

*Discussion on speed (budget)
of 1st Samoa Const. Conv.
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**TERRITORY OF AMERICAN SAMOA
EIGHTH LEGISLATURE
1963**

HEARINGS

Before the
SENATE COMMITTEE ON WAYS AND MEANS
on
S. B. 1

New Income Tax Law for American Samoa

**FIRST SPECIAL SESSION
January
1963**

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FIRST DAY
January 16, 1963

CHAIRMAN: The meeting of the Ways and Means Committee will now come to order:

Gentlemen of the Committee; this is the opening session of the hearing on Senate Bill No. 1 entitled, "Licenses, License Fees, Taxes, and Customs Duties" referred to this Committee. I am sure you all have copies of this Bill, and I am doubly sure that you are all familiar with it. We will go through the entire Bill discussing it section by section. You may ask questions any time you wish. This hearing will be conducted in accordance with Rules of Procedures of the Senate as well as Rules of this Committee. We will take our time as we want to hear from all those who are interested to testify for, or against this Bill. Everyone who wishes to appear, for himself, or to represent a business, organization, or industry will be given the opportunity to do so.

Invitations will also be extended to those who may have facts, knowledge, or experience that will assist us. In other words, this Committee will do all it can to obtain facts and information so that it may arrive at a fair, and equitable conclusion that will benefit this territory.

Gentlemen, I must caution you to keep an open mind. Listen to all the facts and examine them carefully. As you know, there will be those who oppose this Bill, and they will make all efforts to influence you; also there will be those who support this Bill, and they will do all they can to get you to approve it. After all the facts are in, and after you have sifted and weighed them, I ask you to be independent in making your decision.

We have with us today Mr. Sigler who will comment generally on the Bill. Mr. Sigler is well known to us as he was with us last year as Counsel to the Legislature. He comes again to us this time to help us in the same position. It is my pleasure to present Mr. Sigler.

MR. SIGLER: Thank you Mr. Chairman. I think that's a good way to proceed because by general discussion I can give you a background, and I think it will make it easier to understand the specific sections.

The Title is divided into several Chapters. The First Chapter is Licenses. This Chapter is not different from your present law in any material way. I have taken the provisions of your Code that are in effect right now and have restated them with just a few changes. The changes are not very significant. I'll tell you what they are: Nobody can engage in a business in American Samoa without first obtaining a license to do business. That is the law today. There's no change in that provision. The major change is in the License Fees; which are found in Chapter Two. Under your present law, there is a long list of license fees, and they vary from one dollar to 6½ to \$250. What I have done at the Governor's request, this is also in accordance with the advise of the Treasury expert who was down here last fall, is to reduce that long list of license fees to five. And the fees listed, starting at two hundred fifty dollars for a beer tavern, are the same fees that are now in the book. There is no difference in those fees.

The difference comes from the ones that I have omitted. There is a long list of things I have omitted, and for all of those this Bill provides one fee of twenty five dollars. That is a little more than the fee in the Code right now for some of those businesses. I don't happen to have the old Code with me but I remember a few. Some of the licenses were \$12; this would make it twenty five dollars. The reason the Governor suggested that change is that we are not aware of any reason why a photographic shop should pay one fee, and a car repair shop another fee. They should all pay the same fee. There is some question as to picking what is reasonable and it was the feeling of the Treasury man who was down here that twenty five dollars a year is a reasonable fee for anybody who is doing business. Now that is the major change in the fee schedule for doing business.

There are some other fees that are not for doing business. They are fees for special things like driving a car (that's a driver's permit) or a fee for operating a bus. The fees that are listed there in your Bill are the same fees that are in the old Code, with one exception. I hope I haven't forgotten other exceptions. The new one is a fee for a motor bicycle, or a motor scooter. There is no fee now for a motor scooter. You did not have them a few years ago. They are a new thing here on the island. The fee suggestion is \$7.50, which is just half of the fee that is charged for an automobile which is \$15.00. Now that is about the sum and substance of the first two chapters.

The next chapter, the Income Tax, I think is the most important chapter in the whole Bill. Let me explain it. At the present time there is no Income Tax in American Samoa. No Income Tax at all. Your taxes now are the head tax, customs duties, export duties, business license tax, which is about the same thing as a sales tax, a land tax which is not very effective; and I am told that there are very few collections under the land tax. Those are the principal ones and that's your present system. The Governor's proposal is that we abolish the export tax; that we reduce the import duties on some of the necessities of life, such as food, and that we raise most of the revenue that is now raised by what I've just mentioned — by means of Income Tax. The reason for that is that income is a measure of ability to pay. By that I mean if a man has a salary and receives cash in hand we can judge how much he is able to pay in the way of taxes, by how much salary he gets. If he gets a big salary he should pay a big tax. If he gets a very small salary he should pay a very small tax or perhaps no tax. But the tax he pays ought to depend upon how much money he makes. That's the principle of the Income Tax.

This Bill adopts as a Samoan Income Tax the exact law that is in force in the United States with respect to income, with a few changes. The changes are tailored or designed to meet the needs of Samoa. But in general this Bill, if you approve it in the Fono, will adopt as a Samoan Tax the same system that is applied by the United States with respect to all the citizens of the United States. That tax works in this way. Let me divide it into two parts: (1) The tax on individuals, and (2) the tax on corporation.

You all understand what I mean by a corporation, I assume. A Corporation is an artificial business organization which is not an individual

person like you or I. I like to talk in different terms with respect to the individual such as you; and the Corporation which is a business organization.

First, I should like to talk about the Income Tax on the individual, that is, all of the Samoan people. The Federal plan which this Bill adopts applies a graduated tax. By that I mean it increasingly starts at 20% of the taxable income, (I'm going to explain what is taxable income) and as the individual earns more money the rate goes up. It goes up very steeply, so that anyone earning a million dollars, I doubt there's anyone in Samoa who earns that much, but in the United States there are a few, anyone who earns a million dollars will have to pay 90% of it in tax. Now, that's not going to apply here and I don't want to mislead you, but the system is a graduated tax that increases with the amount of money earned. Now that's a tax on the taxable income. In order to determine taxable income, you do this: assume I'm a Samoan living here in Samoa; if the government pays me a salary of \$100.00 a month, \$1200.00 a year, that would be my income. But I would be entitled to a deduction from that income before figuring my tax. The deduction is \$600.00 for each member of my family. If I had a wife and three children and myself, that would be five people and the allowance is \$600.00 per person, so that means the deduction would be \$3000.00. That is five times 600. There would be no tax at all under that system. My salary of \$1200.00 would be less than the total exemptions, and I would not be taxed. On the other hand if I earned \$5000.00 a year, if the government paid me \$5000.00 a year to work here, and I have the same exemptions, then my exemption will be \$3000.00 which will be deducted from my total wage of \$5000.00. The \$2000.00 would be subject to tax and that \$2000.00 would be taxed at 20%. That's the general plan. The point I want to emphasize for you is that the plan has a meaning only if the wages of the individual are higher than his family exemptions. If the wage is not higher than the family exemptions, then he doesn't have to pay a tax under that system.

To take care of that situation the Bill provides an alternate tax, a tax that would apply instead to the one I just described. That alternative is 2% of the wages earned by any one person. That would be the tax that applies to most Samoans. Anyone working for a salary, like working for the Government of American Samoa, who is paid \$1500.00 a year, then he would have to pay a tax of 2% of \$1500.00 and that is \$30.00. Thirty dollars a year is just a little more than 50¢ a week. That's what the tax would amount to for a person earning \$1500.00. That's a very modest tax, a very low tax. And that's the tax that will apply to anybody earning a wage unless the wage gets up somewhere around \$3000.00 a month. Anyone earning less than that will pay the tax I am describing, which is 2% of the wage. And I emphasize, if the wage earner is getting \$1500.00 a year, the tax on that person will be somewhere around 50¢ each week. That's most people. However, Mr. Flannery earns more money than that, and he will have to pay more than 2% of his salary because he earns more. He will have to pay the graduated tax. The graduated tax goes up very steeply. I don't know whether Mr. Flannery cares to tell you what his tax is, but I'll tell you what mine is. I have to pay \$3000.00 tax every year to the United States. That kind of a tax is not reasonable for the low salary person. But for the higher salary person it is very reasonable.

This tax is going to fall hardest on the few individuals in Samoa who earn a lot of money. Those people have never paid tax to Samoa or to the United States. They're going to have to pay a tax now for the first time. I think it's fair. Have I talked too long Mr. Chairman?

Mr. Chairman I would like to emphasize for your Committee that the 2% tax applies only to people who get a wage or salary. It does not apply for example to a Matai who does not work for anybody but merely runs his plantation and sells the produce from his plantation. That Matai is not earning a wage and this 2% tax does not apply to him. However, if the Matai has a cash income if he sells the produce from his plantation and gets a cash income that is high enough to bring him within this graduated scale such as I have described, and that will apply only somewhere up in between \$300.00 or \$4000.00, which means if he has that much income he will be subject to the graduated tax. But if he does not have that much income and does not work for a wage, this system will not apply to him at all.

There is one other group of people to whom the 2% wage tax will not apply, and that is the individual person who has his own business. He doesn't work for a wage but runs his own business. I suspect some of you Senators have your own business and work for yourselves. In that case you will be in the same position as I have just described. You don't have a wage. Therefore there's no 2% wage tax; but you pay a tax only if your cash income amounts to more than your family exemption, which I indicated is \$600.00 for each member of the family. Those are the two qualifications I want to emphasize. That isn't completely fair but it is the fairest thing we could think of because we cannot apply a system that is too complicated in an area like this and expect to make it work. It's going to be hard enough to make this one work. If we try to apply a more detailed bookkeeping system to the plantation operator who doesn't sell his produce it will be almost an impossible tax.

Now one word about the merchants on the island. I'm told that most of the stores are run by individuals rather than by corporations. I believe there is only one corporation here, according to Mr. Flannery. One Corporation engaged in the retail trade. The merchants who are running their stores as individuals will be subject to the graduated scale of tax that I have described earlier. Now let me repeat it. The merchant will operate his business for a year, any year, and at the end of that year he will, according to his books, figure out how much profit he made on running his store. This is the same thing that is done in the United States. Every merchant who runs a store there, at the end of the year figures up how much profit he has made. If that profit is within the graduated scale that I have described to you then the merchant will have to pay the tax on the basis of the graduated scale. He'll be subject to the same plan I have just described to you. Let me repeat that. If the merchant has a wife and three children, he has five people in his family. He will have five exemptions at \$600.00 each exemption. That means he has \$3000.00 that is tax free. Anything he makes above \$3000.00 if he has five exemptions, will be taxable and the tax is the graduated scale. If the merchant on the other hand instead of having five exemptions, has a large family - let's say he has eight children who are minors now. I don't mean children who are married and living somewhere else. But if

he has eight small children living with him in his house as part of his immediate family and are dependent upon him for their food and shelter; if he has eight children like that and a wife and himself, that's a total number of ten. He would have ten exemptions at \$600.00 each, which will be \$6000.00. He will not be taxed on that first \$6000.00. He'll be taxed on all the amounts he makes in addition to the \$6000.00. That is the system that is applied in the United States and is the system that the Governor has recommended to be that you apply here.

The financial records that we have indicates, as I said a moment ago, that most people in American Samoa will pay the 2% tax and not the graduated scale.

Let me make one point clear. I am talking about the profits from a business and not their gross sales. That is if a store sells a lot of merchandise every month, it isn't the sale price for that merchandise; it is only his profits after he has figured out how much it cost him to buy the merchandise, how much it cost him to pay his clerical help, and to pay his lights and rent, all of his costs. It is what that is left over as profit that is taxed and it is taxed then only if it exceeds his personal exemptions. I believe that about summarizes the situation for the individual . . . it is, to say it again, the tax is based upon the amount of wage that is received if a man works for a wage. If he works for a wage, it is 2%. If he does not work for a wage then it is the amount of profit he earns in conducting his own business. In that event it is not the 2% of his profit but it is the graduated scale on his profits.

Now, if that's clear I think I would like to go on to the corporation tax. Mr. Flannery has asked me whether this law would apply to somebody, such as a Matai who is engaged in agriculture and sells his agricultural products. Say he sells copra or he sells his coconuts or bananas sells them for money. If he sells them for money that income is taxable in the same way a business is taxable. If he earns enough profit out of it to get within the graduated scale, that will be taxable. But that will only happen if he has a rather high income. It won't happen to very many people in American Samoa. Shall I go on to corporation tax? Mr. Chairman I have one other thought I should like to give you before I go on to the corporation; and that is, I want to be sure everybody understands the number of people who now pay tax and the number of people who now do not pay tax. I think that's important because it is unfair to some people and it is a favoritism for others. At the present time anybody who works for the Government of American Samoa, and that is a large number of people, there's about 2,000 people that work for the Government of American Samoa. Some of them have to pay the Income Tax that I have just described to you; others do not. Now the difference is whether they're citizens of the United States or whether they are American nationals. If they are citizens of the United States they have to pay the Federal Tax; if they are nationals, not citizens, they do not pay the Federal Tax. They do not pay any tax. You could have this situation. You could have a school teacher from the States down here hired to teach school by contract; you could have a Samoan National hired to teach school,

and they could both be paid the same salary. The stateside teacher would have to pay a tax and the Samoan teacher would not - I think that's unfair. Now the other unfairness is this. A citizen of the United States who works for the American Government has to pay a tax. A citizen of the United States who works for a corporation here, such as Van Camps, does not have to pay a tax. Again, that's unfair. Then in the last category, most Samoans do not have to pay any tax at all. One of the good features of this Bill, in my judgement, is that it puts everybody in the same boat. Everybody pays the same kind of a tax. If I have to pay a tax, you have got to pay the same tax if you make as much money as I do. If one person makes a small amount of money and is taxed on that, everybody else who makes that same amount of money is going to be taxed the same way. I think that's a fair thing to do, but it is not the system now. Right now some people pay and some don't.

Now I shall go on to the Corporation Tax. Under the United States law, all corporations doing business in the United States pay in general 52% of their profits as tax. That means that if a corporation earns a \$100.00 in profits it pays \$52.00 of that \$100.00 to the government. Now bear in mind that's a tax on profits. Profits are what's left over after you bought all your merchandise and paid all your salaries. This is not a tax on the money that goes in to running the corporation. It is the profit that's left over after the expenses of the business have all been paid. Now, very simply stated, the proposal before you, the Bill before the Fono would apply that same rule to corporations that are doing business in American Samoa. It is the same rule that applies to a corporation doing business in the United States. If that Corporation is a United States Corporation, then the rule is the same as that the corporation is accustomed to in the United States. It will pay here to Samoa a tax that is exactly the same as a tax it would pay in the United States if it were doing business in the United States.

That's about all I need to say on the subject of the Corporation Tax, other than to indicate that the law is very complicated. I do not believe it would be worth your time to go through all the many details. I brought with me the book. This is the Internal Revenue Code of 1954 which applies in the United States. All these are the laws that apply to income in the United States. You are adopting a portion of this law that applies to income in American Samoa. Mr. Logo, I think perhaps it will be well now for me to run through not section by section but tell you how the Bill is organized so that when you look at the individual sections you will see how it fits into the pattern. If you look at Section 18,0401, that section does just one thing. It adopts as Samoan law the provisions of the United States law that relate to income. The laws in this book that relate to income are adopted as Samoan laws; it imposes a Samoan Tax that is exactly the same as the tax imposed in the United States by the United States law. When you have done that, that is when you have adopted this section, you have then adopted a Samoan Income Tax law. It is not a United States law anymore. It is a Samoan law.

Now if you look at Section 18.0402, that's the next section, that section amends the Samoan Income Tax Law which has just been adopted. Section one adopts the United States law as Samoan Income Tax Law and then this Section 18.0402 amends that law to make it fit the special circumstances here in Samoa. And all that which goes on for many pages is an amendment of the Samoan Income Tax Law that you have just adopted.

I'm sorry that the bill is as complicated as it is, but I do want to assure you that that one section on tax on wages is the major change in the law. And I have explained the reason for it as most Samoans work for such a small wage and that it would not be fair. And you wouldn't get any income if you used the other system. So, for tax only, this is the one big change in the Income Tax Law as is adopted from the United States.

The rest of the Bill consists of technical amendments. That is, amendments designed to fit the language into the style of the statute. They are perfecting amendments. They do not make changes to the substance but are technical to accomplish the result that I have been trying to describe.

I want to make one point, Mr. Chairman, and then I am at your pleasure to go through the Bill in any way you want to. The point I want to make is, under this Bill all the money raised by taxes goes to the Samoan Treasury. It does not go into the United States Treasury. That is quite a big improvement because right now, under the present law, the income taxes that are collected from American citizens go to the United States. They don't come here. But this Bill is drawn so that money that has been going to the United States will come back to Samoa and go into the Samoan treasury.

That's all I shall say at the moment about Income Tax. I shall just mention the other two chapters in the Bill and you can question me at your pleasure. The next chapter in the Bill is called General Provisions. I won't stop on that. Chapter six however is called Customs Duties. That is the chapter that amends the present customs duties. It amends the present custom duties by lowering some of them and increasing some of them. The net effect, however, the total amount of money collected by taxes, will be about the same. They will not be collected from the same things. That is, the change in some duties upwards and the change in some duties down, the total amount of money collected will be about the same. Some of the changes in the duty list I thought it might be worth mentioning to you is, the duty is removed altogether-repealed from foods; both food for people and food to feed animals. All food is entered duty free.

Another important change in the duty is to exempt from all duties raw materials brought into American Samoa to be manufactured or processed into something else. That is, the raw material that industry will use. That raw material will not be taxed when imported into the island but the profits from the manufacturing process will be taxed. The raw material when it comes in is not taxed but if the company makes a profit from its business, that profit will be taxed under income. Mr. Logo, that's the end of my general explanation of the Bill

and I'll be glad to answer any other question your committee wishes me to answer.

CHAIRMAN: On Section 18.0401. If this Section is approved by the Fono, that means the Law in this book here will apply here?

MR. SIGLER: They will be Samoan Law - you are adopting that as the Samoan Income Tax Act.

CHAIRMAN: How then can, on this Special Session, the members of the Legislature understand those United States laws?

