REPORT #836

TAX SECTION

New York State Bar Association

<u>Letter Urging the Senate</u>

Table of Contents

Cover Letter: i

Tax Report #836

TAX SECTION
New York State Bar Association

May 26, 1995

BY TELECOPIER

The Honorable Jesse Helms
Chair, Committee on Foreign Relations
United States Senate
Room 403
Senate Dirksen Office Building
Washington, D.C. 20510 f

Dear Senator Helms:

I am writing on behalf of the Tax Section of the New York State Bar Association to urge the Senate Foreign Relations Committee to approve the income tax treaties and protocols with Canada, France, Kazakhstan, Mexico, Sweden and Ukraine that are now pending before it.

The existence of U.S. income tax treaties with countries throughout the world is important and highly desirable. Tax treaties facilitate investment (by, for example, limiting withholding taxes) and the movement of goods in commerce, encourage the free movement of commercial travelers, teachers and trainees, prevent discrimination, and reduce the double taxation of income. Tax treaties provide the private sector with the ability to know and to plan for the tax consequences of foreign activities, as well as assurance, through the treaties' mutual agreement procedure, of a mechanism for resolving double taxation and interpretative issues. Tax treaties are therefore very important to U.S. persons who invest, trade or travel abroad, as well as to foreign persons investing in the United States. Furthermore, the exchange of information provisions included in tax treaties help the Treasury to combat international tax evasion.

Each of the treaties and protocols now under consideration serves these ends. The protocol with Canada and the new treaties with France and Sweden make the form and substance of the existing treaties with those countries more consistent with current U.S. treaty policy, for example, by reducing withholding rates (as in the case of interest under the Canadian treaty). The treaties with Kazakhstan, Portugal and Ukraine will extend the U.S. treaty network to those countries for the first time, while the protocol with Mexico broadens the scope of the exchange of information provision.

We recognize that each tax treaty is the result of negotiations between the United States government and its foreign counterpart. Obviously compromises are necessary, and hence neither country may regard the completed treaty as optimal from its point of view. We urge, however, that any such deficiencies be balanced against the substantial contributions tax treaties provide to international commerce, and we believe the overall benefits that will be provided by these seven tax treaties and protocols outweigh any individual shortcomings. We hope that your Committee will view the pending treaties and protocols favorably and report them to the Senate for approval as expeditiously as possible.

Please let us know if we can be of any further assistance to you in your deliberations.

Very truly yours,

Carolyn Joy Lee
Chair, Tax Section