

A BILL FOR AN ACT

To amend section 222 of chapter 2 of title 54 of the Code of the Federated States of Micronesia (Annotated), by inserting a new subparagraph thereto, that creates a temporary exemption from duty with respect to all goods imported for the Integrated Coconut Processing Facility, Independent Power Plant, and Coconut Supply Chain Management on Tonoas Island, and for other purposes.

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

1 Section 1. Section 222 of title 54 of the Code of the  
2 Federated States of Micronesia (Annotated), is hereby amended to  
3 read as follows:

4 "Section 222. Exemptions.

5 (1) Damaged, pillaged or faulty goods. Upon receipt  
6 of a written request within 28 days of the goods'  
7 release from Customs control, the Secretary may  
8 authorize a refund of the whole or part of the duty  
9 paid, where any of the following conditions exist:

10 (a) goods have been damaged, pillaged, lost or  
11 destroyed during the voyage;

12 (b) goods have, while subject to the control of  
13 Customs, been damaged, pillaged, lost or destroyed; or

14 (c) the Commissioner is satisfied that, owing to  
15 a fault or defect in any goods, the importer has  
16 received a reduction or a refund, in whole or part, of  
17 the price paid for the goods.

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1           (2) Goods imported for subsequent export.

2           (a) Upon application to and approval by the  
3           Secretary, import duty paid on the following goods shall  
4           be refunded: goods imported for processing in the FSM,  
5           not otherwise used in the FSM, and subsequently exported  
6           from the FSM. For purposes of this subsection, raw  
7           materials or ingredients which are worked into or  
8           otherwise become part of a different or more finished  
9           product are deemed exported when that product is  
10          exported.

11          (b) Goods imported for processing are eligible  
12          for the duty refund when the finished products which the  
13          imported goods were processed into have been loaded on  
14          an aircraft or vessel for direct removal from the FSM  
15          and that aircraft or vessel has departed from the port.  
16          After they have been so loaded, the goods shall again be  
17          subject to import duty if they are unloaded or used in  
18          the FSM. With respect to importers primarily engaged in  
19          importing for processing and subsequent export, the  
20          Secretary shall provide for waiving, by regulation  
21          rather than collecting and subsequently refunding,  
22          duties.

23          (c) Upon application to and approval by the  
24          Secretary, import duty shall be waived on the following  
25          goods: goods imported for transshipment through the FSM,

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1 not to be used in the FSM, which are securely stored  
2 while in the FSM and which are exported from the FSM  
3 within a reasonable time of import to the FSM, as  
4 defined by regulation. Should these goods not be  
5 exported within a reasonable time, the importer will be  
6 subject to a penalty equal to one-quarter of the import  
7 duty that would have been due if the goods were to be  
8 used in the FSM. Should these goods be removed from the  
9 secure storage facility or used in the FSM, they will be  
10 subject to the full import duty.

11 (d) The burden of proving that goods imported  
12 are for subsequent export shall be upon the  
13 importer/exporter as specified in regulations.

14 (3) Goods carried in per trip abroad. Each time an  
15 individual person enters or returns to the FSM from a  
16 foreign jurisdiction, he or she is entitled to bring  
17 into the FSM the following goods duty free, provided  
18 that such goods are for that person's own personal use  
19 or consumption and not for resale or exchange, and  
20 provided further that such person is permitted by  
21 applicable State law to possess, use, and consume such  
22 goods:

23 (a) up to 200 cigarettes;

24 (b) up to one pound of tobacco or twenty  
25 cigars;

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1 (c) up to 52 fluid ounces or 1500 milliliters of  
2 distilled alcoholic beverages; and

3 (d) up to two hundred dollars (\$200) worth of  
4 goods other than tobacco products, beer and malt  
5 beverages, distilled alcoholic beverages, and wine.

6 (4) Visitors' personal effects. A visitor to the FSM  
7 may import bona fide personal effects into the FSM duty  
8 free, provided the goods are for the visitor's own  
9 personal use and will be taken with the visitor when he  
10 or she leaves the country.

11 (5) Returning goods. Goods produced or properly  
12 entered in the FSM which are subsequently removed from  
13 the FSM may be returned to the FSM duty free. The  
14 burden shall be on the owner of the goods to establish  
15 that the goods were either produced in the FSM or  
16 previously and properly entered.

17 (6) Goods used in foreign aid projects. An  
18 international organization, foreign contractor, or other  
19 foreign entity may import goods into the FSM duty free  
20 in connection with the performance of services or other  
21 conduct of business in furtherance of a foreign aid  
22 agreement entered into by the FSM, the terms of which  
23 require that such import shall not be subject to  
24 taxation by the FSM; provided that if and when such  
25 goods are subsequently sold in the FSM, import duty

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1 shall be due based on the sale amount. The duty,  
2 together with penalties and interest, shall be the joint  
3 and several personal liability of the importer and the  
4 purchaser and shall be secured by first liens on the  
5 goods and on the importer's property as hereinafter  
6 provided.

7 (7) Certain fishing vessels and equipment. Fishing  
8 vessels basing in the Federated States of Micronesia  
9 under a valid permit or license issued pursuant to title  
10 24 of the Code of the Federated States of Micronesia  
11 shall not be subject to the import duty on either the  
12 vessel or equipment installed in the vessel. This  
13 exemption shall apply to replacement parts and equipment  
14 imported by these fishing vessels as well.

15 (8) Parcels which would generate a de minimis duty.  
16 Parcels mailed or otherwise sent into the FSM, which  
17 would otherwise generate a de minimis duty, shall be  
18 exempt from import duty, provided that such goods are  
19 for the recipient's own personal use or consumption and  
20 not for resale or exchange. Parcels with values up to  
21 the amount specified in subsection (3)(d) of this  
22 section, shall be exempt.

23 (9) Health, education and welfare related goods  
24 donated from humanitarian use. Upon application to and  
25 approval by the Secretary, the import duty on goods

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1 related to health, education or welfare donated without  
2 cost for humanitarian purposes, and not for resale shall  
3 be waived or refunded; provided, however, that if and  
4 when any of such goods are subsequently sold in the FSM,  
5 import duty shall be due based on the sale amount. The  
6 duty, together with penalties and interest, shall be the  
7 joint and several liability of the importer and the  
8 purchaser and shall be secured by first liens on the  
9 goods and on the importer's property as hereafter  
10 provided.

11 (10) Equipment and goods imported for the  
12 Federated States of Micronesia Petroleum Corporation's  
13 Integrated Coconut Processing Facility, Independent  
14 Power Plan, and Coconut Supply Chain Management on  
15 Tonoas Island. All equipment and goods brought into the  
16 FSM by Federated States of Micronesia Corporation or any  
17 of its contractors for the construction of the  
18 Integrated Coconut Processing Facility, Independent  
19 Power Plan, and Coconut Supply Chain Management on  
20 Tonoas Island in Chuuk State, including, but not limited  
21 to all machinery, tools, and construction materials  
22 shall be exempt from the import duty. This exemption  
23 shall become null and void one year from the date of  
24 completion of the Integrated Coconut Processing Facility  
25 and Independent Power Plant or on September 30, 2020,

1                   whichever occurs sooner."

2           Section 2. This act shall become law upon approval by the  
3 President of the Federated States of Micronesia or upon its  
4 becoming law without such approval.

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6 Date: 5/22/19

Introduced by: /s/ Florencio S. Harper  
Florencio S. Harper  
(by request)

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