MR. SIGLER: Chief Logo, I sympathize with your question, and I should say that the members of the United States Congress in Washington have exactly the same problem. The Congressman in Washington never tries to read all of these laws section by section. The Congressman has a staff - this Committee Staff, they rely upon to explain to them what the law says, and its major provisions. But they don't try to go through and read every word of it. That's because this law is written for lawyers. It's a type of thing that's highly technical, highly complicated, and it is really designed for the lawyers to read.

May I make one more comment. I think the Committee should understand very clearly the major provisions which I've been outlining. I think we ought to go through them again, perhaps two or three times. I think the Committee ought to understand the general framework of the Bill. That is, it is a simple matter. You do want a 2% tax on wages or do you not want a 2% tax on wages. There are a lot of words in here about it, but if you just tell me which way you want it then I can write it that way. If we try to go through it and explain where each one of these provisions goes in this book, I'll be lost and so will you.

SENATOR FAIIVAE: I was particularly interested on that exemption part. Is it up to the Fono to fix an exemption limitation? We understand that the exemption in the United States law is \$600.00. There is no exemption here in this section.

MR. SIGLER: The exemption will be the same. That is \$600.00. That's the reason for the 2% wage tax. The wage tax will get all Samoans who work for a wage. It's the people in Samoa - not many - who have a large income that would be subject to this exemption, and the \$600.00 figure would apply.

The administration of this law will not be difficult. Let me sketch roughly how that will work. Every person in Samoa who works for a wage will be asked to fill out a piece of paper called the Withholding Certificate. The Government of American Samoa uses that form right now. All the Samoan will do is to indicate how much wages he expects to earn during the year. Then there's a table right here. All Mr. Flannery's office will have to do when those forms come in to him, so far as the government is concerned, is to look at the form and see whether the individual is

going to earn enough money to be on that table. If he is not, then he deducts 2% from his wages and that is his tax. That's all there is to it for him. He will be told how much tax is deducted. But that deduction of 2% from his salary is the total thing; that's all he is taxed. I hope he will buy his food from the stores at a cheaper price than he has been buying before because there won't be any import duty on that food, and the store ought to reduce the price of food. But so far as that income tax is concerned, the tax on his wage deducted by his employer is the only thing he will pay. For other people who do not work for a wage they will have to fill out an Income Tax return. I am sure that there won't be too many of them that'll have to do it and there'll be help here to help them fill it out.

SENATOR LAGAFUAINA: I earn only \$300.00 a year. And you say that Income Tax is \$600.00 for girl or boy or who? But I only draw \$300.00 a year. Will I pay any 2% just like in this Bill? Shall I pay the 2% tax?

MR. SIGLER: No. No tax.

SENATOR LAGAFUAINA: No tax?

MR. SIGLER: Oh! I hope I didn't misunderstand you. Did you mean your \$300.00 as your Senate salary?

SENATOR LAGAFUAINA: My \$300.00 I get in American Samoa. Just three hundred dollars.

MR. SIGLER: Is that \$300.00 from Senate salary?

SENATOR LAGAFUAINA: Yes. Will I apply this 2% here in the Bill?

MR. SIGLER: Yes. The 2% would apply to your Senate salary. But, I shouldn't say this. If you have.....

SENATOR LAGAFUAINA: You say before, the income tax in the United States will be \$500.00 to \$600.00 exception for a dependent. But in here, how would you get exception in this Bill here?

MR. SIGLER: The way it works Senator, is that if you or any other Senator has an income of his own, a cash income, from his own business or his own profession, that amount of income is not subject to the 2% tax and that was what I thought you were referring to. If from your own income from your outside activity if that is less than.....oh....it'll have to be up to \$3000.00, \$4000.00 before it would be subject to tax. It is not subject to the 2% tax. Now, I didn't realize that you were asking about the salary paid to each Senator and each Representative. That is a salary and that would be subject to the 2% tax.

SENATOR LAGAFUAINA: So this 2% here, it means a sort of income tax, right?

MR. SIGLER: It's a tax on wages.

SENATOR LAGAFUAINA: That's what it is for? Wages?

MR. SIGLER: Wages. Only wages.

SENATOR LAGAFUAINA: For anyone who works in the Government, for Van Camp, for stores.

MR. SIGLER: For stores. Yes, anybody who works for a wage. It does not make any difference who pays the wage. If you hired someone and pay him a wage to come out and cultivate your plantation, if you paid a wage for it, that person will be taxed on his wage. If you do it under the matai system where there's no money involved, there's no tax.

SENATOR FAIIVAE: I believe now, for instance that's the only work we had here. Just that \$300.00 we earn here, etc.

MR. SIGLER: And you had no other cash income?

SENATOR FAIIVAE: No other. I believe that is what the Senator meant and it's about that three dependents?

MR. SIGLER: Well, I understood that the Senator has another business.

SENATOR FAIIVAE: Well, I mean a person not self-employed. Mr. Laolagi say, who has no other business.

MR. SIGLER: In this case, he has no other business and the \$300.00 that he gets as a Senator is all the cash he gets, the dependents wouldn't enter into it, he would have to pay the 2% tax on his salary and that's all there is to it. Two percent of three hundred dollars is \$6.00.

SENATOR LAGAFUAINA: I have another. I come from Nuuuli on the long way with my basket of coconut and I come here on the Malae and sell for \$1.00. This 2% will apply too?

MR. SIGLER: No.

SENATOR LAGAFUAINA: No!!

MR. SIGLER: That's not a wage. Now if you were in the business of selling copra, you would not pay any tax on it unless your income from selling copra got up above all your personal exemptions. Did I make myself clear, Senator?

SENATOR LAGAFUAINA: Another one I ask. Let's talk about the merchant. If the merchant earns about a million and a half a year for selling his lures; and he pay all his working people and everything, and he left only....the profit that was left was \$5000.00, that 2% will collect.....

MR. SIGLER: How much was left? \$5000.00

SENATOR LAGAFUAINA: He left about \$5000.00 profit.

MR. SIGLER: The 2% does not apply because that's not a wage. He is not working for a wage.

SENATOR LAGAFUAINA: You said before that the profit he makes when he sell his goods.

MR. SIGLER: The profit now is taxed under the sliding scale, not the two percent.....

SENATOR LAGAFUAINA: Just the wage scale....that's all.....just the wages of the people this 2% will apply to?

MR. SIGLER: Senator, the 2% applies only to wages. Now, in the case you are illustrating, you're using, where a merchant sells his goods during the year and ends up with \$5000.00 profit. Now that profit is taxable not at 2%, but is taxable under this sliding scale that I mentioned to you. It starts at 20%, not 2%. But the first tax on that \$5000.00 profit after deducting his personal exemptions is 20%. Now let me pin this down to be sure I am making it clear.

If a merchant earns \$5000.00 net profit....that's over and above all his expenses....if he has \$5000.00 in the bank, left over at the end of the year, then he is taxed on that \$5000.00 in this way. You just deduct his personal exemptions. If he has a family of five; I mean, if he has five exemptions at \$600.00 each, he would have \$3000.00 exempt. So you deduct \$300.00 exempt from his \$5000.00, and that leaves \$2000.00 that is taxable. It is taxable at 20%; and 20% of \$2000.00 is \$400.00.

SENATOR FAIIVAE: Say you earn from Mr. Kneubuhl at the end of the year, locally, \$2000.00 and you have two exemptions, that's.....

MR. SIGLER: That leaves eight hundred.

SENATOR FAIIVAE: Eight hundre; and you pay that income tax on eight hundred.

MR. SIGLER: I pay it, yes.

SENATOR FAIIVAE: Alright, that's what I've been saying. I earn here \$300.00 and I have two exemptions, my wife and I. Well, not, this.....

MR. SIGLER: But you see, the income tax, I would say, on \$800.00 is 20%. That would be \$160.00 I'd pay. You pay 2% on \$300.00 which is only \$6.00.

SENATOR FAIIVAE: No exemptions....

MR. SIGLER: No exemptions on the wages because the percentage is so low.

SENATOR FAIIVAE: That's right.

MR. SIGLER: You see, the illustration you used, you pay \$6.00 and I pay a hundred and sixty dollars. Now is 2% and you pay that only if it is more than you would pay under the sliding scale. Now if the sliding scale is more, then you would have to pay that. But for most people according to the illustration you used, it's 2%.

CHAIRMAN: Suppose, for example, I earn \$5000.00 a year. Then my 2% of the salary tax will be cut off?

MR. SIGLER: No.

CHAIRMAN: You mean I pay 2%?

MR. SIGLER: No. If you earn \$5000.00, the 2% will not apply, because you're going to have to pay a higher tax than 2%.

CHAIRMAN: On salary?

MR. SIGLER: Yes. You see the way that works is that you file a, you have to file this declaration in the beginning of the year; and if that declaration shows you're going to have income in excess of your deductions.....let's say your personal deductions again are five. Five deductions. If you deduct \$3000.00 from \$5000.00 then that \$2000.00 left will be taxed under the sliding scale. So you would not use the 2% formula. There will be a withholding based upon the 20% formula.

CHAIRMAN: Now you take this. Now after I take so much percentage on that, bear in mind, as a salary; now I deposit part of it into the Bank of American Samoa. Next year come, is that part of my personal income?

MR. SIGLER: No. The interest would. No, that money that you have saved is not income the next year. It is only income once.

CHAIRMAN: Say, Van Camps. The products here, is the product of American Samoa, fish. Now suppose the worth of the fish produced here is five million dollars a year. They sell that in the United States. Is that income an income in American Samoa or an income in the United States?

MR. SIGLER: It is income of American Samoa. They are from here. If they buy fish from the Japanese Fleet and put it in the cannery and sell it and process it, all of their profits, whatever amount of money they make, that is everything left over and above their expenses is profit. That is profit in American Samoa which is taxable at the rate of a little more than half--52%. Put it this way: If they make \$1,000,000.00 in profit, they will pay the Government of Samoa one half of the million dollars in tax.

CHAIRMAN: Is there any Land Tax in this Bill here?

MR. SIGLER: No. This Bill has no Land Tax at all and it repeals the present land tax; the present tax doesn't amount to very much but

the taxes on leases, I believe, and tax on freehold. But those taxes are repealed. We get almost no money from those taxes. It is so small it doesn't amount to anything. The Governor indicated in his message to you yesterday that he might propose at some future time a land tax, but he has not submitted it to you yet, and I don't believe he intends to in this Special Session.

Everybody who lives in American Samoa and works in American Samoa and gets the benefit of the Government of American Samoa, and this Government provides a lot of services, everybody who lives here and has income here under this Bill will have to pay a tax to help support the Government.

CHAIRMAN: Do you think this is not a law that will stop some new industries coming down here?

MR. SIGLER: Well, I sincerely hope not, Senator Logo. There is that problem but the Governor has gone into the problem very carefully. He has talked to the industries that are now here, or planning to come here, and those industries understand that this Tax Bill is before you and that the Governor has recommended that you enact it. At least one of those industries has indicated that it is quite satisfied with the tax. It is satisfied to pay tax, let us say. It is unhappy a little bit with some of the provisions of the Bill, but they are perfectly willing to pay a reasonable Samoan tax. Now, I am speaking just for that one because I have heard from that one. I don't know about the others but I am confident that the Governor has told them that they are going to be taxed this way and they are planning to come to American Samoa in view of that statement. And I don't think that it will discourage industries from coming down in the future. I think this is a reasonable tax. There are still advantages to industries here that they do not have if they put their plans in the United States. And I think you can expect it to attract still more industries.

CHAIRMAN: The way I look to the corporation tax, because if the 52% tax on the net profit is paid over there, say that it is easier to pay here, there is no reason why the industry should want to come here. They have to pay the taxes.

MR. SIGLER: There are other reasons, Mr. Chairman. One is they have an Industrial Incentive Act, which is already in the book, under which you grant tax concessions to new industries that are coming in here. So as a new industry discusses its proposal if they need tax help, the Tax Incentive Law permits the Governor to give them either a complete exemption or a part exemption. There are other advantages. The location of Samoa gives the fish canning business an advantage over other locations somewhere else. The fact that products from American Samoa can go into the United States without duty is an advantage. There are other business advantages that will cause business to come here. The businesses have come here for those reasons and this tax, I'm confident, is not going to drive them away.

CHAIRMAN: You see the point I try to put up is because American Samoa is included in the Congressional Act With respect to the wage scale of new industries. So the Labor Committee is coming down here I think every two years. Now the wages are going up; I think it will be fifteen cents than there are right now. So maybe the Labor Committee will come down next year and raise the wage scale up to one dollar on industries. So plus this 52% of income taxes they should pay to the United States, which is also I think paid in here, on the income. I try to think of incentive ways because this Incentive Act are the exemptions at the same period of time say probably ten years. So we try to come across on that point in somewhere there we've got to give the incentive.....

MR. SIGLER: I think before the ten years are up, I think the Legislature may want to take a new look at the Incentive Law. Right now, as you indicated, is limited to ten years. It's hard to tell what the economic situation will be ten years from now. Ten years is a long time. My suggestion to you is to wait until the time is almost up to decide whether the Incentive Law needs to be changed or the Tax Law needs to be changed. But right now, I think you can impose this tax without driving any industry away that is already here. I am quite sure of it. I don't believe you'd discourage others from coming in. That's a judgement, Senator Logo. It is only my judgement and I give it to you for what it is worth. It's the Governor's judgement. He feels the same way. That this would not discourage industries from coming in. The present tax law is not a good one. It is not a good situation where industry is completely exempt from income tax in American Samoa. This is an attempt, that is, the Governor's proposal is an attempt to place American Samoa in a position which is almost the same to the United States but not quite. There are still differences. And I think the 52% Corporation Tax Law is a fair one to impose in American Samoa. But I express it as my personal judgement, you understand.

There is one other incentive to industry that I failed to mention that is in this Bill. This is a greater incentive, tax incentive, to industry to come here rather than stay in the United States, is in the form of credit investment---a credit for new investment. In the United States the law permits a credit to be given only for the value of the land that is involved in the new investment. Your Bill, the one before you, includes any improvements on the land, any buildings that are constructed. That is an additional incentive in the Samoan tax law that is not in the Federal.

SENATOR FALIVAE: A few minutes ago you said one of the major inducements why industries want to come down here is that they can send their products to the United States and land them free of duty?

MR. SIGLER: Land them free of duty in the United States, yes.

SENATOR FALIVAE: In other words if they land fish in the United States they have to pay?

MR. SIGLER: No. But if they canned it in Tahiti and send it to the

United States, they'd have to pay.

SENATOR FAIIVAE: I should think that if they could get a lot of it into the United States they could do away with the duty and the freight.

MR. SIGLER: Well, some of the companies, of course, do can fish in the United States. It depends on their total expenses. By canning it here, they are closer to the source of supply; that is the fish that are brought in from the area around here. They avoid transportation costs on refrigerated ships clear back to the United States. I don't know the business features but I am told that it's more economical to can here under the local circumstances that it is to can in California.

SENATOR MULITAUAOPELE T: I have a question. As you see here in Samoa are about 2,000 Samoan workers. If the Government figures off its 2% from all each working people's salary and outside business, will we get more from it than the poll tax right now?

MR. SIGLER: Yes. The Treasury man who was down here from Washington last fall submitted a report and in it he estimates that the total income.....do I understand the question to be whether the taxes, all taxes under this whole bill will be larger.....

SENATOR MULITAUAOPELE T: If we pass this Bill.

MR. SIGLER: Yes, the whole Bill or just Income Tax, do you ask?

SENATOR MULITAUAOPELE T: Yes.

MR. SIGLER: The whole tax.

SENATOR MULITAUAOPELE T: Yes.

MR. SIGLER: I think that.....

SENATOR MULITAUAOPELE T: Because if we pass this Bill, tax, and then we no more poll tax. The Government is going to collect from us according to this Bill if we pass it. That's why I want to.....

MR. SIGLER: If you pass this Bill, I think that the money that goes to the Government of American Samoa will be just a little bit more than it is now collected, but not much. Chief Pele, let me give it to you this way. All taxes under the present system in American Samoa total five million eight hundred thousand dollars. I'm sorry I gave you the wrong figure. The income will be more. The income in 1962, under the present system, that is the income for last year was eight hundred and sixty seven thousand, five hundred dollars; from all local revenue. All kinds of taxes. Under this Bill, if you pass it, the estimate; of course we have to guess; we don't know, because we don't know how much import duties we're going to get; we don't know how much profits these corporations are going to make; but our estimate, our guess is that the income will be two million, three hundred and sixty four dollars.

SENATOR MULITAUAOPELE: Thank you. That's all.

MR. SIGLER: Let me correct my statement with you Chief Pele. I'm sorry I wasn't better prepared to answer you. The figure I gave you is the guess for 1965, which is three years. That takes into account the anticipated increase in business. Now the guess for, the comparison I should have given you is, for last year under the present rate system; the figure I gave is correct, eight hundred and sixty seven thousand. If we had applied these new rates in the Bill before you; if this Bill had been law last year, we would have collected one million, three hundred thousand, and sixty five. I think that's the better comparison. It shows that this Bill would have raised last year about five hundred thousand dollars more. About half a million dollars more.

SENATOR MULITAUAOPELE: Another question. Now this tax for their profit, net profit, is there any protection by the Government there for the people of Samoa? Because what I heard, you mention only two thousand working here in Samoa right now.

MR. SIGLER: That's working for the Government.

SENATOR MULITAUAOPELE: Working for the Government, yes. And I'm sure there is only about four hundred outsiders; for instance, two thousand four hundred. And I'm sure we don't know, maybe this means we're going to run out if they don't like this new Bill, if we pass it. What I want to find out, is there any protection by the Government, between the Samoan title and his local people. Because you read how they should pay 2%.....

MR. SIGLER: The Business Tax.

SENATOR MULITAUAOPELE: Business Tax, yes. Besides the poll tax. The point I'm afraid, because only two thousand four hundred Samoans at work right now. And I'm sure the Samoan people are over ten thousand right now. And I'm sure about thousand or nearly thousand children can't work; still paying. But nine thousand, old men and old ladies, men and women, girls and boys, they all part of the source. When I see this Bill and this hundred percent duty on cigar and cigarettes, and most of the Samoan people are smokers of cigarette and also cigars. Is there any protection for us, because we don't have that money.....if the business people raise up the price of their goods. Any protection for the Samoan people because very few Samoan corporation tax, but the rest of the Samoan people don't have the finance to buy this thing because they all pay tax on all different items.

