

WAM

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 123 thereof, and by further amending section 141 thereof, as amended by Public Law No. 5-84, both for the purpose of creating a one-year tax holiday for up to one-half of gross receipts taxes and wages and salaries taxes reinvested in businesses based within the territorial boundaries of the Federated States of Micronesia, and for other purposes.

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

1           Section 1. Section 123 of title 54 of the Code of the  
2           Federated States of Micronesia is hereby amended to read as  
3           follows:

4                   "Section 123. Refunds of taxes on wages and  
5                   salaries.

6                   (1) If it shall be shown, upon application of  
7                   an employee, that there has been withheld from his  
8                   wages or salaries any tax not due thereon, or more  
9                   than the amount of tax due thereon, or that he has  
10                  paid from his wages and salaries any tax not due  
11                  thereon or more than the amount of tax thereon, or  
12                  if it is shown upon application of the business  
13                  that it has paid an amount not due as tax under  
14                  this chapter or greater than the tax levied under  
15                  this chapter, then the Secretary shall refund the  
16                  amount found to have been overpaid or otherwise not  
17                  due and shall pay such refund out of current  
18                  collections of the tax; provided, the Secretary  
19                  shall be satisfied that:

20                           (a) the amount so overpaid or otherwise  
21                           not due has been paid to the Government;

22                           (b) the amount of refund claimed has not  
23                           been used as a credit against any tax or taxes due  
24                           and payable to the Government from such employee;  
25                           and

1 (c) application for such refund was filed  
2 within one year after the end of the calendar year  
3 in which the amount to be refunded was withheld or  
4 paid.

5 (2) The Secretary shall make a decision on the  
6 application for refund within ninety days after it  
7 is submitted.

8 (3) Notwithstanding the provisions of  
9 subsection (1) of this section, if it shall be  
10 shown, upon application of an employee, that during  
11 the taxable period, such employee has invested  
12 funds in a business whose principal office is  
13 located in, and whose operations are primarily  
14 conducted within the territorial boundaries or the  
15 Exclusive Economic Zone of, the Federated States of  
16 Micronesia, then the Secretary shall refund to the  
17 applicant such amount from the tax levied and  
18 collected from the applicant for that tax period.  
19 Such refund shall be payable out of current  
20 collections of the tax; provided that:

21 (a) the refund amount shall not exceed  
22 one-half of the taxes owed by the applicant during  
23 such tax period; and

24 (b) the Secretary shall be satisfied that:

25 (i) the investment claimed reflects a

1 cash, or equivalent, investment in a legitimate  
2 business, as defined by regulation; and  
3 (ii) such funds have been invested  
4 during the tax period continuously for a period of  
5 no less than 180 days prior to the date of  
6 application.

7 (4) The burden of proof under subsection (3) of  
8 section shall rest with the applicant. The  
9 provisions of subsection (3) of this section shall  
10 not affect any reporting or filing requirement and  
11 shall have force or effect only with regard to the  
12 tax year ending December 31, 1999."

13 Section 2. Section 141 of title 54 of the Code of the  
14 Federated States of Micronesia, as amended by Public Law No.  
15 5-84, is hereby further amended to read as follows:

16 "Section 141. Tax on gross revenues; Exemption.

17 (1) There shall be assessed, levied, collected,  
18 and paid a tax of \$80 per year upon that portion of  
19 the amount of gross revenues earned by every  
20 business subject to the provisions of this chapter  
21 which does not exceed \$10,000 per year.

22 (2) There shall be assessed, levied, collected,  
23 and paid a tax of three percent per year upon that  
24 portion of the amount of gross revenues earned by  
25 every business subject to the provisions of this

1 chapter which is in excess of \$10,000 per year.

2 (3) Businesses which earn gross revenues of not  
3 more than \$2,000 per year are exempt from taxation  
4 under this section. The deduction shall be claimed  
5 by the business by filing for a refund under the  
6 provisions of sections 122 and 123 of this chapter.

7 (4) For the purpose of section 805 of this  
8 title, every business that operates in more than  
9 one State of the Federated States of Micronesia  
10 shall file a separate tax return for revenue  
11 collected in each State.

12 (5) Notwithstanding the provisions of  
13 subsections (1) through (4) this of section, any  
14 person, upon filing his or her tax return, may  
15 claim an exemption of up to one-half of any tax  
16 payable pursuant to such return, to the extent that  
17 he or she can prove to the satisfaction of the  
18 Secretary that:

19 (a) the investment reflects a cash, or  
20 equivalent, investment in a legitimate business, as  
21 defined by regulation;

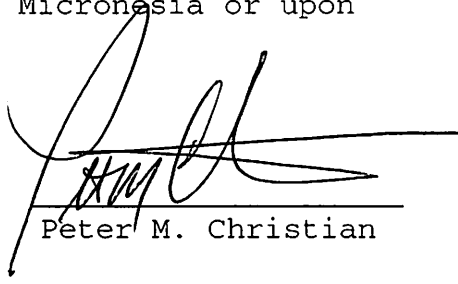
22 (b) such funds have been invested in a  
23 business whose principal office is located in, and  
24 whose operations are primarily conducted within the  
25 territorial boundaries or the Exclusive Economic

1            Zone of, the Federated States of Micronesia; and  
 2                            (c) such funds have been invested during  
 3            the tax period continuously for a period of no less  
 4            than 180 days prior to the date of application.

5            (6) The burden of proof under subsection (5) of  
 6            this section shall rest with the applicant. The  
 7            provisions of subsection (5) of this section shall  
 8            not affect any reporting or filing requirement and  
 9            shall have force or effect only with regard to the  
 10           tax year ending December 31, 1999."

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

14           Date: Nov. 23, 1998

15           Introduced by:   
 16           Peter M. Christian