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A P P E N D I X

October 24, 1973

SUBJECT: Customs and Excise Tax Laws Applicable  
To U.S. Possessions

Puerto Rico

a.) Customs. No import duties are levied on goods travelling between the United States and Puerto Rico ("P.R."). 48 U.S.C. 738. P.R. is part of the customs territory of the United States. 19 U.S.C. 1202 (General Headnote 2.); 19 U.S.C. 1401(a); 48 U.S.C. 738.<sup>\*/</sup> Accordingly imports from foreign countries into P.R. are subject to the tariff schedules applicable to like imports into the United States. The P.R. legislature is, however, authorized to impose a protective tariff on coffee imported into P.R. from any country including the United States. 19 U.S.C. 1319 and 1319a.

- Consistent with the constitutional prohibition applicable to the United States (U.S. Const. Art. I Sec. 9 Cl. 5) (but not P.R.), P.R. may not levy export duties on exports from P.R. 48 U.S.C. 741.

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\*/ All statutes herein cited are reproduced at the conclusion of the text.

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b.) Excise Taxes. The Internal Revenue Code (with the exception of the excise tax on alcohol but including the other excise taxes) does not apply in P.R. 48 U.S.C. 734 and 734a. P.R. is authorized to levy and collect its own excise taxes. 48 U.S.C. 741.

Articles produced in the United States and exported to P.R. are exempt from any U.S. tax, 26 U.S.C. 7653(b), but are subject at the port of entry to any tax imposed on like articles by P.R. 26 U.S.C. 7653(a)(1). All provisions for the allowance of a drawback of internal revenue tax on articles exported from the United States (19 U.S.C. 1313) are, so far as applicable, extended to like articles upon shipment from the United States to P.R. 26 U.S.C. 7653(c). (In the event a drawback of taxes paid on articles imported from P.R. is allowed upon export of those articles, it is to be paid out of P.R. customs receipts if the original tax was covered into the P.R. treasury. 19 U.S.C. 1313(k).)

Articles produced in P.R. entering the United States for sale or consumption there are subject to the internal revenue tax imposed in the United States on like articles. 26 U.S.C. 7652(a)(1). The tax may be collected in P.R. before shipment. 26 U.S.C. 7652(a)(2). Any such taxes, wherever collected, are covered into the P.R. treasury. 48 U.S.C. 734; 26 U.S.C. 7652(a)(3).

Guam

a.) Customs. Guam is not part of the customs territory of the United States. 19 U.S.C. 1202 (General Headnote 2.); 19 U.S.C. 1401(h). The Guamanian legislature appears to have been granted the power to impose both import and export duties if it so desires, see 48 U.S.C. 1423a, but so far Guam has remained a duty-free port open to goods imported from any country except mainland China, North Korea and North Vietnam.<sup>\*/</sup> Guam does, however, impose a 4% tax on the landed cost of all personal property which is imported into the island for the use of the person bringing it in. No such tax is imposed on property imported for resale. Id., at 17.

Along with the other insular possessions of the United States (except P.R.), Guamanian exports to the United States enjoy a preferred position: if 50% or less of the value of the product (manufactured, produced or grown) derives from foreign materials, and if there was no drawback or refund of United States taxes paid upon export of the U.S. material (if any) used in the manufacture or production of the Guamanian product, then the Guamanian product is exempt from duty upon entry into the United States; otherwise they are subject to the usual tariff rates imposed by column 1 of the Tariff Schedules. 19 U.S.C. 1202 (General Headnote 3(a)). Material that may

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\*/ W. Johnson, Facts About Doing Business in Guam 5 (Guam Economic Development Authority 1969)

be entered free of duty in the United States is not considered "foreign" for purposes of the 50% test. Id.

Any U.S. customs duties derived from Guam are covered into the Guamanian treasury. 48 U.S.C. 1421h.

b.) Excise Taxes. The excise tax sections of the Internal Revenue Code do not apply to Guam. See 48 U.S.C. 1421i. The Guamanian legislature has been given the power to levy its own excise taxes, 48 U.S.C. 1423a, which it appears to have exercised on such items as tobacco, fuel and alcohol.\*

Articles produced in the United States and exported to Guam are exempt from any tax imposed by the internal revenue laws of the United States, and the drawback provisions (see discussion at page 2) apply. 26 U.S.C. 7653(b) and (c).

Any excise taxes (as well as all other duties, fees and taxes) collected on articles produced in Guam and transported to the United States, its territories or possessions, are covered into the Guamanian treasury. 48 U.S.C. 1421h.

\*/ W. Johnson, supra at 16.

American Samoa

a.) Customs. American Samoa is not part of the customs territory of the United States. 19 U.S.C. 1202 (General Headnote 2.); 19 U.S.C. 1401h. The Samoan legislature declared it a duty-free port in 1967, with power reserved to the Governor to reimpose duties in the event the expected reduction in retail prices was not forthcoming.<sup>\*/</sup>

The Governor of Samoa may impose an export duty on any Samoan export to the United States "after prior consultations" with exporters substantially affected.<sup>\*\*/</sup>

Samoan exports to the United States enjoy the same preferential treatment under 19 U.S.C. 1202 (General Headnote 3(a)) as do Guamanian exports. See discussion p. 3.

b.) Excise Taxes. The excise tax sections of the Internal Revenue Code do not appear to apply in American Samoa. The legislature is given power under the Samoan Constitution (promulgated by the Secretary of the Interior) to "pass legislation with respect to subjects of local application." Art. II Sec. 1. Pursuant to that authority excise taxes are levied on a few items such as alcoholic beverages, tobacco, firearms, fuel, etc.<sup>\*\*\*/</sup>

\*/ Facts About Doing Business in American Samoa (Development Planning Office, Gov't. of American Samoa) at 17.

\*\*/ Ibid.

\*\*\*/ Ibid.

Articles produced in the United States and exported to American Samoa are exempt from any tax imposed by the internal revenue laws of the United States, and the draw-back provisions apply (see discussion at page 2). 26 U.S.C. 7653(b) and (c).

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Virgin Islands

a.) Customs. The Virgin Islands are not part of the customs territory of the United States. 19 U.S.C. 1202 (General Headnote 2); 19 U.S.C. 1401h. The customs laws that were in effect in 1936 remain in effect "until Congress shall otherwise provide." 48 U.S.C. 1395 and 1406i. Those laws impose a 6% ad valorem import duty on goods entering from foreign countries.<sup>\*/</sup> There is no import duty as such on articles entering the Virgin Islands from the United States. 48 U.S.C. 1395.

The export duties in effect in 1936 may be reduced, repealed or restored by the local municipal councils, but only Congress may levy a new export duty. 48 U.S.C. 1406i. There is an export tax of \$6 per ton on sugar. 48 U.S.C. 1395.

Exports from the Virgin Islands to the United States enjoy a less favored position than similar exports from other United States insular possessions: instead of the 50% limitation on foreign materials provided for in 19 U.S.C. 1202 (General Headnote 3(a)), 48 U.S.C. 1394 only grants duty-free entry to products of the Virgin Islands that contain no more than 20% foreign material.<sup>\*\*/</sup>

Goods not qualifying for such preferential treatment are taxed at the usual rates applicable to goods entering the United States from a foreign country.

<sup>\*/</sup> Facts About Doing Business in the Virgin Islands at 9 (Gov't. of the Virgin Islands).

