

STANDING COMMITTEE REPORT NO. 16-54

RE: C.B. NO. 16-64/R&D

SUBJECT: CHANGES TO TITLE 54, CORPORATE INCOME TAX

DECEMBER 8, 2009

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Second Special Session, 2009

Dear Mr. Speaker:

Your Committee on Resources and Development (R&D), to which was referred C.B. No. 16-64, entitled:

"A BILL FOR AN ACT TO AMEND SECTION 313 OF TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA TO MAKE ALL CAPTIVE INSURANCE COMPANIES SUBJECT TO THE FEDERATED STATES OF MICRONESIA CORPORATE INCOME TAX REGARDLESS OF CAPITALIZATION, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

The subject bill, C.B. No. 16-64, proposes to amend section 313 of title 37 of the Code of the Federated States of Micronesia. The purpose of this amendment is to require all Captive Insurance Companies registered in the FSM to be subjected to the Federated States of Micronesia corporate income tax regardless of capitalization.

Your Committee held a public hearing on C.B. No. 16-48, which is the Class 3 Multiple Corporate Captive (MCC) and was informed that the current section 313 of title 54 of the FSM Code should be amended if the MCC bill becomes law. Hence, the President has transmitted the bill to Congress.

During the hearing on the bill, Assistant Attorney General Mr. Bacalando indicated that there is a need to amend section 313 of title 54 of the FSM Code. Thus, C.B. No. 16-64 is a companion bill to C.B. No. 16-48 (MCC bill). The proposed bill to amend section 313 of title 54 is to impose taxes on all captive insurance companies licensed in the FSM regardless of capitalization. For instance, if "MCC" is required to put up a paid in capital of \$1,000,000.00 and the member captive is required to put up \$100,000.00, taxes will be imposed on them regardless of capitalization.

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Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 16-64 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. 16-64.

Respectfully submitted,

/s/
Roger S. Mori, chairman

/s/
Tony Otto, vice chairman

/s/
Dion G. Neth, member

/s/
Dohsis Halbert, member

/s/
Peter Sitan, member

/s/
Joseph J. Urusemal, member

/s/
Paliknoa K. Welly, member