

*HESA*  
*HMA*

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 FEDERATED STATES OF MICRONESIA:

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

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

6 (1) "Agricultural labor" includes all service  
7 performed on a farm in the employ of the owner or  
8 tenant or other operator of a farm in connection with  
9 the operation, management, conservation, or improve-  
10 ment of such farm and its tools and equipment, or in  
11 the production or harvesting of any commodity and  
12 its preparation for market. The term "farm" shall  
13 include stock, dairy, poultry, fruit orchards and  
14 truck garden farms, plantations, ranches, nurseries,  
15 greenhouses or similar structures used for raising  
16 agricultural or horticultural commodities.

17 (2) The term "employee" means:

18 (a) Any officer of a corporation; or

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

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

25 (d) Any self-employed person who had more than

HESA/WIM

1 ten thousand dollars of annual gross revenue in the  
2 preceding calendar year.

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

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

12 (5) "Wages" means remuneration paid subject to the  
13 provisions of this Title, including the cash value of all  
14 remuneration paid in any medium other than cash and  
15 remuneration accruing to a self-employed person. Remuner-  
16 ation accruing to a self-employed person shall be deemed  
17 to be twice the amount paid to the highest paid employee  
18 reported by the self-employed person in a quarter, sub-  
19 ject to one thousand ~~xxx~~ five hundred dollars maximum  
20 per quarter. Remuneration accruing to a self-employed  
21 person who has no covered employees shall be deemed  
22 to be twenty-five percent per quarter of ten percent  
23 of the gross revenue of his business for the previous  
24 calendar year, subject to one thousand ~~xxx~~ five  
25 hundred dollars maximum. Remuneration paid for any

HESA/WIM

C.B. No. 2-119

1 service which is more or less than a whole dollar  
2 shall, as may be prescribed by regulations, be com-  
3 puted to the nearest dollar. Wages shall not include:

4 (a) That part of remuneration in excess  
5 of one thousand ~~100~~ five hundred dollars paid in a  
6 quarterly reporting period by one employer.

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

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

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

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

22 (6) The term "quarter" and the term "calendar  
23 quarter," means a period of three calendar months  
24 ending on March 31, June 30, September 30, or  
25 December 31.

HESA/WM

1 The term "quarter of coverage" means a quarter in  
2 which the individual has been paid fifty dollars or  
3 more in wages in employment subject to this Title.

4 (7) Insured status for the purposes of this  
5 Title:

6 (a) "Fully insured individual" means any  
7 individual who has not less than one quarter of  
8 coverage for each year beginning after June 30, 1968,  
9 or for each year after attaining the age of twenty-one  
10 whichever is later, and up to but excluding the year  
11 in which he attained retirement age, or became dis-  
12 abled, or died, whichever first occurred, except that  
13 in no case shall an individual be a fully insured  
14 individual unless he has at least ~~sixty~~ twelve  
15 quarters of coverage.

16 (b) "Currently insured individual" means  
17 any individual who has had not less than ~~six~~ eight  
18 quarters of coverage during the thirteen quarter  
19 period ending with:

- 20 (i) The quarter in which he died or,
- 21 (ii) The quarter in which he became  
22 entitled to old age insurance benefits or,
- 23 (iii) The quarter in which he became  
24 disabled, whichever first occurs.

25 (8) "Contributions" shall mean the tax imposed

HCSA/WOM

1 upon income of covered employees and the tax imposed  
2 upon employers on account of wages paid to a covered  
3 employee.

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

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

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

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

25 Section 2. Section 5 of Title 73 of the Trust Territory

HOSA/WM

1 Code, as amended, is hereby further amended to read as follows:

2 "Section 5. Violations; penalties.

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

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

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

24 Section 3. This act shall become law upon its approval  
25 by the President of the Federated States of Micronesia or its

HESA/NTM

1 becoming law without such approval, and shall take effect  
2 upon concurrent legislation enacted by the Governments of  
3 Palau and the Marshall Islands and the approval by the High  
4 Commissioner of this act and such concurrent legislation.

5  
6 Date: 7/22/81

Introduced by: *Luke Tran*  
Luke Tran  
(By Request)

- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25