MR. SIGLER: The Governor mentioned that in his discussion; and there is provision in the Bill; that is, we hope will help meet the problem. The Section is 18.0603. Let me read it to you. "The Governor is authorized to reimpose or increase the amount of duty that applied before this chapter was enacted." That's the only reason, on duty and other things. He may reimpose that old duty or increase it. If the duty on any article, or if he determines that the level of retail prices for a particle has not been reduced to

the extent warranted by the change in duty. Now that means, if the duty on food, 15%, is repealed as this Bill would do, then food will cost the merchant 15% less than it did before. And this provision that I just read to you goes on to say that it's the intent of this section that the benefit in the reduced duty will go to the Samoan purchaser and not to the merchant. And that means that if the merchant buys his food at a lower cost, 15% lower, he ought to charge 15% less, for the sale of his merchandise to the Samoan public. Well, let me correct it. He buys the food for less, he ought to sell the good for something less. I don't know how much.

The point is this, though, You are quite right that the merchant will be subject to a new tax for the first time. He will have to pay tax which he has never had to pay before. He might try. He might raise prices to the Samoan people if the Samoan people will pay their increased prices. That's the problem that every town, every village has. That's what the public will be willing to pay. I don't know of any way of guessing or estimating whether the Samoan merchants will raise the price of goods. And I just can't answer it. I don't know.

SENATOR MULITAUAOPELE: Well, thank's very much. That's why I don't understand it because if the Government is going to step on those business people the business people is supposed to step what they have to take in what the Government takes off.

MR. SIGLER: Well, not necessarily.

SENATOR MULITAUAOPELE: Now who suffer? The Samoan people, because maybe only two thousand five hundred Samoans working but nine thousand Samoans all go to the store as I mention. School children and old man, old ladies, they all buy from the store. Buy everything, cigarettes, gasoline, kerosene, matches, that's why!

MR. SIGLER: That depends. Everything depends upon the amount of profit the merchant is making. Now this treasury study shows that the, what they call the markup, is the difference of the merchandise and all expenses, and the final price that the Samoan pays for it. I think it was around 20%.....was the increase. That's profit markup.

The Government doesn't try to control the amount of profit that anybody may make because that's a part of our free enterprise in the American system. But the amount of profit that a merchant can make depends on how much merchandise he can sell. And if he raises the price too high, he can't sell it. So he's got to judge what is the price at which he can sell the most merchandise and realize the most profit. That's a matter of judgment. If he raises it too high, the Samoans stop buying. They just don't buy cigarettes if the price is too high. And that gets me to the other point. You mentioned the increase on some articles. You are quite right. The duty is increased on cigarette and beer and other things. It is increased over what it was before. That's something that you will need to debate among yourselves and consider whether you want the higher duties to apply. The rea-

son for the Governor's proposal however, is this. If the import duty on the luxury items is placed high, then the Samoans will be inclined not to buy the luxury items but to buy the necessities. Instead of buying beer, they will buy bread and sugar, or whatever it is they need to buy to live. That's a device used to discourage the people from buying things that are a waste of their money. Now what I regard as waste of money and what you regard as a waste of money of course, may differ.

SENATOR MULITAUAOPELE: You think it's fair to stop somebody from buying what he wants, instead of putting a law there, don't buy anything.....

MR. SIGLER: It don't tell me he has to buy, it says if you buy cigarettes you gotta pay a little bit more for it. Chief Pele, I'm not trying to persuade you that the duty proposed here on each item is the right duty. That involves a matter of judgement, and I think that you'll have to do some thinking and discussing yourselves. The one thing that I think you need to bear in mind is, there is need for a total amount of money from import duties. And the import duties ought to be fixed to raise that amount of money. Now if you want to reduce the duty on cigarettes, you better increase it on something else.....(Speeches after this point were not recorded on tape).

The Government ends up with all of the profits from the sale of liquor...not just the tax on it. But it gets all of the profit; and all of the profit goes into the treasury.

CHAIRMAN: Yea, but what if the consumer does not buy more?

MR. SIGLER: You do that by raising the prices. The Government sells liquor at a price which is considerably higher than the cost. Let's say it costs the Government a dollar to buy a bottle of wine and sells this bottle of wine at a dollar and a half. It makes a 50% profit. Now if the Government wants to make more profit it raises the price. Instead of charging a dollar a bottle it charges two dollars a bottle. The Government can fix the price of liquor at any price it wants to. Whatever it fixes is profit, and the whole profit goes into the treasury. What I'm trying to answer to you is, there's no reason to tax the profit because the tax is just the cushion of the profit. The Government gets all of the profit. Since it gets it all, there's nothing to tax.

SENATOR MULITAUAOPELE: That's whay, because the Government orders, that is why we pay no duty.

MR. SIGLER: There's no duty, but the Government charges a price when it sells that product; and the profit.....

SENATOR MULITAUAOPELE: Then how come the Government sells at high price and where that money goes to.....

MR. SIGLER: The profit goes into the Samoan treasury.

SENATOR MULITAUAOPELE: Well, why?

MR. SIGLER: Well, because all duties go there, too.

SENATOR MULITAUAOPELE: Why do the outside people, business people pay high duty down here, and why doesn't the Government pay duty?

MR. SIGLER: The Government gets the profit from the sale; let's say the sale of whisky, the Government gets the entire profit. In the case of beer, sold at a tavern, the Government doesn't get the entire profit. The Government only gets this income tax from the beer tavern operator.

SENATOR MULITAUAOPELE: And why does the Government do that? Because the Government shouldn't do.....is not suppose to make business. Let the liquor own by outside business.

MR. SIGLER: That could be done. All I can say is that isn't the way the Governor is doing it. It's possible to give a concession to an individual to run a liquor store, but it will be very difficult. The way it is now, the profit from that liquor store goes to the Government which is all the people. Let the profit from that liquor store help run the Government for the benefit of all the people. If you give a concession to, let's say you, to run a liquor store, then you get to keep the profit. You'll have to pay tax, but.....

SENATOR MULITAUAOPELE: Well, I pay tax.

MR. SIGLER: Well you, but that wouldn't be all the profit. There'll be something left over that you keep. And the question is, should the profits from the sale of liquor go to an individual or should it go into the treasury where it benefits everybody.

SENATOR MULITAUAOPELE: And according to what you said, the Government runs business?

MR. SIGLER: Only that one business. I wouldn't want the Government to run anything else.

SENATOR MULITAUAOPELE: Buses? Bus business?

MR. SIGLER: Well it does. I think if we have a private utility system to take over the bus system, we'd be willing, would we not?

SENATOR MULITAUAOPELE: Is there any reason why Government won't do the same thing to opening liquor to outside business people, like ordering beer and other goods from outside?

MR. SIGLER: Oh, we do order it! The Government does buy from outside. The Government buys liquor from the States; but we do buy from private sources. The point, Chief Pele, I'm trying to make is this. Liquor is a monopoly. It has to be regulated, and the question is whether....the question is simple....should the profits from the sale of liquor go into the hands of one person, one merchant; or

should it go into the Samoan treasury where it helps run the whole Government. If it goes into the hands of one merchant, sure the Government taxes the profit, but it doesn't tax all of the profit. It just taxes part of it. In the case of a corporation, half. But then the other half goes to the merchant. The way it's set up now, the entire profit goes into the treasury.

CHAIRMAN: Another question. Doesn't this point with respect to liquor....you see, I'm speaking as not the consumer because now beer is what I buy. You see, the consumer of the beers, you see, regardless that all the money from the liquor will go to the treasury, the Government's treasury. But the consumer, when the Government is going to raise, that nobody knows.

MR. SIGLER: You mean on beer or hard liquor?

CHAIRMAN: On liquor. Because that will be up to the.....

MR. FLANNERY: Chief, there's a Liquor Control Board. It is on its recommendation that the prices of liquor are established. Now liquor being a luxury item, the price will depend on the recommendation of the Board with the approval of the Governor. A separate law entitles the Government to the control of liquor which is recommended in the past and has been worked on many times. But I don't think liquor, in this instance, has anything to do with these tax proposals. In my home state, liquor is controlled by the Government. You can't lob a stone to buy a bottle of liquor because it's the same in many places.

MR. SIGLER: Yes, in many states in the United States, the State Government runs the liquor store. But it seems to me from the standpoint of revenue, which is what we're talking right now, from tax collection, the Government gets more money out of running the liquor store than it would get if it lets somebody else run the store and tax it.

SENATOR LAGAFUAINA: When I was back in the States I bought liquor from the store.

MR. SIGLER: In some states the liquor is sold by private stores. In some states the liquor is sold by the state. The state of Maryland where I live, it is sold by the state. You can't buy it in private business. In California, you can.

SENATOR LAGAFUAINA: I found in the States you buy liquor from the store; you buy beer there.....

MR. SIGLER: That's California. In other states it's the other way as I just described. Well, the point I want to impress upon you, remember we're talking about money. The amount of money you get, the Government gets. If the Government gets all the profits, it gets more money than it gets by taxing anybody else.

SENATOR MULITAUAOPELE: That's the point I want to mention about liquor and being in business. That sounds bad to us....the Government

orders the liquor and pays no duty. Those that get the liquor from the Government are not all the Samoan people. Only those who have permits signed by the Governor. But the liquor or beer ordered by the outside merchants is for everyone.

MR. SIGLER: No Chief Pele, it works this way. If the Government collects.....

SENATOR MULITAUAOPELE: Don't compare the States with Samoa. This is Samoa.

MR. SIGLER: Let me make this comparison for you. The Government collected the duty for liquor when it was brought in. It would then reduce the price of liquor when it sells it to the purchaser so that the price would be a little bit less.....no; I'm sorry, the other way. Let me start over again. If the Government charged a duty on liquor when it brought the liquor in, and sold the liquor for the same price, then it would have a smaller profit from the sale of the liquor and a little and more from the imposition of the duty. The two together would be exactly the same. When you add the duty to the profit, it would come out to the same amount of money.

CHAIRMAN: Can you give an illustration on this 50% on automobiles and other necessities, because there are some automobiles that have been imported for business. I mean for.....

MR. SIGLER: Taxis?

CHAIRMAN: Yes. But there are some persons who still buy their automobiles not for the purpose of making a business here. But, suppose I want to order my own car for my personal use. I never first inform some people that that automobile is for business. It's harder for me to order than to run the business; buses, taxis, but that's my own personal car. Why is the raise?

MR. SIGLER: Chief Logo, whether the duty on automobiles should be increased is one of the things I feel we are here to discuss. Now here's the reason though, for our recommendation. The present duty is 25%, and the Bill proposes to increase it to 50%. There are a lot of cars on the island now. There's going to be a lot more, and it's getting to be crowded. If the Samoan people who buy cars and bring them here, could be persuaded to buy smaller cars that cost less, it would take up much less room on the highways; it would wear out the roads much slower, and there will be less congestion; and you could still get decent transportation around the island.

So this increase in tax is intended to encourage people to buy cheaper cars, and avoid this congestion. Now, let me emphasize that it's a matter of personal judgement and each one of you is going to have to use his own judgement whether this is a fair rate. But that's the reason for our recommendation. The cars, big cars, are a luxury in a small island where there are a lot of people and the number of people increasing every day. Five years from now there maybe five thousand more people living on this island. It's

going to get crowded, and with these cars that are running up and down the road, big cars, it's going to be difficult for the people. I know. They push me off the road now when I walk back and forth and I have to dodge them. I don't like to walk on those hard rocks. They wear off my shoes. But it's a luxury item and this tax will result in persuading the people to buy the smaller cars that cost less. I think that it will be better.

SENATOR LAGAFUAINA: I thought this Bill was a good bill, but now I understand some things, and this Bill will stop the welfare of the Samoan.....

MR. SIGLER: It's going to stop what?.....

SENATOR LAGAFUAINA: The welfare of the Samoan people. What do you care about if I want a big kavale? This day is full of kavale. Do you want Samoa to still walk without kavale? You don't want to see modern kavale? You want to see good taxi here? You want to go back to the 1900?

MR. SIGLER: No, Senator Lagafua, I don't at all. If you think this is a bad Bill, then I don't want you to pass it. I think it's a good Bill. I'd like to persuade you that it's a good Bill. To answer your question though, I don't want the Samoans to go back to the olden ways. I want them to get all the good things in life that they can get. I want you to have everything that you can get under the law. I'd want them for you as well as for myself. I am not saying that you should walk; that the Samoans should walk. I am saying that if there is a limited amount of space every person in Samoa cannot drive in a Cadillac car or a Buick car, a big car. Everybody can't drive a Ford or a Chevrolet. There isn't room. Now, if the Samoan people can drive smaller cars, there'd be room for more. More people can have cars. Whereas they couldn't if they all have large ones. That's my reason. I think Samoa would be better off; more people would be better off.

SENATOR LAGAFUAINA: Income tax on Hard liquor. Why? On account you buy that hard liquor only. Very few people who are Samoan have permit. You don't give tax for that thing. Only about one hundred people buy hard liquor. Beer, now almost all Samoans go there and buy. So you raise the price of them things so to make the Samoans stop buying beer which is what the people want. And you say that they are to go and buy bread and something else, instead of buying what they want. Is that a far way?

MR. SIGLER: Let me answer you. There are two points that you are making there. Does the Samoan pay a bigger profit on beer than I pay when I buy a bottle of hard liquor? The answer is no? I pay a higher profit. The Government makes more money when I buy a bottle of whisky than it makes when you buy a bottle of beer.

SENATOR LAGAFUAINA: I mean one hundred people here buy hard liquor and nine thousand people buy beer. do you mean you want to make the rates so that the nine thousand people cannot buy beer?

MR. SIGLER: No!

SENATOR LAGAFUAINA: Then what about cars, cigarettes?

MR. SIGLER: Now let us talk about one thing at a time. So far as the car is concerned, I have explained the reason why we suggested an increase in the duty. I indicated when I started, however, that you may feel the duty ought to be a different figure; and I am not trying to tell what the figure is. I have given you the reasons for recommending this figure. Now, I won't repeat the reasons.

Now, on the subject of beer and liquor, hard liquor. I am not going to try and defend the present system which restricts the sale of hard liquor. I am not competent to do that. I did not make that rule. You did not make the rule and I am not going to try and defend it. But in terms of money, in terms of the beer, I can speak on that point. The increase on the duty of beer is explained the same way I did on automobiles, in terms of money. If the Samoans are spending a lot of money on beer, and I'm told they are, I don't know because I have no personal knowledge. But if they're spending a lot of money on beer that could be used to better advantage, let's say in starting a business of their own, or if they put the money back into some productive enterprise, they would probably be better off. Now I'm not trying to dictate that they must do it. This is the Government speaking if you adopt this kind of rule. The Government believe, if you do believe, that it would be better to divert a little bit more money from this kind of pleasure, to business or some other enterprise. Now that's the theory of increasing the tax, the duty on pleasure and luxury items. You never try to cut off all of the luxury. That would be a mistake. But you can fix at a point where the Samoans would be at a little bit to their advantage to put that money somewhere else.

CHAIRMAN: Let's go back to this 50% tax (duty). I have fourteen kids. How could I buy a smaller, cheap car to transport my fourteen kids to school?

MR. SIGLER: I'm afraid you couldn't, Chief Logo. I'm afraid you'd have to buy about three of them. Now in your case, in the case of anyone who wants to transport a large family, it's the choice between a large car or more than one. I don't know the answer to that.

SENATOR MULITAUAOPELE: The thing about this duty on beer to sell in the store. The Samoan people are going to buy beer, instead of making out good business. That we are sure. This would be bad. I don't think so, I doubt very much. If the Government gets hundred percent duty, that would be bad, because most of us like to drink beer. Because we don't have permit to buy liquor. The local store businessman buy beer at a hundred percent duty; they're going to raise the cost of a bottle of beer, and the Samoan people are going to pay more. And I tell you the representative of the Government, the Samoan people will hear the business people raise the price, the Samoan people keep buying beer. Because they never want to make the home brew. Well, if the Government try to do this, the

Government try to make the Samoan people turn around and make his own home brew. Because with the increase in duty the beer would cost about thirty or thirty five cents.

MR. SIGLER: No, Mr. Flaneery is figuring it out now. I think we figured it....that the increased duty will probably not raise the price of beer more than a penny or two.

SENATOR MULITAUAOPELE: The business people, and we all know that if the business people order something and Government raise up the duty, the businessman raise up the price to make even with the Government. Who suffer, the Samoan people because Samoan people going to buy.

MR. SIGLER: I can't tell you what the increase would be. But this is your judgement, on whether beer should be something that the Samoans should be urged to buy or whether they should not. Oh, no! I don't mean to put it that way. This is a revenue measure. A measure to raise money; and the question is, do you want to raise money from the beer drinkers or from somebody else. You've got to raise the money somewhere. It's the question of, on which duty item do you put the highest duty.

CHAIRMAN: I think we have to, I think we have to listen to witnesses on the stand, and I wish to thank you very much Mr. Sigler, as you are the Legislative Counsel. We'll always need you any time, and..
.....

MR. SIGLER: I'm available whenever you want me, Chief Logo. I'll be glad to give any help I can.

CHAIRMAN: We have to plan to call some business people, and whoever is interested to testify before this committee with respect to this Bill. We greatly appreciate your help without which this Committee could not answer some of the questions which will be asked by the business people or some of the recommendations to this Bill.

MR. SIGLER: I would like to attend your Committee meetings when others give their testimonies if you let me know when you're going to hold them.

CHAIRMAN: Thank you very much Mr. Sigler. We are going to notify you when this Committee will sit.

MR. SIGLER: That's fine.

CHAIRMAN: Committee Meeting will now recess until 10:00 a.m., January 17, 1963.

SECOND DAY

January 17, 1963

CHAIRMAN: The meeting now comes to order. In accordance with the list the Secretary has, our first witnesses will be Mr. Opelle and Mr. Mike Kneubuhl. May I request Mr. Opelle and Mr. Kneubuhl to take a seat? Since you are representing one firm each one of you should feel free to speak at any time. The Chair might make some ruling if any remarks or any question will be out of the subject under discussion. May I ask what firm you are representing, Mr. Mike Kneubuhl?

MR. KNEUBUHL: Thank you, Mr. Chairman. Mr. Opelle and myself represent the firm of B. F. Kneubuhl, and I'd like to say, Mr. Chairman, and members of the Senate, that we are very grateful for the opportunity that you have given us this morning to appear here before you. We had the privilege of being in your hearing yesterday afternoon, and as a citizen of Samoa, I was very pleased to find the hearings conducted in such a high level. Now we have had a chance, in the limited time that has been available to us, to study the new Tax Bill that has been proposed to the Fono. And we have some specific comments to make on this Tax Bill. And I'm sure that with more time for more thorough study, we would have comments and possibly objections to this Tax Bill at a later date.

