

Thus, it would appear that the "principal purpose" test must be met on two occasions: (1) the time such overseas operations funding subsidiary was formed and (2) during the current operations of such overseas operations funding subsidiary. If the "principal purpose" test was thus to be strictly applied to Clark Equipment Company and similarly situated United States corporations which have already acted in response to the call for voluntary action made by the Administration and within the guidelines then promulgated by the Internal Revenue Service, such corporations may be deprived of standing as an "overseas operations funding subsidiary" in that their stated principal purpose for being formed was to finance 10% or more owned foreign affiliated companies and not 50% or more owned foreign affiliated companies as the proposed legislation requires. It is respectfully submitted that those United States corporations which were quick to respond to the pleas of our Administration in regard to limiting the outflow of U.S. dollars abroad should not now be penalized for the celerity of their response.

Moreover, it should be noted that in the absence of the "overseas operations funding subsidiary" exclusion set forth in H.R. 13103, the interest received by corporations which generally meet those prescribed characteristics could be said to have been previously excluded from the separate per country limitation by the language already contained in section 904(f)(2)(B) as a corporation receiving interest "derived in the conduct of a banking, financing or similar business." With the enactment of H.R. 13103 the general rules of statutory construction would appear to require the conclusion that the Congress, by creating an additional exclusion encompassing interest received by an "overseas operations funding subsidiary" was acting to fill a void and that corporations generally meeting the definition of an "overseas operations funding subsidiary" must thus look to the requirements of that exclusion for relief or come within the per country limitation of section 904(f)(3).

To correct this apparent inequity it is suggested that the 50% figure used on page 69, line 19 of the Bill should be deleted and the figure 10% inserted in lieu thereof. Such change would tend to equate the relief provisions granted an "overseas operations funding subsidiary" with the relief provisions already found in section 904(f)(2)(C) which deletes from the per country limitation "interest received from a corporation in which the taxpayer owns at least 10% of the voting stock."

As previously stated, a "related foreign corporation" is defined as a foreign corporation owned 50% or more by the affiliated group of which the "overseas operations funding subsidiary" is a member, either directly or through the ownership of the voting stock of "another" foreign corporation. Thus, a "related foreign corporation" is by definition restricted to a first or second-tier foreign corporation. It is respectfully submitted that this restrictive definition should be liberalized by deleting "another foreign corporation" on page 69, line 22 of the Bill and inserting in lieu thereof the phrase "one or more other foreign corporations."

Very truly yours,

CLARK EQUIPMENT Co.,
By R. F. SUMERWELL, *Tax Manager.*

MACHINERY & ALLIED PRODUCTS INSTITUTE,
Washington, D.C., August 1, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: We have just learned of the Finance Committee's plans to hold public hearings on H.R. 13103, the proposed Foreign Investors Tax Act. This bill is of very considerable interest and concern to a number of members of the Machinery and Allied Products Institute, a national organization of capital goods and allied product manufacturers with extensive foreign operations.

Consistent with your invitation for the submission of written statements respecting this bill, we have set out herein a statement of our suggestions and recommendations for amendment and clarification of H.R. 13103 and ask that it be included in the printed record of the hearings.