

~~12/5/70~~ ~~NO~~ - ~~since~~ 1973 / ~~74~~

15
3,514

FIRST WORKING SESSION

R. Tenorio:

^{US} "Nationality" acceptable to us.

J. Wilson:

1. Joint Communique - US citizens with mechanism for

"national" option. ^{already} Already examined joint lawyers group ~~exam.~~

U. S. Imm/Nat laws.

P. Tenorio:

Any preference?

J. Wilson:

Best to have all one status but recognize Marianas

preferences - that individuals be given the choice.

US/Imm/Nat - prefer "citizenship" - US Counsel Service.

J. Cruz:

Passport for nationals.

J. Wilson:

Same passport.

Income tax - concerned more conceptually here than with

citizenship ~~[follows general discussions]~~

Not bothered by idea Federal Income Tax ^{which} not apply to Marianas.

Are interested in MSC local internal revenue provisions, ^{expanding}

in regard to local self-sufficiency, ^{we} are interested in a "responsible"

tax policy.

^{we} Will be discussing this with our financial proposals

and the U. S. conceptual approach.

Prepared adopt rebate of Federal income tax on non-

residents of Marianas as part of US federal assistance to Marianas under

new arrangement ^{where} in military aspect ^{is} some \$4 million ~~area~~ alone.

U. S. Congress ^{will} look carefully at our proposals, ^{so} need

to look at own proposals for self-sufficiency. ^{we} should

Contrast situation here with that of Guam 15 years from now ^{and}

Guam has own income tax at the US federal rate.

J. Wilson (contd): If do not want full scale treatment of US fed tax ^{in the Marianas} at this stage of development, US won't insist, -- but need something like Guam system at end of 15 years.

Given concept of self-sufficiency, don't want to create a concept of "tax haven" here in Marianas, - US Congress would more likely accept favorable ^{tax} treatment given state of economic development at present time. ^{we at the same time}

H. Willens: Discuss exactly what ^{we should} to do in these areas so to convince ^{US} that MSC will undertake responsibility for self-sufficiency.

Would appreciate more specificity .

Haven't undertaken to draft tax statute due to lack of expertise. ^{even if drafted, Marianas} Can't be sure legislature would adopt the tax measure as drafted.

J. Wilson: Tax, ^{the package} is very technical and is a part of overall plan for economic development. - Drafting of tax law would be part of Phase I - ^{association} with overall economic development planning.

To get ^{the} arrangement ^{through} USC, ^{the congress, we} need some general principles binding on future GOM, ^{these would not be too specific, we} but some type of progressive income tax tied to development of local economy over ^{a number of years, USC} will have language to suggest.

J. Cruz: ^{what about Marianas ability to} Tax base concessions ^{the US Trust}

J. Wilson: Normally, don't tax US institutions, ^{but civilians} can have excise taxes on goods production locally.

Where a direct instrumentality of US, ^{mainly} can't tax but concession ^{as to be} outside ^{the concept of a US institution,}

Or, tax income earned by the local citizens who run the concessions, ^{but} not on the income ^{you could} ^{all produced by the concession itself,} ^{however}.

Palacios: Goods for individual consumption should be taxed.

J. Wilson: ^{We understand your point on PX, but} This is a benefit for military service.

P. Tenorio: ^{we are concerned about} How prevent abuse, ie., locals buying at PX? ^{of the PX privileges}

D. Smith:) To prevent locals buying at base PX, ^{we} must have cooperation ^{of}
Al Smith:) local law enforcement.

J. Wilson: Don't overlook fact that income earning by local employees ^{at bases} can be taxed locally.

D. Muna: Can you tax civilians working at base?

J. Wilson:) Can tax civilian personnel working at base because ^{they} can't
D. Scott:) ^{and there} buy at PX income earned is not covered by Soldiers/Sailors relief act exempting military personnel.

B. Manglona: ^{There is a problem for} Civilians at Guam DICC ~~that~~ have commissary privileges.

J. Wilson: Not supposed to happen.

Al Smith: ^{there is an exception for this situation.} Under hardship ^{or} emergency ^{the} the base commander can make temporary exemptions.

V. Pangelinan: ^{we} If/can convince USG of local progressive income tax, ^a
will USG ^{still} be suspicious? ^{as a guide, we will give to income as a support?}

J. Wilson: No reason to think so, ^{we} USG/sympathetic to idea that US territories in development stage have preferential treatment.

However, agreement to extend financial assistance is conditional on convincing the USG that everything ^{possible} is being done locally to attain self-sufficiency.

financial assistance
H. Willens: Shouldn't be dependent on development economy but rather
showed recognition
on recognition that local government should have choice on how to
develop their own economy.

