Mr. HENDERSON. I am not sure that very many would go broke. I am sure it would help business for tax lawyers. On the other hand, I am equally sure it may well discourage business activity in the United States that now occurs here, because many, I think, sales offices may be moved out of the United States as a result of this, many licensing offices may be moved, many foreign bank operations that now occur in the United States through agencies and representatives and correspondents may change as a result of this bill.

We tried to explain in detail how this may occur. It is a policy question for the Congress to determine whether the possible problems this portion of the bill presents, which we have tried objectively to state in this report, are such that the enactment of this portion of the bill should be more thoroughly considered than it has been until now.

The CHAIRMAN. Senator McCarthy.

Senator MCCARTHY. Well, it is possible now to have a substantial operation in the United States and pay no tax at all on the profits earned, is it not? A company could manufacture in one country, sell in a second and distribute to a third, and pay no tax to any of the three.

Mr. HENDERSON. Senator, that is theoretically possible, if you can find a combination of three countries each of which has a source of income rule which so works that the company can avoid total tax. That is the reason why the bill talks about possible tax haven use in the United States.

I would like to make the following comment on that, however. First, if the United States is being used as an enormous tax haven of this kind, then I think it would be desirable to have an objective record of fact. What are the facts as to the amount of use in the United States as a tax-haven country? I would think the proponents of a provision like this ought to come up with a factual proof of the extent to which the United States is being used as a tax haven even in this fashion.

Secondly, Senator, this bill would apply even where there is no tax haven element at all. Where a taxpayer simply engages in this activity here; but pays plenty of tax abroad. There is no exception in this bill for non-tax-avoidance situations. In non-tax-avoidance situations the taxpayer would nonetheless have to go through all this complicated recordkeeping and so forth.

So if tax-haven abuse is the focus of this bill, I should think there ought to be a better factual foundation laid for the necessity of acting in that area, and, secondly, there ought to be appropriate exemptions written in the bill, as there were in subpart F, to prevent the bill from causing an undue burden where there is no tax-haven situation at all.

Now, this tax-haven problem, where the taxpayer is a foreign citizen, a foreign corporation or a foreign resident, is the reverse of the situation we dealt with in subpart F. In subpart F, the 1962 Revenue Act, we tried to avoid having foreign tax systems encourage U.S. taxpayers to export jobs and money into foreign markets because of differentials between the United States and the foreign tax rate.

Now, we solved that problem for U.S. taxpayers. If a foreign government does not care whether its citizens export jobs to the