## A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 805 to provide [that the States shall receive fifty percent] for the reallocation of certain taxes collected, 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 Federated States of Micronesia, as amended by Public Law No. 10-68, is hereby further amended to read as follows: "Section 805. Distribution of revenues. 4 5 (1) The treasurer of the Federated States of 6 Micronesia shall pay eighty percent of the net taxes 7 collected pursuant to section 221(9) of this title and the following shares [fifty percent] of all other net 8 taxes collected pursuant to section 121, 141, and 221 of 9 10 this title into the treasury of the State government to 11 which the taxes are attributable for appropriation by 12 the State legislature. 13 [(a) fifty percent without restriction; and 14 (b) twenty percent, which shall be dedicated by 15 the recipient State to capital account uses related to
- education and health, including sanitation.]

  (a) sixty-five percent without restriction; and

  (b) five percent, which shall be dedicated by the

  recipient State to the needs of municipalities and

1	distributed in a fair and equitable manner.
2	(2) 'Net taxes' as used in subsection (1) of this
3	section means gross collections of taxes, penalties,
4	interest, or other related charges less refunds.
5	(3) 'Capital account use' shall be as defined in
6	article II, section 3(f) of the Fiscal Procedures
7	Agreement, referred to in section 339 of title 55.
8	(4) Prior to payment of any funds to a State
9	pursuant to paragraph (b) of subsection (1) of this
10	section, the State and the Secretary of Finance shall
11	have entered into a memorandum of understanding (MOU)
12	that provides that the State shall account for the funds
13	separately and according to generally accepted
14	accounting principles and that the State shall
15	periodically report on the use of the funds to the
16	Secretary of Finance and to the Congress of the
17	Federated States of Micronesia.
18	(5) Periodically, or at the request of the Secretary
19	of Finance, the Public Auditor shall inspect and audit
20	transaction, accounts, books, and other financial
21	records relating to the use of funds paid to a State
22	pursuant to paragraph (b) of subsection (1) of this
23	section for compliance with the restrictions contained
24	therein. In the event that an audit discloses a
25	violation of a restriction or the MOU, the Secretary may

1	direct withholding from future payments to the State the
2	amount for which the State was found in violation of a
3	restriction, or that amount which is not verifiable
4	because of noncompliance with the MOU.
5	(6) The revenue office in each State may administer
6	the taxes of the State in which it is located, but those
7	duties shall not interfere with the administration of
8	taxes imposed by the laws of the Federated States of
9	Micronesia. All costs in excess of those funded by
10	appropriations of the Congress of the Federated States
11	of Micronesia required for the administration of State
12	taxes shall be borne entirely by the State."
13	Section 2. This act shall become law upon approval by the
14	President of the Federated States of Micronesia or upon its
15	becoming law without such approval.
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18	Date: 5/16/03 Introduced by: /s/ Henry C. Asugar
19	Henry C. Asugar
20	/s/ Roosevelt D. Kansou
21	Roosevelt D. Kansou
22	/s/ Moses A. Nelson
23	Moses A. Nelson
24	
25	Tiwiter Aritos

1 /s/ Sabino S. Asor Sabino S. Asor