Schedule I

Computation of tax under existing law on Puerto Rican banking corporation with U.S. branches

Assume that the gross income of the bank as a whole from all sources is $10 million, consisting of:

(1) Income from sources within the United States:	
(a) Interest on U.S. Government bonds held by head office in Puerto Rico	$1,200,000
(b) Interest on commercial loans by Puerto Rican branches to U.S. residents	50,000
(c) Interest on U.S. Government bonds held by U.S. branches	200,000
(d) Interest on commercial loans by U.S. branches to U.S. residents	500,000
(e) Miscellaneous income of U.S. branches from U.S. sources	50,000
Total income from U.S. sources	2,000,000
(2) Income from sources outside the United States:	
(a) Interest income of head office and Puerto Rican branches from sources outside the United States	6,450,000
(b) Interest income of U.S. branches on FHA guaranteed mortgages and commercial loans to residents of Puerto Rico	600,000
(c) Miscellaneous income of head office and Puerto Rican branches from sources outside the United States	950,000
Total income from non-U.S. sources	8,000,000

Assume expenses allowable as deductions in computing net income from sources within the United States under Code section 882(c) as follows:

Expenses directly attributable to operation of U.S. branches	$700,000
Allocation of general overhead and interest expense of the bank as a whole ($4,000,000) which cannot be attributed to any particular source of income, apportioned in ratio of gross income from each source to total gross income in accordance with Code Sec. 882(c)(2) and Regs. Sec. 1.873–1(a)(1) and 1.882–3(b)(2): $\frac{4{,}000{,}000 \times 2{,}000{,}000}{10{,}000{,}000} =$	800,000
Total allowable deductions	1,500,000

COMPUTATION OF TAX

Gross income from U.S. sources	2,000,000
Deductions attributable thereto	1,500,000
Net taxable income	500,000
Taxable at 22 percent $25,000	5,500
Taxable at 48 percent $475,000	228,000
Total tax	233,500

Schedule II

Computation of tax under H.R. 13103 based on same facts and figures as schedule I

A. Tax on income not effectively connected with U.S. business, section 881:	
(1) Interest on U.S. Government bonds held by head office in Puerto Rico—schedule I, item (1)(a)	$1,200,000
(2) Interest on commercial loans made by Puerto Rican branches to U.S. residents, schedule I, item (1)(b)	50,000
Total income taxable under section 881	1,250,000
Tax at 30 percent	375,000