTIS. So the gain on the table on page 7 of \$4,893,000, is the continuing gain.

Secretary FOWLER. That is the continuing gain.

Senator CURTIS. I guess that is all, Mr. Chairman.

Senator WILLIAMS. I had one question. I passed before because the staff was working up a hypothetical case. But the question deals with this point, that under existing law a foreigner who has investments in this country is taxed pretty much at American individual tax rates, is he not?

Secretary FOWLER. Yes; I think that is a fair statement, subject to treaty arrangements.

Senator WILLIAMS. That is right.

A question has been raised as to whether or not, if this bill is passed in the form in which it is presented, we would be inviting the extremely wealthy individual in this country who wished to escape some of his income taxes and inheritance taxes to give up his American citizenship, go down to Nassau, spend 6 months of the year there, and return to the United States. Suppose such an individual had \$100 million in investments in this country—and some of them do—with an annual income of \$5 million from those investments. Instead of paying income tax at American rates, after he had lived abroad 5 years, he would be able to pay income tax at the lower rate under this bill. If he lived abroad for 10 years, his estate tax would be about one-tenth of what it is under existing law. I have asked the staff to provide a hypothetical case and to determine just how much difference it would mean on the annual tax rate, and on the estate tax for some individual.