

DISPATCH

CLASSIFICATION
SECRET

PROCESSING UNIT

TO	Chief of Station, Mexico City	FROM	WFO
INFO		DATE	12/1/55
CLASS	CONFIDENTIAL	BY	

RE: A. E-574, 17 March 1955
 B. E-573, 17 November 1954

1. The information provided in reference B can only be reaffirmed, as the tax has not changed on this particular aspect since 1953. It would be the best source of comparison to an individual, whether he is an employe or an independent contractor, the computation is taxable. Attached to Internal Revenue Code Section 911.

2. If after reading Section 911 of the Code 1954 follows that his annual income from the Commission should not be taxable, it is suggested that one of the following procedures be used to provide satisfaction to him:

A. That the Station authorize the issuance of an ORDER Form 1079 (Statement of Earnings) for the year 1954. This would allow us to turn over the documentation directly to Internal Revenue and the computation then could be handled between Internal Revenue and 1954/1 without coming to the attention. The issuance of Form 1079 is not a particularly serious cover problem, since a man in his field could easily be approached by COMINT to conduct a research project for them.

B. Attached is a revised 1954 covert tax return which 1954/1 could submit to Internal Revenue, through the Cover Unit. This return would be processed by Headquarters and forwarded to the IRS Cover Unit, who would audit the return. The chances are excellent that they would prepare an audit letter and request payment of tax on the unpaid amount. At this point 1954/1 could prepare and forward to Headquarters his statement on why he considers the income excludable and follow normal procedures to contact the case. This procedure requires 1954/1 to act as the intermediary handling all the resulting correspondence.

Either of the above procedures will provide him with the same opportunities to contest a Revenue finding as any other taxpayer; however, the second suggestion (B) will require considerable effort on the part of 1954/1.

Handwritten initials/signature

CROSS REFERENCE TO	DISPATCH SYMBOL AND NUMBER	DATE
	E-574	1 April 1955
	CLASSIFICATION	NO FILE NUMBER
	SECRET	
ORGANIZATION		
OFFICE	OFFICER	UNIT
CC3/IC	POMPL	F
COORDINATING		
OFFICE SYMBOL	DATE	OFFICER'S NAME
W/1/Kax	4/1/55	
W/Pers	4/1/55	
OP/CIB		Tel. coord. by [redacted]
ACTION		
OFFICE SYMBOL	DATE	OFFICER'S NAME
C/W/S		

3. During the review of Case Section 911, please note the wording used in the paragraph on the limitations on the amount of the contribution. The (b)(3)(C)(i) limitation is for an individual who qualifies as a bona fide resident for such quality solely under Section 911 (a) (1); that is, it can exclude "persons domiciled in areas outside the United States (persons domiciled by the United States or by agency thereof)." The (b)(3)(C)(ii) limitation is for individuals domiciled in any city and does not exclude "persons domiciled in areas outside the United States (interest, citizenship, etc.)."

4. Since this involves a 1954 tax return, it is suggested that the office be made as soon as possible because, as you note in paragraph one of reference 4, interest is accruing.

5. If we can be of any further assistance, please advise.

vdc
VICTOR D. UHRY

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