

Mr. HERLONG. All right, sir. Will you please first identify yourself for the record.

Mr. STOCK. Mr. Chairman, my name is Leon O. Stock. I am a principal in the international accounting firm of Peat, Marwick, Mitchell & Co. I am here today on behalf of the following corporate clients: H. J. Heinz Co., Star-Kist Foods, Genesco, Inc., Olin Mathieson Chemical Corp., Atlas Chemical Corp., States Marine Lines, Standard Pressed Steel Co., the Gillette Co., Max Factor & Co., Data Processing Financial & General Corp.

Mr. Chairman, I believe that remedial action is required by this committee to overcome the damage which I anticipate as the result of the recently promulgated regulations by our Department of Commerce, specifically, the regulations dealing with the mandatory repatriation of profits.

I am not here to quarrel with mandatory repatriation as such.

However, I do believe that it is entirely wrong for the Department of Commerce to provide for mandatory repatriation of profits on a U.S. taxable basis. It is my understanding that we are confronted with a dollar problem and not a tax problem, and the dollar problem can be resolved through a repatriation without taxation.

The current regulations of the Commerce Department provide that to the extent that foreign profits are required to be repatriated to a U.S. parent company, the foreign subsidiary shall transfer in dollars those profits to a bank account in the United States in the name of the parent company.

Now, any time a subsidiary transfers funds to a U.S. parent company you have a dividend. That dividend consequently means U.S. taxation.

Now we could have just as easily had the dollars return home by simply providing, among other things, that the foreign subsidiary shall transfer amounts representing its earnings to a U.S. bank account in the name of the foreign subsidiary itself and the foreign subsidiary would agree that the funds so transferred to a U.S. bank account will remain in that account for a period in excess of 12 months and certainly not to be removed or withdrawn before the expiration of the Commerce Department regulations and our dollar crisis.

Now, if the transfer were made for a period in excess of 12 months, then for the purpose of our balance of payments position no foreigner has a short-term claim against the United States. As such this deposit would represent a dollar inflow and would enhance the position of the United States in terms of balance of payments.

Now, there are other ways in which the dollars could be returned home without taxation. So we on the outside are asking ourselves: Do we have a dollar problem, or do we have a tax problem?

If we have a tax problem, then it would appear that the problem belongs here and not in the Department of Commerce.

I respectfully submit that the tax implications arising out of the regulations promulgated by the Department of Commerce are in direct contravention of the Revenue Act of 1962 which prescribes the rules for the taxation of overseas earnings.

Let us consider just for 2 or 3 minutes the effect of this regulation if it is permitted to continue. A typical case would be an un-