

were made because of problems brought to their attention. There was, however, one Senate amendment in this area of major importance. As the bill passed the House it would, in general, subject to U.S. tax—as U.S. source income—all interest received after December 31, 1971, by nonresident aliens and foreign corporations on their U.S. bank deposits, and similar funds. A related amendment in the estate tax area also would have subjected these deposits to U.S. estate tax after the date of enactment of this bill. The Senate adopted an amendment which would have stricken the House-passed provision from the bill and thereby continued present law which grants an exemption from U.S. income and estate tax to the interest income and the deposits of these foreigners.

It was the opinion of the conferees that interest income of this type, which is so clearly derived from U.S. sources, should not escape U.S. taxation. On the other hand, we all realized that an immediate alteration of the present exemption might have a substantial adverse effect on our balance of payments. To meet these two quite different problems, the conference committee agreed to the repeal of the special income tax and estate tax exemptions relating to deposits of foreigners, but the effective date of the repeal was postponed until 1973. Moreover, postponing the date when these funds are taxed until 1973 will give Congress ample opportunity in the future to consider the impact of this provision on our balance of payments and on the gold flow. Should circumstances require, there will be plenty of time to reconsider the effective date of this provision.

The remaining Senate amendments of Title I are perfecting in nature and do not disturb the major substantive provisions of the House bill. They were made in response to technical problems presented by witnesses testifying before the Committee on Finance. I am certain that had these problems been brought to the attention of the Committee on Ways and Means, it would have made the changes prior to reporting the bill to the House. The Treasury Department is not opposed to any of these Senate amendments. At this point, I would like to insert a summary of these additional Senate amendments to which the House receded:

TITLES II, III, AND IV

The Senate added a number of amendments to the House bill which appear in the Senate bill as titles II, III, and IV. These titles relate to other Internal Revenue Code amendments, the Presidential Election Campaign Fund Act, and other amendments, respectively. In total, these 3 titles contain 23 amendments. Of these 23 amendments, the Senate receded on 4, 6 were adopted with amendments and the House receded on 13.

Let me make two important observations about the amendments which the House receded. First, of these amendments, the Committee on Ways and Means had previously favorably reported, as separate bills, three and, in addition, it has extensively considered two others but had been unable to complete action on them. The second point, and the one which I should like to emphasize, is that the estimated revenue loss of approximately \$460 million, which the 23 Senate amendments would have produced, was reduced by the insistence of your conferees to about \$80 million, a reduction of \$380 million. Moreover, of the remaining \$80 million, the Senate amendment which adopted the House-passed [P. 27090]

version of H.R. 10, represented approximately \$50 million. Therefore, the Senate amendments which had not already passed the House, upon which your conferees receded, represent a revenue loss of approximately \$30 million.

One of the two most important Senate amendments to which your conferees agreed relates to a provision which had already been adopted by the House. I am referring to H.R. 10, which as the Members of the House will recall, passed the House on June 6 of this year by a vote of 291 to nothing. There, of course, can be no question with respect to the House conferees agreeing to this amendment in view of this mandate from the House. H.R. 10, both as passed by the House and as included in the Senate amendment, provides for the repeal of two limitations on the deduction a self-employed individual may take with respect to contributions on his own behalf to a retirement plan. First, it repeals the provision which limits the deduction to 50 percent of the contribution. However, it retains the provision restricting the contribution for self-employed persons to the lesser of 10 percent of earned income or \$2,500. Second, it also permits a self-employed individual to include in earned income all of his net profits when his income is earned from a business in which both the performance of personal services and capital are material income-producing factors. However, in such cases the personal services of the self-employed person involved must be a material income-producing factor.

In this same area, the House conferees also agreed to a Senate amendment which alters present law relating to self-employed individuals' retirement plans to permit authors, inventors, and others, to include in their earned income base for the purpose of computing deductions for contributions to such plans income derived from the sale or lease of the books they wrote or other products created from their own personal efforts.

In addition to H.R. 10, the Senate amendments which either have been