

THE WHITE HOUSE

WASHINGTON

May 6, 1989

MEMORANDUM FOR: THE SPECIAL REPRESENTATIVE OF THE PRESIDENT OF THE UNITED STATES AND SPECIAL REPRESENTATIVES OF THE GOVERNOR OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS TO THE SECTION 902 CONSULTATIONS WITH THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

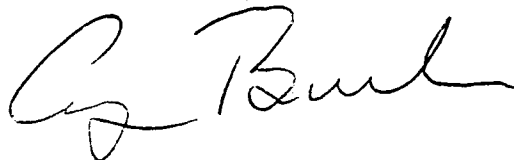
SUBJECT: Settlement of the Mariana Islands Housing Authority Bond Dispute

In your letter of January 11, 1989, you recommended:

- (a) that the Federal Government concur in the position of the Commonwealth of the Northern Mariana Islands (CNMI) that any and all Federal income taxes collected by the Internal Revenue Service from the holders of the 1984 Home Revenue Bonds issued by the Mariana Island Housing Authority must be covered over to the CNMI pursuant to Section 703(b) of the CNMI Covenant; and
- (b) that no effort be made to collect the Federal income taxes from the bondholders, since the Federal Government will suffer no loss of revenue if it must cover over all taxes collected to the CNMI.

I agree that the dispute with respect to the holders of the 1984 Home Revenue Bonds should now come to an end. Consequently, I concur with your recommendation that the Federal Government's attempts to collect income taxes from the holders of these bonds should be discontinued.

Although I accept your recommendations in this particular matter, I do not necessarily concur with the legal conclusions in your joint letter of January 11, 1989. The settlement of this particular controversy does not constitute a precedent for future cases involving taxation of any bonds issued by the CNMI or the application of the cover over provisions.



THE WHITE HOUSE

WASHINGTON

May 17, 1989

MEMORANDUM FOR : THE SPECIAL REPRESENTATIVE OF THE PRESIDENT OF THE UNITED STATES AND SPECIAL REPRESENTATIVES OF THE GOVERNOR OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS TO THE SECTION 902 CONSULTATIONS WITH THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

SUBJECT: RECOMMENDATIONS OF THE NORTHERN MARIANA ISLANDS COMMISSION ON FEDERAL LAWS

In your letter of January 11, 1989, you recommended that the following recommendations set forth in Welcoming America's Newest Commonwealth: The Second Interim Report of the Northern Mariana Islands Commission on Federal Laws (1985) be enacted into law:

- (a) to permit residency in the CNMI to satisfy the residency requirement for naturalization;
- (b) to allow nomination of one individual from the CNMI to each U.S. service academy;
- (c) to ensure that the CNMI is considered to be part of the United States for the purposes of U.S. Fishery Trade Officers of the Department of Commerce;
- (d) to allow local churches and charitable organizations to be exempt from the anti-lottery provisions of federal criminal laws;
- (e) to require the Secretary of Education to make a block grant annually to the CNMI to replace various formula and discretionary grants;
- (f) to authorize the Governor to designate a library as a depository for United States Government publications; and
- (g) to allow the Secretary of Health and Human Services to waive certain Medicaid requirements for the CNMI.

On May 6, 1989, the President accepted your
~~I accept your~~ recommendations with the exception of the Medicaid issue. The Medicaid recommendation was enacted in 1987 and no further legislation is required.

This action further demonstrates the cooperation and support of the federal government for the CNMI's concerns within the framework of the Covenant Establishing Political Union Between the United States and the Commonwealth of the Northern Mariana Islands.

Best wishes as you continue consultations.

*in behalf of
FORUS*