Mr. HENDERSON. It is of concern. We ought not to have provisions which artificially discourage repatriation; yes sir.

Senator MORTON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Henderson.

Our next witness is Mr. Charles Bartlett of the Arizona Banking Association.

## STATEMENT OF CHARLES H. BARTLETT, JR., REPRESENTING THE ARIZONA BANKERS ASSOCIATION

Mr. BARTLETT. My name is Charles H. Bartlett, Jr. I am assistant vice president and manager of the International Department of the Valley National Bank of Arizona, and I am appearing here today as a representative of the Arizona Bankers' Association.

This committee has heard testimony regarding the damaging effects of the imposition of U.S. income and estate taxes on foreign-owned deposits in banks located within the United States. Previous witnesses have stressed the balance-of-payments implications of the provisions of H.R. 13103 which would apply to those taxes, and they have explained the inconsistency between those provisions and the stated objectives of the bill.

I do not want to repeat the positions that have already been presented to the committee, but there are a few points that are of importance to banks in my State and to others similarly located along an international boundary line. The same factors apply, though perhaps to a less extent, to banks in other interior points whose volume of foreign business is not on the scale enjoyed by banks in our larger financial centers, but is nevertheless of importance to themselves.

The amount of deposits attracted by Arizona banks from foreign corporations is quite limited. For the most part, our foreign deposits come from individuals who are attracted by this country's record of political stability and very excellent reputation for preserving the value of money in comparison with that of most other parts of the world. Higher after-tax yields can be obtained in many other countries.

But there is a limit to the price foreigners will pay to keep money in our country. This year, we have noticed a loss of deposits to other countries because of their higher interest rates. If to this we add a 30-percent tax rate, there can be no question but that the flow of money to other countries would be accelerated. Many countries with favorable political climates now have strong financial institutions which actively solicit U.S. dollar deposits. It is interesting to note that foreign depositors who transfer money out of the United States for the most part do not repatriate it to their own countries, but rather place it where they can best attain their deposit objectives.

The imposition of income taxes will most definitely cause the loss of important deposits by the banks in Arizona. Contrary to the House report, the effect will be noticed immediately and not in 1971. Anyone who has himself wrestled with the intricacies of our own tax laws can appreciate the problems in trying to explain them to people living perhaps hundreds or even thousands of miles away.