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ARTICLE VI

Revenue and Taxation Provisions

Section 601.

(a) The income tax laws in force in the United States and those which may hereafter be enacted shall be likewise in force in the Northern Mariana Islands as a separate territorial income tax, to be payable to the Government of the Northern Mariana Islands and to be known as the "Northern Mariana Islands Territorial Income Tax".

(b) As used in subsection (a) of this Section the term "income tax laws in force in the United States" includes but is 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.

(c) In applying the Northern Mariana Islands Territorial Income Tax pursuant to Subsection (a) of this Section, except where it is manifestly otherwise required, the applicable provisions of the Internal Revenue Code of 1954 shall be read so as to substitute "The Northern Mariana Islands" for "the United States", "Governor or his delegate" for "Commissioner of Internal Revenue" and

"Collector of Internal Revenue", "District Court of the Northern Mariana Islands" for "District Court", with other changes in nomenclature and other language, including the omission of inapplicable language, where necessary to effect the intent of this Section.

(d) The administration and enforcement of the Northern Mariana Islands Territorial Income Tax shall be performed by or under the supervision of the popularly-elected Governor of the Northern Mariana Islands. The Governor or his delegate shall have the same administrative and enforcement powers and remedies with regard to the Northern Mariana Islands 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.

[(e) The Legislature of the Northern Mariana Islands shall have the power by law to amend, alter, modify or repeal the Northern Mariana Islands Territorial Income Tax.]

Section 602. [Awaiting proposals from MPSC Counsel on application of the Internal Revenue Code in the Marianas as a Federal tax.]

Section 60[3].

(a) The Northern Mariana Islands will not be included within the customs territory of the United States.

(b) The Government of the Northern Mariana Islands may, in a manner consistent with the international obligations of the United States,

(1) levy duties on goods imported into its territory from any area other than the United States, its territories or possessions;

(2) impose duties on exports from its territory.

(c) To the extent such treatment would be consistent with the international obligations of the United States, exports from the Northern Mariana Islands into the customs territory of the United States, will be subject to the same treatment as exports from the Territory of Guam into the customs territory of the United States. The United States will, if necessary in order to extend such treatment, endeavor to obtain appropriate waivers or modifications of its international obligations.

(d) The United States will seek to obtain from foreign countries favorable treatment for exports from the Northern Mariana Islands, and will encourage other countries to consider the Northern Mariana Islands a developing territory. Section 60[4].

[(a) The United States may levy excise taxes on goods and services manufactured, sold or used in the Northern Mariana Islands in the same manner and to the same extent as such taxes are applicable within the several states.]

[(b) The Northern Mariana Islands will have the authority to impose excise taxes upon goods manufactured or sold within its territory or upon goods imported into its territory, provided that such excise taxes imposed on goods imported into its territory must be consistent with the international obligations of the United States.]

[Section 60[5].

(a) Those laws of the United States which impose taxes to support the Old-Age, Survivors, Disability and Health Insurance Trust Funds, shall be applicable within the Northern Mariana Islands, but the tax on employees and employers within the Northern Mariana Islands shall be at the rate of one percent of so much of the employee's income as is subject to tax during the first year after the effective date of this Section, and shall increase by one percentage point (or fraction thereof) on both the employer and employee each year until the rate of tax on employers and employees within the Northern Mariana Islands is the same as in a State.

(b) Persons in the Northern Mariana Islands shall receive benefits from the Old-Age, Survivors, Disability and Health Insurance Trust Funds of the United States in the same manner and to the same extent as persons in a State, provided, however, that no person who receives benefits under this Subsection and under Subsection (c) of this Section shall receive a total amount which exceeds the maximum to which he would have been entitled if he had contributed to the Old-Age, Survivors, Disability and Health Insurance Trust Funds throughout the entire period he contributed either to those Funds or to the Trust Territory Social Security Retirement Fund.

(c) That portion of the Trust Territory Social Security Retirement Fund which has been paid in by persons who are domiciled in the Northern Mariana Islands, together with interest and earnings

thereon, shall be paid over to the Social Security Administration of the United States to be held as a separate fund (and to be supplemented by the United States if necessary) to pay benefits to such persons eligible for benefits in accordance with the laws of the Trust Territory of the Pacific Islands upon the effective date of this Section.]

Section 60[6].

(a) All bonds issued by the Government of the Northern Mariana Islands or by its authority will be exempt, as to principal and interest, from taxation by the United States, or by any State, territory or possession of the United States, or any political subdivision of any of them.

