TAX REIMBURSEMENT AGREEMENT
between the
UNITED STATES OF AMERICA
and the
GENERAL SECRETARIAT OF THE ORGANIZATION OF AMERICAN STATES

TAX REIMBURSEMENT AGREEMENT

This Agreement is made this tenth day of January of the year 1984, between the Government of the United States of America ("United States") and the General Secretariat of the Organization of American States ("General Secretariat") (together "the parties"), and witnesses as follows:

WHEREAS:

It is the intent of the United States to assume sole responsibility for funding reimbursement of taxes to staff members of the General Secretariat who are subject to United States tax law as United States citizens or permanent resident aliens;

The parties are desirous of concluding a formal Agreement on reimbursements to staff members obligated to pay United States federal, state, and local income taxes on income received as compensation for official services rendered to the General Secretariat ("institutional income"); and,

The parties believe that such an Agreement must achieve the following objectives:

a. Fundamental fairness to both parties and to the staff of the General Secretariat;

b. Equal pay for equal work to make compensation of employees liable for United States income taxes on institutional income comparable to the extent feasible to compensation received by other employees exempt from taxes on institutional income in their home countries;

c. Regularization of payments made by the United States to the General Secretariat for tax reimbursements to ensure clarity of purpose and conformity to mutually agreed procedures;

d. Maximum efficiencies and economies for both parties;

e. Preservation of agreed upon staff benefits;

f. Full accountability for amounts paid by the United States to the General Secretariat under the Agreement;

g. Prevention of possible fraud and abuse;

h. Preservation of each staff member's right to privacy;

NOW, WHEREFORE, THE PARTIES AGREE:

1. The United States shall deposit on a timely basis with the General Secretariat each quarter a sum sufficient to cover all tax reimbursements paid by the General Secretariat during that quarter in accordance with this Agreement.

2. The General Secretariat shall reimburse staff members who are liable for and pay the United States federal self-employment tax and United States federal, state, and local income taxes on their institutional income, the amount of those taxes paid, subject to the following conditions:

a. Institutional income shall include only those particulars of compensation described in Addendum A to this Agreement. No change in those particulars shall be made absent the consent of the parties. Such consent shall not unreasonably be refused in the event that emoluments not taxable as of the effective date of this Agreement become taxable in the future.

b. In computing the amount of reimbursement due each staff member, the General Secretariat shall consider his institutional income as if it were the only income received, and shall take into account any special tax benefits available to United States taxpayers employed abroad, as well as the deductions and personal exemptions, provided for in Addendum B to this Agreement.

c. Each staff member receiving tax reimbursements shall authorize the General Secretariat to obtain a confirmation from the United States Internal Revenue Service ("IRS"), and state or local government counterpart bodies as appropriate, of the tax liability of that staff member and payment of the tax due. Each staff member shall also provide the General Secretariat with all materials which are necessary to verify his tax liability and tax payments.

d. Checks paid to staff members for reimbursement of estimated taxes shall be made payable jointly to the taxpayer and the IRS, or counterpart body of the taxing state or local government.

e. No reimbursement shall be paid for fines, penalties or interest charges paid by a staff member in relation to the tax laws of the United States or any other taxing authority as a result of a staff member's failure to prepare his tax

returns properly, to pay his tax liabilities, or otherwise to comply with such laws. Should fines, penalties or interests be assessed exclusively as a result of action taken by or at the direction of the General Secretariat or the United States Government, the General Secretariat may reimburse such fines, penalties or interest with the prior consent of the United States Government in each case. Such consent shall not be unreasonably withheld.

f. Reimbursement of United States federal self-employment taxes shall equal the difference between the amount the staff member pays as a result of his classification as a self-employed person, less any applicable tax credit arising from the same classification, and the amount he would have to pay in social security taxes and health insurance taxes were he classified as an employee.

3. The General Secretariat shall audit on a regular basis staff members receiving tax reimbursements in order to verify status of tax liability and payment of taxes. The General Secretariat shall take disciplinary measures against staff members who make false statements to the General Secretariat with regard to the payment of their taxes or who refuse to provide it with the records necessary to conduct such audits.

4. The General Secretariat shall deposit monies received from the United States under this Agreement in the tax reimbursement account of the Organization of American States ("OAS"), and that account shall be included within the accounts of the Regular Fund of the OAS, and as such, shall be subject to examination by the Board of External Auditors in accordance with Chapter V of the General Standards to Govern the Operations of the General Secretariat.

5. Before May first of each year, the General Secretariat shall certify to the United States the amount of money disbursed for tax reimbursements for the preceding tax year, in accordance with the provisions of this Agreement. The certification will include a list of participating employees, showing the amount of institutional income and tax reimbursement paid to each employee for the preceding tax year. The General Secretariat shall continue to provide the IRS with 1099 forms for each employee.

6. The parties shall cooperate in the search for a solution to the so-called pyramiding factor.

7. Tax reimbursements paid staff members who occupy posts financed by the Special Multilateral Funds or other voluntary funds are not covered by the terms of this Agreement.

8. In the interest of moderating the tax reimbursement obligation of the United States and maintaining the availability of tax benefits granted by United States law to members of qualified pension plans, the United States and the General Secretariat will make every effort to maintain the qualified status of the Retirement and Pension Plan of the OAS.

9. This Agreement shall enter into force upon signature by both parties, and shall have an initial term of five years, after which time it may be terminated by either party upon one year's prior notice to the other.

