A BILL FOR AN ACT

To further amend title 53 of the Code of the Federated States of Micronesia, as amended, by further 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 thirteen 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] $5,000 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 [$3,000] $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 [$3,000] $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, 1999.
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: 5/17/99

Introduced by:  Joseph J. Drusemal