

## UNITED STATES POLICY ON INCOME TAX REIMBURSEMENT

It is in the national interest of the United States that American citizens participate in the work of international organizations through full-time professional and support service in regularly established positions in the secretariats and field operations of these organizations. This interest was confirmed by the Congress when it enacted Public Law 91-175 as amended to encourage American civil servants to serve in international organizations.

Since unequal pay for equal work would damage morale and, hence, lower efficiency, international organizations seek to establish equality of treatment for all employees. To solve the problems that would arise in providing equal remuneration if all employees were to be subject to their widely differing national income tax scales, the organizations have secured the agreement of most member states not to levy national income tax on their citizens who are employed by international organizations. Frequently, the organizations levy their own internal tax (known as the staff assessment) according to a uniform scale. Those that do not, normally set their salary scales lower on the presumption of a national income tax exemption.

The United States, however, does levy income tax on its citizens who are employed by international organizations. Were there to be no compensatory arrangements, and were the Americans to be taxed both by the Organizations and by the United States Government, their take-home pay might be so low as to insure that they would not join the staffs of international organizations.

In order to make it easier to attract qualified Americans in appropriate numbers into the service of international organizations, thus furthering our national interests, the United States countenances the reimbursement by the organizations of their American staff members for the United States Federal income tax that these employees pay on their international organization income. The United States is willing to bear the cost of such reimbursement under certain conditions. However, the charge shall not exceed the United States Federal tax that would be due on the aggregate of the above amounts if that were the taxpayer's only income, after taking into account any specific tax benefits available to United States taxpayers employed abroad, as well as the deductions and personal exemptions generally allowed.

DEPARTMENT OF STATE  
WASHINGTON

November 17, 1981.

Sir:

I refer to my letter of October 9, 1981, indicating the willingness of the Government of the United States to conclude a Tax Reimbursement Agreement with the International Cotton Advisory Committee (ICAC) in accordance with which ICAC will reimburse its staff members who are United States citizens, or who are otherwise liable to pay United States Federal income tax, for those United States Federal income taxes that these staff members have paid on ICAC income as specified below. An advance payment made by ICAC relating to the estimated tax liability of a staff member during a current year will be treated as a reimbursement, provided that such payment is effected by an instrument jointly payable to the Internal Revenue Service and the staff member.

An income tax reimbursement charge will be payable by the Government of the United States, subject to the availability of funds, to compensate ICAC for the expenditure it has made. This charge will cover reimbursements made by ICAC for United States Federal income taxes on the following categories of ICAC income:

The Executive Director,

International Cotton Advisory Committee,

Washington.

basic salary; post allowance that is based on the cost of living; travel on appointment or on separation; installation allowance; removal, shipment or storage of household effects; education allowance and education travel grant; home leave travel; travel on annual leave from designated duty station; family visit travel; representation; language allowance; dependency grant; payments made specifically to compensate a staff member for the United States Federal income tax for which the staff member is liable or has paid.

The charge payable by the Government of the United States will not include reimbursement for interest or fines paid on income tax, taxes on pensions or lump sum payments related to pensions, or taxes paid to any state or local government within the United States.

The Government of the United States will reimburse for each taxpayer an amount not to exceed the Federal income tax that would be due if the specified categories of ICAC income were the taxpayer's only income, taking into account any special tax benefits available to United States taxpayers employed abroad, as well as the deductions and personal exemptions generally allowed.

This agreement does not cover ICAC staff members who are paid from voluntary funds, nor tax on income from any source other than ICAC.

ICAC will maintain separate accounting of the tax reimbursements covered by this agreement. To help insure the accountability of the program, ICAC, after securing the written permission of the American and other staff members liable to pay United States Federal income tax, will provide the Department of State with a list of

participating staff members and their United States Social Security numbers for forwarding to the United States Internal Revenue Service for income tax filing record checks.

The Government of the United States will reimburse ICAC on the basis of a certification that reimbursements have been made by ICAC to United States citizens, or others liable to pay United States Federal income tax. The certifications will set forth the names and United States Social Security numbers of the staff members reimbursed, the total of ICAC income against which the United States Federal income tax has been paid, the amount paid to each staff member in each of the categories of income specified above, the amount of tax reimbursed to each staff member by the year in which reimbursement was made, and the amount of tax reimbursed to each staff member by the year for which reimbursement was made.

This agreement will enter into force January 1, 1982, It shall apply with respect to reimbursements made by ICAC on taxes paid on ICAC income earned in 1982 or thereafter.

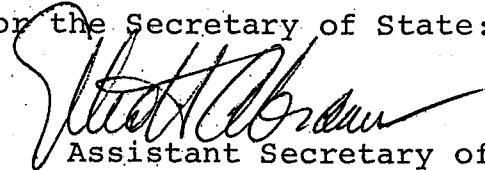
This agreement may be terminated by either party, effective one year from the date on which written notice of termination is given.

This agreement supersedes the agreement on reimbursement of income taxes between the Government of the United States and ICAC, signed at Washington, March 28 and May 1, 1974.

I propose that the present note and your reply thereto will constitute an agreement between the Government of the United States and ICAC for the purpose of regulating the reimbursement of income tax.

Very truly yours,

For the Secretary of State:



Assistant Secretary of State

for International Organization Affairs