

File

UNITED STATES GOVERNMENT

Memorandum

TO : Eric Stevenson, GC

DATE: SEP 8 1966

FROM : Jerry Fullmer, GC JAF

SUBJECT: Trust Territory Taxes

Secretary of the Interior Order No. 3876, dated January 30, 1964, 29 F. R. 1855 (Feb. 7, 1964), vests the High Commissioner with both the "executive authority" and the "legislative authority" of the Government of the Trust Territory. This would apparently include the complete authority of taxation enjoyed by other governments.

Secretary of the Interior Order No. 2882, dated September 28, 1964, 29 F. R. 13613 (Oct. 3, 1964) granted "certain legislative power to the Congress of Micronesia". Section 3 of that order specified the following limitations upon the Congress' power of taxation:

1. No taxes upon property of the United States, or the Trust Territory
2. No taxes upon the property of non-residents at a higher rate than that of residents
3. No import or export levies on goods shipped between Districts of the Trust Territory
4. Levies of duties upon imports reserved to the Congress and High Commission

P.L. 1-6 of the Laws and Resolutions Congress of Micronesia (1965) delineates the primary responsibilities of the Trust Territory Government, District Governments and Municipal and local Governments. This statute, as amended, gives these governments the following powers of taxation. Comments have been made on the enactment of the taxes specified, where appropriate.

1. Government of the Trust Territory
 - a. Power to collect license fees for persons and companies engaged in banking, business corporations, business associations, credit unions, and cooperatives, insurance, sale of securities, and public statutes.

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- b. Power to "control" import, export, and income taxes including excise taxes actually collected on the basis of imports.

Gen. Assembly Res. 1-37 (Aug. 9, 1965) stated that in at least one District, the salaries and wages of Micronesian employees were presently taxed by the district government, and invited the High Commissioner to entertain a proposal at the next session of the Congress for a tax of 1% to be levied on the salaries and wages paid to all non-Micronesian employees employed by firms in the Trust Territory.

2. District Governments

- a. Power to collect wholesale liquor license fees, and impose taxes on alcoholic beverages.
- b. Power to collect license fees for wholesale business.
- c. Power to impose and collect sales taxes and the authorizing of municipalities to impose and collect excise taxes on items other than foodstuffs.

§ 1145 of the Code provides for taxes on the first purchase of cigarettes, tobacco, perfumes, cosmetics, and toiletries. This tax is collected by the District, but paid to the Territorial Treasury. Also, this section includes a processing tax on the manufacture of goods, except foodstuffs.

P.L. 1-10 provides for the levy of export tax on copra, trochus shell, and scrap metal.

P.L. 1-13 provides for taxes on imports of such articles as cigarettes, tobacco, perfume, soft drinks, beer, alcoholic beverage, wine, and other products manufactured outside the Territory and brought into the Territory for resale.

- d. Power to levy and collect taxes on motor fuel.

P.L. 1-9 provides for an excise tax on the use, distribution or sale of motor vehicle fuel.

3. Municipalities, Towns and Local Governments

- a. Power to collect license fees for retail businesses.
- b. Power to improve and collect head taxes, property taxes on items other than foodstuffs, and excise taxes authorized by the district.

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