A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending sections 153 and 154, by renumbering sections 156 and 157 as sections 158 and 159, and by enact new sections 156 and 157, relating to lien on property, criminal penalties, negotiated settlements and tax amnesty, and for other purposes.

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

Section 1. Section 153 of Title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 153. **Lien on property.**

All taxes imposed or authorized under this chapter shall be a lien upon any property of the person or business obligated to pay said taxes and may be collected by levy upon such property in the same manner as the levy of an execution. Any financial institution notified of such lien must provide to the Secretary of the Department of Finance and Administration, or his designee, with the account numbers and balances in the accounts and must immediately comply with the lien by freezing the account up to but not in excess of the amount of lien. Such information shall be kept confidential and shall be subject to disclosure other than pursuant to a court order."
Section 2. Section 154 of Title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 154. Criminal penalties.

(1) Any person or business convicted for failure to file or pay in accordance with section 152 hereof shall be fined not more than $250,000, or, if a natural person, imprisoned not more than 3 years or both.

(2) Any person or business convicted for fraudulent reporting shall be fined not more than $500,000, or, if a natural person, imprisoned not more than 10 years or both.

(3) Any person or business convicted of any other violations under the provisions of this chapter shall be fined not more than $1,000, or, if a natural person, imprisoned not more than 1 year or both.

(4) Liable entities: If a corporation is liable for taxes hereunder, its president and chief executive officer shall be deemed liable for the same. If a partnership is liable for taxes hereunder, all of its partners shall be deemed liable for the same. If other entities are liable for taxes hereunder, all of the incorporators
and/or owners of the said entity shall be liable for the same."

Section 3. Subchapter V of Chapter 1 of Title 54 of the Code of the Federated States of Micronesia is hereby amended by renumbering sections 156 and 157 as sections 158 and 159, respectively.

Section 4. Subchapter V of Chapter 1 of Title 54 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 156 to read as follows:

"Section 156. Negotiated Settlements.
The Secretary may negotiate a settlement of any disputed tax liability upon such terms and conditions that the Secretary shall deem appropriate. Any settlement that would result in the reduction of the total tax liability, including interest and penalties, in excess of 25 percent of the total liability or $50,000, whichever is less, shall first receive prior written approval of the President or his designee."

Section 5. Subchapter V of Chapter 1 of Title 54 of the Code of the Federated States of Micronesia is hereby amended by enacting a new section 157 to read as follows:

"Section 157. Tax amnesty.
The Secretary, with approval of the President, may declare periods of amnesty during which taxpayers may admit to past unpaid tax liability and enter into an agreement for payment of those taxes
without payment of any penalty or interest due on
the unpaid taxes, provided that:

(1) Any agreement for payment of taxes shall bear
interest at the rate of 12% per annum, and shall contain
a default provision that reinstates all interest due and
all potential civil and criminal penalties; and

(2) No declaration of amnesty may contain waiver
of any criminal prosecutions for violations of this
chapter without the written approval of the
Secretary of the Department of Justice."

Section 6. This act shall become law upon approval of
the President of the Federated States of Micronesia or upon
its becoming law without such approval.

Date: 10/26/04 Introduced by: /s/ Henry C. Asugar
Henry C. Asugar
(by request)