

PDKAK 209  
10/87

AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A. I. D. MISSION  
TO EL SALVADOR  
C/O AMERICAN EMBASSY.  
SAN SALVADOR, EL SALVADOR, C. A.

Dr. William Arceneaux  
CONSORTIUM FOR SERVICE TO LATIN AMERICA  
150 Riverside Mall  
Baton Rouge, La. 70801-1389

Subject: Cooperative Agreement No. 597-0001-A-00-6420-00  
Modification NO. 1

Dear Mr. Arceneaux:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "A.I.D.") hereby issues a Modification No. 1 to the Cooperative Agreement with Consortium for Service to Latin America (hereby referred to as "C.S.L.A." or "Recipient") for the sum of \$2,195,253.00 to undertake a training program in support of the Central American Peace Scholarships and justices of peace in El Salvador as described in the Schedule of the Modification No. 1 to the Agreement and Attachment 2 and 2A, entitled "Statement of Work" No. 1 and No. 2.

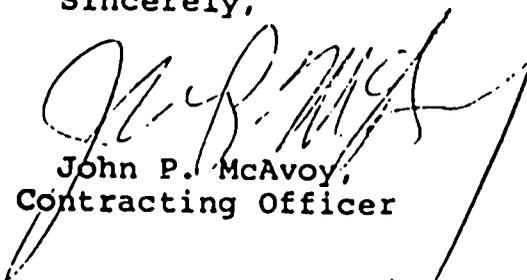
This Modification No. 1 to the Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning September 1st, 1987 and ending August 30, 1991.

This Modification No. 1 to the Agreement is made to C.S.L.A. on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled "Schedule", Attachments 2 and 2A, entitled "Statement of Work" No. 1 and No. 2, and Attachment 4 entitled "Tax Legislation and its Effects on Participants which have been agreed to by your organization.

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Please sign the original and three copies of this letter to acknowledge your acceptance of this Modification No. 1 to the Agreement and return the original and two copies to the Executive Office, USAID/El Salvador. All other terms and conditions of the original Agreement remain the same.

Sincerely,



John P. McAvoy,  
Contracting Officer

Attachments:

1. Schedule
2. "Statement of Work No. 1"
- 2.A "Statement of Work No. 2"
4. Tax Legislation and its effects on participants.

ACKNOWLEDGED:

CONSORTIUM FOR SERVICE TO LATIN AMERICA

By: [Signature]  
Title: Contracting Officer, U.S.A.  
Date: July 14, 1987

FISCAL DATA

Appropriation	: 72-1161021, 72-1161037, 72-1171021, 72-1151037
Budget Plan Code	: LDAA-86-25519-EG14, LESA-85-25519-KG13, LESA-86-25519-KG14, LDEA-87-25519-KG13,
Project No.	: 597-0001, 519-0337 and 519-0296
Obligated to date	: \$3,919,153.00
This obligation	: \$2,195,253.00
Total obligation	: \$6,114,406.00
Funding Source	: USAID/El Salvador

SCHEDULE

The required changes to the original Cooperative Agreement No. 597-0001-A-00-6429-00 dated July 15, 1986 are as follows:

SECTION II AMOUNT OF AGREEMENT, PAYMENT AND COST SHARING

Sub-Section 1 : DELETE in its entirety and SUBSTITUTE in lieu thereof:

"A.I.D. hereby obligates by this Modification the amount of \$2,195,253.00.

The total obligated amount will be from \$3,919,153.00 by this Modification No. \$2,195,253.00 to the new total obligated of: \$6,114,406.00.

ADD SECTION IV - PERIOD OF AGREEMENT

This Cooperative Agreement and its Modification No. 1 is effective during the period beginning July 15, 1986 through August 30th, 1991.

ADD SECTION V - REPORTS AND EVALUATION

The Consortium for Service to Latin America (CSLA) will, within 30 calendar days of the completion of each semester (for long-term CAPS scholars) or course (for short-term CAPS scholars), submit an evaluation of the semester/course to USAID/ES/OET. For short-term training, it will also include a course evaluation based upon the fulfillment of the training objective established by the scholars.

A technical report in accordance with the Training Cost Breakdown Structure (TCBS) format will be submitted quarterly.

A TCBS will also be submitted to the Office of Education and Training of USAID/ES for each group of scholars within 30 calendar days of the completion of each semester (long-term scholars) or course (short-term scholars) indicating the actual costs following the same TCBS format provided for budget Proposals. It is expected that the CSLA will share Quarterly TCBS and TCBS indicating actual costs after each semester or course with LAC/DR/EST and CAPS evaluators.

ADD SECTION VI - NEGOTIATED OVERHEAD RATES

A. Establishment of Indirect Cost Rates

Notwithstanding any other clause of this Agreement, an indirect cost rate or rates shall be established for each of the recipient's accounting periods which apply to this agreement.

Pending establishment of revised provisional or final indirect cost rates for each of the recipient's accounting periods which apply to this agreement, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the base which is set forth below:

<u>TYPE OF RATE</u>	<u>RATE</u>	<u>BASE</u>
Overhead	20%	Total Direct Costs excluding international airfare

ADD SECTION VII - FINANCIAL PLAN

1. The total amount obligated for performance of the work specified in attachment No. 2 and 2A "Statements of Work" No. 1 and No. 2 of this Modification No. 1 is \$2,195,253.00. The total amount obligated in the original agreement is \$3,919,153.00. Therefore the total amount obligated for this agreement and its Modification No. 1 is \$6,114,406.00.
  
2. a) The total amount of this agreement is \$6,114,406.00 for services as described in the original budget and the additional budget No. 1 and No. 2 for this Modification No. 1.  
In no event shall the Government be liable for an amount in excess of this obligation.
  
- b) The recipient is not obligated nor authorized to incur costs in excess of \$6,114,406.00.

ADDITIONAL BUDGET No. 1

A.	Short Term Scholars	
	Total number 56	
	1. Participant Costs .	\$ 165,404.00
	2. International Travel	\$ 25,256.00
B.	Long Term Scholars	
	Total number 41	
	1. First year	
	a) English Language Orientation	\$ 470,926.00
	b) International Travel	\$ 20,828.00
	2. Two year Program	
	a) Construction Technical/Electrical and Electronic (20)	\$ 519,680.00
	b) Agricultural Mechanics (11)	\$ 287,628.00
	c) Med.Equip.Repair/construction(10)	\$ 227,420.00
C.	Overhead (20% excluding Int'l Travel for Students (\$46,084.00) International Travel for Administration Personnel (\$10,000.00) and Equipment for a total value of \$17,293.	\$ 328,753.00
D.	Other Direct Costs	\$ <u>26,500.00</u>

Total estimated costs for the statement  
of Work No. 2 of this Modification No. 1 \$2,072,395.00

1. Within the total obligated amount of this Agreement the Recipient may adjust individual line items by up to 15% as is reasonably necessary for the performance of program objectives set forth herein.
2. The Recipient shall provide USAID with a copy of each financial audit conducted on the Recipient. The audit report shall include a section detailing USAID Program receipts and related expenditures by project.
3. The forty one (41) long-term scholars must leave the country for Baton Rouge, Louisiana on September 8, 1987.