We feel, gentlemen, that this is one of the most complicated laws in existence anywhere in the world. In fact, the Internal Revenue Code of 1954 is one that most lawyers in the United States don't understand. Most people can specialize in taxes and don't understand it. Now your Fono and the people of Samoa are being asked, in fifteen days, to adopt into law, that will affect our lives forever, something that we do not understand. If Samoa really needs an income tax, we feel that it should be tailored for the Samoan people, should be tailored for the economy of Samoa. It should be a law that the Samoan people want; and it should be something that will establish something what the Samoan people want Samoa to be in the future.

This Bill that is being presented to the Fono, incorporates the United States Federal Code, United States Federal Law. But Samoa, in our opinion, is more like a state of the United States. Now, it is our feeling that if we are to have a tax law, and if a tax law should be superimposed in Samoa from the outside, that this law should be a state law that we would adopt; and not a Federal Code such as this. For example a state tax law from the State of California, or the State of New York.

The Fono is being asked to adopt into law something it did not even see. We feel, gentlemen, that this Federal Internal Revenue Code of 1954 is a very complicated law. This is the Internal Revenue Code. This, gentlemen, consists of over a thousand pages in fine print. I don't think that I could read these thousand pages in fifteen days. It seems to us, gentlemen, that if a tax law is

to be passed here in American Samoa; if it is worthwhile to have a tax law, then it would seem to me that it would be worthwhile to treat a tax law in its entirety. It presents us a tax bill like this. But this Bill, really, is not the entire Bill. You cannot go through this Bill and read it, and adopt this as the law of Samoa, because it is referred to this.

Again, I say if Samoa is to have a tax bill, we should have a tax bill that we can pick up and read, and refer to it in its entirety. Now I am speaking for myself as a citizen of Samoa, and I'm sure that there are a lot of people in our local population who would be willing to pay money to engage tax specialists, tax attorneys, or whatever we need to prepare for Samoa, only for Samoa, American Samoa, a law that will be good for all of our people, in taxes. If this Bill is passed, gentlemen, if it is adopted, we are adopting the existing tax laws of the United States. It will mean that we are giving, by writing, proving this tax law a blank check. Because any tax law that is adopted by the Treasury of the United States automatically becomes adopted here in American Samoa without the Fono having a chance to consider it and vote upon it.

Again, gentlemen, we want to reemphasize that I for one, and I'm sure many people here in Samoa are not against an income tax here in Samoa, or some sort of tax bill. But we would like to see a tax bill that is properly prepared. We would like to see something which the Fono is given time to debate and consider it. In the United States of America in 1905, took from, I believe 1906 to 1913 to revise and pass a tax law. This is a very, very important thing. Well, gentlemen, that is the end of our opening statement. We would like to answer any questions the Committee desires to ask of us.

CHAIRMAN: Before we refer the matter to the Legislature Counsel here and Mr. Flannery, will you comment, if you like, on these other laws which are spelled out very plainly in this Bill. Like tax on automobiles, beer, and all other laws which are plainly spelled out here?

MR. KNEUBUHL: Thank you Mr. Chairman. There are a few things that I heard yesterday, that I would like to bring up to your attention once again. On the question specifically on beer, Mr. Chairman, I believe Chief Pele yesterday was asking quite a few questions about this item. The new duty on beer in this Tax Bill is a hundred percent. The duty at the present time is fifty percent. In answer to a question by Chief Pele, Mr. Flannery replied that the cost of retail price of beer that now sells for twenty cents would go up only one cent. We would like to say that we went through, we handle in our own retail store three different brands of beer. In costing these out, based on the new one hundred percent duty, the one brand that we now sell at 19¢ per can will sell for 24¢ at the same markup. The other brand that now sells for 20¢ retail will have to sell at the same markup for 25¢. And the most expensive brand that we have, which is Millers High Life, which now sells for 25¢, would have to sell for thirty one cents per bottle at the same markup. And the markup, incidentally gentlemen, for your benefit, is twenty

percent. In the United States the markup for this type of product is forty percent.

I would like to comment, Mr. Chairman, also on your specific suggestion to comment on automobiles, on this duty. Unlike Mr. Sigler we do not believe that automobiles here in Samoa is necessarily a luxury. As Samoa grows, and as this Bay Area grows, more and more of our people and our population will have to live out in the country. They have to find ways and means to come into town, to go to work, take their children to school. And also I feel that if a man has worked hard and earned his money, and if he can afford to buy an automobile, he should be given the opportunity to buy an automobile and do whatever he wants to do with it. It is said here in Samoa that our roads are already crowded. I wonder, gentlemen, if you have seen some of the roads in the small towns in the United States. If we think our roads are crowded, then their roads are impossible to even drive on. The reason for a road is to be used. And also I do not believe that it should be the policy of the United States to encourage in our citizens, people of Samoa who are associated with the United States, many of us are citizens of the United States, should encourage us to buy small cars which are primarily made by foreign countries.

CHAIRMAN: May our Counsel here comment on beer?

MR. SIGLER: Mr. Chairman, I appreciate the opportunity, and my purpose is not to engage in a debate or an argument but to ensure proper hearing and get all the information before the Committee. The reason I've asked to speak is I'd like to correct a statement that I made yesterday, that the price of beer would go up one or two cents. Since that hearing yesterday we have checked our records, and our records support what Mr. Kneubuhl has just now told the Committee. Let me use just one brand as an illustration, which does checks very closely with Mr. Kneubuhl's recent statement. According to our records, that is, the duty on beer, that the landing cost, the cost of landing it in Pago Pago will be \$3.32 each case at twenty cents per can or bottle which is, I understand, the customary selling price, the case would sell for \$4.80 and that is a markup on the cost price, the landing cost price of forty four percent. If duty on beer is raised to one hundred percent as the Bill provides, the landing cost for the same two brands will be \$4.72, and at the same markup of 44%, the selling price would be \$6.00 for a case which will be twenty five cents for a bottle. So the increase per bottle cost at a 44% markup over the cost price will go from 20¢ to 25¢, which I think corresponds closely to what Mr. Kneubuhl said with respect to actual selling price. It does not correspond, I believe, to a selling markup; of course I realize that markups are figured in different ways, and I specify this as a markup over landing cost.

MR. FLANNERY: May I say something? Yesterday I was not aware that in calculating of the increase of this 2% duty on beer should be added to your twenty five or twenty six cents on the ordinary beer.

MR. SIGLER: Mr. Chairman the reason I asked for permission to make the

statement now is so that the information on this one subject should all be in one course, and I thought perhaps I should interrupt the witness because I hope I could be conducting myself in a manner that contributes to a clear hearing.

MR. KNEUBUHL: Mr. Chairman and Members of the Committee, generally on the Customs Duties Section of this Bill other than the specific things, and including the specific things that we've already mentioned, I think that this is a camouflage in this sense....that we are taking away the duty, basically, on food items, though we are increasing the duties on many other items. And it was, I believe, stated by either Mr. Sigler or Mr. Flannery yesterday at your hearing that the revenues that will be earned by the local Government from customs will be substantially the same if this Bill is passed as it is now. So essentially, again, another flaw I can see is that we will be paying duties, high duties, in very many instances and also paying taxes.

MR. OPELLE: I'd like to make some comments here on the section on the duties that are being imposed for their being considered. It seems that under item (t) of the free list, that's items of household furniture, appliances of every kind, wearing apparel and personal affects, motor vehicles, bicycles, and several articles part, and equipment, that are imported by employees of American Samoa or by employees of the United States, are exempt from duty. If such employee is temporarily present in American Samoa in connection with his employment. Now we are maintaining, it appears, and if I understand this correctly, that on the one hand we have the same condition now for employees, contract employees from the United States coming to work in American Samoa, the same exemptions which will be continued if this new Tax Bill is adopted, whereas Samoan contract employees will continue to pay on these items, because they are not temporary employees or residences of the Government.

Now, one of the purposes, if I understand correctly yesterday in the testimony given by the Executive witnesses here, was tax equalizes the tax structure in American Samoa so that it would apply equally to local people on income basis. Actually this is a form of favoritism again that is being perpetuated and is sort of in a sense slipped through here to make exempt and people coming down here who do pay income tax and now the local people here will be subject to the income tax laws, the very same thing, and they'll be paying duty. I want to ask to achieve a better understanding of this particular section. What is temporary? Are school teachers temporary? It's a very important point, because we've all known that certain inequities have existed between the salaries of qualified Stateside Samoan teachers who come down here are paid a certain salary, and people who are from the United States with the same qualifications are paid a higher salary. So the reasons previously given are that, well, Stateside people pay income tax and that was sort of used to support the idea that it was not such an unequal thing after all. But we are wondering here if this does not perpetuate this particular favoritism.

MR. SIGLER: Mr. Chairman, since Mr. Opelle has asked for information

I would like to interrupt at this point of his testimony. First, on the salary scale of paid teachers or for any other Government employees, has only an indirect bearing on the duty question. The indirectness comes from the assertion that the disparity of difference on salary bases takes care of the difference in income tax liability. I believe that is not correct. The salary scale for teachers is exactly the same for Samoan and Stateside employees with the same qualifications. It is the same with one difference, and that is the 25% differential that is given to the American employees when they go away from their homes. The basic salary is the same. The differential of 25% is paid to the Stateside employee for the inconvenience of leaving their home and taking employment at a distant place. But the salary in the basic scale is the same.

The Second point I want to make is that this 25% differential is not a recognition of a difference in tax liability. It is not intended to compensate the Stateside teacher for the taxes paid by the teachers in his pay. That is not the purpose of the 25% differential. It is the other purpose that I have just stated.

Now, the third point that I would like to make is this. The exemption from duty which was the subject when we started off talking, for household articles or similar articles brought here by Stateside people is limited to the time that they are used by the people temporarily here. The first time they are sold, that is, any employee who comes here for two years, and at the end of the two year contract he leaves, unless he takes them with the, if he sells them to anybody here, he has to pay duty at that time. So if the articles are left in the islands, they become subject to duty that would have been paid in the first instance. They are not duty free if left here.

Now the reason for that is a very practical one. The Stateside employees who come here have to have a place to live. They have to have furniture. They don't live in the Samoan style. In order for them to be induced to come here for the amount of salary we pay, they have to be allowed to bring the essential things of living with them or else they just can't be hired. But the important point that I'd like to stress is that when they sell the articles, if they leave them in the island, they are subject to the same duty. One final comment. That is, the provision that is in the law now has been in effect for many years and it does not represent any change. Thank you Mr. Chairman.

CHAIRMAN: Proceed Mr. Opelle.

MR. OPELLE: I believe Mike would.

MR. KNEUBUHL: I'd like to turn this back to Mr. Opelle, but a thought occurred to my mind on the comments of Mr. Sigler with regard to the fact that Government employees are not paying 25% duty for the household effects. But they do pay duty when these household effects are sold. The comment, I believe not in these exact words, was that to entice Government employees down to Samoa, they should

have necessities of life, articles, that they must have, because after all, they cannot live like the Samoans. This, of course, is an implication that the Samoan people do not desire the same articles and the same standard of living. And furthermore, if this is a reason for this law, then anyone member of the Fono, or any citizen of Samoa should be able to import his bed, his clothing, his dining room table, his appliance, duty free as long as he uses it himself and does not sell them.

MR. SIGLER: Mr. Chairman I don't want to response, I think you have all the information you want, and you people must decide.

CHAIRMAN: Any further information you would like to put before this Committee?

MR. OPELLE: I just want to take a moment to reemphasize the terrific perplexity of this law. And if you look at the beginning of the law, under Chapter 18.04, Income Tax, the imposition of the tax, that what is being asked to be enacted here is all those future unborn laws that might be enacted in the United States.

Now, it would appear to me, that the Congress may enact laws that are tailored to the representation and interest of the United States; tailored to the needs and requirements of a community that is very different from the Samoan community. The different stage of economic development, the very complex industries, and social development. And even most laws that Congress enacts sometimes are very unequal from different parts of the United States, let alone a group of islands as far away from the United States as Samoa is, with a different culture. But still those are valid there. But we are being asked, it seems, that the Income Tax Law enforced in the United States of America and those which may hereafter be enacted, that's a very large thing. We don't know what's going to be enacted. And this harps back to the opening statement that we are being asked to accept in total, a very complex set of laws that are not necessarily tailored to American Samoa's development. And that we're also being asked to accept future laws that we do not know anything about. Even this book here does not have the 1952 amendments. Besides the complexity in administration, it would seem that what we need and want here in Samoa is a clearly defined, equitable tax law, not necessarily income tax law, but tax laws that will contribute to the economic development of American Samoa, and help pay the way. Nobody objects to that. But we want things that we can understand and can apply to this area and which will make sense in American Samoa.

CHAIRMAN: I wonder, before we go any further, I would like Mr. Sigler to comment on this point that was brought up by Mr. Kneubuhl's remarks with respect to, in case we adopt this law, this Bill, any amendments to be made, say amendments after 1954 to this United States Revenue Code of 1954. Any amendments made thereafter, or any amendments that will be made after this year is adopted, will they apply here automatically?

MR. SIGLER: Mr. Chairman, I should be glad to explain that provision.

You have read it correctly and have interpreted it correctly. This Bill that you are considering will adopt the Income Tax provisions. It isn't the whole book; it's part of the book that relates to Income Tax. You will adopt all those provisions as they now exist. Nothing in 1954 that exists right now in January of 1953. You adopt them, however, not completely but after adopting them, you take this Bill and proceed to make changes in the intervals we just adopted, tailored to fit the needs of American Samoa. That goes to one of the points that has been mentioned.

On your specific question, why does Samoa adopt laws that maybe enacted in the future back in the United States. Well, the reason is this. If the Fono decides a few basic principles that it wants and adopt the principles, then the future changes in the American laws would follow as a matter of course. And the principles are these: should the citizens of American Samoa pay the same general income tax as the citizens of the United States pay. The Governor gave you these reasons yesterday and I have tried to restate some of them also. That is, in the form of recommendation. The two taxes should be the same. Now, if they are to be the same, then a change in the United States must also be the same change here. And this Bill provides for that automatically. More important, however, the President of the United States has sent to Congress for enactment this year a reduction in the income tax. In fact the President has urged a revision of the whole Income Tax Law and specifically to reduce the taxes. The President has asked for that and if Congress passes it, then it will automatically apply to Samoa in the same way. That's the primary reason, although there are two reasons for this reference to the change of the laws in the future. Mr. Chairman, may I go on and give a few brief comments on the points that have been made?

CHAIRMAN: Yes.

MR. SIGLER: And again I hope that you'll understand, and I hope the witnesses to understand, that I don't offer these as arguments as I don't intend to debate it. I intend to give response to the points that have been raised and use that as an incentive to help you make up your minds as to the direction you want to proceed. The first point I want to comment on is the complicatedness of the law. I told you yesterday that the law is complicated; is very complicated. And the witnesses' statement is quite correct that most lawyers and most people of the United States are not familiar with the many details of that law. It's not necessary for me to be familiar with all these details in order to make a judgement; in order for you to be able to make a judgement on whether the law should be adopted. The great mass of details relate to the way the law is administered.

There are few very basic principles involved. And those principles are simple. Let me state them for you. The first principle is, the individual in Samoa should pay the same income tax that is paid into the United States if he has the same salary. There are not many that has the same salary and that's the important qualification. That's the first basic principle. The tax on that salary

is a graduated tax and it starts off at 20% and goes up to 90%. Now that's not on salary but it's on income and it's complicated adjustment. But the point is, there is a graduated income tax upon the income of every individual and this Bill proposes that Samoan individuals pay the same tax if he has the same income.

The second basic principle is one that is tailored to meet the needs of Samoa. And I think it is an incorrect impression that it has been received here that this Bill is not tailored to meet the needs of Samoa. It is. After the first section under this Title, everything else that is in there is tailored to meet the needs of Samoa. If you weren't doing that, you'd have just the one section, adopting the laws of the United States, that's all. But instead of doing that, it goes on for many pages making changes to fit the needs of Samoa.

Now the basic principle, this is the second, the basic principle for Samoa is the 2% wage tax in place of the graduated income tax that applies to the higher salaries; higher income. But for the lower income, the basic principle for Samoa is this wage tax of 2%. This is a small tax. Very modest. Much less than if it would be paid on a percentage basis than by the person with a higher income. Several people in American Samoa pay tax that goes up to thirty or forty percent of their salaries. This tax is only 2% and the reason is the difference in salary. So especially for Samoa, it is a very small, modest tax of 2% of the wages. That applies to the bottom of the scale. That is, if the Samoan citizen has an income that is high; and is high enough to get into the bracket of the upper scale then the upper scale will apply. That is the reason on these two points.

The third point is that everybody in Samoa should pay the same income tax as the American citizens pay if they have the same income. And the second basic principle is that the Samoan special provision is that they should pay a very modest 2% wage tax. Chief Pele, I see that you are waiting to translate and I am sorry for talking so long.

The second comment that I would like to make for the information of the Committee is in relation to the suggestion that if the Fono is going to adopt some other law, it might better adopt the law of the states such as New York or California, instead of adopting the laws of the United States. I believe I can assure you as a lawyer that the Income Tax Law of New York is just as complicated as the income Tax Law of the United States. As we know, the great purpose, the great tax, the important point is not how much tax that is imposed. Now the states ordinarily impose a lower tax than the Federal Government. The reason for that is that the citizens of the United States have to pay them both. I have to pay a United States tax. I also have to pay a state tax. In the United States of America, I pay two taxes. Now the proposal before you is that Samoans pay only one. They pay Federal tax, and they do not pay any state tax, or anything that would be comparable to state tax. That's the reason for our recommendation that we do not adopt the system of another state, another jurisdiction, but the Federal system under

which everybody has to pay, rather than the law of any state under which only part of the people has to pay. That is my additional comment. I hope you understand that this proposal, this Bill, is something that is not imposed from the outside. It is not. It is something that you are considering, and that if you agree, you will adopt it as your own. But it is not imposed on you. It is your free will if you want to adopt it as your own.