<sup>\*\*/</sup> It is assumed that the specific statutory provision of 48 U.S.C. 1394 governs the general provision of the headnote in 19 U.S.C. 1202.

b.) Excise Taxes. The government of the Virgin Islands is authorized to levy and collect its own excise taxes, 48 U.S.C. 1604i, and the internal revenue taxes of the United States do not apply with the exception of the excise tax on alcohol. See 26 U.S.C. 7653(a)(2); 48 U.S.C. 1402.

A tax equal to the excise taxes levied in the Virgin Islands on like products is imposed on articles entering the Virgin Islands from the United States. 26 U.S.C. 7653(a)(2); see also 48 U.S.C. 1395. Such imports from the United States are exempted from all United States internal revenue taxes, and the drawback provisions (see discussion at page 2) apply. 26 U.S.C. 7653(b) and (c).

Articles entering the United States from the Virgin Islands are exempted from all Virgin Islands taxes but are subject to a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture. 26 U.S.C. 7652(b)(1) and (2). Any taxes so imposed and collected, less 1 percent and less the estimated amounts of refunds or credits, are returned to the Virgin Islands in an amount not to exceed the total amount of the revenue raised during the year by the Virgin Islands government. Any excess is held in reserve, up to an aggregate not to exceed \$5,000,000 at the end of any year, to be used for emergency purposes and essential public works. Any excess beyond that amount goes into the United States treasury. 26 U.S.C. 7652(b)(3).

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Any other revenue raised by the Internal Revenue Code or other United States laws in the Virgin Islands or from inhabitants of the Virgin Islands is covered into the Virgin Islands treasury. 48 U.S.C. 1406h. See also 48 U.S.C. 1396.

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Trust Territory of the Pacific Islands ("TTPI")

a.) Customs. Although the United States is entitled under Article 9 of the Trusteeship Agreement for the Former Japanese Mandated Islands, 61 Stat. 3301, 3304, "to constitute the trust territory into a customs . . . union with other territories under United States jurisdiction," it has not done so; accordingly the TTPI is regarded as a foreign country for purposes of United States customs laws.

The United States sought, and the other signatory nations of the General Agreement on Tariffs and Trade ("GATT") agreed to, a special waiver in respect of the TTPI to permit the United States to accord preferential treatment to products of the TTPI. The United States was given permission to accord duty-free treatment to all products of the TTPI except coconut oil, as to which it could impose the same tax as that applied to coconut oil of the Phillipines. The provisions with respect to copra and coconut oil are found in 19 U.S.C. 1202 Items 175 and 176 (not reproduced in Appendix; other imports from the TTPI into the United States have not been accorded preferential treatment.

Department of the Interior Order No. 2918 (December, 1968), which provides for the government of the TTPI, reserves for the Congress of Micronesia and the High Commissioner the power to levy import duties. At present

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the TTPI levies a 3% ad valorem import tax on all imports, with special rates established for toiletries, tobacco, food and drink. It also levies export duties on copra and scrap metal.

The statistics published in the 1971 State Department report to the United Nations on the TTPI show that for fiscal year 1970 TTPI exported all of its copra, trochus and scrap metal to Japan. This accounted for 57% of its exports. Of the remainder, 34% went to American Samoa and Guam (both duty-free), and the rest went to the U.S. and other countries. <sup>\*/</sup>

b.) Excise Taxes. The TTPI government has exclusive control of its own excise taxes. At present there is an excise tax on the use, distribution or sale of motor vehicle fuel at the rate of five cents per gallon, in addition to the general import tax discussed above.

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<sup>\*/</sup> Trust Territory of the Pacific Islands, App. 7 (Department of State, 1971).

ARTICLE I, Section 9, Clause 5

No Tax or Duty shall be laid on Articles exported  
from any State.

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— 2. *Customs territory of the United States.*—The term "customs territory of the United States", as used in the schedules, includes only the States, the District of Columbia, and Puerto Rico.

3. *Rates of duty.*—The rates of duty in the "Rates of Duty" columns numbered 1 and 2 of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) *Products of insular possessions:*

(i) Except as provided in headnote 4 of schedule 7, part 7, subpart A, and in headnote 6 of schedule 7, part 2, subpart E, articles, imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value, coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

imported merchandise may actually have been used in the manufacture or production of the exported articles, an amount of drawback equal to that which would have been allowable had the merchandise used therein been imported; but the total amount of drawback allowed upon the exportation of such articles, together with the total amount of drawback allowed in respect of such imported merchandise under any other provision of law, shall not exceed 99 per centum of the duty paid on such imported merchandise.

(c) Merchandise not conforming to sample or specifications.

Upon the exportation of merchandise not conforming to sample or specifications or shipped without the consent of the consignee upon which the duties have been paid and which have been entered or withdrawn for consumption and, within ninety days after release from customs custody, unless the Secretary authorizes in writing a longer time, returned to customs custody for exportation, the full amount of the duties paid upon such merchandise shall be refunded as drawback, less 1 per centum of such duties.

(d) Flavoring extracts; medicinal or toilet preparations; bottled distilled spirits and wines.

Upon the exportation of flavoring extracts, medicinal or toilet preparations (including perfumery) manufactured or produced in the United States in part from domestic alcohol on which an internal-revenue tax has been paid or determined, there shall be allowed a drawback equal in amount to the tax found to have been paid on the alcohol so used.

Upon the exportation of bottled distilled spirits and wines manufactured or produced in the United States on which an internal-revenue tax has been paid or determined, there shall be allowed, under regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, a drawback equal in amount to the tax found to have been paid or determined on such bottled distilled spirits and wines. In the case of distilled spirits, the preceding sentence shall not apply unless the claim for drawback is filed by the bottler or packager of the spirits and unless such spirits have been stamped or restamped, and marked, especially for export, under regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

(e) Imported salt for curing fish.

Imported salt in bond may be used in curing fish taken by vessels licensed to engage in the fisheries, and in curing fish on the shores of the navigable waters of the United States, whether such fish are taken by licensed or unlicensed vessels, and upon proof that the salt has been used for either of such purposes, the duties on the same shall be remitted.

(f) Exportation of meats cured with imported salt.

Upon the exportation of meats, whether packed or smoked, which have been cured in the United States with imported salt, there shall be refunded, upon satisfactory proof that such meats have been cured with imported salt, the duties paid on the salt so used in curing such exported meats, in amounts not less than \$100.

§ 1313. Drawback and refunds.

(a) Articles made from imported merchandise.

Upon the exportation of articles manufactured or produced in the United States with the use of imported merchandise, the full amount of the duties paid upon the merchandise so used shall be refunded as drawback, less 1 per centum of such duties, except that such duties shall not be so refunded upon the exportation of flour or by-products produced from wheat imported after ninety days after June 17, 1930. Where two or more products result from the manipulation of imported merchandise, the drawback shall be distributed to the several products in accordance with their relative values at the time of separation.

(b) Substitution for drawback purposes.

If imported duty-paid merchandise and duty-free or domestic merchandise of the same kind and quality are used in the manufacture or production of articles within a period not to exceed three years from the receipt of such imported merchandise by the manufacturer or producer of such articles, there shall be allowed upon the exportation of any such articles, notwithstanding the fact that none of the

(g) Materials for construction and equipment of vessels built for foreigners.

The provisions of this section shall apply to materials imported and used in the construction and equipment of vessels built for foreign account and ownership, or for the government of any foreign country, notwithstanding that such vessels may not within the strict meaning of the term be articles exported.

(h) Jet aircraft engines.

Upon the exportation of jet aircraft engines manufactured or produced abroad that have been overhauled, repaired, rebuilt, or reconditioned in the United States with the use of imported merchandise, including parts, there shall be refunded, upon satisfactory proof that such imported merchandise has been so used, the duties which have been paid thereon, in amounts not less than \$100.

