
A BILL FOR AN ACT

To further amend section 805 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Laws Nos. 17-05, 18-107, 21-152, 22-57, 22-139 and 22-158, to change the revenue sharing percentages between the National and State Governments with regards to tax revenues, and for other purposes.

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

1 Section 1. Purpose. The purpose of this act is to change
2 the percentages of revenue sharing between the National and State
3 Governments with regards to taxes collected. Currently the State
4 Governments receive 80% of the fuel tax collected and 50% of the
5 wage and salary tax, gross receipts tax and import duties (other
6 than the fuel tax). This distribution will remain in place.
7 Additionally, historically, the Congress had seen fit to provide
8 the State Governments with 20% of the total tax take remaining
9 after the above State distribution was made.

10 With the Constitutional amendment requiring revenues from
11 fishing agreements to be divided equally between the National and
12 State Governments, it is fitting that the distribution of tax
13 revenue be adjusted.

14 Section 2. Section 805 of title 54 of the Code of the
15 Federated States of Micronesia (Annotated), as amended by Public
16 Laws Nos. 17-05, 18-107, 21-152, 22-57, 22-139 and 22-158, is
17 hereby further amended as follows:

18 "Section 805. Distribution of revenues.

1 (1) Distribution to the States.

2 (a) The treasurer of the Federated States
3 of Micronesia shall pay eighty percent (80%) of the
4 net taxes collected pursuant to section 221(9) of this
5 title (fuel tax), and fifty percent (50%) of all other
6 net taxes collected pursuant to sections 121 (wage and
7 salaries tax), 141 (gross revenue tax), and 221
8 (import duties -other than fuel tax under section
9 221(9)), of this title into the treasury of the State
10 government to which the taxes are attributable for
11 appropriation by the State legislatures.

12 (b) Through the end of fiscal year 2023 [~~Subject~~
13 ~~to Part (e) below,~~] an additional twenty percent of
14 the total of all other net taxes collected pursuant to
15 sections 121,141, and 221 of this title after the
16 Treasurer of the Federated States of Micronesia has
17 administered distribution under part (a) shall be
18 deposited by the treasurer of the Federated States of
19 Micronesia into the State sub-account "A" of the FSM
20 Trust Fund on behalf of the National Government for
21 the State government to which the taxes are
22 attributable, UNLESS part (e) below provided
23 otherwise. The additional twenty percent (20%)
24 deposited by the National Government into the
25 individual States sub-account A may not be withdrawn

1 by the States. For fiscal year 2024 and thereafter,
2 zero percent (0%) of the total of all other net taxes
3 collected after distribution under part (a) shall be
4 transferred to the States.

5 (c) Twenty-five percent (25%) of the amount
6 remaining, after the transfer of funds pursuant to
7 parts (a) and (b) of this subsection, of the net taxes
8 collected pursuant to subsection 221(1) of this title
9 (cigarette tax) shall be placed in an account to be
10 used solely for post-graduate school scholarships or
11 full-time post-secondary courses of study leading to
12 commercial Federal Aviation Administration (FAA)
13 licenses, ratings and certifications. The allottee of
14 the scholarship funds shall be the President of the
15 Federated States of Micronesia or his designee[7].

16 (d) Except as specifically provided in parts
17 (a), (b) and (c) of this subsection, all net taxes
18 collected shall be part of the General Fund of the
19 Federated States of Micronesia, subject to
20 appropriation by Congress pursuant to title 55 of the
21 Code of the Federated States of Micronesia.

22 (e) ~~[on an extraordinary basis the extra 20% net~~
23 ~~taxes collected during fiscal years 2021 and 2022 as~~
24 ~~defined in part (b) of this subsection above shall be~~
25 ~~remitted to the States and not to the FSM Trust Fund.]~~

1 For fiscal year 2023 only, the 20% of net taxes
2 referenced in part (b) shall be distributed as
3 follows:

4 (i) [~~On an extraordinary basis, Kosrae~~
5 State's share of the extra 20% of net taxes, as
6 provided in part (b) of this subsection above,
7 collected during the fiscal year 2023] shall not be
8 deposited into the FSM Trust Fund but shall be
9 remitted in full to Kosrae State;

10 (ii) [~~For~~] Chuuk State's share [~~of the extra~~
11 20% of next taxes, as provided in part (b) of this
12 subsection above, collected during the fiscal year
13 2023] shall be not deposited into the FSM Trust Fund
14 but shall be remitted in full to Chuuk State; PROVIDED
15 HOWEVER, that such amount, as necessary, shall be used
16 to defray what Chuuk State may owe to municipalities
17 for prior years pursuant to the 8% revenue sharing
18 required under section 6 of article VIII of the
19 Constitution of the State of Chuuk; PROVIDED, FURTHER,
20 that the Governor shall be the allottee of such funds
21 and shall provide guidelines for the proper
22 allocation, distribution, and safeguard of the funds;

23 (iii) [~~For~~] Pohnpei State's share [~~, its~~
24 share for the fiscal year 2023] shall be remitted to
25 fuel wholesalers for the purpose of providing a fuel

1 subsidy on gasoline, diesel, and kerosene to Pohnpei
2 residents;

3 (iv) [~~. For~~] Yap State's, [its] share [for
4 ~~Fiscal Year 2023~~] shall be deposited into the Yap
5 State sub-account "A" of the FSM Trust Fund, as
6 provided in part (b) [~~of this subsection~~] above.

7 (2) 'Net taxes' as used in subsection (1) of
8 this section means gross collections of taxes,
9 penalties, interest, or other related charges less
10 refunds."

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

14

15 Date: 7/25/23

Introduced by: /s/ Isaac V. Figir
Isaac V. Figir

16

17

18

19

20

21

22

23

24