

TAX SECTION

New York State Bar Association

OFFICERS

RICHARD G. COHEN
Chairman
40 Wall Street
24th floor
New York City 10005

DONALD SCHAPIRO
First Vice-Chairman
26 Broadway
New York City 10004

HERBERT L. CAMP
Second Vice-Chairman
30 Rockefeller Plaza
New York City 10112

WILLIAM L. BURKE
Secretary
One Wall Street
New York City 10005

CHAIRMEN OF COMMITTEES

Alternative Minimum Tax
Eugene L. Vogel, New York City
William H. Weigel, New York City

Bankruptcy
Peter C. Canellos, New York City
Kenneth M. Heitner, New York City

Commodities and Financial Futures
Richard L. Reinhold, New York City
Michelle P. Scott, New York City

Continuing Legal Education
Sydney R. Rubin, Rochester

Corporations
Edward D. Kleinbard, New York City
Michael L. Schier, New York City

Criminal and Civil Penalties
Sherry S. Kraus, Rochester
Sherman F. Levey, Rochester

Depreciation and Investment Credit
Victor Zonana, New York City
Richard J. Bronstein, New York City

Employee Benefits
Laraine S. Rothenberg, New York City
Robert E. Brown, Rochester

Estate and Gift Taxes
Caryn E. McCaffrey, New York City
Sheldon Kamin, New York City

Exempt Organizations
Henry Christensen III, New York City
Philip S. Winterer, New York City

Financial Institutions
Donald S. Rice, New York City
Michael H. Simonson, New York City

Foreign Activities of U.S. Taxpayers
Alan W. Granwell, Washington, D.C.
Matthew M. McKenna, New York City

Income of Estates and Trusts
Robert F. Baldwin, Jr., Syracuse
Jerome A. Manning, New York City

Income From Real Property
Martin B. Cowan, New York City
Arthur A. Feder, New York City

Insurance Companies
Donald C. Alexander, Washington, D.C.
Hugh T. McCormick, New York City

Interstate Commerce
James H. Peters, Basking Ridge, N.J.
William M. Colby, Rochester

Net Operating Losses
James M. Peaslee, New York City
Matthew A. Rosen, New York City

New York Tax Matters
Paul R. Comeau, Buffalo
Arthur R. Rosen, Morristown, N.J.

Partnerships
William F. Indoe, New York City
Bruce M. Montgomery, New York City

Personal Income
Steven C. Todrys, New York City
Patricia Geoghegan, New York City

Practice and Procedure
Sterling L. Weaver, Rochester
Michael I. Saltzman, New York City

Problems of the Profession
Thomas V. Glynn, New York City
Paul Pineo, Rochester

Reorganizations
Robert A. Jacobs, New York City
Richard O. Loengard, Jr., New York City

Sales, Property and Miscellaneous
E. Parker Brown, II, Syracuse
Edward H. Hein, New York City

Tax Accounting Matters
Victor F. Keen, New York City
Richard M. Leder, New York City

Tax Exempt Bonds
Dennis R. Deveney, New York City
Jackson B. Browning, Jr., New York City

Tax Policy
Mark L. McConaghy, Washington, D.C.
James S. Halpern, Washington, D.C.

Unreported Income & Compliance
M. Bernard Aidinoff, New York City
Robert S. Fink, New York City

U.S. Activities of Foreign Taxpayers
Leslie J. Schreyer, New York City
John A. Corry, New York City

MEMBERS-AT-LARGE OF EXECUTIVE COMMITTEE

Martin B. Amdur
Cynthia G. Beerbower
James S. Eustice

Morris L. Kramer
Robert J. Levinsohn
James A. Lavitan

Robert J. McDermott
Ronald A. Morris
Stephen M. Piga

Sidney I. Roberts
Peter J. Rothenberg
Stanley I. Rubinfeld

R. Donald Turington
David E. Watts
George E. Zettlin

Attached letter dated 8/1/86 reconfirming strong opposition to Section 984 of the Senate amendments to H.R. 3838 sent to the following:

The Honorable Dan Rostenkowski
cc: The Honorable John J. Duncan
Robert J. Leonard, Esq.

The Honorable Bob Packwood
Chairman
Senate Finance Committee
cc: The Honorable Russell B. Long
John Colvin, Esq.