10 The Agreement shall apply with regard to tax reimbursements for institutional income earned on or after January 1, 1984.

11. For the tax year 1984, the General Secretariat shall calculate the amount of tax reimbursement payable to an eligible staff member under the method obtaining in 1983. For 1985 the amount of reimbursement payable shall be the sum of two calculations: the first portion will equal 66% of the amount calculated using the method obtaining in 1983; the second portion will equal 34% of the amount payable under the method set forth in paragraph 2 of this Agreement. For 1986, the amount of reimbursement payable shall again be the sum of two calculations: the first portion will equal 34% of the amount calculated using the method obtaining in 1983; the second portion will equal 66% of the amount payable under the method set forth in paragraph 2 of this Agreement. For the tax year 1987, and any subsequent tax years covered by the terms of this Agreement, the amount of reimbursement paid to staff members shall be solely the amount payable under provisions of Paragraph 2 of this Agreement.

12. Subject to the availability of funds, the United States shall reimburse the General Secretariat for such extraordinary expenses as may be incurred by the General Secretariat on or before December 31, 1984, in connection with the development and implementation of such new administrative capabilities and procedures as may be required solely to carry out the provisions of this Agreement, provided that no reimbursement shall be made for any such expenses which, in the opinion of the United States, are not reasonable and necessary for this purpose. The General Secretariat shall, as soon as possible following entry into force of this Agreement, furnish to the

United States its best estimate of the nature and amount of the expenses referred to in the preceding sentence and shall, as soon as possible after December 31, 1984, furnish to the United States a final accounting setting forth the nature and amount of all such expenses as may have been actually incurred, together with a request for reimbursement therefor. Any question that may arise concerning the nature or amount of such expenses, or the reimbursement therefor, shall be resolved through consultations between the parties.

13. In the event that the United States enters into a tax reimbursement agreement with another international organization with substantially different terms from those of this Agreement, the United States shall inform the General Secretariat of the terms of said agreement. It will then be the option of either party to request a renegotiation of this Agreement, taking into account the need to maintain consistency and fairness. In the event of such renegotiation and pending the entry into force of any new agreement resulting therefrom, this Agreement shall remain in force in accordance with its terms.

14. The United States Government shall cooperate with the General Secretariat to resolve any problems arising out of the implementation of this Agreement.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

J. William Middendorf, II
Ambassador
Permanent Representative
of the U.S.A. to the OAS

FOR THE GENERAL SECRETARIAT OF THE ORGANIZATION OF AMERICAN STATES

Alejandro Orfila
Secretary General

ADDENDUM A

PARTICULARS OF INSTITUTIONAL INCOME

"Institutional income," as used in this Tax Reimbursement Agreement, includes only the following particulars of employee compensation:

-- Basic salary
-- Post adjustment
-- Salary increases
-- Repatriation grant*
-- Language allowance
-- Allowance for special duties
-- Overtime
-- Night differential
-- Salary advances
-- Lump-sum withdrawals from the Retirement and Pension Fund*
-- Installation allowance
-- Education grant
-- Award of merit+
-- Mission subsistence allowance
-- Dependency allowance
-- Non-resident allowance
-- Termination indemnity*
-- Appointment travel allowance
-- Reimbursement of United States federal, state, or local income tax payments and United States self-employment tax payments on institutional income
-- Lump-sum payments for unused annual leave
-- Home leave travel
-- Final compensation+
-- Rent subsidy
-- Repatriation travel expenses
-- Moving expenses
-- Assignment allowance

---

*This is institutional income only to the extent that benefits are awarded for persons who are staff members as of December 31, 1983.

+This is institutional income only for persons who were members of the staff prior to January 1, 1971.

ADDENDUM B

ALLOCATION OF DEDUCTIONS AND PERSONAL EXEMPTIONS FOR THE PURPOSE OF CALCULATING TAX REIMBURSEMENT

1. Each staff member claiming tax reimbursement shall determine the filing status under which he or she seeks reimbursement of taxes, provided that this choice of filing status shall not differ from the actual status under which taxes are paid to the IRS.

2. Each staff member shall be presumed to claim one personal exemption for the purposes of determining the amount of income subject to tax reimbursement.

3. Each staff member shall be presumed to claim the amount of itemized deductions determined to represent the average amount for his institutional income and filing status based on IRS statistics. However, reimbursement payments for income tax shall not be considered part of institutional income for the purposes of this calculation.

4. Except as provided in paragraph 5 below, in all cases wherein a staff member's actual itemized deductions equal or exceed the average amount for his income level, the amount of federal income tax reimbursement payable to him shall be the amount dictated by IRS tax tables for his institutional income minus one exemption and the average deductions as determined above. The amount of state or local tax reimbursement for such a staff member shall be the amount dictated by pertinent state and local tax tables for his institutional income minus one exemption and the average deductions determined above, less the amount of any deductions taken on his federal income tax return which are not allowed under state and local law.

5. For a staff member whose actual itemized deductions are less than the average amount dictated by IRS tax tables for his level of institutional income, the amount of federal income tax reimbursement payable shall be the amount dictated by IRS tax tables for that staff member's institutional income minus one exemption and the greater of his actual deductions or the zero bracket amount. The amount of state or local tax reimbursement for such a staff member shall be the amount dictated by the pertinent state and local tax tables for his institutional income level minus one exemption and the greater of his actual deductions allowed under state and local law or the zero bracket amount.