(i) Time limitation on exportation.

No drawback shall be allowed under the provisions of this section unless the completed article is exported within five years after importation of the imported merchandise.

(j) Regulations.

Allowance of the privileges provided for in this section shall be subject to compliance with such rules and regulations as the Secretary of the Treasury shall prescribe, which may include, but need not be limited to, the fixing of a time limit within which drawback entries or entries for refund under any of the provisions of this section or section 1309 (b) of this title shall be filed and completed, and the designation of the person to whom any refund or payment of drawback shall be made.

(k) Source of payment.

Any drawback of duties that may be authorized under the provisions of this chapter shall be paid from the customs receipts of Puerto Rico, if the duties were originally paid into the Treasury of Puerto Rico. (June 17, 1930, ch. 497, title III, § 313, 46 Stat. 693; May 17, 1932, ch. 190, 47 Stat. 158; June 26, 1936, ch. 830, title IV, §§ 402, 403, 49 Stat. 1960; Aug. 8, 1951, ch. 297, 65 Stat. 175; Aug. 8, 1953, ch. 397, § 12, 67 Stat. 515; Aug. 6, 1956, ch. 1021, § 2, 70 Stat. 1076; Aug. 18, 1958, Pub. L. 85-673, § 1, 72 Stat. 624; Oct. 22, 1968, Pub. L. 90-630, § 2(b), 82 Stat. 1328; Jan. 12, 1971, Pub. L. 91-692, § 3(a), 84 Stat. 2076.)

#### AMENDMENTS

1971—Subsec. (h). Pub. L. 91-692 added subsec. (h) and redesignated former subsec. (h) as (i).

Subsecs. (i)-(k). Pub. L. 91-692 redesignated former subsecs. (h)-(j) as (i)-(k), respectively.

1968—Subsec. (d). Pub. L. 90-630 permitted, under Treasury regulations, the drawback of tax with regard to distilled spirits exported as ships' stores where the stamping, restamping, or marking is done after the spirits have been removed from the original bottling plant.

1958—Subsec. (b). Pub. L. 85-673 substituted "merchandise" for "sugar, or metal, or ore containing metal, or flaxseed or linseed, or flaxseed or linseed oil, or printing papers coated or uncoated," following the words "duty-paid" and "allowable had the".

1956—Subsec. (b). Act Aug. 6, 1956, inserted "or printing papers, coated or uncoated," after "linseed oil," wherever appearing.

1953—Subsec. (b). Act Aug. 8, 1953, § 12 (a), extended from one year to three years the period during which substitution for drawback purposes may be made.

Subsec. (c). Act Aug. 8, 1953, § 12 (b), extended the period during which the merchandise can be returned to customs custody for exportation from thirty days to ninety days or such longer period as the Secretary of the Treasury may allow; and provided for the refunding of duties in cases where the merchandise upon which the duties have been paid was sent to the consignee without his consent.

Subsec. (h). Act Aug. 8, 1953, § 12 (c), substituted the reference to "this section" for "this section or of section 152a of this title (relating to drawback on shipments to the Philippine Islands)."; struck out another reference to the Philippine Islands; and substituted "five years" for "three years".

Subsec. (i). Act Aug. 8, 1953, § 12 (c), broadened the authority of the Secretary of the Treasury to make such regulations for the administration of the drawback provisions as may be necessary.

1951—Subsec. (b). Act Aug. 8, 1951, extended the provisions of such subsection to flaxseed and linseed, and flaxseed and linseed oil, and omitted "(or shipment to the Philippine Islands)" which preceded "of any such articles".

1936—Subsec. (d). Act June 26, 1936, added the second paragraph.

1932—Act May 17, 1932, changed "Porto Rico" to "Puerto Rico".

#### EFFECTIVE DATE OF 1971 AMENDMENT

Section 3(b) of Pub. L. 91-692 provided that: "The amendments made by subsection (a) [enacting subsec. (h) of this section] shall apply with respect to articles exported on or after the date of the enactment of this Act [Jan. 12, 1971]."

#### EFFECTIVE DATE OF 1968 AMENDMENT

Amendment by Pub. L. 90-630 applicable only to articles exported on or after the first day of the first calendar month which begins more than 90 days after the date of enactment of Pub. L. 90-630, which was approved on Oct. 22, 1968, see section 4 of Pub. L. 90-630, set out as a note under section 5003 of Title 26, Internal Revenue Code.

#### EFFECTIVE DATE OF 1958 AMENDMENT

Section 2 of Pub. L. 85-673 provided that: "The amendment made by the first section of this Act [amending subsec. (b) of this section] shall be effective with respect to articles exported on or after the 30th day after the date of the enactment of this Act [Aug. 18, 1958]."

#### EFFECTIVE DATE OF 1953 AMENDMENT; SAVING CLAUSE

Amendment to this section effective on and after the thirtieth day following August 8, 1953, and saving clause, see notes under section 258 of this title.

#### PRIOR PROVISIONS

Provisions similar to those of this section were contained in act Oct. 3, 1913, ch. 16, § IV, O, 38 Stat. 200, which was superseded by act Sept. 21, 1922, ch. 356, title III, § 313, 42 Stat. 940, and was repealed by section 321 thereof. Section 313 of the 1922 act was superseded by section 313 of the Tariff Act of 1930, comprising this section, and was repealed by section 651(a) (1) of the 1930 act.

Earlier provisions relating to this subject were made by the Tariff Acts of Oct. 1, 1890, ch. 1244, § 25, 26 Stat. 617; Aug. 27, 1894, ch. 349, § 22, 28 Stat. 551; July 24, 1897, ch. 11, § 30, 30 Stat. 211; and Aug. 5, 1909, ch. 6, § 25, 36 Stat. 90, which superseded provisions of a similar nature contained in R.S. §§ 3019, 3020, 3026, as amended by act Mar. 10, 1880, ch. 37, 21 Stat. 67, and said sections 3019, 3020, and 3026, were also repealed by act Sept. 21, 1922, ch. 356, title IV, § 642, 42 Stat. 989.

The provisions of section IV, O, of the act of 1913, similar to subdivision (g) of this section concerning materials used in the construction and equipment of vessels built for foreign account, superseded a similar provision of act June 26, 1884, ch. 121, § 17, 23 Stat. 57.

The provisions of subsec. (e) of this section concerning imported salt used in curing fish superseded somewhat similar provisions in R.S. § 3022, which was repealed by act Sept. 21, 1922, ch. 356, title IV, § 642, 42 Stat. 989.

Section 642 of the act of Sept. 21, 1922, also repealed sections 3015 to 3020, inclusive, 3028 to 3047, inclusive.

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## TITLE 19.—CUSTOMS DUTIES

and 3049 to 3057, inclusive of the Revised Statutes, which were concerned with the subject of drawback.

R.S. § 3048, which was not repealed, read as follows: "So much money as may be necessary for the payment of debentures or drawbacks and allowances which may be authorized and payable, is hereby appropriated for that purpose out of any money in the Treasury, to be expended under the direction of the Secretary of that Department, according to the laws authorizing debentures or drawbacks and allowances. The collectors of the customs shall be the disbursing agents to pay such debentures, drawbacks, and allowances. All debenture certificates issued according to law shall be received in payment of duties at the customhouse where the same have been issued, the laws regulating drawbacks having been complied with."