The Honorable J. Roger Mentz
Assistant Secretary (Tax Policy)
Department of the Treasury

The Honorable David H. Brockway
Chief of Staff
Joint Committee on Taxation

The Honorable Daniel P. Moynihan
U.S. Senate



FORMER CHAIRMEN OF SECTION

Howard O. Colgan
Charles L. Kedes
Charles J. Tobin, Jr.
Carter T. Louthan
Samuel Brodsky
Thomas C. Plowden-Wardlaw

Edwin M. Jones
Hon. Hugh R. Jones
Peter Miller
John W. Fager
John E. Morrissey, Jr.
Charles E. Heming

Richard H. Appert
Ralph O. Winger
Hewitt A. Conway
Martin D. Ginsburg
Peter L. Faber
Renato Beghe
Alfred D. Youngwood

Gordon D. Henderson
David Sachs
Ruth G. Schapiro
J. Roger Mentz
Willard B. Taylor
Richard J. Hiegel
Dale S. Collinson

TAX SECTION

New York State Bar Association

OFFICERS

RICHARD G. COHEN
Chairman
40 Wall Street
24th floor
New York City 10005

DONALD SCHAPIRO
First Vice-Chairman
26 Broadway
New York City 10004

HERBERT L. CAMP
Second Vice-Chairman
30 Rockefeller Plaza
New York City 10112

WILLIAM L. BURKE
Secretary
One Wall Street
New York City 10005

CHAIRMEN OF COMMITTEES

Alternative Minimum Tax
Eugene L. Vogel, New York City
William H. Weigel, New York City

Bankruptcy
Peter C. Canellos, New York City
Kenneth H. Heitner, New York City

Commodities and Financial Futures
Richard L. Reinhold, New York City
Michelle P. Scott, New York City

Continuing Legal Education
Sydney R. Rubin, Rochester

Corporations
Edward D. Kleinbard, New York City
Michael L. Schier, New York City

Criminal and Civil Penalties
Sherry S. Kraus, Rochester
Sherman F. Levey, Rochester

Depreciation and Investment Credit
Victor Zonana, New York City
Richard J. Bronstein, New York City

Employee Benefits
Laraine S. Rothenberg, New York City
Robert E. Brown, Rochester

Estate and Gift Taxes
Carlton S. McCaffrey, New York City
Shirley Kamin, New York City

Exempt Organizations
Henry Christensen III, New York City
Philip S. Winterer, New York City

Financial Institutions
Donald S. Rice, New York City
Michael H. Simonson, New York City

Foreign Activities of U.S. Taxpayers
Alan W. Granwell, Washington, D.C.
Matthew M. McKenna, New York City

Income of Estates and Trusts
Robert F. Baldwin, Jr., Syracuse
Jerome A. Manning, New York City

Income From Real Property
Martin B. Cowan, New York City
Arthur A. Feder, New York City

Insurance Companies
Donald C. Alexander, Washington, D.C.
Hugh T. McCormick, New York City

Interstate Commerce
James H. Peters, Basking Ridge, N.J.
William M. Colby, Rochester

Net Operating Losses
James M. Peaslee, New York City
Matthew A. Rosen, New York City

New York Tax Matters
Paul R. Comeau, Buffalo
Arthur R. Rosen, Morristown, N.J.

Partnerships
William F. Indoe, New York City
Bruce M. Montgomerie, New York City

Personal Income
Steven C. Todrys, New York City
Patricia Geoghegan, New York City

Practice and Procedure
Sterling L. Weaver, Rochester
Michael I. Saitzman, New York City

Problems of the Profession
Thomas V. Glynn, New York City
Paul Pineo, Rochester

Reorganizations
Robert A. Jacobs, New York City
Richard O. Loengard, Jr., New York City

Sales, Property and Miscellaneous
E. Parker Brown, II, Syracuse
Edward H. Hein, New York City

Tax Accounting Matters
Victor F. Keen, New York City
Richard M. Leder, New York City

Tax Exempt Bonds
Dennis R. Deveney, New York City
Jackson B. Browning, Jr., New York City

Tax Policy
Mark L. McConaghy, Washington, D.C.
James S. Halpern, Washington, D.C.

