

taxing the interest would be \$22,500,000. However, inasmuch as one of the assumptions he made was that foreigners' time deposits held in 1972 (the date when the provision would go into effect) would be equal to those held by them today, and he had already stated that the effect on foreigners' holdings of time deposits was unknown, this estimate would appear to be of little reliability.

Let us, then, examine what we know. We know that the amount of deposits affected totals \$2,250 million. But we do not know how much additional revenue would be generated, nor how many dollars worth of deposits would be withdrawn. It would seem, then, that we are legislating in the dark.

We can speculate on human nature, however. It is obvious that if a country suddenly imposes an income tax on the interest received by someone who is neither a citizen nor a resident of that country, he is going to look for another place to put his money. So we can most surely assume that there will be large-scale withdrawals of funds. At a time when we are still in a period of difficulty over our balance of payments, it is unwise to look for new troubles in this regard. This money from foreign countries on deposit in American banks is used in America; this capital helps relieve our money shortage. Its withdrawal would worsen our tight money problems. In my opinion, it is fiscally unsound to drive this money out of the country. Many other countries would welcome these deposits within their boundaries.

As a Senator from Texas I have a concern for the welfare of all the people in the communities of my State. This bill would hurt not only bankers, it would hurt everyone in the community, because the banks would have less money to loan and the economic activity of the community would thus be diminished. One bank in my State indicates that one-fourth of its deposits of \$40 million would be affected. At a time when interest rates are high because of a shortage of loanable funds, this is no time to diminish loan funds still further.

I respectfully suggest to the committee that since we have so little hard evidence as to the effects of the change, and since commonsense would seem to indicate that funds would probably be withdrawn in large amounts, that we are running a risk of enacting a law which will raise only a little extra revenue and scare away large amounts of funds. The purpose of the Fowler Task Force was to study ways of increasing foreign investment in the United States. This seems a peculiar way to do it.

For these reasons I urge the committee to delete this section from the House-passed bill.

I ask unanimous consent that the letter to me of August 9 from Assistant Secretary of the Treasury, Stanley S. Surrey, be printed at the conclusion of my remarks.

TREASURY DEPARTMENT,
Washington, D.C., August 9, 1966.

HON. RALPH YARBOROUGH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR YARBOROUGH: This is in reply to your letter of August 2, 1966, requesting information concerning the effect of those provisions in H.R. 13103 dealing with the taxation of bank deposits of foreigners in the United States.

You first ask the amount of deposits which would be affected by these provisions in the United States and in Texas. Unfortunately, we do not have figures available on a State-by-State basis, and consequently we cannot give you any information on the amount of such deposits in the State of Texas. In the United States as whole there are total bank deposits to foreigners of approximately \$9½ billion. Of this total, only those which are time deposits, \$2.5 billion, and which bear interest would be affected by the provision in H.R. 13103 taxing such interest. In addition, deposits of foreigners who are residents in certain countries with which we have a tax treaty exempting interest would not be affected. As a result, the total number of time deposits on which interest subject to tax would be paid is approximately \$2,240 million.

The estate tax would only be levied on deposits held by individuals. Unfortunately, our figures do not discriminate between deposits of individuals and private companies other than commercial banks, and consequently we are not in a position to give you any figures as to the amounts of such deposits which would be affected by the estate tax provisions of H.R. 13103, though of course it would only be a small part of the total deposits.

Your second question relates to the anticipated change in the amount of such deposits that would be brought about by the enactment of H.R. 13103 in its present form. We do not feel that we are in a position to give you any such estimate