

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 13103) to amend the Internal Revenue Code of 1954 to provide equitable tax treatment for foreign investment in the United States, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment to the text of the bill struck out all after the enacting clause of the bill as passed by the House and inserted in lieu thereof a substitute containing four titles: Title I: Foreign Investors Tax Act; Title II: Other Amendments to Internal Revenue Code; Title III: Presidential Election Campaign Fund Act; and Title IV: Miscellaneous Provisions. The effect of the action recommended in the accompanying conference report is explained below under the four headings contained in the Senate amendment.

TITLE I—FOREIGN INVESTORS TAX ACT

INCOME AND ESTATE TAX TREATMENT OF AMOUNTS HELD ON DEPOSIT

(a) *Income tax treatment.*—Under existing law, interest on U.S. bank deposits is not treated as U.S. source income and, therefore, not subject to the Federal income tax in the case of nonresident aliens and foreign corporations not engaged in trade or business in the United States. Under the bill as passed by the House (1) this source rule for interest on bank deposits was broadened for a temporary period so it applied also to accounts with mutual savings banks, domestic building and loan associations, etc., and to amounts held on deposit by insurance companies, and (2) after December 31, 1971, all interest paid or credited on these U.S. deposits, accounts, or amounts (including interest on bank deposits) was to be treated as U.S. source income.

Under the Senate amendment, the temporary income tax treatment provided by the bill as passed by the House for interest on these deposits, accounts, and amounts was made permanent. Under the action recommended in the accompanying conference report, the temporary income tax treatment provided in the bill as passed by the House for interest on U.S. bank deposits, accounts with mutual savings banks, domestic building and loan associations, etc., and amounts held on deposit by insurance companies, will apply with respect to amounts paid or credited before January 1, 1973. Such amounts paid or credited after December 31, 1972, are to be treated as income derived from sources within the United States (and therefore subject to the Federal income tax).

The conferees in inserting December 31, 1972, as the date for the termination of the income tax exemption for interest on bank deposits, etc., believe that this will provide an opportunity to review the ex-