

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 141 thereof to waive certain taxes on gross revenues, and for other purposes.

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

1 Section 1. Purpose. By enacting P.L. No 12-18, Congress
2 exempted, from the gross revenues tax, proceeds of sales of fish
3 by foreign or domestic fishing vessels to processing facilities
4 within the Federated States of Micronesia. That act was intended
5 to provide a financial incentive for fishing vessels to offload
6 their catch for processing in FSM ports rather than exporting
7 their fish for processing overseas. This exemption was not given
8 retroactive effect. Fishing vessels remained liable for taxes on
9 sales to FSM processing facilities before December 3, 2001, the
10 effective date of P.L. No. 12-18. A number of vessels continue to
11 have substantial outstanding tax liabilities from this earlier
12 period. Appropriately, officials of the National Government have
13 persisted in their efforts to collect these past due taxes.
14 Congress is informed, however, that this tax liability and
15 pressure from the National Government to pay it have caused a
16 number of vessels to cease fishing in the FSM. As a result, one
17 or more FSM fish processing facilities have been forced to suspend
18 operations. Recognizing that (a) it was the purpose of P.L. No.
19 12-18 to promote the growth of the FSM fish processing business,
20 and (b) the effort to collect gross revenues taxes that became due

1 prior to the effective date of P.L. No. 12-18 are undermining the
2 purpose of that act, Congress enacts this amendment to section 141
3 of title 54 of the Code to waive past due taxes on sales of fish
4 to FSM processing facilities.

5 Section 2. Section 141 of title 54 of the Code of the
6 Federated States of Micronesia is hereby amended to read as
7 follows:

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

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

14 (2) There shall be assessed, levied, collected, and
15 paid a tax of three percent per year upon that portion
16 of the amount of gross revenues earned by every business
17 subject to the provisions of this chapter which is in
18 excess of \$10,000 per year.

19 (3) Businesses which earn gross revenues of not more
20 than \$2,000 per year are exempt from taxation under this
21 section. The deduction shall be claimed by the business
22 by filing for a refund under the provisions of sections
23 122 and 123 of this chapter.

24 (4) For the purpose of section 805 of this title,
25 every business that operates in more than one State of

1 the Federated States of Micronesia shall file a separate
2 tax return for revenue collected in each State.

3 (5) All taxes on gross revenues from sales of fish by
4 foreign or domestic fishing vessels to processing
5 facilities within the Federated States of Micronesia,
6 which are due and owing but have not been paid as of the
7 effective date of this act, are hereby waived."

8 Section 3. This act shall become law upon approval by the
9 President of the Federated States of Micronesia or upon it
10 becoming law without such approval.

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12 Date: 5/23/05

Introduced by: /s/ Peter M. Christian
Peter M. Christian

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