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Permanent appropriations to pay debentures and other charges arising from duties, drawbacks, bounties, and allowances were also made by R.S. § 3689, incorporated in section 711 of Title 31, Money and Finance.

## TRANSFER OF FUNCTIONS

All functions of all officers of the Department of the Treasury, and all functions of all agencies and employees of such Department, were transferred, with certain exceptions, to the Secretary of the Treasury, with power vested in him to authorize their performance or the performance of any of his functions, by any of such officers, agencies, and employees, by 1950 Reorg. Plan No. 26, §§ 1, 2, eff. July 31, 1950, 15 F.R. 4935, 64 Stat. 1280, set out in the Appendix to Title 5, Government Organization and Employees. The Commissioner of Internal Revenue, referred to in this section, is an officer of the Treasury Department.

## SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in title 7 sections 608a, 1121.

## § 1313a. Appropriations for refunds, drawbacks, bounties, etc.

There are appropriated such amounts as hereafter may be necessary for refund or payment of custom collections or receipts, and payment of debentures or drawbacks, bounties, and allowances, as authorized by law. (June 30, 1949, ch. 285, title I, § 101, 63 Stat. 360.)

## CODIFICATION

Section was not enacted as part of the Tariff Act of 1930 which constitutes this chapter.

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TITLE 19.—CUSTOMS DUTIES

§ 1319

§ 1319. Duty on coffee imported into Puerto Rico.

The Legislature of Puerto Rico is empowered to impose tariff duties upon coffee imported into Puerto Rico, including coffee grown in a foreign country coming into Puerto Rico from the United States. Such duties shall be collected and accounted for as now provided by law in the case of duties collected in Puerto Rico. (June 17, 1930, ch. 497, title III, § 319, 46 Stat. 696; May 17, 1932, ch. 190, 47 Stat. 158.)

place subject to the jurisdiction of the United States, is legalized, ratified, and confirmed as fully to all intents and purposes as if the same had, by prior Act of Congress, been specifically authorized and directed. (June 18, 1934, ch. 604, 48 Stat. 1017; Aug. 20, 1935, ch. 578, 49 Stat. 665.)

CODIFICATION

Section was not enacted as part of Tariff Act of 1930 which constitutes this chapter.

AMENDMENTS

1932—Act May 17, 1932, changed "Porto Rico" to "Puerto Rico".

§ 1319a. Duty on coffee; ratification of duties imposed by Legislature of Puerto Rico.

The taxes and duties imposed by the Legislature of Puerto Rico by Joint Resolution Numbered 59 approved by the Governor of Puerto Rico May 5, 1930, and by Act Numbered 77 approved by the Governor of Puerto Rico May 5, 1931, as amended by Act Numbered 7 approved by the Governor April 9, 1934, including therein such taxes and duties on coffee brought into Puerto Rico from any State or Territory or district or possession of the United States, or other place subject to the jurisdiction of the United States, are legalized and ratified, and the collection of all such taxes and duties made under or by authority of either of said acts of the Puerto Rican Legislature, including such taxes and duties on coffee brought into Puerto Rico from any State, Territory, district, or possession of the United States, or other

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(h) United States.

The term "United States" includes all Territories and possessions of the United States except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam.

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## § 7652. Shipments to the United States.

## (a) Puerto Rico.

## (1) Rate of tax.

Except as provided in section 5314, articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale shall be subject to a tax equal to the internal revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture.

## (2) Payment of tax.

The Secretary or his delegate shall by regulations prescribe the mode and time for payment and collection of the tax described in paragraph (1), including any discretionary method described in section 6302 (b) and (c). Such regulations shall authorize the payment of such tax before shipment from Puerto Rico, and the provisions of section 7651 (2) (B) shall be applicable to the payment and collection of such tax in Puerto Rico.

## (3) Deposit of internal revenue collections.

All taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States (less the estimated amount necessary for payment of refunds and drawbacks), or consumed in the island, shall be covered into the treasury of Puerto Rico.

## (b) Virgin Islands.

## (1) Taxes imposed in the United States.

Except as provided in section 5314, there shall be imposed in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

## (2) Exemption from tax imposed in the Virgin Islands.

Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

## (3) Disposition of internal revenue collections.

Beginning with the fiscal year ending June 30, 1954, and annually thereafter, the Secretary or his delegate shall determine the amount of all taxes imposed by, and collected during the fiscal year under, the internal revenue laws of the United States on articles produced in the Virgin Islands

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and transported to the United States. The amount so determined less 1 percent and less the estimated amount of refunds or credits shall be subject to disposition as follows:

(A) There shall be transferred and paid over to the government of the Virgin Islands from the amounts so determined a sum equal to the total amount of the revenue collected by the government of the Virgin Islands during the fiscal year, as certified by the Government Comptroller of the Virgin Islands. The moneys so transferred and paid over shall constitute a separate fund in the treasury of the Virgin Islands and may be expended as the legislature may determine: *Provided*, That the approval of the President or his designated representative shall be obtained before such moneys may be obligated or expended.

(B) There shall also be transferred and paid over to the government of the Virgin Islands during each of the fiscal years ending June 30, 1955, and June 30, 1956, the sum of \$1,000,000 or the balance of the internal revenue collections available under this paragraph (3) after payments are made under subparagraph (A), whichever amount is greater. The moneys so transferred and paid over shall be deposited in the separate fund established by subparagraph (A), but shall be obligated or expended for emergency purposes and essential public projects only, with the prior approval of the President or his designated representative.

(C) Any amounts remaining shall be deposited in the Treasury of the United States as miscellaneous receipts.

If at the end of any fiscal year the total of the Federal contribution made under subparagraph (A) at the beginning of that fiscal year has not been obligated or expended for an approved purpose, the balance shall continue available for expenditure during any succeeding fiscal year, but only for approved emergency relief purposes and essential public projects as provided in subparagraph (B). The aggregate amount of moneys available for expenditure for emergency relief purposes and essential public projects only, including payments under subparagraph (B), shall not exceed the sum of \$5,000,000 at the end of any fiscal year. Any unobligated or unexpended balance of the Federal contribution remaining at the end of a fiscal year which would cause the moneys available for emergency relief purposes and essential public projects only to exceed the sum of \$5,000,000 shall thereupon be transferred and paid over to the Treasury of the United States as miscellaneous receipts.

(Aug. 16, 1954, ch. 736, 68A Stat. 907; Sept. 2, 1958, Pub. L. 85-859, title II, § 204 (17), (18), 72 Stat. 1430; June 21, 1965, Pub. L. 89-44, title VIII, § 808(b)(3), 79 Stat. 164.)

#### AMENDMENTS

1965—Subsec. (a)(3). Pub. L. 89-44 inserted "(less the estimated amount necessary for payment of refunds and drawbacks)" following "transported to the United States".

1958—Subsec. (a)(1). Pub. L. 85-859, § 204(17), substituted "section 5314" for "section 5318".

Subsec. (b)(1). Pub. L. 85-859, § 204(18), substituted "section 5314" for "section 5318".

#### EFFECTIVE DATE OF 1965 AMENDMENT

Amendment of subsec. (a)(3) by Pub. L. 89-44 effective July 1, 1965, see section 808(d)(1) of Pub. L. 89-44, set out as a note under section 5702 of this title.

#### EFFECTIVE DATE OF 1958 AMENDMENT

Amendment of subsecs. (a)(1) and (b)(1) of this section by Pub. L. 85-859 effective on July 1, 1959, see section 210(a)(1) of Pub. L. 85-859, set out as a note under section 5001 of this title.

