

repatriate it to their own countries, but rather place it where they can best attain their deposit objectives.

The imposition of income taxes will most definitely cause the loss of important deposits by the banks in Arizona. Contrary to the House report, the effect will be noticed immediately and not in 1971. Anyone who has himself wrestled with the intricacies of our own tax laws can appreciate the problems in trying to explain them to people living perhaps hundreds or even thousands of miles away. I know of no more frustrating experience than trying to explain a point of law or taxation on the telephone in a foreign language to a person not familiar with our legal concepts. I recently tried unsuccessfully to translate into verbal Spanish the new Federal Reserve regulations on multiple maturity time deposits, and, I am sure, that would be rather simple compared to what H.R. 13103 would require. We can be sure that the new tax measures would be given wide publicity and the mere fact of taxability, once brought to the attention of our foreign customers, would cause an immediate outflow of funds. Some bankers report it has already started. Our banker friends abroad are strong competitors, and know how to make good use of any advantages they have.

There really can't be much doubt about what an income tax would do to foreign-owned deposits; but an estate tax would be absolutely deadly. I don't think any conscientious banker could fail to acquaint his foreign customers with the imposition of an estate tax. The bank I work for would most definitely do so.

In this context, it should be remembered that some countries do not have any estate or inheritance taxes whatsoever. Certainly, people in those countries cannot be expected to invite loss of even a small part of their capital by leaving their funds in the United States. We have certain attractions, as I mentioned, but our margin of advantages is not as wide as it was 20 years ago. It does not permit us to impose a charge for safekeeping.

This bill will effectively destroy a very major share of the deposits which enable the banks in my State to support international departments. None of us have foreign branches or subsidiaries and, while our foreign business is growing, we do not have the volume of transactions which would normally be required to serve as the bases for foreign operations of one type or another. The enactment of H.R. 13103 in its present form would force important deposits to move to foreign banks and foreign branches of other American banks. The growth of our foreign banking activities would be dealt a blow from which it would take us many years to recover. We would be at a competitive disadvantage both at home and abroad.

The Arizona Bankers Association urges the elimination from H.R. 13103 of those provisions which would subject foreign-owned deposits to income and estate taxes.

Although I have received no official notification of the position of the Treasury Department on my amendment, I would assume, from Secretary Fowler's remarks at the hearing, that it has his tacit support.

Secretary Fowler stated:

The representatives of the banking community are much closed and much more familiar with the actual impact of this 1972

provision, and the current impact of the state tax provision, than we are. Therefore, we are going to listen very carefully to their testimony. I am sure that it will be helpful to all of us in considering just what the effect is of this change in the law. I do not have a concrete response to your question, except to urge that the committee give careful consideration to the testimony to be given by those who are more intimately familiar and directly concerned with this matter.

And, Mr. President, the unanimous testimony of the financial community was that the provisions should be deleted.

As a Senator from Texas, I have a concern for the welfare of all the people in the communities of my State. This bill would hurt not only bankers, it would hurt everyone in the community, because the banks would have less money to loan and the economic activity of the community would thus be diminished. One bank in my State indicates that one-fourth of its deposits of \$40 million would be affected. This would be a severe blow to the economies of many Texas cities and to many cities all over the country. At a time when interest rates are high because of a shortage of loanable funds, this is no time to diminish loan funds still further.

I respectfully suggest that the evidence indicates that we are running a risk of enacting a law which will raise only a little extra revenue while scaring away large amounts of funds. The purpose of the Fowler Task Force Report was to recommend ways of increasing foreign investment in the United States. This seems a peculiar way to do it.

For these reasons I urge the deletion of this section from the bill. I hope that the chairman will accept my amendment.

[October 13, 1966]

[P. 25423]

EQUITABLE TAX TREATMENT FOR FOREIGN INVESTMENT IN THE UNITED STATES

The ACTING PRESIDENT pro tempore. Pursuant to the previous unanimous-consent agreement, the Chair lays before the Senate the unfinished business, which will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 13103) to amend the Internal Revenue Code of 1954 to provide equitable tax treatment for foreign investment in the United States.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment.

Mr. JAVITS. Mr. President, I ask unanimous consent to say a word about the pending bill, as I shall be in a poverty bill conference and unable to speak later with regard to this measure on the floor of the Senate.