A BILL FOR AN ACT

To amend Sections 3 and 5 of Title 73 of the Trust Territory Code, the Trust Territory Social Security Act, in order to provide for an increase in quarterly taxable wages, an increase in the minimum quarters of coverage to be fully insured and currently insured, to increase the penalty for delinquent employers, and for other purposes.

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

1 Section 1. Section 3 of Title 73 of the Trust Territory Code, as amended, is hereby further amended to read as follows:

2 "Section 3. Definitions. In this title, unless the context otherwise requires, the following definitions shall be applicable:

3 (1) "Agricultural labor" includes all services performed on a farm in the employ of the owner or tenant or other operator of a farm in connection with the operation, management, conservation, or improvement of such farm and its tools and equipment, or in the production or harvesting of any commodity and its preparation for market. The term "farm" shall include stock, dairy, poultry, fruit orchards and truck garden farms, plantations, ranches, nurseries, greenhouses or similar structures used for raising agricultural or horticultural commodities.

4 (a) The term "employee" means:

5 (a) Any officer of a corporation; or

6 (b) Any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or

7 (c) Any self-employed person who has at least one employee for whom he is required to report in a given quarter; or

8 (d) Any self-employed person who had more than
ten thousand dollars of annual gross revenue in the
preceding calendar year.

(3) "Employment" means any service by an employee
for the Trust Territory employer employing him, irre-
respectively of where such employment shall be performed,
except family employment.

(4) "Family employment" shall mean employment of a
worker by a member of his household, his parent, or his
son or daughter except that the worker may apply to the
Board for a determination that such employment is bona
fide covered employment subject to this Title.

(5) "Wages" means remuneration paid subject to the
provisions of this Title, including the cash value of all
remuneration paid in any medium other than cash and
remuneration accruing to a self-employed person. Remun-
eration accruing to a self-employed person shall be deemed
to be twice the amount paid to the highest paid employee
reported by the self-employed person in a quarter, sub-
ject to one thousand five hundred dollars maximum
per quarter. Remuneration accruing to a self-employed
person who has no covered employees shall be deemed
to be twenty-five percent per quarter of ten percent
of the gross revenue of his business for the previous
calendar year, subject to one thousand five
hundred dollars maximum. Remuneration paid for any
service which is more or less than a whole dollar shall, as may be prescribed by regulations, be computed to the nearest dollar. Wages shall not include:

(a) That part of remuneration in excess of one thousand five hundred dollars paid in a quarterly reporting period by one employer.

(b) Any payment on account of sickness or accident disability, or medical or hospitalization expenses made by an employer to or on behalf of an employee.

(c) Any payment made to or on behalf of an employee or to his beneficiary from a trust or annuity.

(d) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of an employer.

(e) Remuneration paid for casual or intermittent labor not performed in the course of the employer's trade or business when such employment does not exceed employment in more than one week in each calendar month of each quarterly reporting period.

(8) The term "quarter" and the term "calendar quarter," means a period of three calendar months ending on March 31, June 30, September 30, or December 31.
The term "quarter of coverage" means a quarter in which the individual has been paid fifty dollars or more in wages in employment subject to this title.

(7) Insured status for the purposes of this title:

(a) "Fully insured individual" means any individual who has not less than one quarter of coverage for each year beginning after June 30, 1968, or for each year after attaining the age of twenty-one whichever is later, and up to but excluding the year in which he attained retirement age, or became disabled, or died, whichever first occurred, except that in no case shall an individual be a fully insured individual unless he has at least \( \frac{11}{12} \) quarters of coverage.

(b) "Currently insured individual" means any individual who has had not less than eight quarters of coverage during the thirteen quarters period ending with:

(1) The quarter in which he died or
(2) The quarter in which he became entitled to old age insurance benefits or
(3) The quarter in which he became disabled, whichever first occurs.

(8) "Contributions" shall mean the tax imposed
upon income of covered employees and the tax imposed
upon employers on account of wages paid to a covered
employee.

(9) "Board," as used in this Title, means the
Trust Territory Social Security Board provided for
by Section 51, Chapter 3 of this Title.

(10) "Earnings test" shall mean that an individual who
receives a retirement or survivor's pension and who
works in covered or noncovered employment shall have
his quarterly benefit reduced by one dollar for each
two dollars earned in a quarter, except there shall
be no reduction for the first two hundred dollars
earned in a quarter. The reduction shall be applied
in the subsequent two quarters immediately after the
quarter in which the earnings were made."

(11) "Disability" means inability to engage in
any substantial gainful employment by reason of any
medically determinable physical or mental impairment
which can be expected to result in death or which has
lasted or can be expected to last for a continuous
period of not less than twelve months.

(12) "Become disabled" means the first month in
which an individual is under a disability and is both
fully and currently insured.

Section 2. Section 5 of Title 73 of the Trust Territory
Code, as amended, is hereby further amended to read as follows:

"Section 5. Violations; penalties.

(1) Any person who knowingly makes any false statement or who falsifies any report to or record of the Trust Territory social security system in an attempt to defraud the system shall be guilty of a misdemeanor and upon conviction thereof shall be imprisoned for a period of not more than one year, or fined not more than two thousand dollars, or both.

(2) Any person who wilfully fails to report wages paid or pay contributions required thereon shall be guilty of a misdemeanor and, in addition to any other penalty prescribed by law, such a person shall also pay penalties not in excess of one hundred percent of the tax due plus interest to the board as it by regulation shall require.

(3) Any covered employer who fails to submit the quarterly report and pay the social security tax within ten days after the end of the quarter shall be considered delinquent. The board or its authorized representatives shall be vested with the authority to levy a penalty of not more than two hundred fifty dollars on delinquent employers."

Section 3. This act shall become law upon its approval by the President of the Federated States of Micronesia or its
becoming law without such approval, and shall take effect
upon concurrent legislation enacted by the governments of
Palau and the Marshall Islands and the approval by the High
Commissioner of this act and such concurrent legislation.

Date: 12/14/87

Introduced by: J. Turner

(by request)