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A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending sections 121 and 122 thereof to modify the wage and salary tax rates, and for other purposes.

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

1           Section 1. Section 121 of title 54 of the Code of the  
2 Federated States of Micronesia is hereby amended to read as  
3 follows:

4           "Section 121. Tax on wages and salaries.

5           There shall be assessed, levied, collected, and paid a  
6 tax of six percent upon the first \$11,000 and ten  
7 percent upon the amount over the first \$11,000 of all  
8 wages and salaries received, prior to January 1, 2006,  
9 by every employee, as defined, except as provided in  
10 section 122 of this chapter. Beginning January 1,  
11 2006, there shall be assessed, levied, collected and  
12 paid a tax on wages and salaries received by each  
13 employee in each year as follows:

14           (a) there shall be no tax on the first \$2,000 of wages  
15 and salaries received by the employee in each year;

16           (b) on all wages and salaries in excess of \$2,000, but  
17 less than \$15,000, there shall be a tax of 10 percent;

18           (c) on all wages and salaries in excess of \$15,000,  
19 but less than \$25,000, there shall be a tax of 15  
20 percent; and

1           (d) on all wages and salaries in excess of \$25,000,  
2           there shall be a tax of 20 percent."

3           Section 2. Section 122 of title 54 of the Federated States  
4 of Micronesia is hereby amended to read as follows:

5           "Section 122.   Deduction from tax; Claim for  
6           refund.

7           (1) Every employee, as defined, except those  
8           whose gross annual wages and salaries are \$5,000 or  
9           more, shall be allowed a deduction of \$1,000 per  
10          year from all wages and salaries subject to tax  
11          levied by section 121 of this chapter and received  
12          by the employee in the year in which the deduction  
13          is claimed, provided that this section shall not  
14          apply to any wages and salaries received by the  
15          employee after January 1, 2006.

16          (2) The deduction shall be claimed by the  
17          employee filing for a refund under the provisions  
18          of section 123 of this chapter."

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

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23 Date: 5/13/05

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

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