

OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS
WASHINGTON, D.C. 20240

6 May 1974

MEMORANDUM

To: Richard Y. Scott, Director, Office for Micronesian Status Negotiations
From: Adrian de Graffenried, Legal Advisor, Office for Micronesian Status Negotiations
Subj: Series E/H Bonds

The issues surrounding the preliminary agreement by the United States during MPSC III to providing some protections to holders of Series E/H United States Savings Bonds have been effectively eliminated.

Congressmen Burton and Foley will interpose no objection to this agreement provided that a "cut-off" date is provided after which these bonds can no longer be purchased and still receive preferential tax treatment. This was the intent of the MPSC as expressed to the Congressmen during their briefing session last January with the MPSC.

The language of the Joint communique of 19 December 1973 (Section D-3, p-8) follows this approach, but could be made more clear.

During the Joint Legal Working Group meeting of 26 April 1974, Howard Willens agreed to incorporate more specific language to this effect during MPSC IV. Willens is, of course, interested in incorporating specific language into the Covenant on this "agreement in substance".

Recommendation

The United States should avoid incorporating specific language into the Covenant regarding preferential treatment to trust territory citizens who hold Series E/H Savings Bonds; to incorporate this language would (1) act as a precedent to incorporate other "agreements in substance"; and (2) make the "agreement" less political and more technical. Language should be incorporated into a Joint Communique to further clarify the U.S.-Marianas agreement on this matter.

The following language is proposed:

"It was agreed that residents of the Mariana Islands who purchased Series E and H United States Savings Bonds prior to 6 December 1973, would continue to receive an exemption from taxation of income derived from these bonds after the establishment of the Commonwealth."

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