A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 141 thereof to waive certain taxes on gross revenues, and for other purposes.

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

Section 1. Purpose. By enacting P.L. No 12-18, Congress exempted, from the gross revenues tax, proceeds of sales of fish by foreign or domestic fishing vessels to processing facilities within the Federated States of Micronesia. That act was intended to provide a financial incentive for fishing vessels to offload their catch for processing in FSM ports rather than exporting their fish for processing overseas. This exemption was not given retroactive effect. Fishing vessels remained liable for taxes on sales to FSM processing facilities before December 3, 2001, the effective date of P.L. No. 12-18. A number of vessels continue to have substantial outstanding tax liabilities from this earlier period. Appropriately, officials of the National Government have persisted in their efforts to collect these past due taxes. Congress is informed, however, that this tax liability and pressure from the National Government to pay it have caused a number of vessels to cease fishing in the FSM. As a result, one or more FSM fish processing facilities have been forced to suspend operations. Recognizing that (a) it was the purpose of P.L. No. 12-18 to promote the growth of the FSM fish processing business, and (b) the effort to collect gross revenues taxes that became due...
prior to the effective date of P.L. No. 12-18 are undermining the purpose of that act, Congress enacts this amendment to section 141 of title 54 of the Code to waive past due taxes on sales of fish to FSM processing facilities.

Section 2. Section 141 of title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 141. Tax on gross revenues; Exemption.

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

(2) There shall be assessed, levied, collected, and paid a tax of three percent per year upon that portion of the amount of gross revenues earned by every business subject to the provisions of this chapter which is in excess of $10,000 per year.

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

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

(5) All taxes on gross revenues from sales of fish by
foreign or domestic fishing vessels to processing
facilities within the Federated States of Micronesia,
which are due and owing but have not been paid as of the
effective date of this act, are hereby waived."

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

Date: 5/23/05  Introduced by: /s/ Peter M. Christian  
Peter M. Christian