recordkeeping problems for taxpayers, enormous new complications which are not now present.

We have tried to illustrate this by this concrete example. It shows, when sales of goods are made and a U.S. office may be involved, that under the present system of the tax code there are only two code numbers you would have to put on an invoice. One is for "Did the title pass in the United States?" Two is for the reverse, "Did title pass abroad?"

But under this new bill you would have to code eight different factors on your invoices, most of which involve very difficult questions of judgment. These are the eight factors listed on page 26. Some clerk would have to make a determination as to which of these factors applied to the particular sale, and that is a very difficult problem.

The CHAIRMAN. In the absence of a computer it would take almost forever to do that, would it not? In other words, you have to decide, one, did title pass in the United States, and you mark that down. Then, two, did the title pass abroad? Well, if title passed here, it did not pass there, so let us say you are under No. 1 on that. No. 3 is the trade attributable to the U.S. office.

Mr. HENDERSON. Senator, I would like to stop you there because I would like you to think of the practical problem of instructing a clerk in an office how to decide whether the sale was "attributable" to a U.S. office. I am afraid we lawyers could write reams of memorandums and documents trying to interpret what the word "attributable" means and there would be just an enormous problem of properly communicating this to a clerk who is going to have to apply it.

He is going to have to decide what is attributable.

The CHAIRMAN. So, as a practical proposition, if you had to hire a lawyer and pay lawyer's wages to make all these judgments, it would not be worth making a sale to begin with.

Now, if you are going to hire a clerk to do it, it is almost impossible to train a person working at clerk's wages to understand all of this well enough to make these decisions, I would take it.

Mr. HENDERSON. That is right, Senator. This imposes a real problem for taxpayers and their counsel and auditors because auditors and lawyers are going to insist that the clients have well-trained people who can handle this determination because tax returns have to be prepared and they have to be prepared properly.

The CHAIRMAN. You mean this bill we have before us would require all these decisions?

Mr. HENDERSON. Yes, sir; that portion of the bill which would tax "effectively connected" foreign-source income; that is the provision we are talking about.

The CHAIRMAN. "Effectively connected foreign-source income."

Mr. HENDERSON. Foreign-source income.

The CHAIRMAN. All right. Now, would you mind showing me how a clerk would do these requirements under pages 26 and 27; how you would go about making up, arriving at these decisions? I just want to understand what you have to do in order to comply with it so I can decide on that section.

Mr. HENDERSON. Yes, sir. Well, let me start with an example.