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ADDITIONAL BUDGET No. 2

A. Training Costs		\$ 30,184.00
B. Travel:		
International	\$ 22,998.00	
Local	<u>\$ 4,322.00</u>	
Total Travel		\$ 27,320.00
C. Per Diem		\$ 46,631.00
D. Insurance		\$ 2,080.00
E. Overhead (20% excluding International travel)		<u>\$ 16,643.00</u>
Total Estimated Cost for Statement of Work No. 2A for this Modification 1		\$ 122,858.00

The total estimated cost for this Modification No. 1 is \$2,195,253.00 that includes the additional budget No. 1 for a total of \$2,072,395.00 and the additional budget No.2 for a total amount of \$122,858.00

STATEMENT OF WORK No. 2

## I. BACKGROUND

The general objective of this scope of work is to support the USAID/ES Program, Central America Peace Scholarships (CAPS).

The CAPS Program is a result of recommendations of the National Bipartisan Commission on Central America (NBCCA). The NBCCA, recognizing that Central America is presently in the throes of economic, political, and social turmoil, recommended that the U.S. could contribute significantly to the development of democratic processes in the region by offering scholarships for study in the U.S., especially to disadvantaged youth from rural and marginal urban areas. The purpose of the CAPS Program is to provide U.S. training opportunities to Salvadorans, so that they may contribute to El Salvador's economic, social, and political development. The CAPS Program will offer training in various fields to people from a broad spectrum of Salvadoran society, exposing them to the U.S., its democratic institutions and traditions and, at minimum, enabling these individuals to acquire an understanding of the U.S. democratic system.

## II. GENERAL OBJECTIVES

The Consortium for Service to Latin America (CSLA) is requested to train the following CAPS Scholars: (1) 41 long-term scholars (3 years each) in the areas of Agricultural Mechanics, Construction Management, Electronic Repair and Medical Equipment Repair; and, (2) 56 Community Leaders for a four-week training program in Spanish in the United States and a one-week follow-on program in El Salvador six months later. The following section provides specific information regarding the training programs mentioned above.

## III. SPECIFIC OBJECTIVES

A. Long-Term (3 years) Program-Undergraduate Scholars1. Background

41 recent high school graduates were selected for long-term training based upon their academic potential (measured by averages of their high school record in academics), leadership potential (measured by participation in school or community activities and the quality of their written essays), and an evaluation of their socio-economic

status. Final selectees chose their specialization within areas determined by USAID. The CSLA is requested to prepare programs for the following number of Scholars:

<u>Area of Study</u>	<u>Number</u>
Agricultural Mechanics	11
Construction Management	12
Electronic Repair	10
Medical Equipment Repair	8
	<u>41</u>

2. English Language Training (One Year)

Most CAPS Scholars have a limited background in English. The CSLA is required to provide initial diagnostic testing before placing the Scholars in appropriate English classes, which should constitute the major portion of their academic program for the first calendar year. Appropriate guidance services should be provided to quickly identify potential academic or personal problems. The English Language Program should be "tailor-made" for the CAPS Scholars to include, among other things, vocabulary enrichment activities that are related to the technical areas of specialization during the subsequent two years of technical training leading to the Associate of Science degree. Should individual CAPS Scholars attain sufficient English Language Proficiency before the first calendar year ends, they may be placed in Associate of Arts or Science programs earlier. Class size should be limited to a minimum of 10 and a maximum of 15 students to achieve quality instruction and cost - effectiveness. To assist in using English skills outside of classes and laboratories, the scheduling of appropriate social and cultural activities should be made as well as assigning English speaking roommates for the CAPS Scholars in dormitories.

3. Associate of Science/Arts Degree Program

After successful completion of English Language Training, each CAPS Scholar should be assigned to an appropriate junior or Community College to pursue a maximum two-year program leading to an Associate of Science or Arts degree in the areas described earlier.

The CSLA should select these institutions at the time of the submission of the proposal, which should contain:

- a) Specific course titles and descriptions for each major area (i.e. Agricultural Mechanics, Construction Management, Electronic Repair and Medical Equipment Repair).
- b) Institutional catalogs describing the institution, offerings, and other relevant data;
- c) Cost proposals, using the Proposal Worksheets.

4. "Experience America" Component

An integral part of each CAPS training program, whether long-term or short-term, is the provision of meaningful experiences for each CAPS Scholar, in groups and individually, to experience U.S. political, cultural, and social life. Opportunities to interact regularly with Americans both individuals and families, are important. The contractor should include in its proposal specific activities to insure that this goal is achieved as a co-equal objective of the Peace Scholarship Program. Among the activities to be included are the following:

- a) Home visits, on a regular basis to allow for interaction with Americans through personal experience to learn more about U.S. society.
- b) Attendance at civic, and political events (e.g., town council, and state legislative meetings).
- c) Attendance at professional meetings (e.g., Chambers of Commerce, School Boards and PTAs, local professional associations).
- d) Attendance at sporting, theater, dance, and music events.
- e) Within-State and Out-of-State visits to cultural, historical, or recreational sites. (Out-of-State visits are desirable, but cost must be considered here).
- f) Both structured and unstructured opportunities to talk about experiences and analyze observations or feelings about how America and Americans work, play, and live.
- g) All staff, including monitors, should be thoroughly briefed about the CAPS Program and its objectives in order to enhance the individual Scholar's experience in the U.S.

**B. Short-Term (5 1/2 weeks) Program - Community Leaders**

1. Background: El Salvador enjoys a tradition of voluntary associations of community members working together for the betterment of their communities; in nearly every canton you will find at least one "patronato" or "Comite pro-Mejoramiento de ...". Although no comprehensive studies exist on the range of activities carried out by these organizations, it is generally believed that these organizations represent potentially significant vehicles for improving community life and public services if their leadership is appropriately oriented and trained. Moreover, community associations have assumed greater importance with recent changes in the municipal code conferring greater authority and responsibility for public services and community development to local government.

2. Training Objective: To strengthen the capabilities of local leaders to support municipal government in improving public services and otherwise improving community life. In support of this objective, two groups of trainees will be identified, as follows:

Leaders of voluntary associations: In each department, mayors will nominate two individuals (total 28) who hold leadership positions in "patronatos", "Comites pro-mejoramiento", or other voluntary associations to attend the training program. These individuals should be from different municipalities within the Department, have at least three years of experience in working on community self-help projects, and be committed to helping their own and other departmental associations and town councils in planning and implementing projects.

