A BILL FOR AN ACT

To further amend title 53 of the Code of the Federated States of Micronesia, as amended, by amending section 603, as amended by Public Laws Nos. 5-120 and 7-118, for the purpose of raising the maximum amount in wages which may be taxed as contribution to Social Security, and for other purposes.

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

1. Section 603 of title 53 of the Code of the

2. Federated States of Micronesia, as amended by Public Laws Nos. 5-120 and 7-118, is hereby further amended to read as follows:

   "Section 603. Definitions.

   In this chapter, unless the context otherwise

   requires, the following definitions shall be

   applicable:

   (1) 'Became disabled' means the first month in

   which an individual is under a disability and is

   both fully and currently insured.

   (2) 'Board' means the Federated States of

   Micronesia Social Security Board provided for by

   section 701 of this subtitle.

   (3) 'Child or spouse' means that an applicant

   is the child or spouse of an individual if the court

   of the State in which the individual was domiciled

   at the time of his death has or would find the

   applicant to be the individual's child or spouse in

   determining the devolution of intestate personal

   property.

   (4) 'Contributions' means the tax imposed upon

   income of covered employees and the tax imposed upon

   employers on account of wages paid to a covered

   employee.

   (5) 'Disability' means inability to engage in
any substantial gainful employment by reason of any
medically determinable physical or mental
impairment which can be expected to result in death
or which has lasted or can be expected to last for a
continuous period of not less than twelve months.

(6) 'Earning test' means that an individual
who receives a retirement, disability, or survivor
benefit and who works in covered or noncovered
employment shall have his quarterly benefit reduced
by one dollar for each two dollars earned in a
quarter, except there shall be no reduction for the
first $300 earned in a quarter. The reduction shall
be applied in one of the subsequent two quarters
immediately after the quarter in which the earnings
were made, or as soon as possible thereafter.

(7) 'Employee' means:

(a) any officer of a corporation; or

(b) any individual who, under the usual
common law rules applicable in determining the
employer-employee relationship, has the status of an
employee; or

(c) any self-employed person who has at
least one employee for whom he is required to report
in a given quarter; or

(d) any self-employed person who had more
than $10,000 of annual gross revenue in the
preceding calendar year.

(8) 'Employment' means any service by an
employee for an employer incorporated or doing
business within the Federated States of Micronesia
employing him, irrespective of where such employment
is performed, except family employment.

(9) 'Family employment' means employment of a
worker by a member of the household, a parent or a
son or daughter except that the worker may apply to
the Board for a determination that such employment
is bona fide covered employment subject to this
subtitle.

(10) 'Insured status' can mean any of the
following:

(a) 'Currently insured individual' means
any individual who has had not less than eight
quarters of coverage during the 13-quarter period
ending with:

(i) the quarter in which he died; or
(ii) the quarter in which he became
entitled to old age insurance benefits; or
(iii) the quarter in which he became
disabled, whichever first occurs.

(b) 'Fully insured individual' means any
individual who has not less than one quarter of
coverage for each year beginning after June 30,
1968, or for each year after attaining the age of
twenty-one, whichever is later, and up to but
excluding the year in which he attained retirement
age, became disabled, or died, whichever first
occurred, except that in no case shall an individual
be a fully insured individual unless he has at least
twelve quarters of coverage.

(11) 'Quarter' and 'calendar quarter' mean a
period of three calendar months ending on March
31st, June 30th, September 30th, or December 31st.
"Quarter of coverage" means a quarter in which the
individual has been paid fifty dollars or more in
wages in employment subject to this subtitle.

(12) 'Wages' means remuneration paid subject
to the provisions of this subtitle, including the
cash value of all remuneration paid in any medium
other than cash and remuneration accruing to a
self-employed person. Remuneration accruing to a
self-employed person shall be deemed to be twice
the amount paid to the highest paid employee
reported by the self-employed person in a quarter,
$3,000 maximum per quarter. Remuneration
accruing to a self-employed person who has no
covered employees shall, for each quarter of a year, be deemed to be 2.5 percent of the gross revenue of the business for the previous calendar year, subject to $5,000 maximum. Remuneration paid for any service which is more or less than a whole dollar shall, as may be prescribed by regulations, be computed to the nearest dollar. Wages shall not include:

(a) that part of remuneration in excess of $5,000 paid in a quarterly reporting period by one employer;

(b) any payment on account of sickness or accident disability, or medical or hospitalization expenses made by an employer to or on behalf of an employee;

(c) any payment made to or on behalf of an employee or to the employee's beneficiary from a trust or annuity;

(d) remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of an employer;

(e) remuneration paid for casual or intermittent labor not performed in the course of
the employer's trade or business when such employment does not exceed employment in more than one week in each calendar month of each quarterly reporting period; and

(f) remuneration from family employment subject to the provisions of this subtitle."

Section 2. This act will take effect on October 1, 1997.

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

Date: 6/10/97

Introduced by: Joseph J. Urusemal