I'll try and comment, Mr. Chairman, in relation to the time in which you have had to enact this law. I'm very much aware of the fact that the time is short. That is, the time of this Special Session is short. I'm very much aware of the fact that this is a complicated subject. I'm also aware of the fact, as mentioned by one of the witnesses, that it took the United States many, many years, something like from 1906 to 1916 to get the first Income Tax Law. That's not very good in relation to now; however, because the problem then was one of Constitutional Amendment. They had to amend the Constitution before the Congress could enact a tax law. But you have a great advantage here. You have had fifty years of experience in working a fair and just income tax system in the United States, and you don't have to go through that old process here, as you can borrow and use the experience obtained there in the United States. So you have this advantage, though I agree with everything that has been said, that this is complicated, and the time is short. There's no question about it. Nevertheless, a beginning must be made. We must start sometime; and it seems to me that unless a better system is proposed in concrete form, it would be well to consider this one as the best alternative available right now.

MR. OPELLE: Mr. Chairman, I just like to make a comment while we're on the same subject of the tax on wages. This is the difference in the, there is a difference possibly, if my understanding is correct this is the next clause over, is that in the United States there is, under a certain income bracket, that ample exemptions are allowed no income tax to be paid, whereas in Samoa a 2% tax is imposed, irrespective of the hardship involved. In other words, there is a limit in the United States where the people in the lower salary category do not pay income tax. Here, everybody would pay under this provision, an income tax.

MR. SIGLER: Mr. Chairman, does the witness want me to give the reason for the difference? The reason is, in American Samoa, the wage tax is the only practical way of collecting the income. And I explained to you yesterday that there is some injustice in this Bill. There is inevitably some in every tax bill. And I explained to you that in order to get the wage, to get the tax, with minimum of administrative red tape, the Bill provides for withholding 2% of the wages and that's withheld at source. Now there's not very many employers, people who pay the wages, in American Samoa, but I don't know what it is, about thirty maybe. That means there is a relatively small amount of people who do the paper work of withholding the wage and pay the tax to the Government.

Now on the ground of fairness, this one of the provisions that is made to fit the circumstances in Samoa. It's hard for me to under-

the Bill to meet the needs of Samoa, and, then the next time criticize us for tailoring it, because it isn't the same as the American system. Now you can't have it both ways. This has got to be different from the American system tailoring it to Samoa, or else it's got to be the same as the American system. The American plan would not work in Samoa. It wouldn't collect very many pennies for the Government without this special made provision for the 2% tax.

MR. KNEUBUHL: Mr. Chairman, before I go on to one point, the other point that we would like to make....and this is the question of attracting new industry to Samoa. I'd like to just briefly, again in listening to witnesses, Mr. Opelle and Mr. Sigler on some of your questions....again this very important basic thing comes up. And that is...we don't know, at least I don't know, and I don't know how many members of this special committee know what they are going to vote for. I don't feel, as you do, Mr. Sigler, that it isn't necessary for these people to understand something that they are going to vote for. Something that will affect their lives and the lives of their children and many other people who will be born here in Samoa.

MR. SIGLER: That is not what I said.....

MR. KNEUBUHL: I believe you said that it is not necessary for them to understand every bit of the Code that is in here.

MR. SIGLER: Yes, the details of administration. It is very important that they understand the principle provisions, the basic provisions of the tax law. But the details of filling out forms and whether you are entitled to this little deduction or that, those are the deductions that most people never try to master and needs a tax lawyer to do that.

MR. KNEUBUHL: But to finalize my point, I would just like to say that if it is worthwhile to write up a tax law for Samoa, then we should have a tax law written like this or like this in its entirety. It seems to me, as you've already stated, that we are adopting this Internal Revenue Code of 1954 with exceptions. And the exceptions are those situations where this Code do not apply to Samoa.

MR. SIGLER: Plus the new provisions.....

MR. KNEUBUHL: Plus the new provisions plus any other provisions that will be adopted by the Treasury in the future, which these people will have no opportunity to decide on or to deliberate about it. My example before about the state was my personal feeling that Samoa is perhaps more like a state. If in nothing else, in size and there is undoubtedly that there is less complications in a state like Arizona or Nevada in their tax laws, as there would be before adopting the Federal Internal Revenue Code for one of the most complex countries....the biggest nation in the world. This is what.....I'm just trying to understand this, and perhaps you can enlighten me...I'm completely confused when you say this is a....that we are taking the experience of a nation and it's probably the finest

nation in the world—I know it is, in their tax laws and applying it here in Samoa. I don't think that this is necessarily good for Samoa. I think that you can't take taxes, a tax code or a tax law that has grown through the ages for such a complicated society and people and impose those laws on a society that is probably comparable to 1850 in the United States. This is my first comment and I'd like to go on further on another important point, Mr. Chairman.

Now, Mr. Chairman, Senators, we heard yesterday the remarks that it was not felt by the witnesses called here yesterday that the taxes—this Bill, would affect the attraction of new industry to American Samoa. I feel that this will definitely affect new industry coming into Samoa. Now, Van Camp Tuna Company is the only industry operating here at the present time. It is true that Star-Kist is thinking of coming here; the American Can, perhaps a few others but they are not in existence. Now, I am sure that if we had an income tax law like this in 1954, when Van Camps was thinking of coming to Samoa I am sure that they would have thought about this twice and perhaps would never have come to Samoa; because what would be the advantages to their coming to Samoa? Supposing that Western Samoa decided to have an Incentive Act? That is near the fishing grounds; or Tonga; or Fiji. You are going to ask these industries to come down here after their Incentive Law exemptions expires....come down and pay the same corporation income taxes as they would in the State of California?

Now, another important point. Yesterday, on this same subject, I heard some one make the remark about what would happen, thinking of another industry, what would happen if a brassiere factory would operate, or were to come to American Samoa. Under this Bill now that is before us unless there is some specific exemption, exception made, any man who would come to American Samoa to start a brassiere factory that might employ two or three hundred people would be absolutely sticking his neck out. For this reason, I believe that there is a section in this tax that something to the effect that within the first ten days of any calendar year the Governor of American Samoa for the reason, for the purpose of manufacture and re-export. That means then, for example, specifically, let's think of the coconut factory that is coming in.....

MR. SIGLER: Will you please tell me the section that you are referring to?

MR. KNEUBUHL: Yes, I was trying to find it here.....

MR. SIGLER: Probably under the exports duty.....

MR. KNEUBUHL: Exports or Imports I believe it was.....

MR. SIGLER: There's one section on Exports....and I'm sure that's what you are.....

MR. OPELLE: Twenty five....page twenty five.....

MR. KNEUBUHL: Yes, that's it....Duty on Exports. This section says

that "During the first ten days of any calendar year but not thereafter during that year, the Governor may, after prior consultation and discussion with the exporters substantially affected, impose an export duty applicable for all of that calendar year on any article exported from American Samoa destined for importation into the United States Customs Area." Now, taking the case of the coconut processing plant, my understanding is, if they import coconuts from Tonga and 51% of the value of that coconut...of...of...of...of the product that they manufacture is incurred here in American Samoa and that those coconuts could then be imported free of duty and the items can then be imported into the United States free of any taxes or duty.

MR. SIGLER: That's right.....

MR. KNEUBUHL: Under this law, under this Bill, if any man who wants to come in here on business such as they are do not have exception to this, they're crazy because within the first ten days the Governor may say boom, twenty five percent duty on coconuts. Is that true Mr. Sigler?

MR. SIGLER: If you don't mind being interrupted, I would be happy to explain the reason for that provision. Now it is broad, as you say. And it means that substantially....the way you have interpreted it. The reason for the relation, however, is completely a different one. It is related to the fishing industry. And, I think, I am sure that both the fishing enterprises that are here, both Van Camps and Star-Kist are well aware of the reason or reasons for this. And they are these: there is a controversy between canning industry and the fishing industry in the United States. Between them and people that import into the United States, fish or fish products are in competition. At the present time fish products coming from American Samoa go into the United States duty free. If the quantities of those imports into the United States got very large, the United States would have a serious problem in connection with the canners doing business along the California Coast of America primarily. This is a form of controlling the amounts of imports going into the United States. I hadn't thought of it in terms of the brassiere manufacture, and as it is written up it could be applied there as well. It is a precautionary measure and the chances are that it would never be used; that there would never be a need for it. Its mere existence, however, prevents the pleas and cries. It is one of those things which is designed to control import-export trade into the United States. I am afraid that I didn't say that clearly enough, Chief Pele.

Mr. Chairman, if I may have just one more minute. I hear the noon whistle blowing. In order that there may be no break in the thinking here, I'd like to give one comment in regard to those two points that have been raised here. First, I agree with them that the Samoan Income Tax Law could be put together into one piece of paper where you can read it all at one time. That will be done. A provision of the Bill directs the Governor to do just that. To put it together and publish it as one big document. I don't believe that would have helped your committee any in considering the details of

the Bill now if it had been done earlier; because I believe that the hearing would have gone on pretty much the same as they are going now. A discussion of basic principles to a degree or the many, many details.

My second point is....I hope that it is understood that I meant it goes to the point of discouraging industry from coming here. There are two things which I think the committee should consider and I believe I touched on them briefly yesterday. One is that the Industrial Incentive Act provides the means by which a new industry can be exempted from this or any other tax in American Samoa for a maximum period of ten years. Secondly, since specific mention was made of the new industries figuring on coming here, I think it will be appropriate for me to say, at least that I have been told by the Van Camp representative repeatedly that they are in favor of paying income tax and that they support an Income Tax Bill. In fairness I must say that they would be happier if the rates were lower. So far as paying an income tax is concerned they have indicated an agreement. With respect to the other companies that are coming here, Star-Kist, American Can, and the Coconut Processing Company they know that an income tax was being proposed by the Governor. They knew that when they were negotiating their contracts. And they signed the contracts in light of the knowledge that the Governor would ask and hope that Samoa would adopt an income tax law. Now, in conclusion, I don't think they would be discouraged from coming.

MR. KNEUBUHL: Mr. Chairman, I know you all want to go to lunch but if I would have just a minute to clarify just one point so we won't forget it? We are discussing here incentives for business. Mr. Sigler says that he doesn't feel, from the people that are here now on business industries such as Van Camp, American Can, Star-Kist Tuna, that they are not necessarily opposed to paying income tax or this Bill.

First of all I'd like to point out that these three industries are concerned primarily with fishing. There are no other industries here. Talking about copra, coconut processing plant, a brassiere factory and oil, bulk plant and what have you, anything, manufacturing automobiles if that were possible here. We are talking about other industries that might come to Samoa. Not just one particular type of industry that is already here and already established here. I just wanted to bring that point out and also perhaps, as a suggestion, that if it is possible for this committee and that time permits, to call some of these industries here and have you hear what their opinions are first hand.

CHAIRMAN: All business people have been informed that if they are interested in testifying before this committee, they are welcome. This committee will sit again at two o'clock and if you are available at that time, we would be happy to have you again. I think members of this committee would like to ask you some questions. So we will recess until two o'clock.

R E C E S S

CHAIRMAN: Our meeting will come to order. We want to continue with Mr. Kneubuhl and Mr. Opelle and their testimony.

MR. OPELLE: Mr. Chairman and Senators, I just want to say again on behalf of both Mike Kneubuhl and myself, how extremely grateful we are to be able to present our views before this committee for the Senate. And thank you for the time, though your time is brief, and we will take but a few minutes to briefly point out what we have to say.

I'd like to refer this to one or two points which were discussed in more detail this morning in the sense of a brief summary. And say one point, it was mentioned that this will be printed in American Samoa a year later. I believe that was the statement that was said. The entire law, including what's here into what has been printed here, locally. This does not seem to make too much sense once the Fono has taken action. They should have a law in front of them now in order that they can understand it and then pass it or reject it, as the case may be.

I'd also like to suggest that the ministering of an extremely complicated tax law is a very expensive proposition. That is the experience in the United States with this present law. Sometimes it costs more to administer the law correctly than the actual revenue that is obtained. More people from the outside have to come in and help out in the administering.

And in this whole matter of tax, we believe that the principle is extremely important. And the principle as expressed by the Government witness earlier has been that Samoans should pay the same tax as Americans in the United States. This we believe is a false premise. Conditions are different here in Samoa. The economy is different. Samoa needs its own tax law designed to help Samoa grow and prosper and to raise the Samoan standard of living.

It was also expressed earlier by Government witness that it is a benefit to Samoa to accept fifty years of United States tax experience. We believe this is not necessarily a benefit to Samoa. There are extreme problems in the United States with the tax law that is up there, as I believe anybody who knows about it would agree. That experience does not necessarily benefit Samoa and its different problems, and its different state of economic development.

And we believe one very important point in this whole matter is that a person with a family in the United States with the same income as a Samoan family here in Samoa, under this law, in the United States this individual would not pay the tax on wage of 2%. In Samoa, the Samoan would pay that tax. But he would not only pay the 2% tax on wages he would pay the high import duty on furnitures, cars, appliances; would pay additional freight differences to get the thing down here as compared to the United States. In other words there is no equality here.

MR. KNEUBUHL: Mr. Chairman, Senators, there are a few additional points that I would like to add to Bob Opelle. Mr. Sigler, I

believe, is a lawyer; and this morning Mr. Sigler expressed the opinion in a business manner, that this tax law would not discourage new business in coming to American Samoa. I'm a businessman. I'm not a lawyer. I'm a business man. I would definitely be discouraged in expanding my business or going into business here in American Samoa.

For example if we had known that our business, or that a tax like this were to be passed, we would not have expanded about \$3000.00 in the last eight months here in American Samoa. I'm sure, also as a businessman and not as a lawyer, that many other businessmen would feel the same way. I definitely feel that this would discourage new business and new industry from coming to Samoa.

We proposed gentlemen, that at no cost to the Government, that we prepare and properly study a form of a tax law. Something that would benefit Samoa. Something that would be appropriate for Samoa. And in doing this, I feel that we should bring forth the very best brains, many members of our Senate are Samoan members of Government as well as members of the local government here, employees of the United States, of the Government, as well as people in business. We should, and I'm sure many people here in business would be glad of the opportunity to spend money to bring from the United States the very best tax attorneys, tax experts, outside of the Government. That we spend time, and a lot of time, trying to understand any problems here in American Samoa, a unique position we in Samoa have, as opposed to the complex, enormous, gigantic Tax Code that is contained in this book. This is a very complex thing. It is inappropriate as far as American Samoa is concerned, and we feel that it is a matter of so much importance to all of us here in Samoa who are going to live here permanently, not just for two years, four years. That it is something that we should study and carefully consider, and propose the best law possible for this beautiful, wonderful little island.

Thank you very much Chairman, I think that concludes our summation from the discussion this morning. We would like to answer any questions that any of the members of your committee desire to ask of us.

CHAIRMAN: Am I correct that your testimony was that it is more expensive to administer this law than what we get out of that tax?

MR. OPELLE: I would say that the increase in our production is being brought up in the way of revenue now, could be cut down considerably but by increasing expenses, that is a problem. It is an unknown factor in this whole matter. And it is going to be very hard to say whether in the long run, the additional expense involved, whether the increase in revenue is that much warranted as far as the local population is concerned. Possibly for one or two of the industries, possibly some immediate gain. But there again the Tax Incentive Law would take care of any revenue in the point of view. So very possibly the expenses could be up to a considerable portion of the gain over the present income.

CHAIRMAN: Anybody that would like to answer the witness?

MR. SIGLER: Mr. Chairman, for the information of the committee, the Governor and his staff has considered the question. They have planned to call the administration, and they are confident the cost of administration will not materially affect the amount of revenue that we will receive if this Bill is enacted. Mr. Opelle's statement about the cost of administration will eat up some or most of the additional revenue...of course most things are possible in this world, that that is not a probable result in payment of the people who will administer the law. I have to say that if the question were asked directly of the witnesses it would indicate that they are quite familiar with the United States Income Tax Law. Most of the people who will be subject to substantial taxes, high taxes, will have to have help in filling out their tax returns. That's the normal procedure. There won't be quite very many people on this island so far as most Samoans are concerned, there will be almost no paper work. Perhaps one fourth, short form, half a page. And that will be substantial paper work for them. The cost of administration of the Bill as a whole will oppose your statement as incorrect in terms of income that's realized.

Mr. Chairman I had some other comments but I thought I'd pass them in favor of the witnesses to proceed, until a later time.

MR. KNEUBUHL: Mr. Chairman, I would add just a thought, perhaps add to your understanding that you asked of Bob Opelle and answered by Mr. Sigler. We feel that for this Tax Bill, to be administered properly, that there will necessarily be a situation where more people would have to be employed by the Government from the outside to administer it. As far as estimates of the Government are concerned, in many instances in the past, in my opinion these estimates have been way off. I cite a very recent example of apartment buildings that were supposed to have been built fifteen dollars per square feet, and ended being built for twenty nine cents a square foot. I have very little faith, speaking frankly, and as an individual, in estimates of the Government of American Samoa.

MR. SIGLER: Of course the witness is entitled to his opinion and I respect it as I respect any opinion that is expressed. I trust in any other unilateral opinion should not....in any event this is a question that should not be decided in the faces of generalized statements. I don't know what the figures are. I'm sure Government estimates are never completely accurate. That's what the word estimate means.

MR. KNEUBUHL: Guess....

MR. SIGLER: No, not guess in the exact facts that may occur three months or a year later. But I wanted to bring up that point. If you want the facts and figures on the accuracy of Government estimates that you turn out and ask for them.

CHAIRMAN: This fifty years experience of tax law in the United States as you stated this morning, Mr. Sigler, which shall be adopted in

American Samoa, I think the witness said that it is not pertinent in here. Will you comment on that?

MR. SIGLER: Yes, I would be glad to, Mr. Chairman.

The fifty years of experience in the tax law has this advantage. The United States has tried many different systems. The law has developed over long periods of years. Much has been learned in the administration of that law, very important in fifty years. What I intended in mentioning it was that every bit of experience can be profitable to you and I think this Bill incorporates the results of that experience. I believe the question by the witness a while ago is that there are extreme difficulties or some such words, in the administration of the tax laws in the United States. In my judgment that is not the case.

The United States Tax Laws are unusual, unmatched in any other part of the world in one point. And that is the individual citizen voluntarily assess himself in terms of his taxes to the Government, without any assistance of views other than themselves. It is a selfpolicing system. Not your uniform police. I mean the system works pretty much automatically for 95% of the people of the United States. That is an unusual record. It's unmatched anywhere else in the world.

