

CLARIFICATION OF TAX TREATMENT OF BONDS AND
OTHER OBLIGATIONS ISSUED BY GOVERNMENT OF
AMERICAN SAMOA

APRIL 23, 2002.—Ordered to be printed

Mr. HANSEN, from the Committee on Resources,
submitted the following

R E P O R T

[To accompany H.R. 1448]

[Including cost estimate of the Congressional Budget Office]

The Committee on Resources, to whom was referred the bill (H.R. 1448) to clarify the tax treatment of bonds and other obligations issued by the Government of American Samoa, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. CLARIFICATION OF TAX TREATMENT OF BONDS AND OTHER OBLIGATIONS
ISSUED BY GOVERNMENT OF AMERICAN SAMOA.**

(a) EXEMPTION OF ALL BONDS FROM INCOME TAXATION BY STATE AND LOCAL GOVERNMENTS.—Subsection (b) of section 202 of Public Law 98-454 (48 U.S.C. 1670) is amended to read as follows:

“(b) EXEMPTION OF ALL BONDS FROM INCOME TAXATION BY STATE AND LOCAL GOVERNMENTS.—

“(1) IN GENERAL.—The interest on any bond or other obligation issued by or on behalf of the Government of American Samoa shall be exempt from taxation by the Government of American Samoa and the governments of any of the several States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof.

“(2) EXEMPTION APPLICABLE ONLY TO INCOME TAXES.—The exemption provided by paragraph (1) shall not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.”.

(b) EFFECTIVE DATE.—This Act shall apply to obligations issued after the date of the enactment of this Act.

PURPOSE OF THE BILL

The purpose of H.R. 1448 is to clarify the tax treatment of bonds and other obligations issued by the Government of American Samoa.

BACKGROUND AND NEED FOR LEGISLATION

Under U.S. law, Congress has expressly provided for the exemption of state and local taxes for bonds issued by Guam, the Virgin Islands, Puerto Rico and the Northern Mariana Islands. While American Samoa can issue bonds similar to the other territories, the interest earned from American Samoan bonds is subject to taxation by the several States, Washington, D.C. and the other territories. H.R. 1448 will provide parity for American Samoa. This legislation amends U.S. law to allow interest earned on bonds issued by the American Samoan Government to be exempt from state, local and territorial taxation. This will make American Samoa bonds more attractive to investors and could provide additional sources of funds for the government of American Samoa.

COMMITTEE ACTION

H.R. 1448 was introduced on April 4, 2001, by Delegate Eni F.H. Faleomavaega (D-AS). The bill was referred to the Committee on Ways and Means, and additionally to the Committees on Resources and the Judiciary. On September 6, 2001, the bill was rereferred to the Committee on Resources, and additionally to the Committee on the Judiciary. On March 20, 2002, the Resources Committee met to consider the bill. Mr. Faleomavaega offered an amendment in the nature of a substitute that struck section 1 (a) and (c) to correct a drafting error in the original bill. It was adopted by voice vote. The bill as amended was then ordered favorably reported to the House of Representatives by voice vote.

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Resources' oversight findings and recommendations are reflected in the body of this report.

CONSTITUTIONAL AUTHORITY STATEMENT

Article I, section 8 and Article IV, section 3 of the Constitution of the United States grants Congress the authority to enact this bill.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation. Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out this bill. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974.

2. Congressional Budget Act. As required by clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974, this bill does not contain any new budget authority, spending authority, credit authority, or an increase or decrease in revenues or tax expenditures.

3. General Performance Goals and Objectives. This bill does not authorize funding and therefore, clause 3(c)(4) of rule XIII of the Rules of the House of Representatives does not apply.

4. Congressional Budget Office Cost Estimate. Under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for this bill from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 5, 2002.

Hon. JAMES V. HANSEN,
*Chairman, Committee on Resources,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1448, a bill to clarify the tax treatment of bonds and other obligations issued by the government of American Samoa.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Matthew Pickford (for federal costs); and Marjorie Miller (for the state and local impact).

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.R. 1448—A bill to clarify the tax treatment of bonds and other obligations issued by the government of American Samoa

H.R. 1448 would amend current law to make bonds issued by the government of American Samoa exempt from state, local, and territorial income tax. The bill would not affect federal taxes, and CBO estimates that implementing H.R. 1448 would have no impact on the federal budget. Because the bill would not affect direct spending or governmental receipts, pay-as-you-go procedures would not apply. The bill contains no private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

H.R. 1448 contains an intergovernmental mandate as defined in UMRA, but CBO estimates that the cost of the mandate would be well below the threshold established in that act (\$58 million in 2002, adjusted annually for inflation). This mandate is a preemption of state and local taxing authority. The bill would exempt the interest on any bond issued by the government of American Samoa from state, local, and territorial taxes. Because American Samoa generally has only a few million dollars in bonds outstanding at any time, this preemption would not have a significant cost for state, local, or territorial governments. Enacting this bill would benefit the government of American Samoa by reducing its borrowing costs.

The CBO staff contacts for this estimate are Matthew Pickford (for federal costs), and Marjorie Miller (for the state and local impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

COMPLIANCE WITH PUBLIC LAW 104-4

This bill contains no unfunded mandates as defined by Public Law 104-4.

PREEMPTION OF STATE, LOCAL OR TRIBAL LAW

This bill will preempt State or local law regarding the taxation of bonds issued by American Samoa. It will not affect tribal law.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 202 OF THE ACT OF OCTOBER 5, 1984

(Public Law 98-454)

AN ACT To enhance the economic development of Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and for other purposes.

SEC. 202. (a) * * *

[(b)(1) Except as provided in paragraph (2), any obligation shall be exempt from all State and local taxation in effect on or after October 1, 1984.

[(2) Any obligation issued under subsection (a) shall not be exempt from State or local gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.

[(3) For purposes of this subsection—

[(A) The term “State” includes the District of Columbia.

[(B) The taxes imposed by counties, municipalities, or any territory, dependency, or possession of the United States shall be treated as local taxes.]

(b) *EXEMPTION OF ALL BONDS FROM INCOME TAXATION BY STATE AND LOCAL GOVERNMENTS.—*

(1) *IN GENERAL.—The interest on any bond or other obligation issued by or on behalf of the Government of American Samoa shall be exempt from taxation by the Government of American Samoa and the governments of any of the several States, the District of Columbia, any territory or possession of the United States, and any subdivision thereof.*

(2) *EXEMPTION APPLICABLE ONLY TO INCOME TAXES.—The exemption provided by paragraph (1) shall not apply to gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.*

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