(b) For so long as the United States Government provides direct financial assistance pursuant to Article VII of this Agreement, the Government of the Northern Mariana Islands will authorize no public indebtedness (other than bonds or other obligations of the Government payable solely from revenues derived from any public improvement or undertaking) in excess of ten percentum of the aggregate assessed valuation of the property within the Northern Mariana Islands.

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ARTICLE VII

United States Financial Assistance

Section 701. The Government of the United States will undertake together with the Government of the Northern Mariana Islands measures which will assist the people of the Northern Mariana Islands [to achieve a standard of living comparable to that within other parts of the United States and] to develop the economic resources needed to meet the financial responsibilities of local self-government. To this end, the United States will provide direct financial support to the Government of the Northern Mariana Islands for local government operations, for capital improvement programs and for economic development. The initial period of such support will be seven years, as provided in Section 702.

Section 702.

(a) Approval of this Agreement by the United States Congress will constitute an authorization for [and an appropriation of] the following guaranteed annual levels of direct grant assistance to the Government of the Northern Mariana Islands for each of the seven fiscal years following enactment:

(1) \$8 million for budgetary support for government operations; and

(2) \$4 million for capital improvement projects, of which \$500,000 each year shall be reserved for such projects on the island of Tinian and \$500,000 each year shall be reserved for such projects on the Island of Rota; and

(3) \$1.5 million for an economic loan fund, of which \$500,000 shall be reserved for small loans to farmers and

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fishermen and to agricultural and marine cooperatives.

(b) The United States will also make available to the Northern Mariana Islands the full range of Federal services and programs available to the Territories of the United States.

(c) Funds provided under Subsection (a) of this Section not obligated or expended by the Government of the Northern Mariana Islands during any fiscal year shall remain available for obligation or expenditure by the Government in subsequent fiscal years for the purpose for which the funds were appropriated. Funds provided under Subsection (a) of this Section will be considered to be local revenues of the Government of the Northern Mariana Islands when used as the local share required to obtain federal programs and services.

(d) The enactment into law of this Agreement will constitute and authorization for [and an appropriation of] a pro-rata share of the funds provided under Subsection (a) of this Section for that period between enactment and the beginning of the next succeeding fiscal year.

(e) The amounts authorized [and appropriated] by Subsection (a) of this Section will be adjusted for each fiscal year by a percentage which is the same as the percentage change in the Guam Consumer Price Index using Fiscal Year 1975 as the base year.

(f) Upon expiration of the authorization [and appropriation] provided in Subsection (a) of this Section, the annual level of payments in each category listed in Subsection (a) of this Section will continue until Congress authorizes and appropriates

a different amount.

Section 703. There will be paid into the Treasury of the Government of the Northern Mariana Islands, to be expended to the benefit of the people thereof as the Government may by law prescribe, the proceeds of all customs duties and federal income taxes derived from the Northern Mariana Islands including the amount of taxes deducted and withheld by the United States under Chapter 24 of the Internal Revenue Code with respect to compensation paid to members of the Armed Forces who are stationed in the Northern Mariana Islands but who have no income tax liability to the Northern Mariana Islands with respect to such compensation by virtue of the Soldiers and Sailors Civil Relief Act, 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, and 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 nationalization fees collected in the Northern Mariana Islands, except that nothing in this Section shall be construed to apply to any tax imposed by Chapters 2 or 21 of Title 26, United States Code.

Section 704. The Government of the Northern Mariana Islands will submit to the President of the United States an annual report on the administration of the funds transferred to the

Government of the Northern Mariana Islands pursuant to Section 702, and such reports shall be transmitted by the President to the Congress of the United States.

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ARTICLE VIII

Land

Section 801. The title to real and personal property remaining in the Mariana Islands District on the date of termination of the Trusteeship Agreement which is owned or held by the Government of the Trust Territory of the Pacific Islands will be transferred to the Government of the Northern Mariana Islands.

Section 802 ff. [Land areas to be acquired by the United States for defense purposes, to include disclaimer of present U.S. intent to acquire more land for defense purposes]

Section 80[3]. In the event it should become necessary in the future for the Government of the United States to acquire any interest in land not already made available to it under this Agreement, it may, upon notice to the Government of the Northern Mariana Islands, acquire for public purposes in accordance with established federal laws and procedures any interests in land in the Northern Mariana Islands, whether owned or controlled by private parties or by the Government of the Northern Mariana Islands, by purchase, lease, exchange, gift or otherwise under such terms and conditions as may be negotiated by the parties. In such event, however, the United States Government will:

(a) Seek to acquire only the minimum of land necessary to accomplish the public purpose for which the land is sought,

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respecting the scarcity and special importance of land in the Northern Mariana Islands;

(b) endeavor to obtain the minimum interest in land necessary to accomplish such public interest, acquiring title only if a lesser interest would not be sufficient to serve the public purpose; and

(c) attempt to acquire an interest in public rather than private land whenever the public purpose can be accomplished by the use of such public land.

