

STANDING COMMITTEE REPORT NO. 18-256

RE: C.B. No. 18-229/W&M

SUBJECT: REPEAL OF THE UNIFIED REVENUE AUTHORITY ACT  
OF 2010

NOVEMBER 25, 2014

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

Dear Mr. Speaker:

Your Committee on Ways & Means, to which was referred  
Congressional Bill No. 18-229, entitled:

"A BILL FOR AN ACT TO REPEAL PUBLIC LAW NO. 16-75  
IN ITS ENTIRETY, WHICH ESTABLISHED A FEDERATED  
STATES OF MICRONESIA UNIFIED REVENUE AUTHORITY, AND  
FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of this act is expressed in its title.

Your Committee on Ways & Means held oversight hearings on the  
status of the Unified Revenue Authority and this bill on  
November 19, 2014. During this hearing, a representative from  
the Tax Reform Task Force testified that the transition from  
the Customs and Tax Authority (hereafter "CTA") to the Unified  
Revenue Authority Act has begun.

During the Fifth Regular Session of the 18<sup>th</sup> Congress of the  
Federated States of Micronesia, Congress passed Congressional  
Resolution No. 18-220 which urged the President to delay the  
implementation of the Unified Revenue Authority (hereafter  
"URA") until all the components of the tax reform are in  
place. The President in response to Congress' request to  
delay implementation of the URA issued Presidential

STANDING COMMITTEE REPORT NO. 18-256

RE: C.B. No. 18-229/W&M

SUBJECT: REPEAL OF THE UNIFIED REVENUE AUTHORITY ACT  
OF 2010

NOVEMBER 25, 2014

Communication No. 18-382, which stated that the implementation of the URA was necessary due to its mere existence in law.

Your committee learned in the November 19<sup>th</sup>, 2014 oversight hearing that implementation of the URA will result in a cost increase. The representative from CTA stated that the exact increase in the operations is not knowable until the URA is running in January.

As the President stated in Presidential Communication No. 18-383 "pursuant to the separation of powers, Congress enacts the laws, the Executive executes the laws, and the Supreme Court interprets them." Your committee points out that the President is vested with the authority and duty to implement the laws of the Federated States of Micronesia in a manner consistent with the legislative authority in the law. In this instance, the President is acting based on a twisted interpretation of the URA and without the proper authority which expired when the Sunset Clause contained in the Revenue Administration Act (RAA) was not extended.

Due to the President's stated reasons listed in P.C. No. 18-382 and his unwillingness to cooperate with the will of Congress as expressed in C.R. 18-220, Congress has no choice but to repeal the URA.

Your committee would like to point out that by implementing the URA without all the pieces of the tax reform in place would result in unintended consequences and political fragmentation. The URA was passed with the intent to only come into existence and exercise authority once all four states passed the Value Added Tax. The piecemeal approach being advocated by the Executive branch is resulting in confusion.

Your committee would like to note that Congress remains committed to the tax reform process. Your committee encourages the advancement of the tax reform process and hopes work will continue to bring all four states on board. Additionally, your committee notes that Congress may again consider passing the relevant and necessary tax reform measures once all four states show the willingness to proceed with the process.

STANDING COMMITTEE REPORT NO. 18-256

RE: C.B. No. 18-229/W&M

SUBJECT: REPEAL OF THE UNIFIED REVENUE AUTHORITY ACT  
OF 2010

NOVEMBER 25, 2014

CONCLUSION

Your committee has carefully reviewed Congressional Bill 18-229. Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 18-229, 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. 18-229.

Respectfully submitted,

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

/s/ Peter M. Christian  
Peter M. Christian

Tony H. Otto, member

Yosiwo P. George, member

/s/ David W. Panuelo  
David W. Panuelo, member

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

Joseph J. Urusemal, member