Financial analysts: Two individuals (including at least one treasurer) will be selected per Department (total 28) by the council of mayors. These individuals will receive training in financial analysis in order to provide support to mayors and community groups in conducting feasibility assessments for income generation projects and to assist town councils in

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establishing user fee schedules based on the principle of cost recovery. Again, these individuals should be from different municipalities within the Department, have some previous financial training and/or experience, and be committed to helping town councils and community groups in planning and implementing projects. Ideally, one individual will be a municipal treasurer and the second individual, a representative of a bank or other private sector organization.

Following the training, it is hoped that these local leaders will return to their communities and assist community groups and town councils in their own municipalities and others in the Department to plan and support public service improvement and income generation projects and assume greater responsibility for maintenance of public infrastructure (such as schools, health posts, and "casas comunales").

3. Training Program Requested:

This short-term (5 1/2 weeks) Community Leaders program will be structured as follows:

- a) One-half week of pre-departure orientaton in El Salvador;
- b) Four weeks training in the United States; and
- c) One week follow-on training in El Salvador, approximately six months after U.S. training. The training will improve the participants' understanding of participatory methods of project design and implementation (including mobilization of community resources) and analytical skills essential for public service improvement and income generation projects. While both participant groups will require the same general training in project design and community organization, at least 25% of the formal classroom training should be designed to provide the specific groups with the technical training unique to their responsibilities; for example, the financial analysts should receive additional training in financial analysis skills, while the leaders of voluntary associations will receive more training in motivational/organization skills.

The training will also include visits to small U.S. towns with local government units and charitable/voluntary organizations, such as parent-teacher associations, womens' associations, church and other youth associations. These visits will provide exposure to U.S. institutions and systems and demonstrate how community groups interact with elected public officials, emphasizing the effectiveness of voluntarism.

These visits will provide a basis for discussion of how community efforts and greater private/public sector cooperation could facilitate community development and improve public services.

In sum, this special program will:

- stimulate participants' thinking about how community groups and municipal government could work together to stimulate the community's infrastructure and economic development;
- observe and discuss methods utilized in local government for ensuring feedback/participation of community groups in town planning and service delivery decisions;
- equip participants to identify priority needs and develop plans to resolve these priority problems, maximizing the use of the community's

- own resources through fund-raising activities and fee schedules; and
- provide participants with the skills needed for evaluating the costs and benefits of projects, and as appropriate, establishing user fee structures for cost-recovery.

The training will be conducted to two groups of trainees (28 each). Each group will be composed of financial analysts and members of voluntary associations.

A three member team of CSLA staff will remain with each group 24 hours a day for the duration of their stay in the United States.

Respectively, they are the Training Manager, Assistant Training Manager, and a Community Development Specialist. These three individuals shall be fluent in both Spanish and English and shall be knowledgeable in Latin American history, politics, geography, and economics. The CSLA management team members will also possess a working knowledge of communications skills, group dynamics, and leadership training. The Training Manager shall be responsible for the overall operation of the four week education module in the U.S. The Assistant Training Manager will primarily serve as a facilitator and logistics coordinator. The Community Development Specialist will coordinate volunteer efforts and events which will benefit the Peace Scholars and give special attention to making certain that they spend their off-hours enjoyably and constructively. As necessary, all three can and will serve as interpreters.

Prior to departure for the U.S., the Training Manager will conduct a pre-departure and orientation briefing for scholars to both inform them of the calendar of events and to suggest pre-departure activities which would improve the learning experience (for example, suggesting each participant bring with him/her a profile of their community, and ideas for resolution of priority problems). In addition, approximately six months after completion of the U.S. training, the Contractor will conduct a follow-on training seminar (one week duration) in El Salvador for all participants. This follow-on should attempt to resolve problems scholars have experienced in attempting to adapt technologies learned in the training program, as well as encourage the

formation of a network for the regular exchange of ideas among scholars.

"Experience America" Component:

The "Experience America" component, described elsewhere in this statement of work, is also applicable in this training component. Short-term training modules shall contain a strong component of orientation and familiarization with United States' society, family life, customs and culture, together with academic work and field trips to visit and observe the scholars' counterparts in the latter's work setting. All training will take place at the appropriate educational level of each Peace Scholar group. During each four-week module, training will focus on five areas: (1) United States Civics Laboratory, (2) Rural and Small Town/Village Management Practices and Techniques, (3) Peer Visits, (4) Leadership Training and, (5) Re-Entry Preparation.

C. Publicity

The CSLA shall arrange for local publicity to include the following:

1. That the Agency for International Development (AID) is the sponsor of all these activities and that all the training is made possible by AID financing.
2. Federal and State Congressmen should be given ample opportunity to meet and greet Salvadoran Scholars.
3. Photographs of participants on arrival, during training, during activities of a civic, historical, cultural, or entertainment nature for use in local and Salvadoran press. Each scholar will be presented with a group photo of some memorable occasion during his visit.
4. Local press releases of training activities.
5. Photo opportunities for the local press.
6. Scrapbook of course to include copies of photographs and clippings of all newspaper articles within 30 days after course completion.

D. General Provisions

1. The CSLA is required to inform all CAPS Scholars, including those who are already in

the U.S., under the CSLA Cooperative Agreement of their potential liability in regard to the new tax legislation (Tax Reform Act of 1986) and its effects on participants.

Copies of Participant Training Notice 87-4 (dated February 6, 1987 and State 159398 of May 26, 1987) are included as Attachments 4 to be used as guidance for the grantee.

2. In both training components a CSLA representative/escort, in coordination with USAID/ES/OET, will carry out a one-day pre-departure orientation program covering specific aspects of training program content including "Experience America" Program and administrative/logistic procedures. The escort will accompany the Scholars to the United States.

In case of short-term local leaders, the CSLA escort will accompany the groups to San Salvador after completion of the course. CSLA escort will participate in one-day debriefing session in San Salvador in order to evaluate the Scholar's experience and the implementation of the short-term course.

#### E. Reporting and Evaluation

The Consortium for Service to Latin America (CSLA) will, within 30 calendar days of the completion of each semester (for long-term CAPS scholars) or course (for short-term CAPS scholars), submit an evaluation of the semester/course to USAID/ES/OET. For short-term training, it will also include a course evaluation based upon the fulfillment of the training objective established by the scholars.

A technical report in accordance with the Training Cost Breakdown Structure (TCBS) format will be submitted quarterly.

A TCBS will also be submitted to the Office of Education and Training of USAID/ES for each group of scholars within 30 calendar days of the completion of each semester (long-term scholars) or course (short-term scholars) indicating the actual costs following the same TCBS format provided for

budget Proposals. It is expected that the CSLA will share Quarterly TCBS and TCBS indicating actual costs after each semester or course with LAC/DR/EST and CAPS evaluators.

