(The suggested amendment referred to, follows:)

PROPOSED AMENDMENT

SECTION —. LIMITATION ON FOREIGN TAX CREDIT

Effective with respect to taxable years ending after December 31, 1965, subsection (c) of section 904 (relating to limitation on foreign tax credit) is amended to read as follows:

"(c) *Taxable income for purposes of computing limitations.*—For purposes of computing the applicable limitation under subsection (a)—

"(1) *In general.*—The taxable income from sources within a foreign country or possession of the United States or from sources without the United States shall be computed under section 862(b), except that no expenses, losses, or other deductions shall be deducted from gross income from such sources unless such expenses, losses, or other deductions can directly be allocated to some item or class of such gross income, and

"(2) *Personal exemptions.*—The taxable income in the case of an individual, estate, or trust shall be computed without any deduction for personal exemptions under section 151 or 642(b)."

The CHAIRMAN. Mr. Seath, the best I can say is you have a good argument. It is not your fault that the law is so complicated. We made it that way, with an assist of the Treasury Department. If we can understand it enough to see just precisely what we are doing, I think there is a prospect that we might really give you some relief.

Mr. SEATH. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Gordon Henderson, New York State Bar Association Tax Section.

STATEMENT OF GORDON D. HENDERSON, COMMITTEE ON INTERNATIONAL TAXATION, NEW YORK STATE BAR ASSOCIATION TAX SECTION

Mr. HENDERSON. Mr. Chairman and members of the committee, my name is Gordon Henderson. I am a partner in the law firm of Root, Barrett, Cohen, Knapp & Smith in New York City.

I am appearing before you today on behalf of the Committee on International Taxation of the New York State Bar Association Tax Section.

Mr. David Simon, chairman of the committee, had planned to be here to testify before you today. He is presently in the West, however, and because of the airline strike has been unable to get here.

The CHAIRMAN. What, I ask, is the matter with railroads? I used to be able to get on a train in New York and get down here in 4 or 4½ hours.

Mr. HENDERSON. As I say, Senator, he is out in the West, and he is about a 3-day train ride away.

The CHAIRMAN. I see. He is out in the West. I did not understand it.

Mr. HENDERSON. So I am here today to testify in his place.

The CHAIRMAN. Senator Anderson says that a 3-day train ride sounds like it must be somewhere out on the ocean.

Mr. HENDERSON. It is out West.

Senator ANDERSON. The westerners on the committee know you can get to the committee in less than 3 days if you have good luck.