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A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 805, as amended by Public Laws Nos. 7-41, 9-139, and 10-68, for the purpose of removing restrictions on funds paid into State treasuries, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Section 805 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws Nos. 7-41,
3 9-139, and 10-68, is hereby further amended to read as follows:

4 "Section 805. Distribution of revenues.

5 (1) The treasurer of the Federated States of Micronesia
6 shall pay eighty percent of the net taxes collected
7 pursuant to section 221(9) of this title and [~~the~~
8 ~~following shares~~] seventy percent of all other net taxes
9 collected pursuant to sections 121, 141, and 221 of this
10 title into the treasury of the State government to which
11 the taxes are attributable for appropriation by the State
12 legislature[+].

13 [~~(a) fifty percent without restriction, and~~

14 ~~(b) twenty percent, which shall be dedicated by~~
15 ~~the recipient State to capital account uses related to~~
16 ~~education and health, including sanitation.]~~

17 (2) 'Net taxes' as used in subsection (1) of this
18 section means gross collections of taxes, penalties,
19 interest, or other related charges less refunds.

20 [~~(3) 'Capital account use' shall be as defined in article~~
21 ~~II, section 3(f) of the Fiscal Procedures Agreement,~~
22 ~~referred to in section 339 of title 55.~~

23 ~~(4) Prior to payment of any funds to a State pursuant to~~
24 ~~paragraph (b) of subsection (1) of this section, the State~~
25 ~~and the Secretary of Finance shall have entered into a~~

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1 ~~memorandum of understanding (MOU) that provides that the~~
2 ~~State shall account for the funds separately and according~~
3 ~~to generally accepted accounting principles and that the~~
4 ~~State shall periodically report on the use of the funds to~~
5 ~~the Secretary of Finance and to the Congress of the~~
6 ~~Federated States of Micronesia.~~

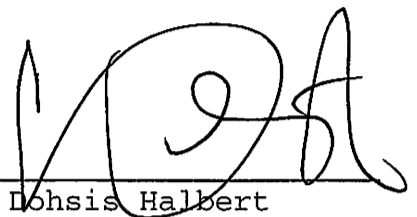
7 ~~(5) Periodically, or at the request of the Secretary of~~
8 ~~Finance, the Public Auditor shall inspect and audit~~
9 ~~transactions, accounts, books, and other financial records~~
10 ~~relating to the use of funds paid to a State pursuant to~~
11 ~~paragraph (b) of subsection (1) of this section for~~
12 ~~compliance with the restrictions contained therein. In~~
13 ~~the event that an audit discloses a violation of a~~
14 ~~restriction or the MOU, the Secretary may direct~~
15 ~~withholding from future payments to the State the amount~~
16 ~~for which the State was found in violation of a~~
17 ~~restriction, or that amount which is not verifiable~~
18 ~~because of noncompliance with the MOU.]~~

19 ([6]3) The revenue office in each State may administer
20 the taxes of the State in which it is located, but those
21 duties shall not interfere with the administration of
22 taxes imposed by the laws of the Federated States of
23 Micronesia. All costs in excess of those funded by
24 appropriations of the Congress of the Federated States of
25 Micronesia required for the administration of State taxes

1 shall be borne entirely by the State."

2 Section 2. This act shall become law upon approval by the
3 President of the Federated States of Micronesia or upon its becoming
4 law without such approval.

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6 Date: 5-17-99

Introduced by: 
Dohsis Halbert

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