

STANDING COMMITTEE REPORT NO. 13-178

RE: C.B. NO. 13-135

SUBJECT: CORPORATE INCOME TAX

OCTOBER 26, 2004

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2004

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 13-135, entitled:

C.B. No. 13-135, "A BILL FOR AN ACT TO FURTHER AMEND TITLE 36 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 201 THEREOF TO EXPAND THE DUTIES OF THE REGISTRAR OF CORPORATIONS, BY ADDING NEW SECTIONS 207, 208 AND 209 THERETO, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

C.B. No. 13-135 is a companion bill to C.B. No. 13-141. Both bills relate to the members of a new corporate income tax applicable to major corporations. Specifically, C.B. No. 13-135 charges the Registrar of Corporation with responsibility for promoting and facilitating the formation of major corporations that will be subject to the new income tax. The Registrar is also authorized to enter into a contract with a Registration Advisor to provide assistance in promoting the formation of such Corporation. C.B. No. 13-135 also addresses the compensation of the Registration Advisor and specifically provides that the Registration Advisor may be compensated only from funds collected under the corporate income tax and deposited in a special fund created for that purpose.

The Committee's views regarding the corporate income tax are expressed in the Standing Committee Report on C.B. No. 13-141 and are incorporated herein by reference.

Although agreeing with the general purpose and intent of C.B. No. 13-135, your committee submits that it should be amended in a number of respects:

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(1) Considering the subject bill is closely tied with C.B. No. 13-141, the committee is of the opinion that C.B. 13-135 should use the same terminology as C.B. 13-141. Therefore, the committee recommends that the term 'major corporation' be defined as it is defined in C.B. No. 13-141.

(2) Your committee also recommends a number of technical amendments to improve the clarity of the bill as identified below.

Specifically, your committee recommends the following amendments to C.B. No. 13-135:

1. Page 2, line 9 - delete "mean any corporation which engage in foreign and interstate commerce and which is not exempted by section 313" and insert "have the meaning ascribed to it by section 312" in lieu thereof.
2. Page 2, line 12 - delete "from the taxes imposed by chapter 3 of that title."
3. Page 3, line 23 - preceding "income tax", insert "corporate".
4. Page 3, line 23 - following "income tax revenue", insert "less any corporate tax credits paid or refunded".
5. Page 3, line 25 - delete "section 321" and insert "chapter 3" in lieu thereof.

With the foregoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 13-135 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 13-135, C.D.1.

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Respectfully submitted,

<hr/> Sabino S. Asor, chairman	<hr/> /s/ Roosevelt D. Kansou Roosevelt D. Kansou, vice chairman
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<hr/> /s/ Henry C. Asugar Henry C. Asugar, member	<hr/> Peter M. Christian, member
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<hr/> /s/ Isaac V. Figir Isaac V. Figir, member	<hr/> /s/ Dohsis Halbert Dohsis Halbert, member
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<hr/> /s/ Claude H. Phillip Claude H. Phillip, member	
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