F. Substantial Involvement Understandings

USAID/ES will be responsible for:

- Selection of candidates;
- Specification of training objectives, subject-matter areas, and length of training;
- Guidance to the CSLA related to the on-going and post-training evaluation objectives and policies;
- Monitoring implementation of training activities to assure they meet the requirements of the CAPS Project for sufficient exposure of Scholars to U.S. culture and democratic pluralistic institutions, through periodic semester or end-of-course reports and visits to the training institutions; and
- Approval of any changes of training objectives of implementation proposed by CSLA.

G. Period Covered by These Services

September 1987 through August 30, 1991

H. Amount of the Amendment and Payment

1. AID hereby reserves the amount stated in the face sheet of this Modification No. 1 to the Agreement for the purpose of these services. Payment shall continue to be made to the Grantee on a letter of credit basis in accordance with the procedures set forth in the Standard Provision of the Cooperative Agreement.

I. Special Provisions

1. The Grantee is hereby authorized to finance all the necessary costs for the implementation of

the training described herein, including the pre-departure orientation and the one-day final session in San Salvador, and round trip airline tickets, San Salvador/New Orleans/San Salvador for all participating Scholars.

2. The Grantee is hereby requested to place 10 of the 57 Scholars (CAPS II) already in the U.S. at Xavier University, an HBCU (Historically Black Colleges and Universities) institution, and also explore possible placement of some of these new 40 Scholars in Xavier University or another equally distinguished HBCU. In this manner, USAID/ES/OET plans to comply with the requirements of the Gray Amendment.

SCOPE OF WORK No. 2A  
JUSTICES OF THE PEACE

I. General Objective

The offer a short-term training program in Louisiana for approximately 50 justices of the peace from El Salvador. The purpose of the training is to strengthen the judges' abilities to administer justice by introducing the participants to the workings of similar justice systems and by providing specifically designed courses on the criminal procedural system, criminal law, the professional role of the judges, judicial ethics and court administration. Special attention will be given to the development of the procedural and administrative skills applicable to the role of the justice of the peace in El Salvador. To accomplish this, the training modules will be designed to take into account the education level of the participants and the practical issues relevant to the problems faced by the participants in their courts. Each training module will consist of four main elements: 1) technical training in court systems; 2) governmental accounting; 3) management, and 4) peer and site visits. Training will be conducted in Spanish by experts on the staff of the Center of Civil Law Studies of the Louisiana State University Law School, the Louisiana State Law Institute and the Government Services Institute at Louisiana State University. The Louisiana Association of Justices of the Peace will make their courtrooms and administrative facilities available for some of the field instruction.

II. Scope of Work

Working in collaboration with the GOES Supreme Court, the contractor will complete the following tasks:

- A. Develop and present a one day orientation seminar for each group of participants in San Salvador, designed to provide an overview of what participants can expect during the course.
- B. Design and implement a two-week training module for the Justices of the Peace taking into account the educational level of the participants and the issues to the problems faced by the participants in their Courts. The training module will consist of four main components and will emphasize the following areas:
  1. A legal instructional program with emphasis on:

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- a) The role of the judge at the scene of the crime, e.g. evidence gathering, protection and analysis; rules of evidence, etc.
  - b) Importance of the jury system, jury selection, trial procedures, etc.
  - c) The professional role of the judge and judicial ethics, emphasizing the importance of the integrity and impartiality of the system for the administration of justice.
  - d) Management/administration of the legal system; and
  - e) Court administration.
2. Governmental Accounting and Finance: Participants will review the budgetary cycle and discuss the politics of budgeting. Visits to their counterparts' courtrooms and administrative facilities will provide the necessary hands-on experience for this component of the course.
  3. Basic management concepts and techniques will be introduced, focusing on their application in government. Emphasis will be placed on how the individual manager can strengthen his/her personal skills and build relationships with subordinates, e.g., communication, leadership and problem-solving skills, goal-setting, and performance appraisal and discipline.
  4. Peer visits: Participants will be escorted on visits to local and district courthouses, police departments and forensic laboratories. During these visits the contractor will engage participants in discussions and mini-seminars. Peer visits will be coordinated with the Louisiana Justices of the Peace and Constable's Association.
- C. Escort each group of participants on their return trip to San Salvador and hold a one-day seminar to evaluate the experience of the participants.

### III. Special Considerations

Curriculum and schedule will be submitted for approval to A.I.D. prior to implementing the course. Contractor will conduct all facets of this contract in coordination with the GOES Supreme Court.

**IV. Reporting Requirements**

Upon the completion of each training period, the contractor will submit to the Office of Democratic Initiatives a preliminary evaluation of the Program (English and Spanish)

A final evaluation on the results of the Program will be due within 45 days of completion of the training for the second group. (Contractor will submit three copies of the evaluation, both in English and Spanish).

**V. Level of Effort**

Contractor will be responsible for all administrative and management functions associated with the Program, including visas, tickets, pocket-money, etc. Participants will travel in groups of 26. A two week period will separate the travel of each group.

Each group's day to day activities will be handled by a three-person team consisting of a training manager, an assistant to the manager a communication specialist.

EXO/CO:JAMEDINA:mcs:(4319A)

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The following is the text of official AID guidance prepared by the Office of the General Counsel on the application of the Tax Reform Act of 1986 to the Participant Training Program:

1. Summary: This Training Notice analyzes the impact of the new tax law on AID's participant trainees and on AID and its contractors:

- A. Tax liability (paragraphs 2-5 below): the new law imposes tax liability only on the very small number of participant trainees who receive "scholarship or fellowship" grants. Our other trainees are not affected. Such a scholarship or fellowship: (1) must be for study at a licensed and accredited educational institution (academic or technical) with a regular faculty that trains students for gainful employment; and, (2) cannot be for study required by the participant's job or employer (i.e., if the grant supports study which is required by the participant's job or employer, the grant is not a "scholarship or fellowship" for purposes of imposing tax liability). The part of such scholarship or fellowship that is for tuition, fees, books, equipment and supplies required by the educational institution is excluded from income, but the balance of the grant is now treated as income to the student. This may mean there will be tax liability to the student depending on his/her exemptions and deductions. We will provide written guidance to this small group of participants on their new obligations and liabilities.
- B. Withholding (paragraphs 6-11 below): with minimal adjustments to such scholarship and fellowship grant budgets, neither AID nor its contractors will have to undergo the costs and burden of withholding grant funds for tax purposes. There is no withholding requirement on two broad categories of costs: (1) tuition, fees, books, equipment and supplies required by the educational institution (which, per 1.A above are already excluded from income); and (2) living expenses. Therefore, if such scholarship and fellowship grant budgets or costs are restricted to these two categories, there is no need to withhold. To avoid withholding, costs that do not reasonably fit into category (1) or (2) should be eliminated from such scholarship and fellowship grant budgets. (End Summary)

equipment and supplies required by the educational institution is excluded from income. The rest, such as amounts given for living expenses, is now treated as income to the student.

