

Senator DIRKSEN. Another case that came to my attention was one from Latin America involving a very substantial sum.

Mr. PERKINS. I think in many ways, too, we are dealing—it is hard to pinpoint any of this. It is kind of a feel because we are dealing with areas where there are not precise figures available, where there are confidential relationships between banks and their customers, so it is hard to pinpoint, but what checking we can do indicates we are talking about large amounts of money.

Senator DIRKSEN. But it could be fairly assumed if that were the case and those two exemptions were eliminated, there would be every inducements to take their money out and also liquidate the bonds.

Mr. PERKINS. There would be every inducement to do it and it would be very easy to do it, particularly with bank deposits and even with the bonds that are well known bonds; that is right.

Senator DIRKSEN. And that, of course, would aggravate our balance-of-payments problem rather than help it.

Mr. PERKINS. This we feel very strongly and, as a matter of fact, I was trying to make the point earlier that the beneficial effects on the balance of payments to which the Secretary addressed himself Monday, would take time to develop because these are special technical provisions.

On the other hand, the immediate impact on the balance of payments, adverse impact, would be very sharp and very large because these people are free to move in many cases.

Senator DIRKSEN. Yes. Thank you.

Senator ANDERSON. Thank you very much, Mr. Perkins, for your statement.

Mr. PERKINS. Thank you.

(By direction of the Chair, the following communications are made a part of the record at this point:)

RHODE ISLAND HOSPITAL TRUST CO.,
Providence, R.I., July 7, 1966.

HON. RUSSELL B. LONG,
Chairman of the Senate Committee on Finance
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I understand that the "Foreign Investors Tax Act of 1966" HR 13103, is about to receive the active consideration of the Senate Committee on Finance.

Speaking for myself personally, as well as the Rhode Island Hospital Trust Company, we strongly oppose those provisions of the Bill which would impose income and inheritance taxes on certain foreign owned deposits in the United States, as there is no question in our minds that these provisions will seriously discourage non-residents from depositing in the U.S. Banking System. The loss of such deposits will, in our estimation, further compound the balance of payments position of the United States and, at the same time, impede our ability to serve as the financial center of the world. These provisions, we think, work more to the disadvantage of the inland banks in the United States, that those large banks located principally in New York which maintain overseas branches, in that a loss of such deposits in the United States must certainly flow to banks in other countries where we maintain no branches.

We at the Hospital Trust Company have vigorously supported the U.S. Government's Export Expansion efforts and have cooperated fully with the more recent Foreign Lending Guide Lines of the Federal Reserve System. Both of these programs are being specifically designed to represent the banking industry's contributions to a favorable solution of our balance of payments deficits. It would, therefore, be especially disturbing to us in the industry to see the benefits of our cooperation along these lines mitigated by the introduction of taxes whose end result must be detrimental to our international financial position.