

STANDING COMMITTEE REPORT NO. 14-124

RE: C.B. NO.14-212/W&M

SUBJECT: EXTENSION OF WAIVER OF PENALTIES AND INTEREST

SEPTEMBER 26, 2006

The Honorable Peter Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
First Special Session

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B.
No. 14-212:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 54 OF THE CODE OF
THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING
SECTION 903 THEREOF TO PROVIDE FOR THE WAIVER OF PENALTIES
AND INTEREST ON DELINQUENT TAXES PAID DURING A SPECIFIED
PERIOD, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are set forth in its title.
Your Committee notes that a bill for the same purposes, C.B. 14-
216, has been submitted by the Executive Branch. Your Committee
suggests that the two bills be consolidated and proceed as C.B.
No. 14-212.

This bill is a result of repeated demands from both taxpayers and
government. Two years ago Congress enacted PL 13-61, which
contained certain measures to increase tax collections. One of
those measures was a waiver of interest and penalties for
taxpayers who would clear up their delinquent account by a
certain date. Upon payment of the capital amount due, the
associated penalties and interest would be waived. That measure
was very successful, helping the Customs and Tax Administration
to clear a substantial amount of overdue tax payments. It was
felt at the time, however, that maybe many taxpayers were not
aware of the opportunity to pay off their balances. Moreover,
some taxpayers may not have been financially in a position to pay
during the waiver period. The consensus was for the waiver period
to be extended. The fact that there is a pending bill for the
same purpose from the Executive is just further evidence of the
shared willingness to give delinquent taxpayers another chance.

Another issue came up during the implementation of the waiver.
Apparently a number of taxpayers had already paid off the capital

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amount of their balances, but still had some remaining penalties and interest. Since the waiver only applied to taxpayers who pay off their entire capital amount due during the waiver period, those taxpayers who had previously paid off their capital amount due were unwittingly excluded from the benefits of the waiver, creating an unfair situation where "good" taxpayers were essentially penalized for trying to pay-off part of their balances before the waiver period. Your Committee recommends adding another section to the bill to deal specifically with this problem.

Your committee therefore recommends the following amendment to the proposed bill:

Page 1, section 1, insert a new subsection (2)

"(2) With respect to delinquent taxpayers who have a balance of zero (\$0) for their capital amount due, the Secretary of Finance and Administration is empowered for the duration of the period set forth in subsection (1) to write off and discharge all penalties and interest currently owing."

The Committee is mindful of the potential drawback of the waiver as well, in that it might encourage taxpayers not to pay penalties and interest, but just to be complacent and wait for the next waiver. For that reason, your Committee recommends strongly that this waiver be the last.

Your Committee is in accord with the Bill No. 14-212, C.D.1, as amended and recommends its passage on first and second readings.

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Respectfully submitted,

/s/ Isaac V. Figir
Isaac V Figir, chairman

Roosevelt D. Kansou, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

Peter M. Christian, member

/s/ Manny Mori
Manny Mori, member

/s/ Simiram Sipenuk
Simiram Sipenuk, member

Claude H. Phillip, member