CONTENTS

	Page
INTRODUCTION	1
EFFECTIVELY CONNECTED CONCEPT	2
Foreign Source Income	2
"Tax Haven" Purpose	2
Purpose of Taxing "Income Generated from U.S. Business Activities"	4
Conflict with U.S. Tax Treaties	6
Effect on Controlled Foreign Corporations	7
Income of Banking and Similar Corporations	7
Sales to Foreign Customers	8
U.S. Export Sales	10
Sales to U.S. Customers	10
Equitable Considerations	12
Objective of Ways and Means Committee	12
U.S. Tax Treaty Commitments	13
Foreign Sales With No Foreign Office	13
Credit for Foreign Income Taxes	14
Rental and Royalty Income	16
Section 245	17
BALANCE OF PAYMENTS CONSIDERATIONS	19
U.S. Estate Tax	19
Interest on U.S. Bank Deposits	19
Short-Term Promissory Notes	21
Section 904 (f)	22
Interest Received in Connection with Certain Dispositions	26
APPENDIX A	27