Now I don't want to give you the impression that there are no difficulties in administering the tax laws because that would not be true either. There are difficulties. I could tell you that for the most part it involves persons or corporations with large, substantial income. Most people hire tax experts to handle their tax forms. But that's a very small percentage of the people. And those difficulties encountered in complex business relationships, I think ought not to be related to the difficulties that are presented to the ordinary citizens. The ordinary citizen such as I, have no trouble in the United States in filling out tax return; and paying is almost automatic. The few people that have difficulties are people with substantial income.

Mr. Chairman, the second part of my comment on this part is that the value of experience over the last few years in the United States, in American Samoa right now....I'm sure that you and members of the committee are aware of the fact that the Government had a man down here from the United States Department of Commerce to make a study of the economics of the island. It's called the Badger Report. The report is here, only in its preliminary form and the finished additional copies are expected to come in this week. That report, however, reflects a thorough study of the economic conditions in American Samoa. And this is that, I'm sure that the committee knows, that sometime last fall the Government billed an economic expert, another lawyer, come down from the Treasury Department and the economic specialist from the Department of Commerce of the Government, plus the assistance of a very large number of tax experts who have been working on tax laws for a good many years. Their combined experiences were used in drafting the law before you.

I mentioned that all of this will probably answer how the experience gained in administering the Federal laws for the last twenty years can benefit you in American Samoa. It is my judgement that experts who spend most of their lives just knowing the Income Tax Laws have ideas that can be useful for you in making up your minds without difficulty.

CHAIRMAN: Mr. Kneubuhl.

MR. KNEUBUHL: Mr. Chairman, it is so difficult to follow points when so many points are brought up at the same time in answer to a question. But I wish to get back to Mr. Sigler's first remarks on the matter of this tax not being a difficult, correct me please if I'm wrong, this tax in the United States is not a difficult thing for the average person who is not in business. Is that correct, Mr. Sigler?

MR. SIGLER: That is correct.

MR. KNEUBUHL: It seems to me around income tax time in the United States two or three months before we start seeing in every town, in every city, in every small camp one, two, three shingles saying, "Income Tax Forms Prepared Here."

For ten years after I got out of school in the United States, starting working and pay income tax, that all of the people that worked with me and earning a wage, and all of my neighbors and my friends and neighbors in a typical American town, went to these places, to these accountants to prepare income tax returns.

I'm sure that for some people, perhaps in Mr. Sigler's case, he's in Washington and is familiar with Internal Revenue Tax matters, he works with them everyday perhaps, and therefore to him it's not a complicated matter to fill up this income tax return and hand it in. But I say this, that for the average American citizen paying income taxes in the United States, they do not understand how to fill out their income tax forms, and in my case for example, I tried one year to fill out my own form, to save the minimum that I had to pay this man of \$50.00 for preparing my income tax return, and when I did this it cost me an additional \$250.00 and possibly the cost of a penalty of a suit from the Government of the United States. So again I say that it is a complicated thing for the average American to prepare his income tax return at the end of the year.

Now, again I wish to disagree with Mr. Sigler. It is not a difficult thing for the large companies and the large corporations, because in the case of most large companies and large corporations, they employ a tax accountant and tax lawyers; that they pay a salary the year round to keep up with their tax problems, and prepare their returns at the end of the year. It places no hardship on these businesses because it's part of their expense in doing business. Where the burden is and the hardship is placed is on the average individual wage earner and salaried individuals such as you are, myself, average American citizens.

Another point I'd like to make is this. I, of all people; not knowing anything about income tax laws, not being an attorney, will not say and come before you gentlemen, that the fifty years of tax experience in the U. S. is lost. That is not the point that I am trying to make, I hope that you thoroughly understand this. My point is simply that we should have people, our people here in Samoa, best brains that we can possibly find in our little island, people that we bring in from the outside, that we pay for, not necessarily people that the Government pays for, but people who will be objective on things that would be for the good of Samoa, that would help our island grow, and if these people decide that there are many things in the Internal Revenue Code that are good for Samoa, and after it has been studied a long time and deliberated by you gentlemen, many others here, then perhaps we could adopt those things.

I'm not saying that this isn't a good law. I say it's a good law if it's good for the United States of America. All I'm saying is we don't understand it here in Samoa and it is not a law that is tailored for here in Samoa.

MR. SIGLER: Mr. Chairman just a brief remark just to keep the records straight, on the point of the number of people in the United States who must have help in filling out their returns there seem to develop a need for tax experts, Mr. Kneubuhl said, if I recall, and I wish to be corrected if I have the wrong recollection, that most of the people he knew had to use that kind of agent or help in filling out this return. We are again on an issue of personal judgement from personal experience, and my counter to a statement like that is that I know of a very large number of people in the United States, like for instance it extends over the entire country, and I don't know of a single individual, not one, who stop for need of help from a tax expert in filling out his income tax return. Now the difference maybe in the people Mr. Kneubuhl knew is that they have large income, but the ordinary person that I know of does not seek help. Now one other experience that you had, I believe you had two of them, on this issue the only way to be informed is to ask the Treasury Department for the number of forms returned as showing the agent as among the paid returns. That number will be in terms of both.

I should also like to say that, Mr. Kneubuhl is correct for a large corporation and most large business enterprises retain tax men on their staff on a salary, and for that reason they do not encounter great difficulties, perhaps that's the wrong word, they encounter difficulties but they do hire tax accountants. I say the same thing here, the business and corporations in American Samoa with substantial income may need to hire some help, I expect they will. But for the ordinary citizen of Samoa will not need any help. And this gets to the point of the difference between the Samoan Bill that you have before you and the American Income Tax Law. Most citizens of Samoa will pay nothing more than 2% withholding on wages. That's all you need.....for most Samoans.

Now for another small group of Samoans they will have to fill out the income tax return because they are not on wages. They have

income because they have their own business, perhaps they sell agricultural produce and have some income of that sort. They may have to fill out returns. That group of people will not, I'm guessing and most of you people know better than I, including the gentlemen of the committee know better than I, that that will not be a large number either. The other group of people, still a smaller group with very large income will have to have help in filling out their returns. It seems to me that this is a simple one. The issue is does the ordinary Samoan who earns less than a thousand dollars, fifteen hundred dollar income a year, pays 2% wage tax, this applies to the ordinary worker which gets his wages on basis of weekly, bi-weekly salaries. The second issue is to amass any one man or corporation which earns thirty, forty, fifty thousand dollars income a year, should they pay income tax. I think they should. I think it's only fair. Income tax paid by a person with that much income ought to be the same tax as taxes they pay in the United States. That is the decisive issue in this Bill. A very small, modest tax for ordinary citizens with little money, and a graduated tax that goes up quite steeply for those with large income.

MR. OPELLE: There's just one point, if I may comment on Mr. Sigler's statement that he just made. Mr. Sigler keeps referring to one tax, and keeps forgetting the import tax which, like income tax, is a different type of tax. And that's a very important and expensive tax for the Samoan people. We are talking about two taxes in this Bill. There is the 2% tax that all Samoan people will be paying on their wages and much complicated for many Samoan people that have little stores and things like that in filling out income tax returns. But there's another tax. There's a tax...import tax and that's in this Bill, too. So actually two taxes are involved. Not just one; and in the United States the same person with the same income as the Samoan person here of low salary would pay no income tax whatsoever. But here he'll be paying 2% plus import tax, excessively applied to necessities like automobiles, necessities like beds, like furnitures, all the things that people want here and deserve. The standard of living is involved.

Secondly, Mr. Sigler has mentioned the expert advice that has been sent down from Washington D. C. in economics from the Commerce Department, a man from the Treasury Department, and they have a tax lawyer here to bring this Bill. These are all people who do not live in American Samoa. They come here for.....I don't know if I know whom he's referring to. People come and go every day. They would naturally see things as they see them in the United States with different conditions. But here in American Samoa they do not live here like you and me. Here we are, faced with problems of an economy that has been retarded over a long period of time, for which the United States Government has some responsibility. Now, it would seem to me that a person living here, faced with the problems here, would have a better idea, at least a common idea of and about the problems involved, than someone visiting for a three weeks to form an opinion. Another fact is, although these people might be very versed in economy and in finance matters and tax matters, it's another thing to be a wage earner in American Sa-

moa.

MR. SIGLER: Mr. Chairman I want to inform the witness that I have not forgotten that we are talking about import duty as well as income tax. I thought that it would be more reasonable for the Committee to talk about them separately, rather than the fact of joining them together. The import duty is one of Samoa's revenue devices, in comparison to the income tax. It will raise much less money than the income tax. So far as import duties are concerned, I think I made it clear to the Committee yesterday that in my judgement, the Committee should look at the duty list very carefully and that the Committee decide what kind of import duty they want. I have no particular feeling on whether import duty should be 50% or 25% on automobiles, cigarettes, or anything else. The important thing is that the duty is fixed by this Committee, by the Senate and by the Fono to raise enough money to run this Government. The duties have been returning in the neighborhood of half a million dollars a year, more or less. It will continue to return that amount of money. Now, if you want to change the duties from one place to another place, why that is your privilege to do it that way, or which ever way you want!!!!

If the import duties are not changed by this Fono, then they continue just as they have been in the past. It will be perfectly alright if you want to leave the import duties just as they have been. The point that I am making is, that that is not the important provision in this Bill. If you want to leave the import duties alone, I'd leave them alone. They will continue just as they are today. The important provision in this Bill is the Income Tax Law. The issue on Income Tax Law is simple. There is a question whether the experts.....the right experts have been hired to come down here. The suggestion has been made that additional experts, if they were brought in, would have more common sense than the ones that have been here. Perhaps so. You can't get a group of experts together without getting a difference of opinion. The experts that drew this Bill, and I do not include myself, I am talking about those that made a study of it, felt that the 2% wage tax was the only kind of tax that probably the Samoans will pay. Now, the suggestion has been made that we leave it as they do in the United States where no one pays the 2% tax. That is correct. This is a provision that is tailor made for Samoa. If we will apply the ordinary United States Income Tax in Samoa, I'd hazard a guess that about 90% could not be touched. This is the proposal that is tailor made to tax most Samoans. That is the issue for this Committee to decide first, and for the Fono to decide last. It is up to you to decide whether you want to have a simple kind of a tax.

The other part of that tax is exactly the kind of income tax that is paid in the United States, and there again I suggest that anybody in Samoa that has a salary, let's say \$8000.00 and there are many which nearly make that much. That person pays tax like a United States citizen pays if he makes eight thousand dollars. The citizen of the United States has to pay his tax, and part of his tax money comes right down to Samoa to support this Government. And the question is, should the citizen in Samoa who has the same

amount of income pay the same tax.

MR. KNEUBUHL: Mr. Chairman, I wish that I were an attorney so that I could speak in a certain way and discuss these matters with Mr. Sigler, and have this Fono listen to our discussion. I am not a tax attorney. I wish I were at this time but I think perhaps it would be more enlightening...not enlightening but perhaps it will contribute something to your better understanding of this Tax Bill.

CHAIRMAN: Any one who has a question?

SENATOR FAIIVAE: Mr. Kneubuhl, I had a pet question all morning, nursed it through.....but now it was accidentally answered a few minutes ago. I have one other little question here though; but first I thought you based your opinion about this law being so complicated. And because we can't read that book in fifteen days..... but now we understand. My question is this....as you said a few minutes ago that this is a good law. In other words, you feel that we should go ahead and work on it, or work on it after making amendments. I want to understand your answer so that it will be necessary for me to decide on the fact in debating by the senators.

MR. KNEUBUHL: Senator, I think there are two parts to your question. And if I understand correctly, I got the last part. But the first part of your question I would appreciate your repeating that for me, please.

SENATOR FAIIVAE: You mentioned a few minutes ago that this Bill is all right. What I want to know if you feel that we should go ahead and work on the Bill, or work on the Bill after making amendments.

MR. KNEUBUHL: Thank you very much. I feel this way. I feel that every law that is passed should be a fair and just law for the people. I'm not an attorney, but it would seem to me that most of our laws in the United States and laws of most countries are based on justice, equality, and fairness. I said, I believe you may have misunderstood me a little bit, Senator. I said that we should study and prepare a tax bill. The idea of taxes is not a bad idea, to earn a little bit for us here in Samoa to help our fellow men, to help our Government. We don't object to this. I, as a businessman, I as an individual citizen of American Samoa, don't object to this. I'm not sure that all of us here don't object. But I feel that we should not take a Code.....and that's what we are doing. We are taking this great complex this the tax attorneys, tax experts, cannot understand completely. And we are setting it to come to our economy, to our people who aren't anywhere near as advanced economically, socially, educationally as the people of the United States and impose this complicated law on us. I say that it is possible that there may be things in this law that would be good for Samoa. But who knows, until we study it, and until people here look at it; people from the outside look at it. Until time has been given to deliberate on this important matter, I do not think anyone should pass hasty judgement on something so important.

CHAIRMAN: Any other question?

SENATOR LAGAFUAINA: I have one in mind.

CHAIRMAN: Senator Lagafuaina.

SENATOR LAGAFUAINA: Mr. Mike Kneubuhl, what about this law....this tax law which you want in Samoan instead of this 2% wage income tax in Samoa?

MR. KNEUBUHL: Thank you Senator. I think, my own opinion is, Senator, that we should not pass any portion of this Bill. I do not feel that we have been given time to adequately study it. Also I do not feel this Bill has been tailored for the needs of our people here in Samoa. It appears to me that it is a very hastily prepared thing by people in Government in the United States and here without consulting the people of Samoan and people outside of Government here. And I think that we should have a tax law. But something that we can prepare ourselves, and develop ourselves. But no part of this Bill.....it is my hope for the good of Samoa, that no part of this law should be passed because, after all, we are adopting this law, or most of this law; and there are only three books like this in American Samoa today. It's almost inconceivable for me to believe that any group of people would come up before the Fono and present a Bill without presenting each and every one of you this book. From here, from here to here all apply to American Samoa. About five hundred and forty pages.....this part of the book to this part of the book applies to American Samoa or a good many portions in it.

MR. SIGLER: Mr. Kneubuhl, the number of pages in that book that apply to American Samoa is nothing like what you just indicated.

MR. KNEUBUHL: Mr. Sigler, before this is interpreted for the benefit of the other members of the Fono, I would like to say that it is the expressed opinion of an attorney.....my father happens to be an attorney, as well as other attorneys who are on the island, that it definitely does.

MR. SIGLER: There's a difference of opinion, Mr. Kneubuhl, and it is my opinion that it is not. The Income Tax provision in that though, the Income Tax provisions are nothing like the number of pages which you just referred to. I didn't mean that to dispute you, I merely indicate it as my opinion that the statement is not accurate.

MR. KNEUBUHL: I maintain that the statement is accurate. Thank you Senator, that is my answer to your question.

CHAIRMAN: Any other question? Well, this Committee.....it's time to discuss its findings based on the information from the different witnesses. I do not know what the conclusion of the Committee, but if we make any decision we'll try to force that issue to the Senate to be adopted. But, suppose, that the Senate; this is my personal opinion, I do not know about Committee members, suppose this United States Tax Law to be used as a reference, because none of us at present knows what the subsection or this different part in here,

but in case that the...take this for example, Section 18.0401, which says Income Tax Laws Enforced....."The Income Tax Laws enforced in the United States of America and those which may hereafter be enacted, where not clearly inapplicable or incompatible with the intent of this section are hereby adopted by American Samoa." So this shall be adopted by American Samoa provided that the Legislature shall pass it and propagate it. Sirs, what is your personal opinion about it? I cannot say this but that is my personal opinion.

MR. KNEUBUHL: Mr. Opelle would like to say a few words, but before he does I'd like to say something, Mr. Chairman. According to the sentence that you just read, if it is passed by this Fono and approved by the Governor, it is my understanding that we will essentially adopt, and I believe this has come up before through other witnesses, we will adopt the United States Internal Revenue Code of 1954. It is also my understanding, and I believe that this was a point that was brought up this morning. In fact I believe that it was you Mr. Chairman, who asked the question. What would happen in the event that the Treasury Department of the United States adopted an amendment to this Code. I would like to answer to that question if I may, by saying that anything that they adopt in the United States Treasury as an amendment to this Internal Revenue Code, automatically becomes the Samoa Income Tax Bill. It automatically becomes law in Samoa, and the Fono would not be asked to deliberate on it or anything. And in fact, further to that, they have in the United States, different districts, and one court of appeal in the United States might reverse a part of this Internal Revenue Code but we in Samoa do not have this privilege. Anything that is adopted by the Treasury of the United States automatically becomes law to us. The meaning of that, I'm sure Mr. Chairman, can go a lot further in the 2% that is written here, or the other parts of this Income Tax, if they decide in the Department of Interior in the United States to pass an amendment it says that the Samoan Tax for wages will not be 10% and pass it in this Code adopted by the Treasury Department, the Fono will have no voice on it and it automatically becomes law.

MR. SIGLER: Mr. Chairman, may I make a brief comment? I believe the witness is mistaken in his interpretation of the law. First, the Bill before you adopts the Income Tax provisions of the Internal Revenue Code, not the entire Code. The Internal Revenue Code of 1954 has many provisions in it that are not income tax. They are excise taxes, estate taxes, gift taxes, a whole array. The Bill before you does not adopt any of these. It adopts only the Income Tax provisions. That is the reason why I must question your statement thoroughly.

Secondly, you are mistaken in saying that if the Interior Department or the Treasury Department adopts a law....they cannot adopt any law. The Congress of the United States may adopt a law and that's the only body that can adopt the laws with respect to the United States. If you meant to say that Congress adopts a law changing the Income Tax provisions and that that would apply to Samoa, you are correct. As indicated earlier the principle reason

for that is, Congress at the present time is considering a reduction in Income Tax Law for all of the United States. If Congress enacts a new law that you don't like, all you have to do is amend the law and say it doesn't apply here.

Thirdly, Congress could not raise the tax on wages to 10% in the way that is suggested. I don't want to say flatly that Congress can enact any laws that it wants to for Samoa in regards to this Fono, if the Congress wants to. But speaking on the complexity of this Bill, Congress will legislate only on a new form basis for all of the United States. If Congress has not involved a wage tax, the wage tax is the special tax in New York considering here. It's not in the Internal Revenue Code. It is not part of the Internal Revenue Code. Incidentally it is a special tax proposed for American Samoa. The Congress will not be changing it at all, at least unless it wants to exercise its powers through the Fono. But the kind of tax the Congress would enact is the tax for income generally, where everybody pays. The Congress changes that law, that's not the wage tax. If it changes that law, it applies automatically to Samoa. And the reason, in Samoa is the immediacy of tax reduction this year. I hope that Congress will pass it.

