

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM
VOLS-INCOME TAX
0178
X Trust Territories

PAGE 01 STATE 062152
ORIGIN PC-10

INFO OCT-01 /011 R

DRAFTED BY PC/GC: PSMAGID
APPROVED BY PC/NANEAP: JANDREWS PC-3857
PC/GC: MARTIN
PC/NANEAP: SWOJAHN

-----212010Z 027593 /44

R 211735Z MAR 77
FM SECSTATE WASHDC
TO PEACE CORPS/SAIPAN

UNCLAS STATE 062152

TOPEC

E. O. 11652: N/A

TAGS N/A

SUBJECT: N/A
REF: S.B. NO. 7-93. BILL TO AMEND TT TAX CODE

1. IN REVIEWING PROPOSED BILL TO AMEND TAX CODE, GC CONSIDERS TERMS "EMPLOYEE" AND "INCOME", AS DEFINED IN SECTION 251 (3) AND (6) (J) OF THE CODE, DO NOT APPLY TO PCVS OR TO SUBSISTENCE ALLOWANCES RECEIVED BY THEM.

2. THIS POSITION ACCORDS WITH MR. NAKARAMURA'S INTERPRETATION OF THE PREVIOUS TAX LAW WHICH WAS SUBSTANTIALLY THE SAME AS THE PRESENT ONE WITH RESPECT TO PERSONS SUBJECT TO THE TAX. IN AN 8/16/76 LETTER TO BURGESS HE STATED THAT "SO LONG AS THE VOLUNTEERS . . . RECEIVE ONLY THE ITEMS PROVIDED IN SECTION 5 (B) OF TITLE I OF THE PEACE CORPS ACT THE TAX DOES NOT APPLY." IT ALSO CONFORMS WITH THE OPINION, EXPRESSED BY M. C. BREWSTER CHAPMAN, ASSISTANT SOLICITOR, TERRITORIES, DIVISION OF GENERAL LAW, SET FORTH IN A MEMO DTD 5/18/76 TO THE DIRECTOR OF TERRITORIAL AFFAIRS, THAT "PCVS, WHO ARE NOT CONSIDERED EMPLOYEES OF THE USG . . . DO NOT RECEIVE SALARIES OR WAGES. THEY RECEIVE A SUBSISTENCE OR LIVING ALLOWANCE WHICH SHOULD NOT BE CONSIDERED WAGES AND SALARIES FOR INCOME TAX PURPOSES."

3. UNDER THE CIRCUMSTANCES, IT APPEARS THAT THE EXEMPTION CONTAINED IN SECTION 258 (L) (K) OF THE PROPOSED LAW WOULD APPLY TO EXCLUDE PCV'S LIVING ALLOWANCES FROM TAXATION UNLESS THEY EXCEED TRUST TERRITORY GOVERNMENT PER DIEM AND TRAVEL RATES.

5. FYI PCVS IN OTHER COUNTRYS EXEMPTED FROM LOCAL INCOME TAXES UNDER PROVISIONS OF THE COUNTRY AGREEMENT. TT/PC AGREEMENT CONTAINS NO REFERENCE TO LOCAL TAXES AND IS SUBSTANTIALLY DIFFERENT FROM ORDINARY C. AGREEMENT FORMAT. END FYI.
VANCE

22-430762

IV
✓
19

UNCLASSIFIED