Section 80[4]. (a) The United States Government will in all cases attempt to acquire any interest in land for public purposes by voluntary means. In the event this is not possible the United States will have and may exercise within the Commonwealth the power of eminent domain to the same extent and in the same manner as it has and can exercise the power of eminent domain in a State of the Union, observing the principles set forth in subsection (a), (b) and (c) of Section 80[3]; provided, however, that in addition to all other requirements of law the United States will not exercise the power of eminent domain to acquire any interest in land within the Commonwealth until the Congress of the United States has by law explicitly authorized and approved the exercise of the power of eminent domain to obtain a particular interest in a particular parcel of land in the Commonwealth.]

[(b) Notwithstanding the provisions of Subsection (a) of this Section, upon a determination by the President that an

interest in land in the Commonwealth is needed for national defense purposes, the United States may take such an interest in land by eminent domain to the same extent and in the same manner as it can take an interest in land in eminent domain in a State of the Union. No interest in land taken pursuant to the preceding sentence will extend beyond nine months, at the end of which period the interest in land will revert to the original owner thereof, unless the United States shall have obtained an interest in such land under Section 80[3] or subsection (a) of this Section.]

Section 80[5]. Except as otherwise provided in this Article, and notwithstanding the provisions of Article V, the Government of the Northern Mariana Islands will [be empowered] regulate the alienation of all public and private real property or interests in such property for the purpose of restricting acquisition of such property or interests to persons of Northern Mariana Islands ancestry and will regulate the extent to which land now classified as public land can be held by individuals.

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ARTICLE IX

Resident Commissioner and Consultation

Section 901.

(a) The Northern Mariana Islands may maintain in Washington, D.C. a Resident Commissioner who will be entitled to receive official recognition by all of the departments and agencies of the United States Government upon presentation, through the Department of State, of a certificate of [election from] [appointment by] the Governor of the Northern Mariana Islands.

(b) The Resident Commissioner will have a term of two years and will be [elected at the first general election to be held in the Northern Mariana Islands following the effective date of this section by the people qualified to vote for the members of the legislature, and subsequently at such general election every second year thereafter.] [appointed by the Governor of the Northern Mariana Islands by and with the advice and consent of the upper house of the Northern Mariana Islands legislature.]

(c) No person will be eligible for [election] [appointment] as Resident Commissioner who is not--

(1) a bona fide citizen of the Northern Mariana Islands provided that any Resident Commissioner [elected] [appointed] after the termination of the Trusteeship must be a citizen of the United States; and

(2) at least twenty-five years of age.

(d) In case of a vacancy in the office of Resident Commissioner by death, resignation, or otherwise, the Governor, by

and with the advice and consent of the upper house, shall appoint a Resident Commissioner to fill the vacancy, who shall serve the remainder of his predecessor's term and until his successor is [elected and] qualified.

Section 902. The United States Government and the Government of the Northern Mariana Islands shall consult regularly on all matters affecting the relationship between them, and if any special issues should arise, the President of the United States and the Governor of the Northern Mariana Islands will each appoint a special representative or representatives to consider such issues and make recommendations thereon. Special representatives shall be appointed in any event to consider and make recommendations regarding future financial assistance to the Northern Mariana Islands pursuant to Section 701, to meet at least one year prior to the expiration of the initial seven year period of such assistance.

Section 903. Nothing herein shall prevent the presentation of cases or controversies arising under this Agreement to courts established by the United States. It is intended that any such cases or controversies will be justiciable in such courts, and that the undertakings by the United States Government and the Government of the Northern Mariana Islands provided for in this Agreement will be enforceable in such courts.

Section 904.

(a) The Government of the United States will give sympathetic consideration to the advice of the Government of the Mariana Islands on international matters directly affecting the Northern Mariana Islands.

(b) The United States will assist and facilitate the establishment by the Northern Mariana Islands of offices in the United States and abroad to promote local tourism and other economic or cultural interests of the Northern Mariana Islands.

[(c) The United States will support membership by the Northern Mariana Islands in regional or other international organizations concerned with social, economic, educational, scientific, technical and cultural matters of concern to it, to the extent such organizations will permit such membership. The Government of the Northern Mariana Islands, with the approval of the Secretary of State, may negotiate and sign agreements with any international organization of which it is a member, provided that those agreements apply only to the Northern Mariana Islands and not to other parts of the United States.]

