A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 18-107, by amending section 805 thereof, to provide the State Governments with additional tax revenue for the Health and Education sectors, and for other purposes.

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

Section 1. Purpose. The purpose of this act is to provide additional revenue to the State Governments to appropriate in the Health and Education sectors. According to the current law the National Government keeps 30% of tax revenues and the intent of this act is to transfer the National Government’s entire share to the States, except for 7.5% which will be used for the National Merit Scholarship.

Section 2. Section 805 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 18-107, is hereby further amended to read as follows:

"Section 805. Distribution of revenues.

(1)(a) The Treasurer of the Federated States of Micronesia shall pay eighty percent of the net taxes collected pursuant to section 221(9) of this title, and fifty percent at the National Government’s share of all other net taxes collected pursuant to sections 121, 141, and 221 of this title into the
treasury of the State Government to which the taxes are attributable for appropriation by the State legislature.

(b) An additional twenty percent of the total of all other net taxes collected pursuant to sections 121, 141, and 221 of this title after the Treasurer of the Federated States of Micronesia has administered distribution under subsection (a) shall be deposited by the Treasurer of the Federated States of Micronesia into the State sub-account “A” of the FSM Trust Fund on behalf of the National Government for the State Government to which the taxes are attributable. The additional twenty percent (20%) deposited by the National Government into individual States sub-account “A” may not be withdrawn by the States.

(c) Twenty-five percent of the amount remaining, after the transfer of funds pursuant to subsections 1(a) and 1(b) of this section, of the net taxes collected pursuant to subsection 221(1) of this title shall be placed in an account to be used solely for post-graduate school scholarships or full-time post-secondary courses of study leading to commercial Federal Aviation Administration (FAA) licenses, ratings and certifications. The allottee of the
scholarship funds shall be the President of the Federated States of Micronesia or his designee; and

[(d) Except as specifically provided in parts (a), (b) and (c) of this subsection, all net taxes collected shall be part of the General Fund of the Federated States of Micronesia, subject to appropriation by Congress pursuant to title 55 of the Code of the Federated States of Micronesia.]

(d) All remaining funds after distribution as provided in parts (a), (b) and (c) of this subsection, shall be deposited into the treasury of the State Government where the taxes are collected for appropriation by the States at their discretion for use in the Health and Education sectors, provided that the States must submit a detailed annual accounting of the expenditures of these funds by December 31 of each year.

(2) 'Net taxes' as used in subsection (1) of this section means gross collections of taxes, penalties, interest, or other related charges less refunds."

Section 3. This act will come into effect on October 1, 2015.

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Section 4. 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: 7/15/15

Introduced by: /s/ Alik L. Alik

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