

2. Reports on Federal contingent liabilities and assets.—This amendment requires the Secretary of the Treasury to submit a report to the Congress each year indicating the full contingent liabilities of the Federal Government and the assets of the Federal Government which might be made available to liquidate such liabilities. The first such report is to be submitted on or before March 31, 1967.

3. Medicare: Coverage of expenses for prescribed drugs.—This amendment authorizes payments for prescribed drugs under the Medicare Act. The estimated monthly cost of \$1 per beneficiary will be shared equally by the Government and the beneficiary. Reimbursements will be made under a schedule of allowances based upon generic drug prices.

II. PURPOSE AND BACKGROUND OF FOREIGN INVESTORS TAX ACT

On October 2, 1963, the President appointed a task force on "Promoting Increased Foreign Investment in U.S. Corporate Securities and Increased Foreign Financing for U.S. Corporations Operating Abroad." On April 27, 1964, a report of this task force was released. Among the recommendations of the task force were a series of proposals designed to modify the U.S. taxation of foreign investors. The Treasury Department studied the recommendations of the task force and on March 8, 1965, submitted to the Congress proposed tax legislation designed to increase foreign investment in the United States. At the request of the administration a bill was introduced at that time designed to carry out the recommendations of the Treasury Department. Subsequently, after holding hearings on this topic, the House passed a somewhat different version of this earlier bill; namely, H.R. 13103. Your committee has held hearings on this bill and modified it somewhat. Basically, however, the objectives remain the same as in the bill as passed by the House; that is, the two objectives of improving equity in the tax treatment of nonresident aliens and foreign corporations and providing, to the extent consistent with the first objective, increased incentives for investments by these persons and corporations in the United States.

This bill represents a substantial revision of the tax treatment of foreign corporations and nonresident aliens, an area which has not been substantially revised for some 30 years.

III. REVENUE ESTIMATES

It is expected that the Foreign Investors Tax Act, as presented here, will result in a revenue gain at current income and investment levels of slightly over \$1 million a year. In addition, the provision calling for quarterly payments of withheld taxes, instead of annual payments, is expected to increase collections in the fiscal year 1967 alone by \$22.5 million. Table 1 shows the revenue gain or loss attributable to the various Foreign Investors Tax Act provisions in the bill to the extent this can be quantified.