

STANDING COMMITTEE REPORT NO. 18-130

RE: C.B. NO. 18-141

SUBJECT: SUNSET CLAUSE DEADLINE EXTENSION

MARCH 27, 2014

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
Third Special Session, 2014

Dr. Mr. Speaker:

Your Committee on Ways and Means which was referred C.B.
No. 18-141, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND SECTION 934 OF
TITLE 54 OF THE CODE OF THE FEDERATED STATES OF
MICRONESIA, AS ENACTED BY PUBLIC LAW NO. 17-50 AND
AMENDED BY PUBLIC LAWS NOS. 17-83, 18-06, AND 18-
16 TO EXTEND THE DEADLINE FOR THE IMPLEMENTATION
OF THE TAX REFORM, AND FOR OTHER PURPOSES.",

Begs leave to report as follows:

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

This bill is extending the deadline of the sunset clause until
May 31, 2015.

Your committee held a public hearing on the Tax Reform on March
26, 2014. Your committee was honored that Vice-President Alik
Alik and the governors of the four states took time out of their
busy calendars to pay a courtesy call on Congress at the same
time. Speaking for the Tax Reform Executive Committee (which
comprises the Vice-President and the four governors), Vice-

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President Alik stated that the ESE's decision was to ask Congress to "repeal the Sunset Clause and at the same time extend it".

Your committee heard from Governor Ehsa of Pohnpei who stated that the VAT bill for Pohnpei State was originally recommended to be filed by the Committee on Finance of the Pohnpei State Legislature but he was able to work with the Committee to recommit the bill to committee. It is therefore now still pending with the Pohnpei State Legislature.

Governor Anefal of Yap stated that the Yap Legislature still has constitutional problems with the URA bill.

The Director of the Tax Reform Task Force stated that they needed time to get other states on board. Their counsel stated that there might be a way to uncouple the issue of the URA, which is really what Yap is having a problem with, from the VAT.

Your committee takes seriously the requests of the ESE. However your committee does not believe that repealing the Sunset Clause is a good idea. It has always been and continues to be the belief of the committee that the Tax Reform should be a process involving all five governments and that no state should be left behind.

Your committee is also not impressed with the Task Force's excuse for lack of progress, which was that there was a provision in the last extension of the Sunset Clause that prevented them from doing anything. It is water under the bridge but the intent of the provision was not to implement further the tax reform mechanism but to dedicate their efforts to get all states on board. The extension this time is also premised on the understanding that the Task Force will do what it can to bring in all the states, including working with and finding creative solutions for the states that are still reluctant. If that requires a change in personnel in the Task Force, that is something for the President to consider, but your committee is impatient for results.

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Under the circumstances your committee recommends that the Sunset Clause be extended as set forth in the bill.

Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No, 18-141 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.

Respectfully submitted,

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

Peter M. Christian, vice chairman

Do not Concur
Tony H. Otto, member

/s/ Yosiwo P. George
Yosiwo P. George, member

Do Not Concur
David W. Panuelo, member

/s/ Wesley W. Simina
Wesley W. Simina, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member