

special attack under subpart F of the 1962 revenue act and this bill would impose additional burdens, difficulties and harassment on foreign corporations making such sales abroad.

H.R. 13103 would tax corporations on income earned abroad, on income heretofore believed beyond the taxing power of the United States not even attempted in the 1962 Revenue Act. Yet the Ways and Means Committee report on H.R. 13103, at page 7, shows that these burdensome provisions would produce no tax revenue for the United States. Then why do we protest against them? Because even if they did not extract one penny of taxes these provisions would place heavy burdens of accounting, reporting, and vouchering upon all foreign corporations with any employees or agents in this country.

How complicated and how burdensome these requirements would be are set forth in many pages of the bar association report to which reference has been made.

This bill would not conform to foreign tax systems but would add to the present maze of U.S. tax rules other foreign rules and radical new theories.

Business does not want to be forced to depend on legislative history to explain theories too difficult to explain in the statute. It is not necessary to say "effectively connected" to make clear our objection.

To sum up: It is our hope that your committee will make a thorough study of the provisions of this bill which go beyond its stated purpose. We ask that you give careful consideration to the many excellent statements filed with you regarding the defects and harmful features of this bill as it affects U.S. exports.

The provisions of H.R. 13103 which are aimed at U.S.-owned foreign corporations selling U.S. products abroad would further discriminate against export of U.S. products. It is vastly complicated; unworkable tests applicable to income of foreign corporations from their sales abroad of U.S. products would result in confusion and endless dispute, and to what end? We again emphasize that the Ways and Means Committee report shows no tax revenue from these objectionable provisions.

If it is clear that it will have a harmful effect on our economy and will produce no revenue, why should they be enacted? The Foreign Investors Tax Act of 1966 could accomplish its stated purpose without these provisions as was done in the original bill H.R. 5918. If your committee weighs the facts and arguments against the radical new theories which these provisions would implant in our tax law, we believe you will conclude that they are not desirable and should not be enacted.

U.S. tax incentives for exports are needed, not U.S. tax penalties on U.S. exports.

Thank you.

(Mr. Seghers' prepared statement follows:)

STATEMENT OF PAUL D. SEGHERS, PRESIDENT, INSTITUTE ON U.S. TAXATION OF FOREIGN INCOME, INC.

#### SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. This institute heartily agrees with the oft-stated purpose of this Bill—to afford tax incentives for investment in the United States by foreigners.

2. Our objection is to the provisions in this Bill which would impose further U.S. tax burdens on U.S. foreign trade, especially U.S. manufacturers exporting their products for sale through foreign subsidiaries.