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:

Section 1. Section 103 of title 53 of the Federated States of Micronesia Code is hereby amended to read as follows:

"Section 103. Definitions. In this title, unless the context otherwise requires, the following definitions shall be applicable:

(1) "Agricultural labor" includes all service 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.

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

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

(4) "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.

(5) "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.

(6) "Earnings test" means 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 $200 earned in a quarter. The reduction shall be
applied in the subsequent two quarters immediately after
the quarter in which the earnings were made.

(7) The term "employee" means:

(a) any officer of a corporation; or

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

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

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

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

(9) "Family employment" means 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.

(10) "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 attain-
ing 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 eight twelve quarters
of coverage;

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

(i) the quarter in which he died; or

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

(iii) the quarter in which he became disabled,
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 employ- ment 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 remunera- tion 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
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."

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

"Section 105. 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 $2,000, or both.

(2) Any person who willfully fails to report wages
paid or pay contributions required thereon shall be guilty
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 $500 $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