#### EX. ORD. No. 10602. SECRETARY OF THE INTERIOR AS REPRESENTATIVE OF PRESIDENT

Ex. Ord. No. 10602, Mar. 24, 1955, 20 F. R. 1795, provided: By virtue of the authority vested in me by section 7652 (b)(3) of the Internal Revenue Code of 1954 (Public Law 591, 83rd Congress, 68A Stat. 907) [subsection (b)(3) of this section], I hereby designate the Secretary of the Interior as the representative of the President to approve the obligation and expenditure by the government of the Virgin Islands of the moneys referred to in the said section 7652 (b)(3) [subsection (b)(3) of this section].

#### SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 5314, 5705, 7809 of this title; title 18 section 1644.

018643

TITLE 26.—INTERNAL REVENUE CODE

§ 7653

§ 7653. Shipments from the United States.

(a) Tax imposed.

(1) Puerto Rico.

All articles of merchandise of United States manufacture coming into Puerto Rico shall be entered at the port of entry upon payment of a tax equal in rate and amount to the internal revenue tax imposed in Puerto Rico upon the like articles of Puerto Rican manufacture.

(2) Virgin Islands.

There shall be imposed in the Virgin Islands upon articles imported from the United States a tax equal to the internal revenue tax imposed in such islands upon like articles there manufactured.

(b) Exemption from tax imposed in the United States.

Articles, goods, wares, or merchandise going into Puerto Rico, the Virgin Islands, Guam, and American Samoa from the United States shall be exempted from the payment of any tax imposed by the internal revenue laws of the United States.

(c) Drawback of tax paid in the United States.

All provisions of law for the allowance of drawback of internal revenue tax on articles exported from the United States are, so far as applicable, extended to like articles upon which an internal revenue tax has been paid when shipped from the United States to Puerto Rico, the Virgin Islands, Guam, or American Samoa.

(d) Cross reference.

For the disposition of the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in Guam and transported into the United States or its possessions, or consumed in Guam, see the Act of August 1, 1950 (ch. 512, 64 Stat. 392, section 30; 48 U.S.C. 1421h).

(Aug. 16, 1954, ch. 736 68A Stat. 908; June 25, 1959, Pub. L. 86-70, § 22(f), 73 Stat. 146; July 12, 1960, Pub. L. 86-624, § 18(h), 74 Stat. 416.)

AMENDMENTS

1960—Subsec. (d). Pub. L. 86-624 substituted "or its possessions" for ", its possessions or the Territory of Hawaii."

1959—Subsec. (d). Pub. L. 86-70 substituted "its possessions or the Territory of Hawaii" for "its Territories or possessions."

018644

## PRIOR LAW

Act Apr. 12, 1900, ch. 191, § 14, 31 Stat. 80, was substantially identical with this section, but contained in lieu of the proviso the words "which, in view of the provisions of section three, shall not have force and effect in Porto Rico." As to section 3 of act Apr. 12, 1900, ch. 191, see section 738 of this title and notes thereunder.

## CROSS REFERENCES

Articles, goods, wares, or merchandise going into Puerto Rico from United States, exempt from payment of any tax imposed by internal revenue laws of United States, see section 7653(b) of Title 26, Internal Revenue Code, 1954.

Deposit of internal revenue collections, see section 7652(a) (3) of Title 26, Internal Revenue Code, 1954.

Income tax on residents of Puerto Rico, see section 933 of Title 26, Internal Revenue Code, 1954.

Internal revenue tax on articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale, see section 7652(a) (1) of Title 26, Internal Revenue Code, 1954.

Interstate Commerce Act as amended and the Safety Appliance Acts as amended as inapplicable to Puerto Rico, see section 751 of this title.

References to possessions in Internal Revenue Code as referring to Commonwealth of Puerto Rico, see section 7701(c) of Title 26, Internal Revenue Code, 1954.

Taxes collected, as trust funds, see section 725s of Title 31, Money and Finance.

EX. ORD. NO. 9909. EXEMPTING DISTRICT COURT OF THE UNITED STATES FOR PUERTO RICO AND THE DEPARTMENT OF JUSTICE FROM MAKING REPORTS REQUIRED BY THIS SECTION

Ex. Ord. No. 9909, Dec. 9, 1947, 12 F.R. 8291, provided: "By virtue of the authority vested in me by section 49b (2) of the Organic Act of Puerto Rico, as amended by section 6 of the Act of August 5, 1947, Public Law 362, 80th Congress [former section 793b of this title], it is hereby ordered that the District Court of the United States for Puerto Rico and the Department of Justice shall be exempt from making the reports to the Coordinator of Federal Agencies in Puerto Rico which are provided for in such section."

EX. ORD. NO. 10005. ESTABLISHMENT OF PRESIDENT'S ADVISORY COMMISSION ON RELATION OF FEDERAL LAWS TO PUERTO RICO

Ex. Ord. No. 10005, Oct. 5, 1948, 13 F.R. 5854, provided: WHEREAS section 9 of the Organic Act of Puerto Rico, 39 Stat. 954 [this section], provides that "the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States"; and

WHEREAS section 49b (3) of the said Act, which was added by section 6 of the act of August 5, 1947, 61 Stat. 772 [former section 793b of this title], provides that "the President of the United States may, from time to time, after hearing, promulgate Executive orders expressly excepting Puerto Rico from the application of any Federal law, not expressly declared by Congress to be applicable to Puerto Rico, which as contemplated by section 9 of this act [this section] is inapplicable by reason of local conditions";

NOW, THEREFORE, by virtue of the authority vested in me by the said Organic Act of Puerto Rico, and as President of the United States, it is ordered as follows:

1. There is hereby created a commission to be known as the President's Advisory Commission on the Relation of Federal Laws to Puerto Rico, which shall be composed of nine members to be designated by the President and to serve without compensation.

2. The Commission shall from time to time make recommendations to the President concerning the exercise of his power under section 49b(3) of the Organic Act of Puerto Rico [former section 793b of this title] to exempt Puerto Rico from the application of Federal laws. To that end, the Commission is authorized to examine into, and to hold hearings on, the inapplicability of Federal laws to Puerto Rico by reason of local conditions.

### § 734. United States laws extended to Puerto Rico; internal revenue receipts covered into treasury.

The statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946 or the Philippine Trade Agreement Revision Act of 1955: *Provided, however*, That after May 1, 1946, all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico. (Mar. 2, 1917, ch. 145, § 9, 39 Stat. 954; May 17, 1932, ch. 190, 47 Stat. 158; Apr. 30, 1946, ch. 244, title V, § 513, 60 Stat. 158; Aug. 1, 1955, ch. 433, title III, § 308, 69 Stat. 427.)

## REFERENCES IN TEXT

The Philippine Trade Agreement Revision Act of 1955, referred to in the text, is classified to sections 1371-1379 of Title 22, Foreign Relations and Intercourse, and this section.

The Philippine Trade Act of 1946, referred to in the text, is classified to sections 1251-1255, 1261-1266, 1271-1274, 1281, 1291, 1301-1305, 1311-1313, 1321, 1322, 1331, 1332, 1334, 1341-1348, 1351-1360, and 1393 of Title 22, Foreign Relations and Intercourse former sections 2470(a) (2) and 2800(a) (4) (B) of Title 26, Internal Revenue Code, 1939, and this section. Sections 2470(a) (2) and 2800(a) (4) (B) of Title 26 were repealed by section 7851 of Title 26, IRC, 1954 and are now covered by sections 4511 and 5001(a) (4) of that title.

