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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, to remove 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
3 Nos. 7-41, 9-139 and 10-68, is hereby further amended to read
4 as follows:

5 "Section 805. Distribution of revenues.

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

15 (A) the recipient State shall be
16 dedicated by the recipient State for capital
17 account uses related to education and
18 health, including sanitation.

21 (2) 'Net taxes' as used in subsection (1) of
22 this section means gross collections of taxes,
23 penalties, interest, or other related charges less
24 refunds.

25 (3) 'Capital account use' shall be as

1 defined in Article II, Section 3(E) of the
2 Fiscal Procedures Agreement, referred to in
3 Section 339 of Title 55.

4 (4) From the payment of any funds to a
5 State pursuant to paragraph (b) of
6 subsection (1) of this section, the State
7 and the Secretary of Finance shall have
8 entered into a memorandum of understanding
9 (MOU) that provides that the State shall
10 account for the funds separately and
11 according to generally accepted accounting
12 principles and that the State shall
13 periodically report on the use of the funds
14 to the Secretary of Finance and to the
15 Congress of the Federated States of
16 Micronesia.

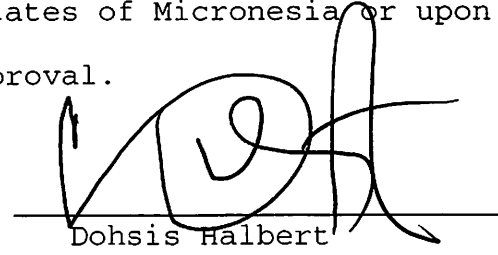
17 (5) Periodically, or at the request of
18 the Secretary of Finance, the Public Auditor
19 shall inspect and audit transactions,
20 accounts, books, and other financial records
21 relating to the use of funds paid to a State
22 pursuant to paragraph (b) of subsection (1)
23 of this section for compliance with the
24 restrictions contained therein. In the
25 event that an audit discloses a violation of

1 ~~a restriction of the MOU, the Secretary may~~
 2 ~~direct withholding from future payments to~~
 3 ~~the State the amount for which the State was~~
 4 ~~found in violation of a restriction of that~~
 5 ~~amount which is not verifiable because of~~
 6 ~~noncompliance with the MOU.~~

7 (63) The revenue office in each State may
 8 administer the taxes of the State in which it is
 9 located, but those duties shall not interfere with
 10 the administration of taxes imposed by the laws of
 11 the Federated States of Micronesia. All costs in
 12 excess of those funded by appropriations of the
 13 Congress of the Federated States of Micronesia
 14 required for the administration of State taxes
 15 shall be borne entirely by the State."

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

19 Date: 2/9/98

20 Introduced by: 
 21 Dohsis Halbert

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