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budget and refer it to the municipal council for approval before it is transmitted to the district administrator for ratification. Officials of the district administration assist and advise in the original preparation of the budget where such assistance is required or requested. The approved budget determines the extent of expenditures which may be made locally during the fiscal year from municipal revenues. Tax and license fee schedules which provide tax income for the municipality are similarly prepared and approved. The treasurer, or in some instances the magistrate, is authorized to collect taxes and license fees and expend them according to approved schedules and budgets.

Revenues and expenditures of the municipalities and district governments which prepared budgets for fiscal year 1971 appear in tables in Appendix IV. A comparative statement of revenues and expenditures also is provided in Appendix IV.

During 1972, the Territory did not enter into any administrative fiscal or customs unions.

taxing authority is vested in and may be exercised by the three levels of government as follows:

**Territorial.** Exclusive control of import, export, and income taxes including any so-called excise taxes actually collected on the basis of imports. Present taxes are (a) an excise tax on the use, distribution, or sale of motor vehicle fuel, (b) an export tax on scrap metal, (c) an income tax on gross salaries and wages, (d) a tax on gross revenues of businesses, (e) general import taxes. An export tax on copra and trochus shell was repealed in July 1971. For rates of these taxes, see Part VI, Section 4, Chapter 2.

**District.** Liquor control, including the right to collect wholesale liquor license fees and to impose taxes on alcoholic beverages, provided neither of these shall be based on imports or volume or value of imports.

Exclusive issuance of licenses for wholesale businesses other than banks, credit unions and cooperatives, insurance, sale of securities and public utilities, including the exclusive right to collect fees for such licenses, provided these are not based on imports or the volume or value of imports.

Imposition and collection of sales taxes, and authorizing municipalities to impose and collect excise taxes on any item other than foodstuffs.

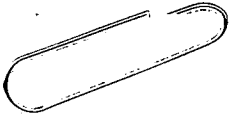
**Municipal and Local.** Licensing and collecting license fees of retail businesses within the municipality, subject, however, to all applicable territorial or district laws.

Imposition and collection of head taxes, property taxes on items other than foodstuffs, and excise taxes that the district legislature may authorize; provided, however, that none of these shall be based on imports, or the value or volume of imports.

CHAPTER 2  
TAXATION

Taxation authority vested in the territorial, district, and local governments is delineated in 2 TTC 1, 3 TTC 2, 4 TTC 51. Title 77 of the Code and Public Law 4C-2 as amended deals with taxation laws. For taxation purposes, no distinction is made between domestic and foreign companies or organizations doing business in the Territory; all are equally subject to applicable taxing statutes and ordinances imposed by and in effect within each level of government. The

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Except for taxes the Territorial Government imposes, district and municipal taxes are imposed by district laws and municipal ordinances passed by the respective legislative bodies.

Penalties for failure to furnish records or information to any taxing unit of government for the purpose of computation, assessment, or collection of any tax or license fee.

Under Section 1116 of the Trust Territory Code, any group or associa-

tion of persons may form a corporation by submitting the proposed articles of incorporation to the High Commissioner, and if the proposed articles meet the requirements specified under these Code sections, the High Commissioner may grant a charter. Corporations or companies which have been incorporated in the Territory under pertinent sections of the Code are listed in Appendix VII.

Credit unions incorporated in the Territory are listed in Appendix XVI.

## SECTION 2: MONEY AND BANKING

Since U.S. currency serves as legal tender, no laws or regulations governing currency and exchange have been needed other than U.S. laws governing banking. Residents have access to banking institutions in Guam, Hawaii, and the U.S. mainland as well as branch banks in the Territory. Kwajalein in the Marshalls, Koror in Palau, Saipan in the Marianas, Kolonia in Ponape, and Colonia in Yap have Bank of Hawaii branches. Moen in Truk, Majuro in the Marshall Islands, and Saipan are served by Bank of America facilities. Branch banks make small loans to individuals and private business firms.

In 1956, a revolving fund was established from funds made available by the U.S. Congress for loans to locally

owned trading companies for expansion and other development purposes. This revolving fund was continued until August 1964 when U.S. Public Law 88-487 transferred the \$368,000 from the revolving fund to the Trust Territory Economic Development Loan Fund (EDLF). The U.S. Congress appropriated \$100,000 for each of the years 1963, 1964, and 1965; \$250,000 in 1968; \$275,000 in 1969 and \$150,000 in 1970, and \$600,000 was appropriated in fiscal year 1972. No appropriation was made in 1971. The EDLF provides direct loans and guarantees commercial bank loans to business organizations and individuals for development purposes. Details of EDLF activity during the reporting period are given in Part VI, Section 3, Chapter 2.