

PEACE CORPS / MICRONESIA

TRUST TERRITORY OF THE PACIFIC ISLANDS

Headquarters
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JANUARY 22, 1971

MEMORANDUM

TO: Charles

FROM: Bob *BA*

SUBJECT: Interesting Action

Enclosed is one resolution of one Bill that has been proposed by the Congress Of Micronesia. I thought you might be interested. The one on political status negotiations with Japan will be having little effect on our program, but is politically important. The second, having to do with the Education Department can be important as it could be interpreted to mean counterparts for Volunteers. I have no idea how the administration is going to react to either of the Bills, and will let you know as more information develops.

The Senate has passed an income tax bill which Dave has and he is working up some materials for Washington's consideration. The Bill has not gone through the House, but indications are that it will. The basic part of the Bill that affects Peace Corps is all incomes will be taxed at a rate of 3% on gross earnings. Dave is getting as much information together for your, and General Counsel's consideration as he can.

Apparently, Jack Vaughn, at the outset of the program, agreed to have Peace Corps pay taxes if any tax legislation was imposed. This probably will block us into doing this. Many of the staff have raised the question of paying taxes both here and in the U. S. The Treasury Department has not made it clear nor will they do so until the Bill is enacted. Whether taxes paid here can be deducted from tax payments made in the U. S. is still unknown.

More on this later.

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