

Marianas - Income tax



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

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November 22, 1974

Dear Adrian:

In drafting the provisions of the United States-Marianas Status Agreement relating to the income tax laws in force in the Marianas, you may wish to consider the following language:

"Section 601. The income tax laws in force in the United States shall be in force in the Northern Mariana Islands as a local territorial tax in the same manner as those laws are in force in Guam under the provisions of Title 48 United States Code section 1421i. In determining the income tax liability of any person subject to the Northern Mariana Islands territorial income tax, the legislature of the Northern Mariana Islands may authorize rebates of tax collections to be paid to any persons and in any amounts that it may deem proper.

"Section 602. Any individual who is a citizen or a resident of the United States, of Guam, or of the Northern Mariana Islands (including a national of the United States who is not a citizen), will file only one income tax return with respect to income from sources within the United States, Guam, the Northern Mariana Islands, and elsewhere, in a manner similar to the provisions of Title 26 United States Code section 935."

The draft language for section 601 would have the effect of imposing a "mirror" income tax law on the Marianas, identical to the mirror income tax law that is in effect in Guam. However, a number of technical clarifications to implement such a system would have to be adopted along the lines of the rules in 48 U.S.C. §1421i.

Section 602 would establish a single filing system with respect to individuals for the United States, Guam, and the Marianas. In effect, a citizen or resident of any one of three jurisdictions would file only one income tax return, with the jurisdiction where he was a resident

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at the end of the year, and he would not be required to file an income tax return or pay income tax to either of the other two jurisdictions. An individual residing in a foreign country would file his return with the jurisdiction of which he was a citizen.

Please call me if you have any questions about the language proposed above. I will be away during the week of November 24, but Dave Foster plans to be back in the office then.

Sincerely yours,



Thomas St.G. Bissell
Office of International Tax Counsel

Mr. Adrian de Graffenried
Room 3356
Department of the Interior
Washington, D.C. 20240

cc: Mr. Foster