Unreported Income & Compliance
M. Bernard Aidinoff, New York City
Robert S. Fink, New York City

U.S. Activities of Foreign Taxpayers
Leslie J. Schreyer, New York City
John A. Corry, New York City

Martin B. Amdur
Cynthia G. Beerbower
James S. Eustice

Morris L. Kramer
Robert J. Levinsohn
James A. Levitan

MEMBERS-AT-LARGE OF EXECUTIVE COMMITTEE

Robert J. McDermott
Ronald A. Morris
Stephen M. Piga

Sidney I. Roberts
Peter J. Rothenberg
Stanley I. Rubinfeld

R. Donald Turkington
David E. Watts
George E. Zeitlin

August 1, 1986

The Honorable Dan Rostenkowski
2232 Rayburn Building
Washington, D.C. 20515

Dear Chairman Rostenkowski:

I am writing to reconfirm our strong opposition to Section 984 of the Senate amendments to H.R. 3838. That section would disallow certain deductions for interest paid to related foreign parties that are "exempt" from United States income tax.

United States tax treaty negotiating policy assumes that interest which normally would be taxable by the country in which the interest recipient is incorporated should not also be subject to tax in the United States. Therefore, the exemption of such interest from U.S. tax is specifically provided for by many income tax treaties between the United States and foreign countries. To partially disallow deductions for such interest would substantially undermine that negotiating policy.

Furthermore, by disallowing deductions for interest paid by United States subsidiaries of foreign corporations, while continuing to allow such deductions for interest paid by United States subsidiaries of United States corporations, the proposal would violate non-discrimination clauses that appear in a number of tax treaties between the United States and foreign governments.

The debt-equity issue that this proposal is apparently intended to address applies equally to United States corporations owned by taxable United States persons. It should be resolved directly,



Howard O. Colgan
Charles L. Kades
Charles J. Tobin, Jr.
Carter T. Louthan
Samuel Brodsky
Thomas C. Plowden-Wardlaw

FORMER CHAIRMEN OF SECTION
Edwin M. Jones
Hon. Hugh R. Jones
Peter Miller
John W. Fager
John E. Morrissey, Jr.
Charles E. Heming

Richard H. Appert
Ralph O. Winger
Hewitt A. Conway
Martin D. Ginsburg
Peter L. Faber
Renato Beghe
Alfred D. Youngwood

Gordon D. Henderson
David Sachs
Ruth G. Schapiro
J. Roger Mentz
Willard B. Taylor
Richard J. Hiegel
Dale S. Collinson

rather than in an indirect manner that strikes at the very heart of our tax treaty commitments and offers foreign countries an excuse to unilaterally abrogate tax and non-tax treaties with the United States.

We ask you to oppose the inclusion of this proposal in the legislation that is agreed upon by the Conference Committee.

Sincerely yours,



Richard G. Cohen
Chairman

cc: The Hon. John J. Duncan
Robert J. Leonard, Esq.

RGC:pm

TAX SECTION

New York State Bar Association

OFFICERS

RICHARD G. COHEN
Chairman
40 Wall Street
24th floor
New York City 10005

DONALD SCHAPIRO
First Vice-Chairman
26 Broadway
New York City 10004

HERBERT L. CAMP
Second Vice-Chairman
30 Rockefeller Plaza
New York City 10112

WILLIAM L. BURKE
Secretary
One Wall Street
New York City 10005

CHAIRMEN OF COMMITTEES

Alternative Minimum Tax
Eugene L. Vogel, New York City
William H. Weigel, New York City

Bankruptcy
Peter C. Canellos, New York City
Kenneth H. Heitner, New York City

Commodities and Financial Futures
Richard L. Reinhold, New York City
Michelle P. Scott, New York City

Continuing Legal Education
Sydney R. Rubin, Rochester

Corporations
Edward D. Kleinbard, New York City
Michael L. Schler, New York City

Criminal and Civil Penalties
Sherry S. Kraus, Rochester
Sherman F. Levy, Rochester

Depreciation and Investment Credit
Victor Zonana, New York City
Richard J. Bronstein, New York City

Employee Benefits
Laraine S. Rothenberg, New York City
Robert E. Brown, Rochester

Estate and Gift Taxes
Caryn S. McCaffrey, New York City
Sherry Kamin, New York City

Exempt Organizations
Henry Christensen III, New York City
Philip S. Winterer, New York City

Financial Institutions
Donald S. Rice, New York City
Michael H. Simonson, New York City

Foreign Activities of U.S. Taxpayers
Alar W. Granwell, Washington, D.C.
Matthew M. McKenna, New York City

Income of Estates and Trusts
Robert F. Baldwin, Jr., Syracuse
Jerome A. Manning, New York City

Income From Real Property
Martin B. Cowan, New York City
Arthur A. Feder, New York City

Insurance Companies
Donald C. Alexander, Washington, D.C.
Hugh T. McCormick, New York City

Interstate Commerce
James H. Peters, Basking Ridge, N.J.
William M. Colby, Rochester

Net Operating Losses
James M. Peaslee, New York City
Matthew A. Rosen, New York City

New York Tax Matters
Paul P. Comeau, Buffalo
Arthur R. Rosen, Morristown, N.J.

Partnerships
William F. Indoe, New York City
Bruce M. Montgomerie, New York City

Personal Income
Steven C. Todrys, New York City
Patricia Geoghegan, New York City

Practice and Procedure
Sterling L. Weaver, Rochester
Michael I. Saitzman, New York City

Problems of the Profession
Thomas V. Glynn, New York City
Paul Pineo, Rochester

Reorganizations
Robert A. Jacobs, New York City
Richard O. Loengard, Jr., New York City

Sales, Property and Miscellaneous
E. Parker Brown, II, Syracuse
Edward H. Hein, New York City

Tax Accounting Matters
Victor F. Keen, New York City
Richard M. Leder, New York City

Tax Exempt Bonds
Dennis R. Deveney, New York City
Jackson B. Browning, Jr., New York City

Tax Policy
Mark L. McConaghy, Washington, D.C.
James S. Halpern, Washington, D.C.

Unreported Income & Compliance
M. Bernard Aidinoff, New York City
Robert S. Fink, New York City

U.S. Activities of Foreign Taxpayers
Leslie J. Schreyer, New York City
John A. Corry, New York City

Martin B. Amdur
Cynthia G. Beerbower
James S. Eustice

MEMBERS-AT-LARGE OF EXECUTIVE COMMITTEE

Morris L. Kramer
Robert J. Levinsohn
James A. Levitan

Robert J. McDermott
Ronald A. Morris
Stephen M. Piga

Sidney I. Roberts
Peter J. Rothenberg
Stanley I. Rubinfeld

R. Donald Turlington
David E. Watts
George E. Zeitlin

August 1, 1986

The Honorable Bob Packwood
Chairman
Senate Finance Committee
Room 259
Senate Russell Office Building
Washington, D.C. 20515

Dear Senator Packwood:

I am writing to reconfirm our strong opposition to Section 984 of the Senate amendments to H.R. 3838. That section would disallow certain deductions for interest paid to related foreign parties that are "exempt" from United States income tax.

United States tax treaty negotiating policy assumes that interest which normally would be taxable by the country in which the interest recipient is incorporated should not also be subject to tax in the United States. Therefore, the exemption of such interest from U.S. tax is specifically provided for by many income tax treaties between the United States and foreign countries. To partially disallow deductions for such interest would substantially undermine that negotiating policy.

Furthermore, by disallowing deductions for interest paid by United States subsidiaries of foreign corporations, while continuing to allow such deductions for interest paid by United States subsidiaries of United States corporations, the proposal would violate non-discrimination clauses that appear in a number of tax treaties between the United States and foreign governments.

The debt-equity issue that this proposal is apparently intended to address applies equally to United States corporations owned by taxable United States persons. It should be resolved directly,



Howard O. Colgan
Charles L. Kedes
Charles J. Tobin, Jr.
Carter T. Louthan
Samuel Brodsky
Thomas C. Plowden-Wardlaw

FORMER CHAIRMEN OF SECTION

Edwin M. Jones
Hon. Hugh R. Jones
Peter Miller
John W. Fager
John E. Morrissey, Jr.
Charles E. Heming

Richard H. Appert
Ralph O. Winger
Lewis A. Conway
Martin D. Ginsburg
Peter L. Faber
Renato Beghe
Alfred D. Youngwood

Gordon D. Henderson
David Sachs
Ruth G. Schapiro
J. Roger Mentz
Willard B. Taylor
Richard J. Hiegel
Dale S. Collinson

rather than in an indirect manner that strikes at the very heart of our tax treaty commitments and offers foreign countries an excuse to unilaterally abrogate tax and non-tax treaties with the United States.