## AMENDMENTS

1955—Act Aug. 1, 1955, inserted "or the Philippine Trade Agreement Revision Act of 1955".

1946—Act Apr. 30, 1946, inserted "other than those contained in the Philippine Trade Act of 1946", preceding proviso.

## CHANGE OF NAME

The name of "Porto Rico" was changed to "Puerto Rico" by act May 17, 1932.

## EFFECTIVE DATE OF 1955 AMENDMENT

Amendment of this section by act Aug. 1, 1955, effective on January 1, 1956, see note under section 1373 of Title 22, Foreign Relations and Intercourse.

## EFFECTIVE DATE OF 1946 AMENDMENT

Amendment of section by act Apr. 30, 1946, effective on the day after the date of its enactment, April 30, 1946, see note under section 1251 of Title 22, Foreign Relations and Intercourse.

3. All executive departments and agencies of the Federal Government are authorized and directed to cooperate with the Commission in its work and to furnish the Commission such information as the Commission may require in the performance of its duties.

4. The Commission shall continue to exist until the President terminates its existence by Executive order.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in title 22 sections 1356, 1373.

§ 734a. Extension of industrial alcohol and internal revenue laws to Puerto Rico.

Sections 71 to 89 of Title 27 and all provisions of the internal revenue laws relating to the enforcement thereof, are extended to and made applicable to Puerto Rico from and after August 27, 1935. The Insular Government shall advance to the Treasury of the United States such funds as may be required from time to time by the Secretary of the Treasury for the purpose of defraying all expenses incurred by the Treasury Department in connection with the enforcement in Puerto Rico of the said sections and regulations promulgated thereunder. The funds so advanced shall be deposited in a separate trust fund in the Treasury of the United States and shall be available to the Treasury Department for the purposes of this section. (June 26, 1936, ch. 830, title III, § 329 (c), 49 Stat. 1947.)

REFERENCES IN TEXT

The provisions of sections 71 to 89 of Title 27, Intoxicating Liquors, to which reference is made in this section, were repealed and substantially reenacted as part of the Internal Revenue Code, 1954.

CODIFICATION

Provisions similar to this section relating to the Virgin Islands are set out as section 1402 of this title.

Section was not enacted as a part of the Puerto Rican Federal Relations Act, which generally comprises this chapter.

CROSS REFERENCE

Industrial alcohol plants, application of internal revenue laws to Puerto Rico, see section 5314 of Title 26, Internal Revenue Code, 1954.

## TITLE 48.—TERRITORIES AND INSULAR POSSESSIONS

**§ 738. Free interchange of merchandise with United States.**

All merchandise and articles coming into the United States from Puerto Rico and coming into Puerto Rico from the United States shall be entered at the several ports of entry free of duty and in no event shall any tariff duties be collected on said merchandise or articles. (Apr. 12, 1900, ch. 191, § 3, 31 Stat. 77; May 17, 1932, ch. 190, 47 Stat. 158.)

**CODIFICATION**

Act Apr. 12, 1900, § 3, as originally enacted, imposed tariff duties, amounting to 15 per centum of the duties on like articles imported from foreign countries, on all articles of merchandise coming into the United States from Porto Rico and vice versa. Merchandise and articles except coffee, not dutiable under United States' tariff laws, and merchandise or articles entered in Porto Rico free of duty under orders theretofore made by the Secretary of War, were to be admitted from the United States free of duty, all laws or parts of laws to the contrary, notwithstanding. However, all of the aforesaid tariff duties were to cease, and the provisions in the text were to become operative, whenever the local legislative assembly should put into operation a system of local taxation, and the President should make proclamation thereof. In no event were those duties to be

collected after March 1, 1902. In accordance with the aforesaid provision President McKinley issued his proclamation July 25, 1901, 32 Stat. 1983.

Section 3 also contained provisions relating to a tax on merchandise of Porto Rican manufacture equal to the internal-revenue tax imposed in the United States, and on merchandise of United States manufacture coming into Porto Rico, a tax equal to the internal-revenue tax imposed in Porto Rico upon like articles of Porto Rican manufacture which are now set forth in sections 7652(a)(1) and 7653(a)(1) of Title 26, Internal Revenue Code, 1954.

Section was not enacted as a part of the Puerto Rican Federal Relations Act, which generally comprises this chapter.

**CHANGE OF NAME**

The name of "Porto Rico" was changed to "Puerto Rico" by act May 17, 1932.

**CROSS REFERENCES**

Puerto Rico empowered to impose tariff duties on coffee imported into Puerto Rico from foreign countries through United States, see sections 1319 and 1319a of Title 19, Customs Duties.

Taxation of shipments to and from the United States, see sections 7652 and 7653 of Title 26, Internal Revenue Code, 1954.



**§ 741. Export duties, taxes, etc.; bonds to anticipate revenues.**

No export duties shall be levied or collected on exports from Puerto Rico, but taxes and assessments on property, income taxes, internal revenue, and license fees, and royalties for franchises, privileges, and concessions may be imposed for the purposes of the insular and municipal governments, respectively, as may be provided and defined by the Legislature of Puerto Rico; and when necessary to anticipate taxes and revenues, bonds and other obligations may be issued by Puerto Rico or any municipal government therein as may be provided by law, and to protect the public credit. (Mar. 2, 1917, ch. 145, § 3, 39 Stat. 953; Feb. 3, 1921, ch. 34, § 2, 41 Stat. 1096; Mar. 4, 1927, ch. 503, § 1, 44 Stat. 1418; May 17, 1932, ch. 190, 47 Stat. 158; Aug. 26, 1937, ch. 831, 50 Stat. 843.)

**CODIFICATION**

Section is comprised of first part of section 3 of act Mar. 2, 1917, down to the proviso clause. The remainder of section 3 is classified to sections 741a and 745 of this title.

**AMENDMENTS**

1937—Act Aug. 26, 1937, reenacted section without change.

1927—Act Mar. 4, 1927, included the imposition of income taxes.

1921—Act Feb. 3, 1921, reenacted section without change.

**CHANGE OF NAME**

The name of "Porto Rico" was changed to "Puerto Rico" by act May 17, 1932.

**PRIOR LAW**

Substantially identical provisions were contained in act Apr. 12, 1900, ch. 191, § 38, 31 Stat. 86.

**§ 741a. Internal-revenue taxes; levy and collection; discrimination.**

The internal-revenue taxes levied by the Legislature of Puerto Rico in pursuance of the authority granted by this chapter on articles, goods, wares, or merchandise may be levied and collected as such legislature may direct, on the articles subject to said tax, as soon as the same are manufactured, sold, used, or brought into the island: *Provided*, That no discrimination be made between the articles imported from the United States or foreign countries and similar articles produced or manufactured in Puerto Rico. The officials of the Customs and Postal Services of the United States are directed to assist the appropriate officials of the Puerto Rican government in the collection of these taxes. (Mar. 2, 1917, ch. 145, § 3, 39 Stat. 953; Mar. 4, 1927, ch. 503, § 1, 44 Stat. 1418; May 17, 1932, ch. 190, 47 Stat. 158; Aug. 26, 1937, ch. 831, 50 Stat. 843.)

**REFERENCES IN TEXT**

This chapter, referred to in text, was in the original "this Act", meaning act Mar. 2, 1917, ch. 145, 39 Stat. 951, which is known as the Jones Act, and is generally classified to this chapter. For distribution of that act, see Reference in Text note under section 731 of this title.

**CODIFICATION**

Section is comprised of last part of section 3 of act Mar. 2, 1917, as added by act Mar. 4, 1927. The first two parts are classified to sections 741 and 745, respectively, of this title.

