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Mr. David M. Reizes  
Chief, International Operations Branch  
Internal Revenue Service - rm. 4226  
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Washington, D.C. 20224

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permission in writing.

Dear Mr. Reizes:

This is in further reference to the tax status of Messrs. Leo Falcam and Edward Pangelinan regarding which I recently spoke to you on the phone. Both of these gentlemen are citizens of the Trust Territory of the Pacific Islands and as such are considered foreign nationals, as the Trust Territory is in legal contemplation a foreign country.

Mr. Falcam has been selected by the Congress of Micronesia to represent their interests in Washington. His salary of \$25,000 per year is paid by the Congress of Micronesia out of locally raised revenues. In addition, the Congress intends to purchase a house in the Washington area for use by their representative. In the meantime, they are paying Mr. Falcam a per diem based on his actual expenses and are paying directly his offices as submitted.

Mr. Pangelinan is employed as the Washington representative of the Northern Mariana Islands Office of Transition under the jurisdiction of the Resident Commissioner for the Northern Mariana Islands. This office is funded from Federal grant monies specifically appropriated for the purpose of making studies and recommendations for the transition of the Northern Mariana Islands from one political status to another. Mr. Pangelinan's salary of \$29,000 per year is paid by the Northern Mariana Islands. In addition Mr. Pangelinan is given \$400 per month to provide housing, and his office expenses are paid by the Office of Transition from Saipan.

In effect, therefore, both of these gentlemen represent foreign governments by which their respective salaries and expenses are paid.

The nominal income tax law of the Trust Territory, which is also the currently applicable tax law in the Northern Mariana Islands, contains no provision for the exclusion from local taxation of employees of the United

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