

S.C.R. NO. 13-16
JUNE 3, 2003

COMMITTEE ON WAYS AND MEANS

Your Committee on Ways and Means, to which was referred C.B. No. 13-5, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 805 TO PROVIDE THAT THE STATES SHALL RECEIVE FIFTY PERCENT OF CERTAIN TAXES COLLECTED, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

As introduced, this bill would amend section 805 of title 54 of the FSM Code to provide that fifty percent (50%) of all net taxes collected on wages and salaries, gross revenues and imported products (except gasoline and diesel fuel) shall be paid to the State to which such taxes are attributable.

If adopted, this amendment would return the language of section 805 of title 54 to language substantively identical to that contained in the same code section prior to December 1997, when Public Law No.10-68 became law. P.L. No. 10-68 amended section 805 to provide that an additional 20% of the specified taxes be paid to the States, to be used only for education and health purposes. The proposed amendment eliminates the additional 20% provision, thereby returning the total percentage to be given to the States to 50%.

Your committee feels that the passage of the subject bill is necessary in light of the serious financial challenges currently faced by the National Government as a result of the projected revenue shortfall and uncertainties surrounding the proposed amendments to the Compact of Free Association. At this time of financial strain, it is critical for the National Government to reconsider the allocation of its resources. Your committee believes that returning the tax allocation percentages to the previous 50% level is an advisable action to take at this time.

For the reasons set forth above, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 13-5 and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading.

Signed by Senators Asor, Kansou, Asugar and Christian