3. This is the only part of the Act that affects our participant trainees, however, and it affects very few because AID makes very few grants that qualify as scholarships and fellowships. The great majority of AID's participants are in training that is directly related to their current job or to another job for which they are then qualified after completing training. Scholarships and fellowships within the meaning of the Act are supposed to be solely for the benefit of the student, with no expectation of any particular future service. Also, such scholarships and fellowships are only for study at educational institutions, with trained faculty, that are licensed by the government and accredited by a nationally recognized accrediting agency. Thus, grants for on-site, walk-through, demonstration type training programs are not such scholarships or fellowships.

4. Nevertheless some of our grants are scholarships and fellowships and the change in Section 117 will affect those participants. Only that portion of their grant which is for tuition, fees, book, equipment and supplies required by the educational institution is still excluded from income. Whether it would be enough income to create a tax liability for that student depends on his/her particular exemptions and deductions.

5. It is essential to note, however, that neither AID nor its contractors are responsible for a participant's tax liability, if any. Nonetheless, we do have an obligation to inform our participants of their responsibilities. Accordingly, the Office of the General Counsel is preparing written guidance for participants on their new obligations and possible liabilities. All AID Missions and contractors will receive information copies next month to furnish to each participant.

6. Usually when the tax code creates new sources of income it also imposes a withholding requirement on the party providing that income. It would be extremely costly and burdensome for AID and its participant training contractors to set up withholding systems. But if AID and its contractors make minimal adjustments to such scholarship and fellowship grant budgets, as described below, there will be no need to withhold.

7. Two broad categories of costs included in any such scholarship or fellowship grant budget are exempt from withholding:

- A. First, costs of tuition, fees, books, equipment and supplies required by the educational institution are exempt from withholding because they are still excluded from income by tax code Section 117. Included in this category are costs for language and orientation at other educational institutions during a participant's stay in the U.S. Travel costs would not be considered income to the participant, and are exempt from withholding because travel itself imparts no economic gain to the participant.
- B. Second, costs for living expenses such as room and board and insurance are exempt from withholding by tax code Section 1441 (c) (6) (even though the funds for these costs are no longer excluded from income by Section 117).

8. If all such scholarship and fellowship grant costs are included within one of these two categories, there is nothing to withhold.

9. Therefore, on advice from the AID Bureau of Science and Technology, in order to avoid the costs and burden of establishing and maintaining withholding systems by AID and its contractors, such scholarship and fellowship grant costs which cannot reasonably be included in the two cost categories described above must be eliminated from such scholarship and fellowship budgets included in PIO/ps.

10. Our analysis of typical scholarship and fellowship grants shows that few, if any, such costs cannot reasonably be included in the two categories described. However, if such scholarship and fellowship participants have costs consistent with the purposes of their program that do not fit within one of these categories, they can pay these costs out of their maintenance allowance. This will leave them with less for living expenses, but there is no practical alternative. Therefore, each participant must be clearly and accurately informed of this contingency so that he/she may make an informed decision. The General Counsel's guidance (paragraph 5 above) will explain this for the benefit of each participant, but AID Missions and contractors are expected to clarify and reinforce this information.

11. We realize that for some participants, costs are split among AID Missions, contractors and other parties. AID Missions and contractors should only be concerned with applying this guidance to costs the AID Missions or contractors actually

pay. Salary or similar allowances paid to participants by host governments during their studies raise no withholding issues. To the extent such amounts could lead to tax liability, they will be addressed in the forthcoming General Counsel's guidance to scholarship and fellowship participants.

12. A copy of this guidance is being provided to AID participant training contractors in letter form.

13. Contractors that are withholding funds should stop withholding and make the budget adjustments described in paragraph 9 above instead.

14. This guidance applies only to such scholarship and fellowship grants made on or after August 17, 1986. If such a scholarship or fellowship grant was made before that date, and is not significantly amended, the Act and this guidance do not apply for the life of the grant.

15. If the grant was made on or after August 17, 1986, but before January 1, 1987, the Act and this guidance apply only to payments on or after January 1, 1987.

16. The General Counsel will be seeking IRS clarification on several issues, including participants' potential tax liability and AID's reporting requirements, and any others that arise. We will advise on significant developments.

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SUBJECT: TAX LEGISLATION AND ITS EFFECTS ON PARTICIPANTS

1. YOU SHOULD HAVE RECEIVED PARTICIPANT TRAINING NOTICE 87-4 DATED FEBRUARY 6, 1987 WHICH PROVIDES THE OFFICIAL AGENCY GUIDANCE ON THE APPLICATION OF THE TAX REFORM ACT TO THE PARTICIPANT TRAINING PROGRAM. FOR FURTHER CLARIFICATION, A.I.D. HAS NOW PREPARED A LETTER OF GUIDANCE TO CONTRACTORS RESPONSIBLE FOR PROGRAMMING A.I.D.-SPONSORED PARTICIPANTS AND GUIDANCE TO THE PARTICIPANTS ON THE U.S. TAX LAW AS IT AFFECTS THEM. THE TEXT OF THE LETTER AND GUIDANCE TO PARTICIPANTS FOLLOWS FOR YOUR INFORMATION:

A. DEAR CONTRACTOR:

1. UNDER THE TAX REFORM ACT OF 1986, ALL A.I.D.-SPONSORED PARTICIPANTS WILL BE REQUIRED TO FILE A TAX RETURN FOR MONIES RECEIVED DURING THEIR U.S. TRAINING AND, IN SOME CASES, TAX LIABILITIES WILL BE

INCURRED. YOU SHOULD HAVE RECEIVED PARTICIPANT TRAINING NOTICE 87-4 DATED FEBRUARY 6, 1987 WHICH PROVIDES THE OFFICIAL AGENCY GUIDANCE ON THE APPLICATION OF THE TAX REFORM ACT TO THE PARTICIPANT TRAINING PROGRAM. FOR FURTHER CLARIFICATION, A.I.D. HAS NOW PREPARED GUIDANCE FOR PARTICIPANTS ON THIS U.S. TAX LAW AS IT AFFECTS THEM. A COPY OF THAT GUIDANCE IS ENCLOSED.