We ask you to oppose the inclusion of this proposal in the legislation that is agreed upon by the Conference Committee.

Sincerely yours,



Richard G. Cohen
Chairman

cc: The Hon. Russell B. Long
John Colvin, Esq.

RGC:pm

TAX SECTION

New York State Bar Association

OFFICERS

RICHARD G. COHEN
Chairman
40 Wall Street
24th floor
New York City 10005

DONALD SCHAPIRO
First Vice-Chairman
26 Broadway
New York City 10004

HERBERT L. CAMP
Second Vice-Chairman
30 Rockefeller Plaza
New York City 10112

WILLIAM L. BURKE
Secretary
One Wall Street
New York City 10005

CHAIRMEN OF COMMITTEES

Alternative Minimum Tax
Eugene L. Vogel, New York City
William H. Weigel, New York City

Bankruptcy
Peter C. Canellos, New York City
Kenneth H. Heitner, New York City

Commodities and Financial Futures
Richard L. Reinhold, New York City
Michelle P. Scott, New York City

Continuing Legal Education
Sydney R. Rubin, Rochester

Corporations
Edward D. Kleinbard, New York City
Michael L. Schler, New York City

Criminal and Civil Penalties
Sherry S. Ahaus, Rochester
Sherman F. Levey, Rochester

Depreciation and Investment Credit
Victor Zonana, New York City
Richard J. Bronstein, New York City

Employee Benefits
Laraine S. Rothenberg, New York City
Robert E. Brown, Rochester

Estate and Gift Taxes
Carilyn S. McCaffrey, New York City
Sherwin Kamin, New York City

Exempt Organizations
Henry Christensen III, New York City
Philip S. Winterer, New York City

Financial Institutions
Donald S. Rice, New York City
Michael H. Simonson, New York City

Foreign Activities of U.S. Taxpayers
Alan W. Granwell, Washington, D.C.
Matthew M. McKenna, New York City

Income of Estates and Trusts
Robert F. Baldwin, Jr., Syracuse
Jerome A. Manning, New York City

Income From Real Property
Martin B. Cowan, New York City
Arthur A. Feder, New York City

Insurance Companies
Donald C. Alexander, Washington, D.C.
Hugh T. McCormick, New York City

Interstate Commerce
James H. Peters, Basking Ridge, N.J.
William M. Colby, Rochester

Net Operating Losses
James M. Peaslee, New York City
Matthew A. Rosen, New York City

New York Tax Matters
Paul R. Comeau, Buffalo
Arthur R. Rosen, Morristown, N.J.

Partnerships
William F. Indoe, New York City
Bruce M. Montgomery, New York City

Personal Income
Steven C. Todrys, New York City
Patricia Geoghegan, New York City

Practice and Procedure
Sterling L. Weaver, Rochester
Michael I. Saltzman, New York City

Problems of the Profession
Thomas V. Glynn, New York City
Paul Pineo, Rochester

Reorganizations
Robert A. Jacobs, New York City
Richard O. Loengard, Jr., New York City

Sales, Property and Miscellaneous
E. Parker Brown, II, Syracuse
Edward H. Hein, New York City

Tax Accounting Matters
Victor F. Keen, New York City
Richard M. Leder, New York City

Tax Exempt Bonds
Dennis R. Deveney, New York City
Jackson B. Browning, Jr., New York City

Tax Policy
Mark L. McConaghy, Washington, D.C.
James S. Halpern, Washington, D.C.

