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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 141 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:

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

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

6 (a) to provide for the national defense;

7 (b) to ratify treaties;

8 (c) to regulate immigration, emigration,
9 naturalization, and citizenship;

10 (d) to impose taxes, duties, and tariffs based
11 on imports;

12 ~~(e) to impose taxes on income;~~

13 (f) to issue and regulate currency;

14 (g) to regulate banking, foreign and interstate
15 commerce, insurance, the issuance and use of commercial
16 paper and securities, bankruptcy and insolvency, and
17 patents and copyrights;

18 (h) to regulate navigation and shipping except
19 within lagoons, lakes, and rivers;

20 (i) to establish usury limits on major loans;

21 (j) to provide for a national postal system;

22 (k) to acquire and govern new territory;

23 (l) to govern the area set aside as the national
24 capital;

25 (m) to regulate the ownership, exploration, and

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1 exploitation of natural resources within the marine space
2 of the Federated States of Micronesia beyond 12 miles from
3 island baselines;

4 (ym) to establish and regulate a national public
5 service system;

6 (on) to impeach and remove the President, Vice-
7 President, and justices of the Supreme Court;

8 (po) to define major crimes and prescribe
9 penalties, having due regard for local custom and
10 tradition; and

11 (dp) to override a Presidential veto by not less
12 than a 3/4 vote of all the state delegations, each delega-
13 tion casting one vote."

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

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

- 19 (a) to appropriate public funds;
- 20 (b) to borrow money on the public credit;
- 21 (c) to promote education and health; ~~and~~
- 22 (d) to establish systems of social security and
23 public welfare/; and

24 (e) to impose taxes on income."

25 Section 3. It is hereby proposed that article IX, section 5, of

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1 the Constitution of the Federated States of Micronesia be amended
2 to read as follows:

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

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

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

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

17 "Section 141. Tax on gross revenues; Exemption.

18 (1) ~~There shall be assessed, levied, collected, and~~
19 ~~paid a tax of \$80 per year upon that portion of the~~
20 ~~amount of gross revenues earned by every business subject~~
21 ~~to the provisions of this chapter which does not exceed~~
22 ~~\$10,000 per year.~~

23 (2) There shall be assessed, levied, collected, and
24 paid a tax of ~~three~~ one and one-half percent per year upon
25 that portion of the amount of gross revenues earned by every

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1 business subject to the provisions of this chapter which is
2 in excess of \$10,000 per year.

3 (3) Businesses which earn gross revenues of not more
4 than \$2,000 per year are exempt from taxation under this
5 section. The deduction shall be claimed by the business by
6 filing for a refund under the provisions of sections 122
7 and 123 of this chapter."

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

12 Section 7. Sections 1, 2, 3 and 6 of this act shall become
13 law upon approval by the President of the Federated States of
14 Micronesia or upon its becoming law without such approval. Sections
15 4 and 5 of this act shall become law on the first day of the first
16 fiscal year following the ratification of the amendments to the
17 Constitution of the Federated States of Micronesia set forth in
18 section 1 of this act.

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20 Date: Oct. 27, 1985

Introduced by: 
Peter M. Christian

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