2. YOU SHOULD READ THE GUIDANCE CAREFULLY. YOUR SPECIFIC RESPONSIBILITIES ARE IMPLICIT THROUGHOUT THE GUIDANCE. IN PARTICULAR, YOU SHOULD NOTE PAGE 2 WHICH DETAILS RESPONSIBILITIES YOU MUST FULFILL. TWO OF THESE ITEMS NEED SPECIAL ATTENTION:

3. THE SPECIFIC PROVISIONS OF THE TAX REFORM ACT MAY MODIFIED FOR INDIVIDUALS BY THE PROVISIONS OF BILATERAL TAX TREATIES. YOU MAY OBTAIN INFORMATION ON THE COUNTRIES WITH WHICH THE UNITED STATES HAS TAX TREATIES

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ACTION TAKEN: _____		

A4. THE LAW APPLIES ONLY TO THOSE PARTICIPANTS WHO RECEIVED A SCHOLARSHIP OR FELLOWSHIP FROM A.I.D. AFTER AUGUST 17, 1986. BECAUSE OF THE AMOUNT OF LEADTIME REQUIRED FOR ENROLLMENT IN AMERICAN UNIVERSITIES, IT IS ASSUMED, FOR THE PURPOSE OF DETERMINING WHETHER AN INDIVIDUAL IS COVERED BY THIS TAX CHANGE, THAT ANYONE ARRIVING IN THE UNITED STATES FOR TRAINING IN THE FALL OF 1986 AND PRIOR TO JANUARY 1, 1987, HAD TO HAVE BEEN NOTIFIED PRIOR TO AUGUST 17, 1986. ANYONE ARRIVING IN THE UNITED STATES AFTER JANUARY 1, 1987 MAY BE EXCLUDED AS WELL; HOWEVER, YOU ARE ADVISED TO CONSULT WITH MISSION PERSONNEL TO DETERMINE IF THERE IS ANY INFORMATION IN MISSION OR ON-SITE CONTRACTOR FILES WHICH WOULD SUBSTANTIATE NOTIFICATION OF SELECTION PRIOR TO AUGUST 17, 1986.

A5. YOU MUST ENSURE THAT ALL PARTICIPANTS FOR WHOSE PROGRAMS YOU ARE RESPONSIBLE RECEIVE A COPY OF THIS GUIDANCE. WE RECOMMEND THAT NEW PARTICIPANTS BE PROVIDED A COPY AS EARLY IN THEIR TRAINING PROGRAM AS POSSIBLE, PREFERABLY DURING ORIENTATION OR INITIAL MEETINGS WITH THEIR PROGRAMMING SPECIALISTS.

A6. YOU SHOULD STRESS TO THE PARTICIPANTS THE IMPORTANCE OF FILING A TAX RETURN EACH YEAR AND THAT THEY MUST OBTAIN A CERTIFICATE OF COMPLIANCE FROM THE INTERNAL REVENUE SERVICE PRIOR TO LEAVING THE UNITED STATES. PARTICIPANTS WHO ARE LIKELY TO HAVE A TAX LIABILITY SHOULD BE CAUTIONED TO SET ASIDE FUNDS TO PAY FOR THE TAX. ALSO, AS PROFESSIONAL SOCIETY MEMBERSHIPS AND SUBSCRIPTIONS TO PROFESSIONAL JOURNALS ARE NOT EXCLUDABLE FROM TAXABLE MONIES FOR THOSE WHO HAVE A SCHOLARSHIP OR FELLOWSHIP, CONTRACTORS AND PROGRAMMING AGENTS MAY NOT IN THE FUTURE FUND THEM FOR THIS GROUP OF PARTICIPANTS. AT MISSION DISCRETION, MEMBERSHIPS AND SUBSCRIPTIONS MAY BE ARRANGED AFTER RETURN OF THE PARTICIPANT TO THE HOME COUNTRY.

A7. AN UNDERSTANDING OF THE NEW TAX LAW IS NOT EASY. YOU MUST MAKE EVERY EFFORT TO ENSURE EASE OF COMPLIANCE TO THE LAW BY A.I.D.-SPONSORED PARTICIPANTS IN U.S. TRAINING.

B. MEMORANDUM TO BE SENT BY CONTRACTORS TO A.I.D.-FUNDED PARTICIPANTS ON TAX LEGISLATION.

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## GENERAL BACKGROUND

B1. SOME OF YOU MAY KNOW THERE HAS BEEN A CHANGE IN THE UNITED STATES TAX LAW. A NEW TAX LIABILITY HAS BEEN IMPOSED ON RECIPIENTS OF SCHOLARSHIPS OR FELLOWSHIPS TO STUDY OR RECEIVE TRAINING IN THE UNITED STATES. THE CHANGES IN THE LAW APPLY ONLY TO THOSE WHO RECEIVED SCHOLARSHIPS OR FELLOWSHIPS ON OR AFTER AUGUST 17, 1986.

B2. IT IS YOUR PERSONAL RESPONSIBILITY TO COMPLY WITH THE TAX LAWS. THIS GUIDANCE IS INTENDED TO EXPLAIN ONLY YOUR BASIC RESPONSIBILITIES. FOR MORE DETAILED GUIDANCE YOU MAY CONTACT THE INTERNAL REVENUE SERVICE (IRS) OFFICE NEAR YOUR U.S. RESIDENCE, TELEPHONE THE IRS TAXPAYER ASSISTANCE NUMBER IN THAT AREA OR SEEK PRIVATE PROFESSIONAL TAX ADVICE. AT A MINIMUM YOU SHOULD CONSULT THE MOST CURRENT EDITIONS OF THE FOLLOWING IRS PUBLICATIONS:

- 0 INSTRUCTIONS FOR FORM 1040NR
- 0 U.S. TAX GUIDE FOR ALIENS (NO. 519)
- 0 FOREIGN WORKERS, SCHOLARS AND EXCHANGE VISITORS - (NO. 518)
- 0 SCHOLARSHIPS AND FELLOWSHIPS (NO. 520)
- 0 EDUCATIONAL EXPENSES (NO. 508)
- 0 INSTRUCTIONS FOR FORM 1040C

## GENERAL GUIDANCE

B3. FOLLOWING IS GUIDANCE TO HELP YOU COMPLETE YOUR TAX RETURN. IT ALSO TELLS YOU WHAT THE PERSON HANDLING YOUR TRAINING WILL GIVE YOU.

B4. THE NEW CHANGES IN THE TAX LAW APPLY ONLY TO SCHOLARSHIPS OR FELLOWSHIPS. IT IS IMPORTANT THAT YOU UNDERSTAND WHAT IS MEANT UNDER THE LAW AS A SCHOLARSHIP OR FELLOWSHIP.

B5. A SCHOLARSHIP OR FELLOWSHIP IS DEFINED AS MONEY RECEIVED TO STUDY OR BE TRAINED AT A LICENSED AND ACCREDITED EDUCATIONAL INSTITUTION (ACADEMIC OR TECHNICAL) FOR GENERAL EDUCATION. IF THE MONIES YOU RECEIVE ARE FOR EDUCATION OR TRAINING REQUIRED BY YOUR JOB, THE MONIES ARE NOT CONSIDERED A SCHOLARSHIP OR FELLOWSHIP.

