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DISPATCH

CLASSIFICATION
SECRET

PROCEEDING WITH

TO	Chief of Station, Mexico City	INFO (1) (2) (3)
FROM	Chief, [redacted]	IS BEING FORW
DATE	12/1/55 - 12/7/55	COPIES FORW ON ALL BODIES
ATTACHED LISTINGS		REFUS

- 1. A- [redacted], 17 [redacted] 1955
- 3. [redacted], 17 [redacted] 1954

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

2. If after reading Section 911 of the Code [redacted] believes that his annual income from the Corporation 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 OMBUDSMAN from 1059 (Statement of Income) for the year 1954. This would allow us to turn over the documentation directly to Internal Revenue and the [redacted] could be handled between Internal Revenue and [redacted] without coming to the attention. The issuance of [redacted] the [redacted] is not a particularly serious cover problem, since a man in his field could easily be approached by OMBUDSMAN to contact a research project for them.

B. Attached is a revised 1954 covert tax return which [redacted] could submit to Internal Revenue, through the Government. This return would be processed by Headquarters and forwarded to the IRS Court Unit, who would audit the return. The chances are excellent that they would prepare an audit letter and request payment of tax on the [redacted] [redacted] income. At this point [redacted] could prepare and forward to Headquarters his statement on why he considers the income excludable and follow normal procedures to contest the case. This procedure requires [redacted] 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 [redacted] suggestion (B) will require considerable effort on the part of [redacted].

Whiff-201

CASE REFERENCE TO	DISPATCH SYMBOL AND NUMBER	DATE
	EIS-4674	1 April 1955
	CLASSIFICATION	NO FILE NUMBER
	SECRET	
ORIGINATOR		
OFFICE	OFFICER	TITLE
CC3/IC	POWELL	[redacted]
COORDINATING		
OFFICE SYMBOL	DATE	OFFICER'S NAME
W1/1/Kox	4/1/56	[redacted]
W1/Pers	7/1/56	[redacted]
OP/CEO		Tel. coord. by [redacted]
ACTION		
OFFICE SYMBOL	DATE	OFFICER'S NAME
C/W/S3		

DISPATCH

2/ps

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). This is, in our opinion, "residence" limited to areas outside the United States (such as areas held by the United States or by agency thereof). The (b)(3)(C)(ii) limitation is for individuals earned income only and does not include non-qualifying earned income for unearned income (interest, dividends, etc.).

4. Since this involves a 1974 tax return, it is suggested that the dates be made as close as possible to those, as you note in paragraph one of reference 4, inherent in operating.

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

vdc
VICTOR D. UHNEY

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