

I know of no more frustrating experience than trying to explain a point of law or taxation on the telephone in a foreign language to a person not familiar with our legal concepts. I recently tried unsuccessfully to translate into verbal Spanish the new Federal Reserve regulations on multiple maturity time deposits, and, I am sure, that would be rather simple compared to what H.R. 13103 would require. We can be sure that the new tax measures would be given wide publicity and the mere fact of taxability, once brought to the attention of our foreign customers, would cause an immediate outflow of funds. Some bankers report it has already started. Our banker friends abroad are strong competitors, and know how to make good use of any advantages they have.

There really can't be much doubt about what an income tax would do to foreign-owned deposits; but an estate tax would be absolutely deadly. I don't think any conscientious banker could fail to acquaint his foreign customers with the imposition of an estate tax. The bank I work for would most definitely do so.

In this context, it should be remembered that some countries do not have any estate or inheritance taxes whatsoever. Certainly, people in those countries cannot be expected to invite loss of even a small part of their capital by leaving their funds in the United States. We have certain attractions, as I mentioned, but our margin of advantages is not as wide as it was 20 years ago. It does not permit us to impose a charge for safekeeping.

This bill will effectively destroy a very major share of the deposits which enable the banks in my State to support international departments. None of us have foreign branches or subsidiaries and, while our foreign business is growing, we do not have the volume of transactions which would normally be required to serve as the bases for foreign operations of one type or another. The enactment of H.R. 13103 in its present form would force important deposits to move to foreign banks and foreign branches of other American banks. The growth of our foreign banking activities would be dealt a blow from which it would take us many years to recover. We would be at a competitive disadvantage both at home and abroad.

The Arizona Bankers Association urges the elimination from H.R. 13103 of those provisions which would subject foreign-owned deposits to income and estate taxes.

The CHAIRMAN. Thank you very much.

Mr. BARTLETT. Thank you, gentlemen.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. The Valley Bank has a number of branches in the State of Arizona, does it not?

Mr. BARTLETT. Yes, sir.

Senator ANDERSON. And the First National Bank also has?

Mr. BARTLETT. Yes, sir.

Senator ANDERSON. Both of these banks feel this is a dangerous piece of legislation?

Mr. BARTLETT. Yes, sir.

Senator ANDERSON. I only want to testify that these are two very fine and highly respected institutions and very well regarded in the Southwest.