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July 1954

MEMORANDUM FOR THE RECORD  
SUBJECT: Tax Status of Certain Payments to Representatives and Executive  
Committees

1. On 19 July I was called by Mr. James W. Forrest of the General Counsel's Office. He said a letter from Representative Nathan (Minority Whip of House Ways and Means Committee) to Mr. Allen Dulles had requested information as to what was the tax status of the persons receiving payments through the AXMINSTER complex. He wanted to know specifically what their liability was to the Internal Revenue Service and what steps, if any, had been taken by this Agency to insure compliance with Federal tax laws.

2. Mr. Belcher was present by presence at a meeting held at 2:30 P.M. in Room 326 East Building to determine the tax status of the payments made to the Dulans in the AXMINSTER complex.

3. Present at the meeting were the following personnel:

James W. FORREST, Office of General Counsel

George C. RY, Assistant Legislative Counsel

Joe O'NEIL, Assistant Legislative Counsel

03 [redacted] Finance Division, [redacted] Acct. Branch,

Finance Division

03 [redacted]

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03 4. Before the meeting I conferred with [redacted] and [redacted] to have certain facts [redacted] which I or [redacted] present to the General Counsel Staff.

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5. I told the members of the Agency (sic) at a meeting held in January 1961 attended by [redacted] (Covert Tax Branch), [redacted] (General Counsel Office) and [redacted] (Chief, Support, AMIA/2) it was decided that payments made to designated dependents of trainees were not salary payments but were subsistence payments not taxable. At this meeting, Mr. [redacted] stated that any salaries paid to council members of AMIA/2 would be the personal responsibility of the individual receiving the salary and that reporting to Internal Revenue would be in accordance with existing laws. He also stated there was no policing to be made by this Agency. (b) No withholdings for taxes were made by AMIA/2. (c) AMIA/2 has no official or corporate status in the U.S. (d) Subsistence payments represented living allowances to dependents of foreign nationals who were training for the project primarily outside of the U.S. (e) There was no evidence of official notice to AMIA/2 of any tax liability.

6. After a general discussion as to how Representative Karsten would be briefed to his satisfaction, the meeting was adjourned.

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[redacted]  
Ch/Finance

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