

MEMORANDUM

TO: Mr. O'Connell
FROM: Mr. Wales
SUBJECT: International Fund and Bank

December 13, 1944

The proposed joint resolution does not contain provisions implementing the tax aspects of the agreements. In our opinion, this is satisfactory and statutory implementation of the tax provisions of the agreements is not necessary. Though we have not exhaustively investigated the question of approval of agreements by a majority of the two Houses of Congress, it seems pretty clear that the provisions of the agreement thereby become binding law.

There is one situation that may well be regarded as requiring legislative action at some time. Under the agreements citizens of the United States resident abroad and employed by the bank or fund will not be taxable on their earnings by the country in which they are resident. If they are not employees of the United States, they will not be taxable by the United States on their earnings under 116(a) of the Code. In the UNRRA bill express provision is made for taxing the earnings of citizens from salaries paid by UNRRA even though they are resident abroad. A similar provision with regard to the earnings of citizens employed by the bank and the fund would seem to be desirable.

You of course know that in the UNRRA bill provision was made for subjecting to the United States tax the earnings of resident aliens derived from salaries paid by UNRRA. The policy of the agreements with respect to the bank and the fund is different and such earnings are exempted from our tax. This is one of several questions discussed at the time it was proposed to have the UNRRA bill cover international organizations generally.