

time between the announcement of hearings on the subject and the time when the House had an executive session on it.

Thank you very much. I will see that your statement and your arguments are further considered by the committee.

Mr. RAY. Senator Long, may I add one further item.

I understand that the Treasury is proposing an amendment which would exempt discount on bankers' acceptances of a maturity of 6 months or less from the imposition of withholding or income taxes. We are very pleased that they have introduced this suggestion. We believe it recognizes the importance of bankers' acceptances which are a very old but not very well understood means of supplying funds to the banking system for the financing for foreign trade.

Currently I believe there are outstanding \$832 million of banker's acceptances which were created to finance exports.

The CHAIRMAN. Yes. I understand that the Treasury proposes that we have clarifying language in our committee report.

Well, thank you very much, sir. We will see that your arguments here are considered. I think you made a very fine argument.

Mr. RAY. Thank you, Senator.

The CHAIRMAN. We have a statement of Mr. L. D. Brace, chairman of the First National Bank of Boston, who decided to file his statement in lieu of a personal appearance and because his position was being stated by Mr. Ray.

(The statement referred to follows:)

THE FIRST NATIONAL BANK OF BOSTON,
Boston, Mass., August 3, 1966.

Hon. RUSSELL B. LONG,
Chairman of the Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: In our letter of June 30, 1966, we requested the privilege of testifying before your committee during the hearings on the "Foreign Investors Tax Act of 1966" (H.R. 13103). Since then we have agreed with other United States banks affected by this bill to have Mr. William Ray, President of the Bankers Association for Foreign Trade, represent our joint interests before your committee. Therefore, we shall not have anyone appear at the hearings on our behalf. However, we take this opportunity to submit in writing our views concerning this bill.

We are opposed to the provisions of H.R. 13103 which:

1. Subject interest paid on U.S. bank deposits of nonresident aliens and foreign corporations to a U.S. withholding tax commencing January 1, 1972.
2. Subject bank deposits of nonresident aliens to U.S. estate taxes; and
3. Employ the "effectively connected" concept as a means to subject certain foreign source income to U.S. taxation.

As a result of our inquiries, we received letters from prominent European bankers indicating the serious effect H.R. 13103 will have on the U.S. balance of payments problem. These letters are enclosed with the request that they, together with this statement, be included in the printed record of the hearings.

A discussion of each of the provisions of H.R. 13103 to which we object follows:

1. H.R. 13103 would subject interest on bank deposits paid to nonresident aliens and foreign corporations to United States withholding tax beginning January 1, 1972.

Under present law foreigners are exempt from U.S. income and estate tax on their U.S. deposits if they are not engaged in trade or business within the United States. Accordingly, if enacted this bill, entailing withholding of interest at the rate of 30 percent would diminish the net earnings on foreign-owned deposits to about one-half of what the same investor could obtain in the European Euro-dollar market. In view of this great disparity of interest rates, which is largely due to the fact that many of the developed European countries, such as England,