



UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

44
AUG 9 - 1966

Dear Mr. Pritchard:

We have reviewed with considerable care the draft letter to High Commissioner Norwood which you left with us. I should also like to acknowledge Mr. Eric Stevenson's letter of July 20, on the same subject, addressed to Mrs. Van Cleve.

I realize that the draft letter contains standard provisions that have been incorporated in Peace Corps agreements throughout the world. However, as we discussed during our telephone conversation, we do not regard its content as appropriate to the unique circumstances in the Trust Territory.

Although the Trust Territory is "foreign" in that it is not a territory of the United States, the Government of the Trust Territory is a creature of the United States Congress and the Secretary of the Interior.

The draft asks that special tax exemptions be extended to Peace Corps volunteers in the Trust Territory. Although the Secretary of the Interior has residual authority to enact legislation for the Trust Territory, in practice he would defer to the territorial legislature. The tax exemptions you request could only be made available through legislative action--either repeal of existing statutes or special legislation. This we would be reluctant to request.

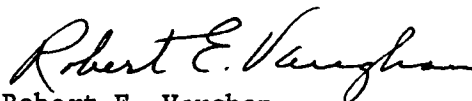
Over the years, and particularly during the last five years, we have attempted to avoid placing the Americans assigned to the Trust Territory in any special or privileged category. We have not achieved perfection in this respect, but our successes have been significant and we do not wish to reverse our course. We have made a conscientious effort to make the Americans in the Territory subject to the same laws which govern the lives of the people of the islands. And as a major symbol of this fact, American employees of the Trust Territory Government (as well as private organizations in the Territory) are subject to the same taxes as are paid by Micronesians. We do not believe that it would be appropriate for the United States as Administering Authority to request special tax exemptions particularly at a time when we are asking the Micronesians to increase their own contributions to the finances of the Territory.

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In actual practice, we are aware of no provisions of Trust Territory tax law that discriminate against United States' citizens. In submitting its Volunteers to the laws of the Trust Territory without requesting the exemptions contained in the draft letter, the Peace Corps would actually be placing them on an identical footing with the Micronesian people.

In view of the role of the United States in the Trust Territory, I hope that the Peace Corps will reconsider the need for using its standard type agreement.

Sincerely yours,



Robert E. Vaughan
Deputy Assistant Secretary
Public Land Management

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