

PRESS RELEASE

FOR IMMEDIATE RELEASE
OCTOBER 4, 1966

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 New Senate Office Bldg.

FINANCE COMMITTEE ORDERS FOREIGN INVESTORS
TAX BILL REPORTED

Senator Russell B. Long, Chairman of the Senate Committee on Finance, today announced that the Committee has ordered favorably reported, with amendments, H.R. 13103, the Foreign Investors Tax Act of 1966, a bill to revise the tax treatment of nonresident aliens and foreign corporations who invest in the United States.

The Committee amended the provisions of the House-passed bill in several respects and added a number of other amendments to it.

Amendments to Provisions of the House Bill:

(1) Estate Tax. - Bank deposits of nonresident aliens and foreign corporations would not become subject to the United States estate tax until 1972, rather than upon the date of enactment of the bill (conforming to the effective date in the bill for the income tax on the interest derived from these bank deposits).

(2) Foreign Income. - The "effectively connected" rule with regard to foreign source income is amended so as to exclude (a) income derived from a transaction in which the U.S. office was not a material factor, (b) income not derived from the usual business activities of the U.S. office (c) income not properly allocable to the U.S. office. Office would be defined as excluding certain agents. Additionally, the foreign tax credit provision was expanded to include domiciliary taxes attributable to the foreign source effectively connected income.

(3) Possessions-Banks. - Interest from U.S. Treasury obligations received by a bank located in a U.S. possession would be treated as effectively connected to a U.S. trade or business in order that they might deduct expenses incident to such income.

(4) Personal Holding Company. - The personal holding company provisions of the House bill exempting foreign corporations of all the stock of which is owned by non-resident aliens is amended. Under the amendment, in the case of foreign corporations with 10 percent or less U.S. ownership, the personal holding company tax would be assessed only on the corporation's income attributable to the U.S. shareholders interest.