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A BILL FOR AN ACT

To amend sections 103 and 105 of title 53 of the Federated States of Micronesia 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 103 of title 53 of the Federated States of  
2 Micronesia Code is hereby amended to read as follows:

3 "Section 103. Definitions. In this title, unless the context  
4 otherwise requires, the following definitions shall be appli-  
5 cable:

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

16 (2) "Became disabled" means the first month in which  
17 an individual is under a disability and is both fully and  
18 currently insured.

19 (3) "Board" as used in this title, means the Trust  
20 Territory Social Security Board provided for by chapter 2 of  
21 this title.

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

25 (5) "Disability" means inability to engage in any

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1 substantial gainful employment by reason of any medically  
2 determinable physical or mental impairment which can be  
3 expected to result in death or which has lasted or can be  
4 expected to last for a continuous period of not less than  
5 twelve months.

6 (6) "Earnings test" means that an individual who  
7 receives a retirement or survivor's pension and who works in  
8 covered or noncovered employment shall have his quarterly  
9 benefit reduced by one dollar for each two dollars earned  
10 in a quarter, except there shall be no reduction for the  
11 first \$200 earned in a quarter. The reduction shall be  
12 applied in the subsequent two quarters immediately after  
13 the quarter in which the earnings were made. ;

14 (7) The term "employee" means:

- 15 (a) any officer of a corporation; or
- 16 (b) any individual who, under the usual common  
17 law rules applicable in determining the employer-employee  
18 relationship, has the status of an employee; or

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

22 (d) any self-employed person who had more than  
23 \$10,000 of annual gross revenue in the preceding calendar  
24 year.

25 (8) "Employment" means any service by an employee for

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1 the Trust Territory employer employing him, irrespective of  
2 where such employment shall be performed, except family  
3 employment.

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

9 (10) "Insured status" for the purposes of this title:

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

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

22 (i) the quarter in which he died; or

23 (ii) the quarter in which he became entitled  
24 to old age insurance benefits; or

25 (iii) the quarter in which he became disabled,

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whichever first occurs.

(11) 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 \$50 or more in wages in employment subject to this title.

(12) "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. Remuneration 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, subject to ~~\$1,200~~ \$1,500 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 ~~\$1,200~~ \$1,500 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 ~~\$1,200~~ \$1,500 paid in a quarterly reporting period by one employer;
- (b) any payment on account of sickness or accident

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1 disability, or medical or hospitalization expenses made by  
2 an employer to or on behalf of an employee;

3 (c) any payment made to or on behalf of an  
4 employee or to his beneficiary from a trust or annuity;

5 (d) remuneration paid in any medium other than  
6 cash to an employee for service not in the course of the  
7 employer's trade or business or for domestic service in a  
8 private home of an employer;

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

14 Section 2. Section 105 of title 53 of the Federated States of  
15 Micronesia Code is hereby amended to read as follows:

16 "Section 105. Violations - Penalties.

17 (1) Any person who knowingly makes any false statement  
18 or who falsifies any report to or record of the Trust Territory  
19 Social Security System in an attempt to defraud the system  
20 shall be guilty of a misdemeanor and upon conviction thereof  
21 shall be imprisoned for a period of not more than one year,  
22 or fined not more than \$2,000, or both.

23 (2) Any person who willfully fails to report wages  
24 paid or pay contributions required thereon shall be guilty  
25 of a misdemeanor and, in addition to any other penalty

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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 ~~\$\$~~ \$250 on delinquent employers."

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, and shall take effect upon concurrent legislation enacted by the Governments of the Republic of Palau and the Republic of the Marshall Islands and the approval by the High Commissioner of this act and such concurrent legislation.

Date: May 20, 1983

Introduced by:   
Raymond Setik