

Article  
Title VI

Internal Revenue Code\*

Section 602(a). The United States Internal Revenue Code of 1954 (the "Internal Revenue Code") shall apply by its terms to persons and entities within the Northern Mariana Islands who are subject to the taxing jurisdiction of the United States by reason of citizenship, place of incorporation, residence or source of income, except as provided in this ~~Title VII.~~ <sup>Article.</sup>

(b). In the case of an individual who is a resident of the Northern Mariana Islands and a United States citizen or United States national solely by reason of his being a citizen of the Northern Mariana Islands, or his birth or residence within the Northern Mariana Islands,

(1) Income derived from sources without the United States shall be exempt from United States federal income tax and income derived from sources within the United States shall be subject to such tax under Section 1 of the Internal Revenue Code.

(2) The federal estate tax shall apply only to that part of the gross estate which at the time of death is situated in the United States and shall be imposed at the rate provided by Section 2101 of the Internal Revenue Code (relating to nonresidents who are not citizens).

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\* NOTE: This draft is intended to set forth only the most basic principles and must be supplemented by a detailed statutory draft of technical changes that will be required in the Internal Revenue Code.

(3) The federal gift tax shall only apply to gifts of tangible property situated within the United States.

(c). References in the Internal Revenue Code to possessions of the United States shall be deemed also to refer to the Northern Mariana Islands, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof.