

Despite these negative aspects, the new provision would not appear to offer any positive contribution of tax revenue. The revenue estimates in the House report indicate that no additional revenue is actually expected to be produced by this new provision.

We believe these practical and policy questions should be fully explored and considered before this portion of the bill is enacted into law. We hope our detailed report will be of assistance to you in this connection.

I might note that Secretary Fowler has urged this committee to see that this bill is adopted at this session of Congress, because of the salutary portions of it which would help our balance-of-payments situation.

Because of the time pressure which immediate enactment would present to this committee and to the Congress, however, we would like to suggest that the committee consider eliminating from the bill, the portion we have just discussed, namely, the portion that would put a new tax on foreign-source income of certain U.S. taxpayers, and the putting of that provision over for a later and more thorough consideration.

Thank you.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Is it possible under our present tax laws for a foreign corporation to establish a sales office in the United States, employ U.S. sales representatives, carry on a very active sales campaign in the United States, sell the goods to U.S. citizens in competition with U.S. industry, and yet pay no U.S. tax because of arrangements for title to pass outside of the United States?

Mr. HENDERSON. Yes, sir.

Senator ANDERSON. It can happen?

Mr. HENDERSON. It is equally possible, Senator, for a taxpayer to have all of the activities you just mentioned abroad, but pass title to the goods in the United States, in which case he is subjected to a U.S. tax, and the U.S. tax code does not say that that income becomes attributable to the foreign office. Now, this bill would attach a new U.S. tax—

Senator MCCARTHY. Not many people are doing that, are they?

Mr. HENDERSON. On sales of goods because of the title passage rule it is usually possible to avoid that kind of situation. But in other situations covered by the bill it may not be easy to avoid that kind of situation.

Senator ANDERSON. Sometimes Congress feels like taking a chance although all taxpayers say it is bad.

Mr. HENDERSON. I am sorry, I could not hear it, Senator.

Senator ANDERSON. I say sometimes U.S. institutions and industries take a law of this nature and find out how it works. We went through a long series of hearings on a subject very close to my heart, medicare, and all the newspapers told about how many people were going to be standing in line trying to get to the doctor on July 1st, that the hospitals were going to become jammed and that they would have to have traffic cops in the corridors. I went to a hospital that day, and there was not a soul there. Those things happen sometimes. I think this bill might be enacted and probably not very many businesses in the country would go broke.