



States agencies, instrumentalities, and their contractors not engaged in activities conducted exclusively for or on behalf of the TTPI.

It would appear at the outset, therefore, that the Bank of Hawaii and Mobile Oil Micronesia at Kwajalein and their employees are not exempt from the gross receipts or income surtax unless it can be demonstrated that they fall into the category of contractors of the United States.

With respect to the Post Offices (regardless of where located), they are U.S. agencies or instrumentalities and it does not appear that they are conducting activities exclusively for the Trust Territory of the Pacific Islands. Accordingly, their non-Micronesian employees would be exempt from the surtax. Similarly, non-Micronesian employees--the Peace Corps, the Micronesian Claims Commission and the U.S. Weather Services Bureau--would also be exempt from the surtax since the activities of these U.S. agencies appear to be conducted for the U.S. Government though the Trust Territory is the principal beneficiary. With respect to the Peace Corps volunteers, who are not considered employees of the U.S. Government, they do not receive salaries or wages. They receive a subsistence or living allowances which should not be considered wages and salaries for income tax purposes.

In the case of the Micronesian Legal Services Corporation and the Community Action Agency, these entities are, as I understand it, organized under local law and, though funded by grant monies from the United States, are not considered Federal agencies or instrumentalities, and they certainly are not agencies or instrumentalities of the TTPI. Accordingly, the income of the employees of these entities would be subject to the surtax. In the case of MLSC and CAA, since they are non-profit organizations, there would be no gross receipts tax on their income, if any. Accordingly, the gross receipts surtax would be inapplicable in any event.

Please let me know if I can be of further assistance.

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cc: Paul Magid  
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Action

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