

Therefore, the effective rate of tax goes up again so you wind up with an effective rate of tax up in the seventies.

Now, when you bring money in from Chile at this very high rate you are discouraged from bringing it from another country with a high rate because you have to look around all of your subsidiaries to find a low rate, such as Switzerland, which is a low rate, to bring some in from Switzerland to balance them so you do not wind up with excessive credits which you cannot use and probably will never use.

The CHAIRMAN. In other words, you have money overseas that you would like to bring in but in one respect or another you cannot earn enough credits?

Mr. SEATH. We have got lots of credits, but their usability is destroyed by this allocation of U.S. expenses against the foreign-source income.

The CHAIRMAN. I see.

Mr. SEATH. This indiscriminate allocation of U.S. expenses against foreign-source income.

The CHAIRMAN. So the way the law is written you have a lot of credits that you cannot use because of the way they make you allocate your costs.

Mr. SEATH. That is right.

The CHAIRMAN. That being the case, you are just forced to leave the money over there until you are in a position to use those credits because they are worth something to you if you can use them.

Mr. SEATH. That is right.

The CHAIRMAN. If you bring the money in, and you have to pay the tax on it, you cannot use those credits, what tax do you pay here?

Mr. SEATH. You do not pay any tax when you have excess credits, Senator.

The CHAIRMAN. No, I mean when you cannot use them. You have excess credits.

Mr. SEATH. That is right.

The CHAIRMAN. You cannot use them.

Mr. SEATH. That is right.

The CHAIRMAN. So you are just sitting around waiting until some day when you can use them.

Mr. SEATH. That is correct.

The CHAIRMAN. Suppose you went ahead and brought the money in and left the credits behind you.

Mr. SEATH. Yes.

The CHAIRMAN. What tax would you pay here then?

Mr. SEATH. I would not pay any tax here. What I would do is to create a situation if and when these credits expired, and I had a time when I did not have enough credits, I would have to pay a tax that I should not have had to pay.

The CHAIRMAN. Well, all I am asking, is why you do not bring the money back.

Mr. SEATH. That is exactly the point I was making.

The CHAIRMAN. All I want to know is what would happen to you if you did. You are not going to bring it back, I presume, because you would pay a lot of taxes against which you would not get the benefit of your credits.