

ARTICLE VI

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Financial Provisions

Section 601. The Governments of the Northern Mariana Islands and the United States will undertake together such measures as will facilitate the achievement of economic self-sufficiency and higher standards of living for the people of the Northern Mariana Islands. To this end the United States will provide financial support to the Government of the Northern Mariana Islands in the form of assistance for budgetary support and economic development as set forth in Section 602, below. For its part the Government of the Northern Mariana Islands will enact a non-discriminatory, comprehensive internal revenue law. The personal and corporate income tax provisions and the estate and gift tax provisions will be progressive and will reflect local economic conditions.

Section 602. The support provided to the Government of the Northern Mariana Islands by the United States will consist in its totality of the following types of direct and indirect grant assistance and other payments:

a. Direct Assistance and Payments

(1) The United States will make available annually for the first five years following the effective date of this Section grants of

\$ _____ million for budgetary support for government operations,

\$ _____ million to be used for a Capital Improvement Program and

\$ _____ million to be used for an economic development loan program

to be carried out by the Government of the Northern Mariana Islands in the form of long-term, low-interest rate loans, which sums will be reviewed by the United States and the Northern Mariana Islands at the end of five years to determine the level at which they should be

continued in light of changing conditions.

(2) \$___ million will be provided by the United States representing compensation at fair market value for the land made available to the U.S. Government for purposes specified in Article VII.

(3) The United States will also make available without cost to the Northern Mariana Islands the full range of Federal services and programs available to the Territories of the United States.

b. Indirect Assistance

From the first day of July following the effective date of this Section, there shall be paid into the Treasury of the Government of the Northern Mariana Islands to be expended for the benefit of the people of the Northern Mariana Islands as the Government of the Northern Mariana Islands may by law prescribe the following: all customs duties and Federal income taxes derived from the Northern Mariana Islands, the proceeds of all taxes collected under the internal-revenue laws of the United States on articles produced in the Northern Mariana Islands and transported to the United States, its territories, or possessions, or consumed in the Northern Mariana Islands; the proceeds of any other taxes which may be levied by the Congress on the inhabitants of the Northern Mariana Islands; and all quarantine, passport, immigration, and naturalization fees collected in the Northern Mariana Islands. But, nothing in this subsection shall apply to any tax imposed by Chapter 2 or 21 of Title 26, United States Code.

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Section 603. In addition to the foregoing, upon signature of the Covenant the United States will make available the sum of \$___ million, subject to approval by the Congress of the United States, to cover the costs of transitional studies, programs and events related to the establishment of a new Government of the Northern Mariana Islands.

Section 604. The Government of the Northern Mariana Islands will submit to the President of the United States or his appointed representative an annual report on the administration of the funds transferred to the Government of the Northern Mariana Islands pursuant to the provisions of this Article. Such reports will be transmitted by the President to the Congress of the United States.