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ARTICLE X

Approval, Effective Dates and Definitions

Section 1001.

(a) The Agreement will be promptly submitted to the Mariana Islands District Legislature for its approval. Within [120] days after its approval by the Mariana Islands District Legislature it will be submitted to the people of the Mariana Islands District for approval in a plebiscite to be called by the United States Secretary of the Interior. All residents of the Mariana Islands who would be eligible to vote in elections in the Mariana Islands District if such elections were held on the day of the plebiscite shall be eligible to vote in the plebiscite. Approval must be by a majority of the valid votes cast in the plebiscite. The results of the plebiscite shall be certified by the Secretary to the President of the United States.

(b) The Agreement will be approved by the United States in accordance with its Constitutional processes.

Section 1002. The President of the United States will issue a proclamation announcing a date upon which the Commonwealth will be established, when he finds:

(a) That the Agreement has been approved as set forth in Section 1001; and

(b) That the people of the Mariana Islands District have adopted a Constitution pursuant to the Agreement; and

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(c) That the Trusteeship Agreement has been terminated or will terminate on the date on which the Commonwealth will be established.

Section 1003. The provisions of this Agreement shall become effective as follows, unless otherwise specifically provided:

(a) Article I, Section 105 [Mutual Consent]; Article II, Sections 201-203 [Local Constitution]; Article V, Section 505 [Commission on Federal Laws]; and Article X [Approval, Effective Dates and Definitions] will become effective upon approval of this Agreement by the United States and the people of the Northern Mariana Islands.

(b) Article I, Section 102 & 103 [Supremacy Clause, self-government]; Article II, Section 204 [Oath of Office]; Article IV [U.S. Judicial Authority]; Article V, Sections 501-504 [Applicability of U.S. Constitution and Laws] and Section 506 [TT Laws]; Article VI [Taxes] and VII [Finance]; Article VIII, Section 802 and Section 805 [U.S. Land; Alienation]; and Article IX, Section 902 and 903 [Consultations and Controversies] will become effective 180 days after this Agreement and the Constitution of the Northern Mariana Islands have both been approved.

(c) The remainder of this Agreement shall become effective upon the establishment of the Commonwealth of the Northern Mariana Islands.

Section 1004.

(a) The application of any law of the United States or provision of the United States Constitution which would other-

wise apply within the Northern Mariana Islands may be suspended until termination of the Trusteeship Agreement if the President finds and declares that the application of such law or provision of the United States Constitution prior to termination of the Trusteeship Agreement would be inconsistent with the Trusteeship Agreement.

(b) Any determination of the President that the Trusteeship Agreement is or will be terminated on a certain day will be final and will not be subject to review by any authority of [the Trust Territory of the Pacific Islands,] the Northern Mariana Islands or the United States, including the courts thereof.

Section 1005. The Constitution of the Commonwealth of the Northern Mariana Islands will become effective in accordance with its terms on the same day that the provisions of this Agreement specified in subsection (b) of Section 1003 become effective, provided that if the President finds and declares that the effectiveness of any provision of the Constitution prior to termination of the Trusteeship Agreement would be inconsistent with the Trusteeship Agreement such provision shall be ineffective until establishment of the Commonwealth. Upon the establishment of the Commonwealth as provided in Section 1002, the Constitution will become effective in its entirety in accordance with its terms, as the Constitution of the Commonwealth of the Northern Mariana Islands.

Section 1006 . As used in this Agreement:

(a) "Trusteeship Agreement" means the Trusteeship Agreement entered into between the Security Council of the United Nations and the United States of America;

(b) "Northern Mariana Islands" means the area now known as the Mariana Islands District of the Trust Territory of the Pacific Islands, which lies within the area north or 14° north latitude, south of 21° north latitude, west of 150° east longitude and east of 144° east longitude;

(c) "Government of the Northern Mariana Islands" includes, as appropriate, the Government of the Mariana Islands District of the Trust Territory of the Pacific Islands at the time this Agreement is signed, its agencies and instrumentalities, and its successors, including the Government of the Commonwealth of the Northern Mariana Islands.

(d) "Territory or possession" with respect to the United States includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa and the Panama Canal Zone.

Signed at _____ on the _____ day of _____ 1974.

FOR THE PEOPLE OF THE NORTHERN
MARIANA ISLANDS

FOR THE UNITED STATES
OF AMERICA

Chairman, Marianas Political
Status Commission

Personal Representative of
the President of the
United States

Co-Chairman, Marianas Political
Status Commission

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