B6. SINCE THE MAJORITY OF A.I.D. PARTICIPANTS RECEIVE MONIES TO SUPPORT STUDY WHICH IS REQUIRED BY THEIR JOB OR EMPLOYER, THE NEW CHANGES IN THE TAX LAW WILL PROBABLY NOT AFFECT THEM.

B7. FOR EXAMPLE, THOSE A.I.D. TRAINEES WHO RECEIVE MONIES FOR CONSERVATION TOUR TYPE TRAINING PROBABLY ARE NOT AFFECTED BECAUSE THAT TRAINING IS, FOR THE MOST PART, JOB-RELATED.

B8. THOSE A.I.D. PARTICIPANTS MOST LIKELY TO BE AFFECTED BY THE NEW CHANGES IN THE TAX LAW ARE THOSE WHO...

THE UNDERGRADUATE LEVEL AND WHOSE STUDY IS NOT  
FCB-RELATED. THOSE STUDENTS MAY HAVE TO PAY A TAX.

B9. EVERYONE, HOWEVER, WILL HAVE TO FILE A TAX RETURN,  
EVEN IF YOUR GRANT IS NOT A SCHOLARSHIP OR FELLOWSHIP.  
REMEMBER, HOWEVER, THAT THIS DOES NOT NECESSARILY MEAN  
YOU WILL HAVE TO PAY A TAX. YOU ALSO WILL HAVE TO  
PRESENT A CERTIFICATE OF COMPLIANCE FROM THE IRS WHEN YOU  
DEPART THE U.S.

B10. YOU WILL NEED TO KNOW:

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B11. IF YOUR COUNTRY HAS A TAX TREATY WITH THE UNITED  
STATES. IF SO, YOUR TRAINING GRANT MAY BE TAX FREE.

B12. IF YOUR COUNTRY DOES HAVE A TAX TREATY, YOU WILL  
STILL HAVE TO FILE A TAX RETURN. NOTE ON THE FORM YOUR  
TAX STATUS UNDER THE TAX TREATY AND GIVE THE NAME AND  
DATE OF THE TREATY.

B13. IF YOUR GRANT IS A SCHOLARSHIP OR FELLOWSHIP, AS  
DEFINED ABOVE, AND THE DATE YOU WERE NOTIFIED OF YOUR  
AWARD. IF YOUR AWARD WAS MADE PRIOR TO AUGUST 17, 1986,  
YOU WILL PROBABLY NOT HAVE TO PAY A TAX ON ANY OF YOUR  
SCHOLARSHIP OR FELLOWSHIP.

B14. YOUR TAX IDENTIFICATION NUMBER. AS A NON-RESIDENT  
ALIEN YOU ARE REQUIRED TO HAVE A TAX IDENTIFICATION  
NUMBER. THIS NUMBER IS USED IN YOUR TAX RETURN.

B15. THE PERSON HANDLING YOUR TRAINING (GENERALLY YOUR

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B16. GIVE YOU COPIES OF THE CURRENT TAX RETURN FORMS AND IRS INSTRUCTIONS FOR COMPLETING THEM.

B17. ADVISE YOU IF YOUR COUNTRY HAS A TAX TREATY WITH THE UNITED STATES AND, IF SO, TELL YOU THE DATE OF THAT TREATY.

B18. GIVE YOU THE FORM WITH WHICH TO APPLY FOR A TAX IDENTIFICATION NUMBER. MAIL THIS FORM TO THE ADDRESS GIVEN ON THE FORM. WHEN YOU RECEIVE THE NUMBER, IT IS IMPORTANT YOU GIVE THAT NUMBER TO THE PERSON HANDLING YOUR TRAINING. BE SURE TO KEEP A RECORD OF THE NUMBER FOR YOURSELF AND WRITE IT ON YOUR TAX RETURN.

B19. TELL YOU IF YOUR GRANT QUALIFIES AS A SCHOLARSHIP OR FELLOWSHIP AND WHETHER IT WAS AWARDED BEFORE OR AFTER AUGUST 17, 1986. (THE DATE OF THE SCHOLARSHIP AWARD IS NOT THE DATE YOU ACTUALLY STARTED IN TRAINING.)

B20. GIVE YOU A BUDGET SHEET STATING THE AMOUNT OF MONIES RECEIVED DURING THE PERIOD OF TRAINING.

COMPLETING AND FILING YOUR TAX RETURN:

B21. ONCE YOU HAVE THE ABOVE INFORMATION, YOU ARE READY TO FILE YOUR TAX RETURN. TAX RETURNS ARE MADE ON FORM

1040NR AND MUST BE RECEIVED BY THE IRS WITH ANY TAX PAYMENT ON OR BEFORE JUNE 15 FOLLOWING ANY CALENDAR YEAR YOU STUDIED IN THE U.S. FOR EXAMPLE, IF YOU STUDIED IN THE U.S. UNDER AN A.I.D. GRANT DURING THE LAST FOUR MONTHS OF 1987, YOUR FORM 1040NR WOULD BE DUE ON OR BEFORE JUNE 15, 1988. YOU MUST REPORT ON THE FORM 1040NR:

- 0 YOUR GROSS INCOME
- 0 YOUR EXCLUSIONS
- 0 YOUR PERSONAL EXEMPTION
- 0 YOUR DEDUCTIONS FROM GROSS INCOME

GROSS INCOME

B22. THE PERSON HANDLING YOUR TRAINING WILL PROVIDE YOU WITH A BUDGET SHEET. THIS SHEET WILL DETAIL ALL THE COST COMPONENTS OF YOUR TRAINING.

B23. YOUR GROSS INCOME IS A TOTAL OF ALL THE COSTS OF YOUR TRAINING (TUITION, RELATED FEES AND MAINTENANCE ALLOWANCES).

B24. IF YOUR EMPLOYER IN YOUR HOME COUNTRY IS A GOVERNMENT AGENCY AND IS PAYING YOU A SALARY OR AN ALLOWANCE FOR THE TIME YOU ARE STUDYING IN THE U.S., YOU WILL HAVE TO INCLUDE THIS AMOUNT IN YOUR GROSS INCOME UNLESS YOUR COUNTRY AND THE UNITED STATES HAVE AN AGREEMENT OR TREATY THAT SAYS THIS AMOUNT IS TAX FREE.

B25. YOU MUST ALSO ADD INTO YOUR GROSS INCOME ALL AMOUNTS YOU RECEIVE FOR PERFORMING SERVICES IN THE U.S. (FOR EXAMPLE, IF YOU HAVE A JOB FOR WHICH YOU ARE BEING PAID.)