MR. OPELLE: Mr. Chairman.

CHAIRMAN: Mr. Opelle.

MR. OPELLE: I just wanted to comment on Mr. Sigler's emphasis on the possibility that Congress might reduce the income tax in the United States which would, of course, affect here. They are going to get this, there's a possibility of course that they would do that next year, or this present year if they consider it very shortly. But I believe that Mr. Sigler will agree that over the years that starting from a very small percentage of income tax, that there has been a progressing increase, and if the reduction does take place, it will be the first real reduction in a long, long, time. And this increase has had a very heavy effect on industry and employment. Does the fact that the investment into plant development, things like that which create jobs which is the most important in Samoa... ..is employment.....That is the thing that we have to consider that power to move ahead.....create additional employment, and whether we're speaking of a small Samoan bush store, or we're speaking of a store in town which employs people too, or corporate taxes that might increase the possibility of increasing employment and job opportunities. Those things could have an adverse affect upon our economy. Our economy is not as developed as the United States. I just wanted to make that point.

CHAIRMAN: Any further question? (no question)

Unless Mr. Kneubuhl and Mr. Opelle want to say something further, I would like to take this time on behalf of the Committee members to express our sincere thanks for coming down here and expressing their views with respect to this Bill. This Committee will take every step to consider this Bill in a way that we can see that will meet the interest of the Samoan people. Now this Committee will

not make the final say, but we are going to recommend to the Senate what should be done with this Bill. Thank you very much for coming, and we'll be happy to have you further some other time if we need some more information.

MR. KNEUBUHL: Well, Mr. Chairman, we also, Bob and myself, would like to thank you, Mr. Sigler, other senators and members of your Committee, and want to wish you the very best of luck and success, as citizens of Samoa and not just as businessmen here. As we will live all our lives as you are, this matter must be considered very carefully, and we feel very good and confident that this will be done.

Thank you very much.

MR. SIGLER: Mr. Chairman, I would like to have my word of appreciation too, as I think this has been an excellent hearing. I have everyone here who have exchanged views without any animosity. I feel the hearing has been profitable to me for understanding the needs of Samoa and I am real pleased in the way the hearing came out.

CHAIRMAN: Thank you very much, Mr. Sigler. We never let our private families in now because we need a set of facts. (laughter). This Committee will recess.

R E C E S S

THIRD DAY

January 18, 1963

CHAIRMAN: Our Committee hearing will please come to order. Our first witness today will be Mr. Van Camp Jr.

Mr. Van Camp, will you state your name and occupation before proceeding with your testimony?

MR. VAN CAMP: Mr. Chairman, my name is Van Camp Jr., President of the Van Camp Seafood Company. This company is owned by four thousand people.

The purpose of my appearance is to give you, the Chairman and members of this Committee, our feeling regarding the Corporate Income Tax section of your new Income Tax Law.

I would like, before saying this, to give you a very brief history of our company doing business here in American Samoa.

Ten years ago, it appeared to us that there is a possibility of establishing a tuna business, a successful tuna business in American Samoa. In the early stages of the development of this business here, we have met many difficulties. In fact, in the first few years of our business here in American Samoa, we lost almost half a million dollars.

In view of the many problems that there are in starting a pioneering industry in any area of the world, we were exempted from many of the taxes, or most of the taxes that you had here to help us get our business going on a profitable basis, and to make it successful. During this period of time, we have developed in conjunction with the help of all of you people here and the supplies of fish, a good industry for American Samoa.

Our business today is a profitable business, and now we feel that now that we have gone through this period of time of troubles in development, and that we are now making what we would say a good profit in our business venture here, that we should pay income tax to the Government of American Samoa to help support the island's economy. We agree that our company should pay corporate income tax in American Samoa. We are in business in other parts of the world in addition to American Samoa. I would like to cite maybe one or two examples. We are doing business at Sierra-Leone in Africa. We came in there under tax advantage to attempt to start a tuna business in Africa. We had been granted a tax exemption in Africa. As soon as this period of time has expired we will expect to pay the going corporate income tax rate in Sierra-Leone which, incidentally, is almost as high as the United States.

We expect that in any country in which we do business, we eventually will pay corporate income tax. It is necessary for the support of the economy of these countries that large corporations like ourselves help their economy in every way possible.

I want you to please remember that I am speaking to you strictly as a representative or the President of a corporation, and I am not representing any of our employees. These people are free to speak for themselves whatever they wish. We are not trying to tell them anything at all about what to say. If any of them speaks, they should give their own feelings straight from the heart. I am only speaking from the standpoint of representative of our corporation regarding our income tax. To make a long story short, we are not objecting to corporate income tax provision of your proposed tax law.

To give you an example of the size of the contribution that we may be making to the people of Samoa or the Government of Samoa in the future, I would like to say that had this law, the proposed law, been in effect last year, we would have paid approximately one half million dollars to the Government of American Samoa.

We feel that American Samoa has been very good to our company. And for these reasons we feel that we should pay corporate tax to the Government of American Samoa. This is really all I have to say but I would welcome questions from any of you.

CHAIRMAN: Mr. Van Camp, with your business experience and as President of this corporation, what is your personal feeling when this Income Tax Law becomes effective in here....will it be a cause to stop industries from coming?

MR. VAN CAMP: This is a rather difficult question to answer. But I will say this.....that you do have, I believe a proposed Industrial Incentive Act that you are about to consider. This should take care of any new industry coming in, and give them some incentive so that they can get over this difficult period that you have when you are developing something that is completely new and it's never been there before. It's a big help.

I'd have to say that if you didn't have any tax that it would be more attractive. But it is not really very practical for you not to have tax, because you have to.....large companies that come in to establish business will eventually expect to pay tax to the community.

CHAIRMAN: Any questions from any other member of this Committee?

SENATOR LAOLAGI: I would like to ask a question. (translation)

CHAIRMAN: Senator Laolagi.

SENATOR LAOLAGI: (translation) Some important points were raised yesterday by some businessmen to which the Legislative Counsel answered. I would like to know Mr. Van Camp's feeling about these important points.

INTERPRETER: It is difficult to translate without repeating the same question.

MR. VAN CAMP: It's really difficult to answer that question with a guess, because there.....because in every question there are several opinions on it. Maybe they're right and I'm wrong; maybe I'm right and they're wrong. You don't know for sure on these things. But I'm appropriate in saying this from the standpoint of our company, how we feel, and how we react to it. Now somebody else's reaction might be different; but we had some help in the beginning to do this. And now that we have a good business going, we feel that we should, and can, pay taxes. Naturally, if you had no tax, it's much more stimulating. There's no question about that. But that does not necessarily mean that there'll be no..... I really don't like to try and answer the question.

SENATOR LAOLAGI: Thank you.

CHAIRMAN: Any other question? Mr. Sigler, would you like to comment?

MR. SIGLER: Mr. Chairman, I think I might add something to help the senator if you like. Mr. Van Camp, I believe the question in the minds of most of the Committee based upon our hearing yesterday could be phrased like this. When Van Camp came to American Samoa, it was given a tax exemption in the form of exemption from all taxes for the period of transition. The present tax exemption law which is on the books allows the Governor to grant exemptions at the same time, to new industries that have come in and have qualified. And I think the Committee would like to know whether you think that the tax exemptions in the form of exemption from taxes under the Industrial Incentives Act might.....I realize you can't say in all instances, might be sufficient incentive to encourage new industries to come here, regardless of the existence of the income tax.

MR. VAN CAMP: I would have to answer that question with a yes. See, we have been exempted from taxes in other parts of the world, and then later on you start paying a corporate income tax. Let's say it would be, speaking for myself, it would be an incentive to us, to our corporation.

CHAIRMAN: I wish to take this time on behalf of the Committee members to thank you very much, Mr. Van Camp, for the information in regard with this Committee that will be helpful when we consider, at the conclusion, what we recommend. Thank you very much.

MR. VAN CAMP: Thank you.

CHAIRMAN: The next witness shall be Mr. Peter Reid. (Chief Lealaifua-neva)

Mr. Peter Reid, this Committee would like to hear your views with respect to this tax law, this Income Tax Law.

MR. REID: (Translation)

I want to thank you, Mr. Chairman and members of your Committee for the opportunity you have given me, that I may express my views with regard to this Tax Bill that is before you.

This Tax Law will affect the future generations of American Samoa. This law is written in 465 pages, as I gather from Mr. Sigler's comment yesterday. Now if these 465 pages are translated into our language, I would guess it would run from fifteen hundred to two thousand pages. I am sure that it will take a much longer time for you to read and study those fifteen hundred to two thousand pages of Samoan translation before you can understand everything that is contained in the law.

There is an article in the January 14th. issue of Newsweek about the proposed cut in income tax by President Kennedy in the United States Congress. In this same article, Mr. Wilbur Mills, Chairman of the congressional committee that is similar to your Committee, expresses the fact that it will take them about six months to discuss the bill on tax reduction. I brought this article to show you my discomfort and unhappiness in the manner with which this Bill is being brought before you. The Governor gives you a bill and asks you to pass without giving you the complete law for your consideration. I bring this to you because it is in your hands which the good and the bad of Samoa in the future lies.

For the economy of American Samoa, we have one hope and that is the bringing in of new businesses to American Samoa. You know and I know that we cannot depend on agriculture and fruits of the land because it is not adequate for the support of the Government. Now if your Committee passes the Bill and advice the Senate to do the same, I am sure that new industries will not want to come here. I shall speak later on with regard to Mr. Van Camp's comments.

Without new industries unemployment will surge. Every time I drive into town I see a good number of Samoans outside Van Camp's gate looking for work. The first thing to remember is the up and coming generations of Samoa. Without new industry we have no means with which to absorb the up and coming generations of Samoa. We will remain what we are today, yet there is a need for Samoa to progress.

As I look at this Bill, I feel that the implication of the way it is being proposed is that the Governor has no confidence in the Samoans and the Fono to deliberate and decide on such a big issue. He does not feel that we are qualified to see and decide on the whole thing.

The important thing in my mind with regard to this proposition is the qualification of us Samoans to struggle with our Government. It is true that we lack finances and that we have to depend on the good will from Washington. Just the same, it doesn't sit well with me, and I'm sure with you too, to say or imply that Samoa does not know how to enact good laws for its Government. This is indeed the meaning of the Governor's action, giving you just part of the proposed law, and not the whole Bill.

There should be taxes in American Samoa. I certainly do not object to that, and I'm sure that anybody with a right mind feels the same way. But Samoa should write its own tax law, and not the law from

outside of Samoa. You must remember that the Internal Revenue Code was designed for the Federal Government, and life in the United States is so much different from our life down here. They have cars and televisions in America. They have a vast array of things. big things. And I am sure that if Samoa would draft a law for the United States, they would tell us where to go.

The Fono should make its own tax laws. There should also be tax experts, like Mr. Sigler, or other lawyers hired to help the Fono in drafting a tax law for Samoa, instead of adopting a Federal Law.

The Congress of the United States depends upon the Fono as the representative voice of Samoa. This is why it would be unfortunate if you decide to adopt this Bill without understanding all of what is in the Internal Revenue Code; because the Congress will deduce that Samoa is not qualified and is inferior.

It is true that the Governor, by virtue of Constitutional grant, has the veto power. If the Fono decides to reject this Bill, the Governor has that power to over-ride your decision. However, if the Governor uses that veto power and proceed to present the rejected Bill to Washington, the Fono still has a chance to cry to Washington since this law will affect the future of Samoa. There are also friends of Samoa in Washington who can lobby against the Governor's action. That is why the Fono is important and responsible.

SENATOR MULITAUAOPELE: (Translation) Mr. Chairman and the honorable Committee, I would like to clarify a point with Leala for the understanding of the Committee. Is it your belief that if this Legislature rejects this Bill and the Governor over-rides it, the business people who want to come into Samoa can argue against such action since it is not the will of the people?

MR. REID: Thank you for the question. That is exactly the gist of my statement. If the Fono decides to reject this Bill and the Governor decides to use his Constitutional power, not only will the local businessmen go to Washington, but outside businessmen who want to come into Samoa as well.

SENATOR MULITAUAOPELE: Then you really believe that the Legislature should not be afraid to reject this Bill? That if Samoa wishes to reject it, then reject it? That there are those who will support the wish of Samoa against the Governor's use of his power if he does? (translation)

MR. REID: Yes, that is my belief.

If the Chairman and the honorable Committee please, I would like to finish my comments before we proceed with the questions.

CHAIRMAN: Proceed, Mr. Reid.

MR. REID: I shall now speak with reference to Mr. Van Camp's testimony. It is very good to know that Mr. Van Camp and the Van Camp company

does not object to paying corporate income tax. Van Camp should agree to pay corporate income tax. After all, they have made a lot of money in Samoa. But the Committee must remember that Van Camp lost more than a half a million dollars at the start of its business. It is a big company and has enough capital to cushion the loss. But what about those other companies who want to come here? Do not limit your consideration to just one type of industry. There are other types of industries and work that we can have here. We hear a lot of talk about a brassiere factory. It is without a doubt that they are still considering coming to Samoa. However, if and when the Fono shall decide to adopt this Tax Bill, they might decide not to come here after all, because they do not have the backing of millions of dollars in case they should lose some money during the problematic period of starting a pioneering industry. You must remember that the Van Camp company has been here for quite some time and has grown business roots in Samoa. The case is not the same with new industries that can contribute to the economic well being of Samoa. I shall stop here with regard to Mr. Van Camp's statement.

As I understand the Industrial Incentive Act, the Governor, and only the Governor, has the power to decide what kind of industry or company can come to Samoa. Indeed the Fono has no say. You should remember that the Governor is the only person who has the "yes" and "no" say to any company that wants to come in.

That concludes my comments. However, I would like, if the Chairman and the honorable Committee please, to have my statements printed in English. With your permission I would like the Interpreter to translate it into English in order that you can assuredly understand what I am trying to say. Also, with your permission Mr. Chairman, I would like to reprise my comments in English.

(Mr. Reid reads in English)

The proposed Tax Bill for American Samoa which you have not seen, is a law made for a society with an economic status one hundred times that of American Samoa. Also this law was made for a population of a hundred and fifty million people. To superimpose a law gaged for one society or another and say it is a good law for the latter society is absolutely false.

Those of you on the Committee who have been in the United States certainly must agree with me that the money difference between the United States and American Samoa is like day and night. The evidence of this difference in economics is that the budget of the United States is ninety billion dollars as compared to ours of ten million. If the Fono adopts this tax law, I'm certain the economic growth of this island would come to a complete stop. No new industry will entertain coming to American Samoa.

In conclusion, I ask the Fono that in view of the importance of this Bill for the future of American Samoa, we should not entertain any thought of making amendments to this Bill without first obtaining a clear knowledge of its contents and weighing the effects on the economy of American Samoa. In refusing to endorse

this Bill, you are making the Department of the Interior aware that any taxation law for Samoa should be written expressly, expressing the desire of the citizens of American Samoa and not by any experts who have spent their lives in the United States and think that after one, two or three weeks of visiting American Samoa they know it all.

We in this room must agree that the United States Internal Revenue Code of 1954 must be good for the United States or the public opinion of the citizens of the United States would most certainly change this law. This law is tailored to the needs of the United States and not for any other country in the world let alone a small island. You should, in all fairness for the citizens of American Samoa, kill this Bill and petition Washington to allow lawyers and tax experts, could be Mr. Sigler, to come down here and help you write a tax law comparable to the needs of American Samoa and not the United States. (translation)

(original in Samoa) Well, that concludes what I had wanted to present before you, Mr. Chairman and the honorable Committee.

CHAIRMAN: Before Mr. Sigler, the Legislative Counsel, will comment to your information, Mr. Peter Reid, I want to make this announcement for the spectators. Mr. Buck Huff will be our next witness following Mr. Peter Reid. This public hearing will be closed on Monday and probably the Governor shall be the last witness; and whosoever is interested to hear that last witness can be here. However, the time has not been set yet. Mr. Sigler, will you comment?

MR. SIGLER: Thank you Mr. Chairman. I have only a few comments and I shall try to make them brief. I think Mr. Reid has given a very constructive and forceful statement of his opinion. And I'm sure he speaks for many other people in American Samoa. My comments are designed to emphasize certain points that I think the Committee need to consider.

My first point is this. Much has been said about the number of pages in the Internal Revenue Code. I have not counted them, so I cannot offer the firm statement that the witness offered. I can give you my assurance that if the four hundred and sixty five pages relating to income, and I do not know whether there are that many pages.....I can give you my assurance that they would not be counting fifteen hundred pages in the course of translation.

My second point is that the witness said that the Bill now before your Senate was initiated in Washington and submitted to you by the Governor, rather than a Bill that you wrote and initiated here in the Senate. I.....the point that I want to bring to your attention is, this is the normal procedure in drafting tax legislation in the United States. The President of the United States formulates a tax proposal. The President in that sense is comparable to the Governor here. The President submits his tax proposal to the Congress of the United States, congress hearings are held. You are holding hearings here in just the same way that the Committee in the United

States Congress hold their hearings. It's the function of this Committee to consider and evaluate the recommendations of the Governor and assume ultimate responsibility to decide whether the Governor's recommendations are to be accepted or rejected. My point is that this is done in the Congress of the United States and the same procedure is appropriate here.

To restate the point in very simple words, it is the function of the Executive, in this case the Governor, to propose and suggest legislations to the Legislature, the Fono. It is the function of the Fono to decide whether those suggestions are good or bad ones. The mere fact that the Executive, the Governor, suggests the legislation should not mean any reflection at all on the Governor's opinion or on the ability of the Fono. I would not submit recommendations for your consideration if he did not think that you were able to consider them and make up your own minds about whether they are good or bad ones.

My next comment is this. I believe the testimony a moment ago was to the fact that the Fono would fail in its duty if it enacts this Tax Bill without understanding what it says. I completely agree. I think the Fono would fail in its duty if it took that kind of action. I hope that during the course of this hearing the Fono will completely understand what this Tax Bill is all about. Now on that point, at the risk of boring you, I should like to point out that none of the discussions has involved the provisions of this Bill, the basic provisions.....what does the Bill do. There hasn't been any discussion on that. As I pointed out to your Committee before, Mr. Chairman, that the first thing this Bill does is not in the Internal Revenue Code at all. It imposes a 2% wage tax. That's a simple provision. Anybody can read it. Anybody can understand it. It's there waiting to be seen. I can't see anything complicated about it.

