15. Interest equalization tax; insurance company reserve funds (sec. 215 of the bill and sec. 4914(e) of the code).

The interest equalization tax provisions presently provide a limited exception for acquisitions of otherwise taxable securities made to maintain the reserve assets of a U.S. insurance company doing an insurance business in foreign currencies abroad in developed countries. In addition, an exception for investments generally is provided with respect to those in "less developed countries." However, in order to claim the exemption with respect to developed countries, a life insurance company must "establish" a fund of assets for each developed country for which it does business. However, the establishment of such a fund can only be made during the "initial" designation period which was the 30-day period between the enactment of the act, September 2, 1964, to October 2, 1964. Therefore, no American insurance company can commence doing business in a developed country after October 2, 1964, without being subject to the interest equalization tax on its reserve assets acquisitions. The same type of problem arises when a less developed country loses its status as a less developed country by an Executive order issued after October 2, 1964. In other words, there is no opportunity to establish a fund of assets in such a situation.

Your committee adopted an amendment which would mitigate the foregoing anomalous situations. The amendment would permit a U.S. insurance company commencing activities in a developed country to establish a fund with respect to that country provided it was ineligible to make an initial designation prior to October 2, 1964. The amendment would also permit the establishment of a fund for a country if the status of that country was changed from a less developed country by an Executive order.

16. Interest equalization tax; dollar loans of foreign branches of U.S. banks (sec. 216 of the bill and sec. 4931(a) of the code)

Presently, foreign currency loans of foreign branches of U.S. banks are exempt from the application of the interest equalization tax. Additionally, loans for a term of less than 1 year are exempt not only in the case of foreign branches of U.S. banks but generally without regard to who makes the loan.

Your committee adopted an amendment which would authorize the President to exempt from the interest equalization tax U.S. dollar loans made by the foreign branches of U.S. banks (regardless of the maturities involved). To the extent that this authority is exercised, the President subsequently may withdraw or modify the exemption in the event he determines such withdrawal or modification is necessary to preserve the effectiveness of the interest equalization tax.

This amendment is to be effective with respect to acquisitions of debt obligations after the date of enactment of this act.

C. Presidential Election Campaign Fund Act

1. Background

Concern has been expressed by both the President and the Congress on the possible ramifications of the manner in which national political campaigns are presently financed. Dependence on wealthy contributors for the bulk of needed funds will tend to leave candidates