Unreported Income & Compliance
M. Bernard Aidinoff, New York City
Robert S. Fink, New York City

U.S. Activities of Foreign Taxpayers
Leslie J. Schreyer, New York City
John A. Corry, New York City

Martin B. Amdur
Cynthia G. Beerbower
James S. Eustice

Morris L. Kramer
Robert J. Levinsohn
James A. Levitan

MEMBERS-AT-LARGE OF EXECUTIVE COMMITTEE

Robert J. McDermott
Ronald A. Morris
Stephen M. Piga

Sidney I. Roberts
Peter J. Rothenberg
Stanley I. Rubenstein

R. Donald Turlington
David E. Watts
George E. Zeitlin

August 1, 1986

The Honorable David H. Brockway
Chief of Staff
Joint Committee on Taxation
1015 Longworth Building
Washington, D.C. 20515

Dear David:

I am writing to reconfirm our strong opposition to Section 984 of the Senate amendments to H.R. 3838. That section would disallow certain deductions for interest paid to related foreign parties that are "exempt" from United States income tax.

United States tax treaty negotiating policy assumes that interest which normally would be taxable by the country in which the interest recipient is incorporated should not also be subject to tax in the United States. Therefore, the exemption of such interest from U.S. tax is specifically provided for by many income tax treaties between the United States and foreign countries. To partially disallow deductions for such interest would substantially undermine that negotiating policy.

Furthermore, by disallowing deductions for interest paid by United States subsidiaries of foreign corporations, while continuing to allow such deductions for interest paid by United States subsidiaries of United States corporations, the proposal would violate non-discrimination clauses that appear in a number of tax treaties between the United States and foreign governments.

The debt-equity issue that this proposal is apparently intended to address applies equally to United States corporations owned by taxable United States persons. It should be resolved directly,



Howard O. Colgan
Charles L. Kades
Charles J. Tobin, Jr.
Carter T. Louthan
Samuel Brodsky
Thomas C. Plowden-Wardlaw

FORMER CHAIRMEN OF SECTION

Edwin M. Jones
Hon. Hugh R. Jones
Peter Miller
John W. Fager
John E. Morrissey, Jr.
Charles E. Heming

Richard H. Appert
Ralph O. Winger
Hewitt A. Conway
Martin D. Ginsburg
Peter L. Faber
Renato Beghe
Alfred D. Youngwood

Gordon D. Henderson
David Sachs
Ruth G. Schapiro
J. Roger Mentz
Willard B. Taylor
Richard J. Hiegel
Dale S. Collinson

rather than in an indirect manner that strikes at the very heart of our tax treaty commitments and offers foreign countries an excuse to unilaterally abrogate tax and non-tax treaties with the United States.

We ask you to oppose the inclusion of this proposal in the legislation that is agreed upon by the Conference Committee.

Sincerely yours,



Richard G. Cohen
Chairman

RGC:pm

TAX SECTION

New York State Bar Association

OFFICERS

RICHARD G. COMEN
Chairman
40 Wall Street
24th floor
New York City 10005

DONALD SCHAPIRO
First Vice-Chairman
26 Broadway
New York City 10004

HERBERT L. CAMP
Second Vice-Chairman
30 Rockefeller Plaza
New York City 10112

WILLIAM L. BURKE
Secretary
One Wall Street
New York City 10005

CHAIRMEN OF COMMITTEES

Alternative Minimum Tax
Eugene L. Vogel, New York City
William H. Weigel, New York City

Bankruptcy
Peter C. Canellos, New York City
Kenneth H. Heitner, New York City

Commodities and Financial Futures
Richard L. Reinhold, New York City
Michelle P. Scott, New York City

Continuing Legal Education
Sydney R. Rubin, Rochester

Corporations
Edward D. Kleinbard, New York City
Michael L. Schler, New York City

Criminal and Civil Penalties
Sherry S. Kraus, Rochester
Sherman F. Levey, Rochester

Depreciation and Investment Credit
Victor Zonana, New York City
Richard J. Bronstein, New York City

Employee Benefits
Laraine S. Rothenberg, New York City
Robert E. Brown, Rochester

Estate and Gift Taxes
Carlyn S. McCaffrey, New York City
Sherwin Kamin, New York City

Exempt Organizations
Henry Christensen III, New York City
Philip S. Winterer, New York City

Financial Institutions
Donald S. Rice, New York City
Michael H. Simonson, New York City

Foreign Activities of U.S. Taxpayers
Alan W. Granwell, Washington, D.C.
Matthew M. McKenna, New York City

Income of Estates and Trusts
Robert F. Baldwin, Jr. Syracuse
Jerome A. Manning, New York City

Income From Real Property
Martin B. Cowan, New York City
Arthur A. Feder, New York City

Insurance Companies
Donald C. Alexander, Washington, D.C.
Hugh T. McCormick, New York City

Interstate Commerce
James H. Peters, Basking Ridge, N.J.
William M. Colby, Rochester

Net Operating Losses
James M. Peaslee, New York City
Matthew A. Rosen, New York City

New York Tax Matters
Paul R. Comeau, Buffalo
Arthur R. Rosen, Morristown, N.J.

