

STANDING COMMITTEE REPORT NO. 18-21

RE: C.B. NO. 18-26/W&M

SUBJECT: AMENDING SECTION 934 OF TITLE 54
F.S.M.C., AS AMENDED, TO EXTEND A
DEADLINE SET FOR THE IMPLEMENTATION OF
THE TAX REFORM

JULY 17, 2013

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
First Special Session, 2013

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B.
No. 18-26 entitled:

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

begs leave to report as follows:

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

The purpose of this bill is an extension of the so-called
Sunset Clause of the RAA Act, part of the Tax Reform. This
is the clause that mandates that unless all four States pass
VAT legislation by a certain deadline, the provisions of the
RAA Act become null and void. This is to make sure that all
State Governments are supportive of the tax reform process,
and demonstrate that support by passing VAT legislation.

During a special session of Congress this past April the 17th
Congress had extended the deadline from April 19, 2013 to
July 19, 2013. With the new deadline looming, the President

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has called this special session to ask among other things that Congress remove the Sunset Clause.

Your Committee is supportive of the Tax Reform, but it is also mindful of the freedom of the States to decide for themselves whether to join the Tax Reform. Two States, Chuuk and Kosrae, have enacted legislation. The question is whether the lack of State legislation in the remaining two States so far means that they two do not wish to proceed. The Committee encourages the remaining States to adopt the Tax Reform.

Your Committee believes that the Tax Reform cannot and should not proceed without the participation of all States. Your Committee therefore considered both the proposals to repeal or extend the Sunset Clause and sided with an extension. However, your Committee notes recent correspondence from the Governors of the remaining two States that point to some movement.

With that in mind, your Committee believes that the States should be given another three months to give their assent and pass legislation. Your Committee therefore supports the intent and purpose of this bill and recommends extending the deadline. To make it easier, your Committee recommends amending the deadline in the bill from September 19 to September 30, the end of the fiscal year.

Your Committee would like to offer the following amendments to the bill as follows:

1. Page 1, line 7, delete "9", and insert "30" in lieu thereof.

Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 18-26 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. 18-26, C.D.1.

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Respectfully submitted,

Isaac V. Figir, chairman

Peter M. Christian, member

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

/s/ Tony H. Otto
Tony H. Otto, member

David W. Panuelo, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal

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