**AMENDMENTS**

1937—Act Aug. 26, 1937, reenacted this section without change.

**CHANGE OF NAME**

The name of "Porto Rico" was changed to "Puerto Rico" by act May 17, 1932.

**CROSS REFERENCE**

All articles of merchandise of United States manufacture coming into Puerto Rico to be entered at port of entry upon payment of tax equal in rate and amount to the internal revenue tax imposed in Puerto Rico upon like articles of Puerto Rican manufacture, see section 7653(a) (1) of Title 26, Internal Revenue Code, 1954.

§ 1394. Customs duties and internal-revenue taxes.

There shall be levied, collected, and paid upon all articles coming into the United States or its possessions from the Virgin Islands the rates of duty and internal-revenue taxes which are required to be levied, collected, and paid upon like articles imported from foreign countries: *Provided*, That all articles, the growth or product of, or manufactured in, such islands, from materials the growth or product of such islands or of the United States, or of both, or which do not contain foreign materials to the value of more than 20 per centum of their total value, upon which no drawback of customs duties has been allowed therein, coming into the United States from such islands shall be admitted free of duty. In determining whether such a Virgin Islands article contains foreign material to the value of more than 20 per centum, no material shall be considered foreign which, at the time the Virgin Islands article is entered, or withdrawn from warehouse, for consumption, may be imported into the continental United States free of duty generally. (Mar. 3, 1917, ch. 171, § 3, 39 Stat. 1133; Sept. 7, 1950, ch. 909, 64 Stat. 784.)

AMENDMENTS

1950—Act Sept. 7, 1950, permitted free entry of articles into the United States from the Virgin Islands when such articles contain foreign materials which may be imported directly into the United States free of duty.

CROSS REFERENCES

Industrial alcohol plants, application of internal revenue laws to Virgin Islands, see section 5314 of Title 26, Internal Revenue Code, 1954.

Internal revenue, special provisions applicable to Virgin Islands, see sections 7652 and 7653 of Title 26, Internal Revenue Code, 1954.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1392, 1396 of this title.

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TITLE 48.—TERRITORIES AND INSULAR POSSESSIONS

§ 1395

§ 1395. Tax laws continued; tax on sugar.

Until Congress shall otherwise provide all laws now imposing taxes in the said West Indian Islands, including the customs laws and regulations, shall, insofar as compatible with the changed sovereignty and not otherwise herein provided, continue in force and effect, except that articles the growth, product, or manufacture of the United States shall be admitted

there free of duty: *Provided*, That upon exportation of sugar to any foreign country, or the shipment thereof to the United States or any of its possessions, there shall be levied, collected, and paid thereon an export duty of \$6 per ton of two thousand pounds, irrespective of polariscope test, in lieu of any export tax now required by law: *Provided further*, That the internal revenue taxes levied by the Colonial Council of Saint Croix, or by the Colonial Council of Saint Thomas and Saint John, in pursuance of the authority granted by this section and sections 1391, 1392, 1394, and 1396 of this title on articles, goods, wares, or merchandise may be levied and collected as the Colonial Council of Saint Croix, or as the Colonial Council of Saint Thomas and Saint John, may direct, on the articles subject to said tax, as soon as the same are manufactured, sold, used, or brought into the island: *And provided further*, That no discrimination be made between the articles imported from the United States or foreign countries and similar articles produced or manufactured in the municipality of Saint Croix, or in the municipality of Saint Thomas and Saint John, respectively. The officials of the Customs and Postal Services of the United States are directed to assist the appropriate officials of the municipality of Saint Croix, or of the municipality of Saint Thomas and Saint John, in the collection of these taxes. (Mar. 3, 1917, ch. 171, § 4, 39 Stat. 1133; Feb. 25, 1927, ch. 192, § 5, 44 Stat. 1235; June 24, 1932, ch. 275, 47 Stat. 333.)

AMENDMENTS

1932—Act June 24, 1932, added provisos permitting local levy of internal revenue taxes, prohibiting discrimination against imports, and directing the customs and postal services to assist in collecting taxes.

1927—Act Feb. 25, 1927, reduced export duty on sugar from \$8 to \$6 per ton.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in sections 1392, 1396 of this title.

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§ 1396. Duties and taxes covered into island treasury.

The duties and taxes collected in pursuance of sections 1394 and 1395 of this title shall not be covered into the general fund of the Treasury of the United States, but shall be used and expended for the government and benefit of the Virgin Islands, under such rules and regulations as the President may prescribe. (Mar. 3, 1917, ch. 171, § 5, 39 Stat. 1133.)

CROSS REFERENCES

Disposition of proceeds of taxes on articles produced in the Virgin Islands and transported into the United States, see section 7652(b) (3) of Title 26, Internal Revenue Code, 1954.

Use of proceeds of customs duties and taxes collected in the Virgin Islands, see section 1642 of this title.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1392 of this title.

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§ 1402. Extension of industrial alcohol and internal revenue laws to Virgin Islands.

Sections 71 to 89 of Title 27 and all provisions of the internal revenue laws relating to the enforcement thereof, are extended to and made applicable to the Virgin Islands, from and after August 27, 1935. The Insular Government shall advance to the Treasury of the United States such funds as may be required from time to time by the Secretary of the Treasury for the purpose of defraying all expenses incurred by the Treasury Department in connection with the enforcement in the Virgin Islands of the said sections and regulations promulgated thereunder. The funds so advanced shall be deposited in a separate trust fund in the Treasury of the United States and shall be available to the Treasury Department for the purposes of this section. (June 26, 1936, ch. 830, title III, § 320(c), 49 Stat. 1957.)

REFERENCES IN TEXT

The provisions of sections 71—89 of Title 27, Intoxicating Liquors, to which reference is made in this section, were repealed and substantially reenacted as part of the Internal Revenue Code, 1954.

CODIFICATION

Provisions similar to this section relating to Puerto Rico are set out as section 734a of this title.

CROSS REFERENCE

Industrial alcohol plants, application of internal revenue laws to Virgin Islands, see section 5314 of Title 28, Internal Revenue Code, 1954.

**§ 1406h. Taxes, duties and fees as funds for benefit of municipalities; appropriations.**

All taxes, duties, fees, and public revenues collected in the municipality of Saint Croix shall be covered into the treasury of the Virgin Islands and held in account for said municipality and all taxes, duties, fees, and public revenues collected in the municipality of Saint Thomas and Saint John shall be covered into said treasury of the Virgin Islands and held in account for said municipality: *Provided*, That the proceeds of customs duties, less the cost of collection, and the proceeds of the United States income tax, and the proceeds of any taxes levied by the Congress on the inhabitants of the Virgin Islands, and all quarantine, passport, immigration, and naturalization fees collected in the Virgin Islands shall be covered into the treasury of the Virgin Islands and held in account for the respective municipalities, and shall be expended for the benefit and government of said municipalities in accordance with the annual municipal budgets. The Municipal Council of Saint Croix may make appropriations for the purposes of said municipality from, and to be paid out of, the funds credited to its account in the treasury of the Virgin Islands; and the Municipal Council of Saint Thomas and Saint John may make appropriations for the purposes of said municipality from, and to be paid out of, the funds credited to its account in said treasury. (June 22, 1936, ch. 699, § 35, 49 Stat. 1816.)