V. Pangelinan: If GOM income tax eventually becomes similar to US income
tax, could this eliminate exemption of tax on bases?

J. Wilson: No
what about US. Citizens purchasing at R's on US
J. Cruz: Bases in Japan?

J. Wilson: Is different because they are outside the U. S.

if we are well
H. Willens: Want a detailed Joint Communique to reflect substantive
progress we are making, *spec to* start to begin to prepare JC now.

Palacios: US Customs/Exc Taxes
Need ability to protect local economy--and to encourage
industrial development. US too far advanced. *this is the basis of our people.*

J. Wilson: *this* Not too different from Guam/Samoa ~~who do not now have~~
we should be in tax position which ~~because~~ problem with Guam imports *can* could result in customs war, *yet I note you*
import still tax others via "excise" route.

P. Tenorio: If US can give preferential treatment for TTPI, why
can't US give for Marianas?

H. Willens: Issue of Customs is one of "even-handedness" among US territories.

J. Wilson: Yes, *in this area* US needs to keep a handle due to technical
areas of GATT -- dumping, marking, etc.

H. Willens: *I assume this is also the answer to our position*
#3 same-- ~~same~~
in my paper.

J. Wilson: *yes* Exports to US - no problem with that if you want to. However,
you could tax your proposal for a 75% limitation is a difficulty. *We* cannot envisage US *available*
on the determination of total value for tax treatment Congress accepting this level. *your* *of goods imported into US*

E. Pangelinan: Can you share views?

J. Wilson: *need only* Look at Guam, other territories.

the commission points out the

H. Willens:

Need to encourage Marianas to have more developed

economy and attain "self-sufficiency"

by economy, industrial

development. *The 75% level would provide such an incentive for development.*

J. Wilson:

Look at your specific products, *we* and don't think that

if Congress would *amend the law to* all territories to *use the value approach* 75% -- that we would

have any difficulties. *But they haven't done so to date and this is what we must follow.*

Wilson:

On #5 *we* have no problem. GATT should grant it.

On excise taxes *there is* no problem, *but, this would be* not as a matter of

right, *the Marianas government. Rather,* As a matter of permissiveness due to US international obligations respecting tax of certain foreign goods, *there would be* and also no tax of federal property.

On the MSC proposal on taxation of goods into US, *the* US would

make no *inaction* distinction *we* regarding US excise taxes - but would be willing to rebate them *to the Marianas government as we do in Guam.*

WORKING SESSION - IV-3-2

H. Williams:

the 105

- No problem with substance of income tax, customs and

excise tax papers, -- but should consider further.

- Future Govt of Marianas should be considering a pro-

gressive income tax structure appropriate to development circumstances.

As to
- Customs/excise *have, all* - have responded point by point, *but we* also

should consider further.

- Citizenship has been discussed at lawyers' working

level and have tentatively reached agreement with exception of a

lead-in clause to 105 (a) and provisions of section (d),

H. Marcuse:

I would like to see a lead-in clause in Section

- 105 (a) lead-in designed to take care of those not

wishing to automatically become US citizens but rather US nationals.

Section
- 105 (d) is recognized as a new problem that cannot

be settled here. Some provisions have a chilling effect on movement.

That has constitutional significance, *we* must review in light of recent

Supreme Court decisions.

E. Pangelinan: - Commission would like to review proposed tech chgs prior to

H. Willens: - Can we incorporate the agreements in income tax area,

and do we expect to return to customs and excise tax areas during this

session?

for Section
- 105 (d) can there be a continuing dialogue during this

session? and can we have benefit of legal research before end of session?

H. Williams:

Yes this is our intent.

the following
General remarks on limitation of federal authority, and

applicability of laws. *the main*

J. Wilson:

(Presentation)

making response.

I would like to note we have

H. Willens:

Not suggested all federal laws be studied, *as you interpret*
we
P. 3. But do want to study the effect of general formula
approach, i.e., laws now applied to Guam.

J. Wilson:

Still some problem with studying all the federal
was applicable laws in Guam, *like in a* - very time consuming. *proposal if you want to study these laws they are applied here.*

H. Williams:

Also problem with *your* suggestion on p.2, that problem of appli-
like
cation of laws be ~~xx~~ resolved before status agreement signed.

H. Willens:

Our Change in view is to make sure there is no vacuum in
federal laws on changes of status. *this* would also be in *the* interests of USA.

This is not like Guam/Puerto Rico, *while laws were already applied* so we must deal with
with
this issue *why* we must deal *with* a general formula approach *as we proposed.*

H. Williams:

we have No problem w/substance, *your proposal but* perhaps lawyers can get together
to examine this further.
before we leave Saipan