

Dirksen has proposed an amendment to this bill which would effectively amend the Interest Equalization Tax Act. This would enable the foreign branches of American banks to make dollar loans without regard to the interest equalization tax. Today, whether we make—an American bank—makes a dollar loan from the United States or from its foreign branch, it is subject to the interest equalization tax in the same way. But American banks have a considerable amount of dollars deposited in their branches abroad which are foreign source dollars. We feel that it would be of benefit to the balance of payments if we were allowed, in foreign branches of American banks, to make dollar loans of a year or more where the interest equalization tax would not affect it, so that we would be in full competitive stance with our foreign bank competitors. We feel that this would also help the balance of payments because we have a very heavy demand from the foreign subsidiaries of American companies for 2-, 3-, or 4-year term loans abroad which we cannot now make without being subject to the additional tax penalty of the IET. We feel this is a step which would help the balance of payments today, and enable the American-owned subsidiaries abroad to further develop without any drain on our balance of payments, and in fact, by that development, send further earnings back here.

This is detailed in our statement here. We have a lot of figures.

I might mention one other point. Senator Talmadge particularly asked Secretary Fowler, or perhaps you did also, sir, as to what countries the theoretical depositor from Latin American countries might move his deposit to avoid estate and income tax. There are many in this world.

Perhaps we should really concentrate on the developed countries because I do not believe that the depositor would put his money in a very small country which had no stability. But effectively we believe that the taxes are such in the United Kingdom, in Belgium, in France, and in Germany that he would not be subject to income tax or estate tax if he held his deposit in dollars in those countries which certainly opens a big field for him.

Senator ANDERSON. Yes, I know.

Mr. PAGE. I believe that is all I need to say.

(Mr. Page's prepared statement follows:)

SUMMARY STATEMENT OF WALTER H. PAGE, FOR THE NEW YORK CLEARING HOUSE ASSOCIATION ON H.R. 13103

1. *Bank Deposits.*—Two provisions of H.R. 13103 relating to bank deposits are not believed to be in the best interests of the United States. One would subject bank deposits held here by non-resident alien individuals to United States estate taxes, effective upon enactment. The other would subject interest earned on bank deposits held here by non-resident aliens to income tax withholding, effective in 1972. These provisions seem irreconcilable with present day international financial policies, would, it is believed, have a detrimental effect on the United States Balance of Payments and are not likely to produce significant revenue or achieve meaningful tax equity.

2. *Foreign Branch Loans.*—The New York Clearing House Association supports the Dirksen Amendment, amendment No. 717 to H.R. 13103, which would allow the President to exempt dollar loans made by foreign branches of United States banks from the interest equalization tax. The amendment would support the Administration's balance of payments program that encourages the financing of foreign subsidiaries of U.S. corporations out of funds located abroad.