

(5) Foreign Tax Credit. - The exception provided by the bill with respect to the limitation on the allowable foreign tax credit applicable to interest income is amended to apply to a taxpayer directly or indirectly owning 10 percent (rather than 50 percent) of the corporation from which the interest is derived.

(6) Dividend Received Deduction. - The 100 percent dividend received deduction would be allowed a U.S. corporation whose wholly-owned foreign subsidiary is subject to U.S. tax on all of its income which is foreign source income effectively connected with the foreign subsidiary's U.S. business.

(7) Expatriation. - The special income tax rules of the bill referring to expatriates would apply for 10 years rather than 5 years as in the House bill.

(8) Technical Amendments. - The technical amendments to provisions in the House bill referred to in the Secretary of the Treasury's statement, together with certain other technical and conforming amendments were adopted.

Other Amendments:

(1) Interest Equalization. - Three amendments to the Interest Equalization Tax were approved:

(a) Euro-dollars. - The President would be given the authority to exempt from the interest equalization tax, U.S. dollar loans of more than one year made by the foreign branches of U.S. banks.

(b) Raw Material Source Loans. - Subsequent transfers of loans to assure raw material sources would be exempt from the interest equalization tax where the indebtedness is acquired without an intent on the part of the purchaser to sell it to other U.S. persons.

(c) Insurance Companies - Developed Countries. - The present exemption for reserve asset pools of U.S. insurance companies would also allow the establishment of reserve asset pools where a U.S. insurance company commences activities in a developed country or where a less-developed country is designated as a developed country.

(2) Participation Certificates. - Central Banks. The tax exemption on income from investment in Treasury obligations held by foreign central banks is extended to obligations of other Federal agencies.