

UNITED STATES GOVERNMENT

Memorandum

Trust Terr.

TO : Eric Stevenson, GC

DATE: SEP 23 1966

FROM : Jerry Fullmer, GC *J Fullmer*

SUBJECT: Tax Exemptions for Trust Territory Volunteers

In my opinion, there is nothing in the September 20, 1966 letter to you from Ruth Van Cleve, or the attached Nathan Associates, Inc. study on "Public Finance in Micronesia" which should persuade us to recede from the position taken in our letter of August 16, 1966, to Robert E. Vaughan that Volunteers should not be subject to taxation. This letter, of course, was cleared by Peace Corps Director Jack Vaughn and Far East Regional Director Ross Pritchard. The study reveals that the Volunteers might be subject to the following taxes in the Trust Territory:

1. Municipal

- a. Head tax (pp. 16, 19-21)
- b. Real Property (House) tax (pp. 16-17)
- c. Excise taxes (p. 17)
- d. Dog tax (pp. 19- 20)
- e. Watercraft tax (p. 20)
- f. Health tax (p. 21)

2. District

- a. Salaries of permanent residents (p.24), which the study states is "still" being collected, but which Mrs. Van Cleve informs us is "no longer in effect."

3. Territory

So far as I can see, Interior's objection to the exemption is based on two grounds:

1. The taxes are small,
2. The exemption will stamp the Volunteers as a privileged group.



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The first objection fails to recognize, as pointed out in my September 8, 1966 memorandum to you, that the Trust Territory Government and its subdivisions together enjoy a complete taxing power which is subject to increased use at a later date. It also fails to recognize that, as is stated at page 30 of the study, that "There have been a large variety of taxes levied by various levels of Micronesian governments for some time." The disparity in local taxation might well create difficulties among the Volunteers who are accorded different tax treatment in different municipalities and might create administrative difficulties if the Peace Corps were to attempt to absorb the taxes through the Volunteers living allowances. Lastly, assuming absorption, the objection does not answer our contention that Congress did not intend that the Peace Corps utilize its appropriated funds to assist the Government of the Trust Territory and its subdivisions in the performance of their general governmental functions.

The second objection, of course, contradicts the Peace Corps' previous experience that tax exemptions do not stamp the Volunteers as a privileged group in foreign countries, and ignores the fact that the Peace Corps, rather than Interior, is the agency which should have the expertise in evaluating the reactions engendered by such tax exemptions.

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