Partnerships
William F. Indoe, New York City
Bruce M. Montgomerie, New York City

Personal Income
Steven C. Todrys, New York City
Patricia Geoghegan, New York City

Practice and Procedure
Sterling L. Weaver, Rochester
Michael I. Saltzman, New York City

Problems of the Profession
Thomas V. Glynn, New York City
Paul Pineo, Rochester

Reorganizations
Robert A. Jacobs, New York City
Richard O. Loengard, Jr., New York City

Sales, Property and Miscellaneous
E. Parker Brown, II, Syracuse
Edward H. Hein, New York City

Tax Accounting Matters
Victor F. Keen, New York City
Richard M. Leder, New York City

Tax Exempt Bonds
Dennis R. Deveney, New York City
Jackson B. Browning, Jr., New York City

Tax Policy
Mark L. McConaghy, Washington, D.C.
James S. Halpern, Washington, D.C.

Unreported Income & Compliance
M. Bernard Aidinoff, New York City
Robert S. Fink, New York City

U.S. Activities of Foreign Taxpayers
Leslie J. Schreyer, New York City
John A. Corry, New York City

MEMBERS-AT-LARGE OF EXECUTIVE COMMITTEE

Martin B. Amdur
Cynthia G. Beerbower
James S. Eustice

Morris L. Kramer
Robert J. Levinsohn
James A. Levitan

Robert J. McDermott
Ronald A. Morris
Stephen M. Piga

Sidney I. Roberts
Peter J. Rothenberg
Stanley I. Rubinfeld

R. Donald Turlington
David E. Watts
George E. Zeitlin

August 1, 1986

The Honorable J. Robert Mentz
Assistant Secretary (Tax Policy)
Department of the Treasury
1500 Pennsylvania Avenue, NW
Room 3120
Washington, D.C. 20515

Dear Roger:

I am writing to reconfirm our strong opposition to Section 984 of the Senate amendments to H.R. 3838. That section would disallow certain deductions for interest paid to related foreign parties that are "exempt" from United States income tax.

United States tax treaty negotiating policy assumes that interest which normally would be taxable by the country in which the interest recipient is incorporated should not also be subject to tax in the United States. Therefore, the exemption of such interest from U.S. tax is specifically provided for by many income tax treaties between the United States and foreign countries. To partially disallow deductions for such interest would substantially undermine that negotiating policy.

Furthermore, by disallowing deductions for interest paid by United States subsidiaries of foreign corporations, while continuing to allow such deductions for interest paid by United States subsidiaries of United States corporations, the proposal would violate non-discrimination clauses that appear in a number of tax treaties between the United States and foreign governments.

The debt-equity issue that this proposal is apparently intended to address applies equally to United States corporations owned by taxable United States persons. It should be resolved directly,



Howard O. Colgan
Charles L. Kades
Charles J. Tobin, Jr.
Carter T. Louthan
Samuel Brodsky
Thomas C. Plowden-Wardlaw

FORMER CHAIRMEN OF SECTION
Edwin M. Jones
Hon. Hugh R. Jones
Peter Miller
John W. Fager
John E. Morrissey, Jr.
Charles E. Heming

Richard H. Appert
Ralph O. Winger
Hewitt A. Conway
Martin D. Ginsburg
Peter L. Faber
Renato Baghe
Alfred D. Youngwood

Gordon D. Henderson
David Sachs
Ruth G. Schapiro
J. Roger Mentz
Willard B. Taylor
Richard J. Hiegel
Dale S. Colinson

rather than in an indirect manner that strikes at the very heart of our tax treaty commitments and offers foreign countries an excuse to unilaterally abrogate tax and non-tax treaties with the United States.

We ask you to oppose the inclusion of this proposal in the legislation that is agreed upon by the Conference Committee.

Sincerely yours,



Richard G. Cohen
Chairman

RGC:pm