INTERPRETER: Tax on wages?

MR. SIGLER: Tax on wages. On the income of people who have a high income, not the lower wages of the ordinary Samoan employee. Any person in Samoa who has an income around three, four, five thousand dollars or even ten thousand dollars, this Bill imposes a tax on their income, and that's the second thing that it does.

Now one comment on that. The Income Tax Provision in this book imposes that tax on income in one page. One page, right here. That is the complete imposition of that tax. That is a simple provision. I tried to explain it before by indicating how the tax would apply to a five thousand dollar income and five exemptions. We went through that the other day. It is a little involved, but my comment is that's what the Bill does, and I think the Committee should consider and debate whether to impose a tax on the income of a person with that amount of money.. I suggest that the Committee should consider the problem in this light. If a person, an individual in Samoa, has an income of \$10,000.00, has that much money, pay income tax or should he continue as it is now and pay nothing.

To take an even more extreme case, if anyone on this island is

earning fifty thousand dollars a year, should he pay any portion of it to the Government to help run the Government or should he pay nothing.

MR. REID: Mr. Chairman, Mr. Sigler's comments miss the point of my statement. I am not objecting to having a tax in Samoa. As I stated before, I believe there should be income tax for Samoa. I didn't touch the 2% wage tax because it is involved, yet Mr. Sigler is bringing it up.

I did not mean, as Mr. Sigler implies, that the Samoan translation of the Bill is huge. I meant how it is printed.....two sections, but not the combined compilation like that big book. That is what I meant by fifteen hundred to two thousand pages, mimeographed, as it is usually done here.

As to Mr. Sigler's statement that the Governor drew this Bill as is usually done in Washington in the case of the President of the United States, I am sure the Governor did not draw this Bill. It was extracted from that book. If he read the Internal Revenue Code, the Samoan people should read it also. (translation)

MR. SIGLER: Mr. Chairman I didn't interrupt Mr. Reid in the middle of his presentation. I was asked to give my comments. May I go ahead?

The third point I want to call to the Fono's attention is, the third part of the Tax Bill is the tax on corporation income. That is the subject Mr. Van Camp's testimony reported. The provision of the Tax Law provides for a tax of 52% of the net profit of a corporation doing business in American Samoa. Mr. Van Camp indicated that if they had had to pay that tax last year, it would have been one half million dollars. He also indicated that he had had losses the previous years but he had had the advantage of the Tax Incentive Law, so he was not hurt. But now that he had had the advantage of the Tax Incentive Law for, I think for seven years, he is not objecting to paying taxes. It's true and it is proper to point out that if industry starts it will be helped by the tax exemption. That is what the Tax Incentive Law provides for. Any new industry coming to this island, should apply to the Governor, and if it qualifies receives a tax exemption. That means exemption from the Income Tax. If it needs that kind of exemption, the Governor could grant the exemption from the Income Tax that is in this Bill. It would be good for not more than ten years. At the end of ten years, the industry will have to start paying taxes. Now that's the situation that Mr. Van Camp was talking about. He has had tax immunity for seven years. In that seven years the industry has prospered and he is now able to pay taxes without any further immunity.

If a new industry wishes to come into American Samoa, and ask the Governor for exemptions including this Income Tax, if the Governor grants that exemption, the industry comes and prospers, or the industry comes and does not prosper and needs further assistance, then this Legislature will need to decide whether the Industrial

Incentive Act should be amended to provide further exemption from income tax. The point is, that the Industrial Incentive Act is a means by which an immunity from taxes may be granted to stimulate industry. What we're talking about here are the people who are here, the industries who are here, the individuals should pay tax. He ought to support the Government.

The point was made that if the Fono enacts this Tax Law, no one could go to Washington and protest about it. I suggest that the place to protest is right here in this Fono. The purpose of this Fono is to legislate on the tax. The Fono must decide whether the Tax Bill is a good one or a bad one. It should make that decision after listening to all those people who have an interest like we're doing right now. Once you have made your decision, however, I think it would be improper to run to Washington to protest or do anything else, because Washington will say you are responsible right here for enacting this legislation or not enacting it at your will.

I appreciate the reference to acting as your Legislative Counsel such as I am to advise you because that is why I am here. I will be happy to advise you at any time at all if you ask me. This is the Governor's recommendation, and of course you are free to modify it if you want to, and I'll help you there if you want to modify it. But the important thing is that you indicate the kind of law that you want. And I have explained the basic elements of this law. They're very simple. If I were writing the law and you were telling me what I just told you, that you want a 2% tax on wages, a graduated income tax on higher salaries, 52% on corporations, and decide on the kind of law that your Governor reported.....if you don't want that kind of a law, tell me and I'll redraft a new one.

CHAIRMAN: Any member who has any question?
Paogofie.

SENATOR PAOGOFIE: This is a useful yet simple question. Mr. Lealaifua-neva, supposing that we pass this Income Tax, What would your tax be, if you please? (translation)

MR. REID: That is a good question, Senator. If I know the proposed law I'd be able to tell you my tax. But I don't know what is in the law. I have not seen the law. As Mr. Mike Kneubuhl stated yesterday, there are only three copies of the Internal Revenue Code in American Samoa. So I have not seen the law. Nor do I know what kind of percentage would apply to me. But I came before you in the interest of Samoa and its future.

Let me explain further. If all of the Internal Revenue Code is in this Bill, I could tell you what my tax would be. But I will tell you this. All of you know that I have property in the United States where some of my relatives are living. I pay \$465.00 in property tax to the County of Long Beach. This includes only the house and furniture. (translation)

SENATOR PAOGOFIE: Thank you very much. The Committee has heard that you completely support the kind of tax about which I questioned you. (translation)

CHAIRMAN: Faiivae.

SENATOR FAIIVAE: (in English) Mr. Reid, you just stated that you pay four hundred and some odd dollars to the City of Long Beach in property tax....State of California tax, for your property in Long Beach. May I ask you again.....do you pay income tax to the Government of the United States?

MR. REID: To answer your question, no. I do not pay Federal Income Tax. I pay only property tax. However, I am sure I would pay income tax if I were living in the United States. (translation)

SENATOR FAIIVAE: Thank you. Another one.....(not recorded on tape)

CHAIRMAN: I have one, Mr. Peter Reid. Some of the reasons why you do not support this Bill is because of the insufficient time for the Legislature to study it. Secondly, it is because of the incompleteness of the Bill. This Bill here refers to the book here.

NOTE: (The rest of the question and part of the answer is not recorded on the tape.)

MR. REID: The question to the point is why I object to the Bill as it stands. The way it is presented. Your honorable Committee, I object to Mr. Sigler interrupting me when I am not finished with my comments. He is telling us that Puerto Rico passed a similar bill. Well, that's alright! If Puerto Rico passed it, perhaps they read it. But just because they passed a similar bill doesn't necessarily mean that we should pass this Bill. I am sure none of the Committee members read the whole law.

I said before that I do not like the quicky way with which this Bill is being pushed to you. It is said right here in the Newsweek that Mr. Mills, Chairman of the Congressional Ways and Means, says that it will take them six months to consider and deliberate on the President's Administration Tax Bill. On the other hand, this Tax Bill is being presented to you by the Governor to be decided upon in the fifteen days of the Special Session. On top of that, there are five bills to be discussed in those fifteen days. Also, you are asked to reserve three days for any emergency. (translation)

CHAIRMAN: I have another question. Suppose a bill, similarly, is written here in Samoa by the Legislature here, without referring to this Internal Revenue Code of 1954, but it amounts to the same figure as is shown in this United States Revenue Code of 1954. What do you say to that?

MR. REID: As I explained to your Committee before, if a bill is thought up and spawned for Samoa by the Samoans, even if it includes that law as long as you understand completely what the Bill is, I will support it one hundred percent. I don't care how high my tax percentage will be. I will gladly pay it. But what I want to impress upon you is, do not pass this Bill as it will reflect on you and all of us. The Government wants you to enact this law before you understand it fully. (translation)

CHAIRMAN: Anymore questions?.....Faiivae.

SENATOR FAIIVAE: (his own translation) Another one, Mr. Reid. During the last war we had an old word related to a situation that is normal in all parts; and the Committee is just about in that commitment right now. We don't know whether you wish what you wish us to do. First you want this law written by Samoa and you completely want us to write this law, but requested some experts from Washington D. C. to come down and write it for us. And also you approve about the new industries because unemployment is so large in Samoa. Then in the conclusion of your speech or your statement you are against new industry because of lack of space. We want to find out just where you, what you really mean whether you mean the Committee and the Senate to go ahead with the writing of a new law, or what.

MR. REID: I'm sorry I wasn't clear enough for the benefit of the Senator. But what I said was that a tax bill should be spawned by Samoans right here, although we should bring tax lawyers and experts to help us and draft a bill. We don't know how to draft a bill in the legal language.

I didn't say, as you commented, not to bring new industries to Samoa. I explained before that I want new industries in Samoa to help our economy. Without new industries we will have nothing to absorb the generations of Samoa.

CHAIRMAN: Unless you have another comment, Mr. Peter Reid, on behalf of the Committee I wish to thank you for the information you have given us. Every consideration will be given to the thought you have brought before this Committee.

MR. REID: Thank you very much, Mr. Chairman and the honorable Committee. I am sorry I took so long to explain my sentiments toward this Bill. Good luck!

CHAIRMAN: The next witness is Mr. Buck Huff.

Mr. Buck Huff, whom do you represent?

MR. HUFF: I represent myself, sir.

CHAIRMAN: Go ahead and proceed.

MR. HUFF: Mr. Chairman, my testimony is limited to the section of this Bill referred to as the tax on wages.

I just like to go on record, Mr. Chairman, saying that the section on wages here is not completely up to present a good testimony. I don't believe that the Income Tax Laws for the United States of America could be used to apply to the personal income taxes earned in American Samoa.

CHAIRMAN: Will you please speak a little louder?

MR. HUFF: Most of us are aware that over the past two years we have had

a group down here to look into the wages, in view of the Minimum Wage Federal Law which applied to the United States. A similar procedure might be used, using the United States Income Tax Laws as a basis, but the gradual wage scale up to the current United States tax law. Using it gradually rather than putting it into effect as it is now. Bring it into effect over a period of years on a percentage basis.

This is the basis of my being here, Mr. Chairman.....is just to make this suggestion to you and the Legislature on my own behalf. Right now I have resided in American Samoa more than eight years; I'm married to a girl who was born here in American Samoa, and I, too, have paid my five dollars a year. I do believe that there should be a personal income tax in American Samoa. But I do not believe American Samoa is ready for a tax which is comparable to that of the United States law.

I would like to see the Income Tax Law that is proposed here presented in its entirety. There are so many people who do not understand the income tax and I'm one of them. I think that it would be more than fair to present this section written up so that everyone could understand it.....just what the Bill means.

I believe that is the extent of my statement. Thank you Mr. Chairman.

CHAIRMAN: Any question?

SENATOR FAIIVAE: In other words you favor income tax provided it is done gradually like the wage scale?

MR. HUFF: Yes, Mr. Hunkin. I believe the reason the wage committee did not enforce the Federal minimum hour wage here, but is enforced in the United States, is because American Samoa is just starting to become of age. I believe this is also true with reference to income and to several other sections of this Bill.

CHAIRMAN: Any more questions?

Have you any further information you want to put before this Committee?

MR. HUFF: That's about it, Mr. Chairman.

CHAIRMAN: I wish to thank you very much on behalf of this Committee.

I will promise you we'll give due consideration to your information.

MR. HUFF: Thank you, Mr. Chairman and the Committee for allowing me to appear this afternoon.

CHAIRMAN: Gentlemen, we have no further witness for today, and therefore we adjourn. Our hearing will now adjourn for the day.

FOURTH DAY

January 21, 1963

MR. TAYLOR: May I sit down Mr. Chairman?

CHAIRMAN: Please sit down.

Our meeting will now come to order. May I ask for your full name, sir?

MR. TAYLOR: My name is Reese Taylor.

CHAIRMAN: Are you going to speak in behalf of the Coconut Processing Company?

MR. TAYLOR: Well, what I would like to do, Mr. Chairman, is make a few remarks as Attorney for the Coconut Processing Corporation, and also as a practicing lawyer in California regarding this Income Tax Law that you are considering.

CHAIRMAN: You may continue, Mr. Taylor.

MR. TAYLOR: First of all I'd like to point out two things. One, that I am making this statement at the specific request of the Chairman of this Committee, when he asked me to appear this morning and that it is my duty. Second, that as a representative of the Pacific Coconut Processing Corporation and also an attorney, what I'd like to do is to point out some of the questions that have been raised in mind about the pending legislation and try to give particular emphasis on the effect that this legislation may have on our Coconut Processing plant and other new businesses like us which are about to begin operation in American Samoa.

Apparently the problems that are to be resolved by this new tax legislation before you are twofold. The first problem appears to be the fact that American Samoa cannot continue indefinitely being supported by subsidy from the United States Government, which subsidies in turn comes from the pockets of the Mainland tax payers. As a result some form of fair, reasonable, and equitable local taxation must be enacted to make the Government of American Samoa, the development program planned here, self sufficient or at least substantially so.

The second problem essentially to be covered by the legislation before you appears to be the fact that on the other hand you do not want to stifle or suffocate new businesses that are already here and other potential industries that may come here; because these new business are undoubtedly going to be the primary foundation on which will be based the increased standard of living and expanded employment opportunities needed to build a more prosperous and self sufficient American Samoa.

With these two problems in mind it is then up to you, gentlemen, to determine whether or not the pending legislation before you can

cope with these problems. The negative appraisal I'd like to point out as I am sure you gentlemen undoubtedly know is, the power of the tax is probably the single most important power any government possesses. Because wisely used it can accomplish government justified objectives in serving the people. But unwisely used it can, as has been said, it can become the power to destroy. Consequently any tax measure should be subjected to the greatest and most finest scrutiny. Because once enacted, a source of revenue is created on which thereafter the government depends. And as a result of a tax measure, good or bad, is seldom if ever repealed. Therefore much study and consideration in a great deal of detail, it seems to me, is essential. Because once passed the tax legislation before you, at least in basic principle, will be with you for generations to come. With these general thoughts in mind, I'd like now to turn to some of the questions which have been raised in mind by the tax legislation you're considering. Some of these questions may have arisen in your minds. But in any event, certainly without pretending to have all the answers the solution of each of these questions, it seems to me, should be found before the enactment of this or any other tax legislation in American Samoa.

From the economic standpoint first, let's consider some questions in that area. The first one of course which occurs to me is whether or not this new tax law will discourage additional new businesses from coming to American Samoa. Because although present exemptions have been offered under the Industrial Incentive Act these can only be granted with the discretion of the Governor. And, while the present Governor is probably one of the finest you have ever had, a very outstanding one, we cannot be positive or certain who the governor is going to be five years from now. As a result, this is my first question: Will the tax law discourage additional businesses from coming to American Samoa.

As an example, the new tax law contains a provision for an export duty. This export law would permit the imposition of duty equal to the duty which would be imposed on a product coming from a foreign country. Why then would a company come to American Samoa to process goods and make manufacturer's products if they are to be treated in the same as if they were producing that product in a foreign country?

The second question. Capital investment is absolutely essential for business once here to expand and to replace capital equipment. And what effect will this tax law have on needed funds for capital expansion? The third question. Personal income tax are imposed by this legislation; as it is essential for many businesses coming here to employ in many cases highly skilled technical people to come down here and act as plant management and as technical advisors for these new businesses? Will not this incentive, no personal income tax, at the present time seriously hamper the efforts of some company now here and about to come, from employing top notched technical people? The fourth question: Isn't it good business for a private enterprise in businesses located here to be left with the capital to expand and create additional employment rather than have the government take that money away from private industry and have the government do this itself?

Turning now to a couple of political questions. First of all, I would like to ask whether or not you have considered the power given to the Governor by this pending legislation. Right now you have a wonderful Governor, and I hope he is here for a good long, long time. But such might not be the case. In which event, it seems to me you should consider the powers that have been handed to the Governor by this legislation before you. Another political question. It is my understanding that your Constitution guarantees land ownership to the Samoan people and this is never to be taken away from them; and yet, do you realize that your tax legislation provides for the enforcement of tax lien in the event of a default or non-payment of taxes? Your Constitution guarantees land to be owned by Samoans. The tax legislation before you provides for a tax lien. The legislation before you provides that if taxes are not paid, the Government can attach property. This raises a second question for me. If the Government can take land for non-payment of tax, is this not in conflict with your Constitution?

Now turning to some legal questions which have occurred to me. The legislation before you.....its cross reference refers to sections of the 1954 Internal Revenue Code. Have you seen these sections of the 1954 Code? A criminal penalty is imposed by this law. Have you seen the sections which that law was taken? In addition to the Code do you realize that since 1954 literally thousands of Internal Revenue regulations and Bureau of Treasury regulations have been handed down interpreting and regulating under the Code? And do you realize that all of these regulations as well as the Code itself are in fact made a part of your law? Another legal question. Have you thought of the problem of collecting this tax? Have you considered the problems that will be created for the people of Samoa in trying to fill out an income tax return? Most people in the United States need help in filling out their income tax returns and we have had the income tax for a good long time. Have you considered the fact that the Governor is not required under this law to publish any of the laws or regulations which go together to make up this law before you. If these regulations are to be made a part of this tax law, you ought to consider it. And having thought of the problem that will be created in trying to educate the Samoan people to the payment of an income tax, all of the forms, and the knowledge of what constitutes a deduction, will it be necessary to make this law effective?

These are just some of many questions which have occurred to me. I have here the answers to these questions. But it seems to me that you should have the answers to these questions before adopting this or any substitute form of local taxation. What then is my recommendation? I don't feel you can answer all of these questions in a few days that are left of this Special Session. Yet, as a Mainland taxpayer if nothing else, some form of local taxation is going to have to be adopted in the foreseeable future. As a consequence I would suggest that you people might hire independent tax counsel from the United States to study this law for you and with you. With the help of this tax counsel I think you will be able to fully appreciate the impact of the law before you and have a sufficient amount of time to really study all of its ramifications.