A BILL FOR AN ACT

To further amend sections 1015 and 1019 of title 37 of the Code of the Federated States of Micronesia (Annotated), as enacted by Public Law No. 18-71, for the purpose of requiring ninety percent (90%) of the tax on all premiums collected from captive insurance companies in a fiscal year to be deposited into the FSM Trust Fund, and for other purposes.

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

Section 1. Section 1015 of Title 37 of the Code of the Federated States of Micronesia (Annotated), as amended, is hereby amended to read as follows:

"Section 1015. Tax on Premium Collected.

(1) Each captive insurance company shall pay into the General Fund of the Federated States of Micronesia on or before June 1 each year, a tax on gross premiums as follows:

(a) .05 percent of gross premiums for insurance written on all risks or property resident, situated or located within the Federated States of Micronesia, and on risks and property situated elsewhere upon which no premium tax is otherwise paid during the year ending on the preceding March 31, less return premiums and less any reinsurance accepted;

(b) the annual maximum aggregate tax on premiums to be paid by a captive insurance company
calculated under subsection (a) of this section shall be $20,000.00.

(2) Two or more captive insurance companies under common ownership and control shall be taxed, as though they were a single captive insurance company.

(a) For the purpose of this section common ownership and control shall mean:

(i) in the case of stock corporation, the direct or indirect ownership of 80 percent or more of the outstanding voting stock of two or more corporation by the same shareholder or shareholders; and

(ii) in the case of mutual corporation, the direct or indirect ownership of 80 percent or more of the surplus and the voting power of two or more corporations by the same member or members.

(3) Annually, [ten percent of] the premium tax revenues collected pursuant to this section shall be transferred as follows:

(a) Ten percent or $150,000, whichever is greater, shall be transferred to the Insurance Board for the regulation of captive insurance companies under this chapter[. Any fund derived hereunder shall be] and deposited in the revolving fund established under Section 1017; and
(b) Ninety percent, or the amount remaining after the transfer under subsection (a) of this section, shall be transferred to the FSM Trust Fund.

(4) The tax provided for in this section shall be calculated on an annual basis, notwithstanding policies or contracts of insurance or contracts or reinsurance issued on a multiyear basis. In the case of multiyear policies or contracts, the premium shall be prorated for purposes of determining the tax under this section.”

Section 2. Section 1019 of Title 37 of the Code of the Federated States of Micronesia (Annotated), as enacted by Public Law No. 18-71, is hereby amended to read as follows:

“Section 1019. The revolving fund shall hold all fees collected under section 1003(3) and funds derived under section 1015(3)(a).”

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: 9/26/18 Introduced by: /s/ Isaac V. Figir Isaac V. Figir