FOURTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA
FOURTH REGULAR SESSION, 1986

A BILL FOR AN ACT

To propose an amendment to article IX, sections 2, 3 and 5 of the Constitution of the Federated States of Micronesia to permit States to levy income and business taxes and to eliminate the constitutional requirement for the division of National income and business taxes and to further amend title 54 of the Code of the Federated States of Micronesia, as amended by Public Law No. 4-32, by amending sections 121 and 161 to reduce income and business taxes by fifty percent upon the ratification of the proposed constitutional amendments, and for other purposes.

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

Section 1. It is hereby proposed that article IX, section 2, of the Constitution of the Federated States of Micronesia be amended to read as follows:

"Section 2. The following powers are expressly delegated to Congress:

(a) to provide for the national defense;
(b) to ratify treaties;
(c) to regulate immigration, emigration, naturalization, and citizenship;
(d) to impose taxes, duties, and tariffs based on imports;
(e) to issue and regulate currency;
(f) to regulate banking, foreign and interstate commerce, insurance, the issuance and use of commercial paper and securities, bankruptcy and insolvency, and patents and copyrights;
(g) to regulate navigation and shipping except within lagoons, lakes, and rivers;
(h) to establish usury limits on major loans;
(i) to provide for a national postal system;
(j) to acquire and govern new territory;
(k) to govern the area set aside as the national capital;
(l) to regulate the ownership, exploration, and
exploitation of natural resources within the marine space
of the Federated States of Micronesia beyond 12 miles from
island baselines;

(\textit{\textbf{c}}} to establish and regulate a national public
service system;

(\textit{\textbf{d}}} to impeach and remove the President, Vice-
President, and justices of the Supreme Court;

(\textit{\textbf{e}}} to define major crimes and prescribe
penalties, having due regard for local custom and
tradition; and

(\textit{\textbf{f}}} to override a Presidential veto by not less
than a 3/4 vote of all the state delegations, each delega-
tion casting one vote."

Section 2. It is hereby proposed that article IX, section 3, of
the Constitution of the Federated States of Micronesia be amended
to read as follows:

"Section 3. The following powers may be exercised con-
currently by Congress and the states:

(a) to appropriate public funds;

(b) to borrow money on the public credit;

(c) to promote education and health; \textit{\textbf{and}}

(d) to establish systems of social security and

public welfare; \textit{\textbf{and}}

(e) to impose taxes on income."

Section 3. It is hereby proposed that article IX, section 5, of
the Constitution of the Federated States of Micronesia be amended
to read as follows:

"Section 5. National taxes shall be imposed uniformly. Not less than 50% of the revenues from taxes, duties, and tariffs based on imports shall be paid into the treasury of the state where collected."

Section 4. Section 121 of title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 121. Tax on wages and salaries. There shall be assessed, levied, collected, and paid a tax of six three percent upon the first $11,000 and five percent upon the amount over the first $11,000 of all wages and salaries received by every employee, as defined, except as provided in section 122 of this chapter."

Section 5. Section 141 of title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 141. Tax on gross revenues: Exemption. 
1. There shall be assessed, levied, collected and paid a tax of five percent upon that portion of the amount of gross revenues earned by every business subject to the provisions of this chapter which does not exceed $10,000 per year.
2. There shall be assessed, levied, collected, and paid a tax of one and one-half percent per year upon that portion of the amount of gross revenues earned by every
business subject to the provisions of this chapter which is
in excess of $10,000 per year.

"NO BUSINESS WHICH HAS GROSS REVENUES OF NOT MORE
THAN $21000 BUT THAT ATTACHES FROM TAXATION UNDER THE
SECTION 1 THE SCHEDULES SHALL BE CLAIMED BY THE BUSINESS BY
FILING FOR A REFUND UNDER THE PROVISIONS OF SECTIONS 121
AND 123 OF THIS CHAPTER;"

Section 6. Upon this act becoming law, the proposed constitu-
tional amendment set out in section 1 of this act will become part of
the Constitution after completion of procedures and ratification as
required by Public Law No. 2-51, as amended by Public Law No. 2-58.

Section 7. Sections 1, 2, 3 and 6 of this act shall become
law upon approval by the President of the Federated States of
Micronesia or upon its becoming law without such approval. Sections
4 and 5 of this act shall become law on the first day of the first
fiscal year following the ratification of the amendments to the
Constitution of the Federated States of Micronesia set forth in
section 1 of this act.

Date: Oct 27, 1985
Introduced by: Peter M. Christian

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