B26. YOU MAY SUBTRACT FROM GROSS INCOME, THE FOLLOWING EXCLUSION.

#### EXCLUSION

B27. IF YOU ARE TOLD YOUR GRANT FOR U.S. TRAINING QUALIFIED AS A SCHOLARSHIP OR FELLOWSHIP, YOU MAY EXCLUDE (SUBTRACT) FROM YOUR GROSS INCOME AMOUNTS SHOWN ON YOUR BUDGET SHEET FOR TUITION AND RELATED FEES.

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B28. IF YOU ARE TOLD YOUR GRANT FOR U.S. TRAINING DOES NOT QUALIFY AS A SCHOLARSHIP OR FELLOWSHIP, THERE IS NO EXCLUSION FROM YOUR GROSS INCOME.

B29. WHEN YOU HAVE EXCLUDED THE PROPER AMOUNT (IF ANY) FROM YOUR GROSS INCOME, YOU CAN SUBTRACT FROM THIS AMOUNT YOUR PERSONAL EXEMPTION.

#### PERSONAL EXEMPTION

B30. ALL PARTICIPANTS IN TRAINING (NON-RESIDENT ALIENS) CAN SUBTRACT DOLS 1,920 FROM THEIR GROSS INCOME ON THEIR INCOME TAX RETURN. THIS IS CALLED A PERSONAL EXEMPTION, AND THE AMOUNT MAY CHANGE FROM YEAR-TO-YEAR. NON-RESIDENT ALIENS CAN CLAIM ONLY ONE PERSONAL EXEMPTION; YOU MAY NOT CLAIM EXEMPTIONS FOR YOUR DEPENDENT CHILDREN, YOUR SPOUSE, OR ANY OTHER PERSON.

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31. YOU MAY NOW SUBTRACT FROM THIS BALANCE (GROSS INCOME LESS EXCLUSION AND EXEMPTION) VARIOUS DEDUCTIONS.

## DEDUCTIONS

32. IF YOU ARE TOLD THE MONIES FOR YOUR U.S. TRAINING DO NOT QUALIFY AS A SCHOLARSHIP OR FELLOWSHIP YOU CAN PROBABLY DEDUCT ALL A.I.D. MONIES RECEIVED FOR YOUR TRAINING COSTS, AS THESE COSTS ARE CONSIDERED TO BE JOB-RELATED (TUITION AND RELATED FEES, MAINTENANCE ALLOWANCES). THESE COSTS WILL BE CLEARLY SHOWN ON YOUR BUDGET SHEET. IF THERE IS A BALANCE LEFT AFTER SUBTRACTING YOUR DEDUCTIONS FROM YOUR GROSS INCOME, YOU MAY OWE A TAX ON THIS BALANCE.

33. IF YOU ARE TOLD THE MONIES FOR YOUR U.S. TRAINING DO QUALIFY AS A SCHOLARSHIP OR FELLOWSHIP, YOU CANNOT DEDUCT ANY OF THE COSTS OF YOUR TRAINING OR EDUCATION. (HOWEVER, YOU ALREADY EXCLUDED SOME AMOUNTS. SEE ITEM (2) ABOVE.)

## CERTIFICATE OF COMPLIANCE TO DEPART THE U.S.

34. THE FORM 1043NR MUST BE FILED WITH THE IRS ON OR BEFORE THE JUNE 15 AFTER EACH CALENDAR YEAR THAT YOU WERE STUDYING IN THE U.S. BUT YOU MAY HAVE DEPARTED THE U.S. BY THEN. IF SO, WHEN YOU DEPART THE U.S., YOU WILL HAVE TO PRESENT A CERTIFICATE OF COMPLIANCE FROM THE IRS SHOWING THAT YOU HAVE COMPLIED, OR WILL COMPLY, WITH U.S.

## TAX LAWS.

35. IF YOU HAVE NO TAXABLE INCOME IN THE U.S., YOU WILL COMPLETE FORM 2063 AND PRESENT IT TO THE IRS FOR CERTIFICATION BEFORE YOU DEPART.

36. IF YOU DO HAVE TAXABLE INCOME IN THE U.S., YOU WILL COMPLETE FORM 1040C BEFORE YOU DEPART THE U.S. AND PRESENT IT TO THE IRS FOR CERTIFICATION. IN SOME CIRCUMSTANCES, THE IRS MAY ASK YOU TO MAKE A PARTIAL PAYMENT OF YOUR TAX WHEN YOU PRESENT THE FORM 1040C. IF SO, THIS AMOUNT MUST BE SUBTRACTED FROM THE TAX YOU OWE WHEN YOU FILE THE FORM 1043NR.

## SAVINGS TO PAY TAXES

37. THE AGENCY FOR INTERNATIONAL DEVELOPMENT WILL NOT WITHHOLD MONIES TO PAY YOUR TAXES. BECAUSE OF THIS, AND TO BE SURE THAT YOU HAVE THE MONEY AVAILABLE TO PAY YOUR TAXES EACH YEAR OR PART OF A YEAR THAT YOU ARE TRAINING IN THE U.S., WE RECOMMEND THAT YOU SAVE FROM YOUR MAINTENANCE ALLOWANCE, 14 PERCENT OF YOUR ESTIMATED GROSS INCOME. THIS GUIDANCE AND YOUR BUDGET SHEET WILL HELP YOU ESTIMATE THE AMOUNT. EACH PERSON MUST ESTIMATE HIS OR HER OWN GROSS INCOME BECAUSE THE AMOUNT MAY DIFFER SHARPLY FROM PERSON TO PERSON.

## QUESTIONS

232.. WE REMIND YOU THAT IT IS YOUR PERSONAL  
RESPONSIBILITY TO COMPLY WITH THE U.S. TAX LAWS. WE HOPE  
THIS GUIDANCE WILL HELP, BUT YOU MUST TURN TO THE IRS OR  
A PRIVATE PROFESSIONAL WHEN YOU HAVE QUESTIONS. THE IRS  
LISTS TELEPHONE ASSISTANCE NUMBERS IN THE INSTRUCTIONS  
FOR FORM 1040NR WHICH YOU CAN CALL FOR ANSWERS. THE  
INTERNAL REVENUE SERVICE ALSO MAY HAVE AN OFFICE IN OR  
NEAR YOUR U.S. RESIDENCE. IF SO, YOU SHOULD TAKE A COPY  
OF THIS GUIDANCE WITH YOU. THERE WILL BE OFFICIALS  
AVAILABLE TO ANSWER QUESTIONS IN PERSON. YOUR  
EDUCATIONAL OR TRAINING INSTITUTION IN THE U.S. ALSO MAY  
OFFER COUNSELING ON THE INCOME TAX LAWS. SEULTZ  
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