**§ 1406i. Taxes and fees; power to assess and collect; ports of entry; export duties.**

Taxes and assessments on property and incomes, internal-revenue taxes, license fees, and service fees may be imposed and collected, and royalties for franchises, privileges, and concessions granted may be collected for the purposes of the Government of the Virgin Islands as may be provided and defined by the municipal councils herein established: *Provided*, That all money hereafter derived from any tax levied or assessed for a special purpose shall be treated as a special fund in the treasury of the Virgin Islands and paid out for such purpose only, except when otherwise authorized by the legislative authority having jurisdiction after the purpose for which such fund was created has been accomplished. Until Congress shall otherwise provide, all laws concerning import duties and customs in the municipality of Saint

Thomas and Saint John now in effect shall be in force and effect in and for the Virgin Islands: *Provided*, That the Secretary of the Treasury shall designate the several ports and sub-ports of entry in the Virgin Islands of the United States and shall make such rules and regulations and appoint such officers and employees as he may deem necessary for the administration of the customs laws in the Virgin Islands of the United States; and he shall fix the compensation of all such officers and employees and provide for the payment of such compensations and other expenses of the collection of duties, fees, and taxes imposed under the customs laws from the receipts thereof. The export duties in effect on June 22, 1936 may be from time to time reduced, repealed, or restored by ordinance of the municipal council having jurisdiction: *Provided further*, That no new export duties shall be levied in the Virgin Islands except by the Congress. (June 22, 1936, ch. 699, § 36, 49 Stat. 1816.)

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TITLE 48.—TERRITORIES AND INSULAR POSSESSIONS

CROSS REFERENCES

Payment to Guam of proceeds of tax collected on coconut and palm oil, see section 7654 of Title 26, Internal Revenue Code, 1954.

SECTION REFERRED TO IN OTHER SECTIONS

This section is referred to in section 1422d of this title.

§ 1421h. Duties and taxes to constitute fund for benefit of Guam.

All customs duties and Federal income taxes derived from Guam, the proceeds of all taxes collected under the internal-revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories, or possessions, or consumed in Guam, and the proceeds of any other taxes which may be levied by the Congress on the inhabitants of Guam, and all quarantine, passport, immigration, and naturalization fees collected in Guam shall be covered into the treasury of Guam and held in account for the government of Guam, and shall be expended for the benefit and government of Guam in accordance with the annual budgets; except that nothing in this chapter shall be construed to apply to any tax imposed by chapter 2 or 21 of Title 26. (Aug. 1, 1950, ch. 512, § 30, 64 Stat. 392; Sept. 13, 1960, Pub. L. 86-778, title I, § 103(u), 74 Stat. 941.)

AMENDMENTS

1960—Pub. L. 86-778 inserted clause providing that nothing in this chapter shall be construed to apply to any tax imposed by chapter 2 or 21 of Title 26.

018654

## § 1421i. Income tax.

## (a) Applicability of Federal laws.

The income-tax laws in force in the United States of America and those which may hereafter be enacted shall be held to be likewise in force in Guam.

## (b) Guam Territorial income tax.

The income-tax laws in force in Guam pursuant to subsection (a) of this section shall be deemed to impose a separate Territorial income tax, payable to the government of Guam, which tax is designated the "Guam Territorial income tax".

## (c) Enforcement of tax.

The administration and enforcement of the Guam Territorial income tax shall be performed by or under the supervision of the Governor. Any function needful to the administration and enforcement of the income-tax laws in force in Guam pursuant to subsection (a) of this section shall be performed by any officer or employee of the government of Guam duly authorized by the Governor (either directly, or indirectly by one or more redelegations of authority) to perform such function.

## (d) Definition of "income-tax laws"; administration and enforcement; rules and regulations.

(1) The income-tax laws in force in Guam pursuant to subsection (a) of this section include but are not limited to the following provisions of the Internal Revenue Code of 1954, where not manifestly inapplicable or incompatible with the intent of this section: Subtitle A (not including chapter 2 and section 931); chapters 24 and 25 of subtitle C, with reference to the collection of income tax at source on wages; and all provisions of subtitle F which apply to the income tax, including provisions as to crimes, other offenses, and forfeitures contained in chapter 75. For the period after 1950 and prior to the effective date of the repeal of any provision of the Internal Revenue Code of 1939 which corresponds to one or more of those provisions of the Internal Revenue Code of 1954 which are included in the income-tax laws in force in Guam pursuant to subsection (a) of this section, such income-tax laws include but are not limited to such provisions of the Internal Revenue Code of 1939.

(2) The Governor or his delegate shall have the same administrative and enforcement powers and remedies with regard to the Guam Territorial income tax as the Secretary of the Treasury, and other United States officials of the executive branch, have with respect to the United States income tax. Needful rules and regulations not inconsistent with the regulations prescribed under section 7654(e) of the Internal Revenue Code of 1954 for enforcement of the Guam Territorial income tax shall be prescribed by the Governor. The Governor or his delegate shall have authority to issue, from time to time, in whole or in part, the text of the income-tax laws in force in Guam pursuant to subsection (a) of this section.

(As amended Oct. 31, 1972, Pub. L. 92-606, § 1(d), 86 Stat. 1497.)

## (e) Substitution of terms.

In applying as the Guam Territorial income tax the income-tax laws in force in Guam pursuant to

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## THE LEGISLATURE

## § 1423. Legislature of Guam.

## (a) Unicameral nature; power.

The legislative power and authority of Guam shall be vested in a legislature, consisting of a single house, to be designated the "Legislature of Guam", herein referred to as the legislature.

## § 1423a. Power of Legislature; limitation on indebtedness of Guam; bond issues.

The legislative power of Guam shall extend to all subjects of legislation of local application not inconsistent with the provisions of this chapter and the laws of the United States applicable to Guam. Taxes and assessments on property, internal revenues, sales, license fees, and royalties for franchises, privileges, and concessions may be imposed for purposes of the government of Guam as may be uniformly provided by the Legislature of Guam, and when necessary to anticipate taxes and revenues, bonds and other obligations may be issued by the government of Guam: *Provided, however,* That no public indebtedness of Guam shall be authorized or allowed in excess of 10 per centum of the aggregate tax valuation of the property in Guam. Bonds or other obligations of the government of Guam payable solely from revenues derived from any public improvement or undertaking shall not be considered public indebtedness of Guam within the meaning of this section. All bonds issued by the government of Guam or by its authority shall be exempt, as to principal and interest, from taxation by the Government of the United States or by the government of Guam, or by any State or Territory or any political subdivision thereof, or by the District of Columbia. (Aug. 1, 1950, ch. 512, § 11, 64 Stat. 387.)

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*Agreement approved by the Security Council of the United Nations April 2, 1947, respecting trusteeship for the former Japanese mandated islands. Approved by the President of the United States of America July 18, 1947, pursuant to authority granted by a joint resolution of the Congress of the United States of America July 18, 1947; entered into force July 18, 1947.*

July 18, 1947  
[T. I. A. S. 1665]

TRUSTEESHIP AGREEMENT FOR THE FORMER  
JAPANESE MANDATED ISLANDS  
APPROVED AT THE ONE HUNDRED AND TWENTY-FOURTH  
MEETING OF THE SECURITY COUNCIL

ARTICLE 9

Federation with  
other U. S. territories.

The administering authority shall be entitled to constitute the trust territory into a customs, fiscal, or administrative union or federation with other territories under United States jurisdiction and to establish common services between such territories and the trust territory where such measures are not inconsistent with the basic objectives of the International Trusteeship System and with the terms of this agreement.

ARTICLE 12

Legislation.

The administering authority shall enact such legislation as may be necessary to place the provisions of this agreement in effect in the trust territory.