



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

Mr. Eric Stevenson  
General Counsel  
Peace Corps  
806 Connecticut Avenue, N. W.  
Washington, D. C.

SEP 20 1966

Dear Mr. Stevenson:

With regard to the matter of taxes in the Trust Territory, enclosed is a copy of the tax study which I promised to send you. When published the report will include the text of four public laws pertaining to taxation enacted at the first session of the Congress of Micronesia. They are identified in the report as Appendices A, B, C and D, and they appear in the "Laws and Resolutions" of the Congress of Micronesia which we sent you on August 23.

I wish to make one comment about the draft taxation report. There is a reference on page 24 to a Marshalls Islands district tax of one per cent on gross salaries paid to "all permanent residents." In answer to an inquiry as to whether American employees of the Trust Territory or of any United States Government agency were subject to the tax, we were advised that the tax is no longer in effect and that the Attorney General of the Trust Territory has held that the tax was repealed through enactment of Public Law 1-6.

The High Commissioner advises us that he strongly opposes special tax exemptions and feels that the harm done the United States image through such exemptions would offset the good the Peace Corps might be expected to accomplish. We agree.

In view of the fact that little or no tax burden would fall upon your staff or volunteers in the Trust Territory, we hope that you will not find it necessary to pursue the matter further.

Sincerely yours,

Mrs. Ruth G. Van Cleve  
Director

Enclosure

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206