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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 amending section 153 thereof for the purpose of clarifying and strengthening tax liens, and for other purposes.

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

1           Section 1. Section 153 of title 54 of the Code of the  
2 Federated States of Micronesia is hereby amended to read as follows:

3           "Section 153. Lien on property.

4           (1) All taxes imposed or authorized under this  
5 ~~chapter~~title shall be a lien upon any property of  
6 ~~the~~any person or business obligated to pay said taxes  
7 and may be collected by levy upon such property in the  
8 same manner as the levy of an execution.

9           (2) As used in this section 'taxes' includes penalties,  
10 interest, execution costs, and other collection costs.

11           (3) The lien created by this section shall have  
12 priority over all other claims and liens except the lien  
13 created in section 607 of title 53 of the Code with  
14 respect to social security taxes. The priority of said  
15 section 607 shall also apply to the other tax liens  
16 created in this title.

17           (4) Property subject to the lien created by this  
18 section may be seized and, if necessary, sold, and the  
19 proceeds thereof may be applied or distributed, in  
20 accordance with generally applicable administrative  
21 procedures without resort to the courts. Any appropriate  
22 party may seek judicial assistance, protection, or other  
23 appropriate intervention, but none is required to do so.

24           (5) Property subject to this lien may be in the custody  
25 or control of a third party, such as wages owed by an

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1       employer or accounts at a bank. Any such third party who  
2       fails or refuses to surrender the property upon proper  
3       demand shall be personally liable to the government for  
4       the value of the property not so surrendered or the  
5       amount secured by the lien, whichever is less. A third  
6       party who does so surrender such property to the  
7       government shall not be liable therefor to the owner of  
8       the property, whose sole recourse shall be against the  
9       government.

10       (6) A third party with custody or control of property  
11       which is subject to the lien created by this section  
12       shall have no right or obligation to inquire as to the  
13       correctness of any demand for surrender of the property  
14       to the government and shall promptly answer any questions  
15       and provide such documents with respect to such property  
16       as the Secretary may request.

17       (7) The Secretary is authorized to comply in whole or  
18       in part with requests from State tax authorities,  
19       pursuant to their own duly enacted and applicable tax  
20       liens, for diversion to the State of funds owed by the  
21       National Government to a delinquent State taxpayer. The  
22       National Government shall not be liable to the delinquent  
23       State taxpayer by reason of any such diversion done in  
24       good faith."

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

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5 Date: 7/19/99

Introduced by: /s/ Joseph J. Urusemal  
Joseph J. Urusemal  
(by request)

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