

A BILL FOR AN ACT

To amend section 222 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, by adding a new subparagraph (10) for the purpose of exempting government imports from import duties, and other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1           Section 1. Section 222 of title 54 of the Code of the  
2   Federated States of Micronesia (Annotated), as amended, is  
3   hereby amended, to read as follows:

4           "Section 222. Exemptions.

5                   (1) Damaged, pillaged or faulty goods. Upon receipt  
6   of a written request within 28 days of the goods'  
7   release from Customs control, the Secretary may  
8   authorize a refund of the whole or part of the duty  
9   paid, where any of the following conditions exist:

10                   (a) goods have been damaged, pillaged, lost or  
11   destroyed during the voyage;

12                   (b) goods have, while subject to the control of  
13   Customs,

14                   been damaged, pillaged, lost or destroyed; or

15                   (c) the Commissioner is satisfied that, owing to  
16   a fault or defect in any goods, the importer has  
17   received a reduction or a refund, in whole or part, of  
18   the price paid for the goods.

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1                   (2) Goods imported for subsequent export.

2                   (a) Upon application to and approval by the  
3                   Secretary, import duty paid on the following goods shall  
4                   be refunded: goods imported for processing in the FSM,  
5                   not otherwise used in the FSM, and subsequently exported  
6                   from the FSM. For purposes of this subsection, raw  
7                   materials or ingredients which are worked into or  
8                   otherwise become part of a different or more finished  
9                   product are deemed exported when that product is  
10                  exported.

11                  (b) Goods imported for processing are eligible  
12                  for the duty refund when the finished products which the  
13                  imported goods were processed into have been loaded on  
14                  an aircraft or vessel for direct removal from the FSM  
15                  and that aircraft or vessel has departed from the port.  
16                  After they have been so loaded, the goods shall again be  
17                  subject to import duty if they are unloaded or used in  
18                  the FSM. With respect to importers primarily engaged in  
19                  importing for processing and subsequent export, the  
20                  Secretary shall provide for waiving, by regulation  
21                  rather than collecting and subsequently refunding,  
22                  duties.

23                  (c) Upon application to and approval by the  
24                  Secretary, import duty shall be waived on the following  
25                  goods: goods imported for transshipment through the FSM,

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1 not to be used in the FSM, which are securely stored  
2 while in the FSM and which are exported from the FSM  
3 within a reasonable time of import to the FSM, as  
4 defined by regulation. Should these goods not be  
5 exported within a reasonable time, the importer will be  
6 subject to a penalty equal to one-quarter of the import  
7 duty that would have been due if the goods were to be  
8 used in the FSM. Should these goods be removed from the  
9 secure storage facility or used in the FSM, they will be  
10 subject to the full import duty.

11 (d) The burden of proving that goods imported  
12 are for subsequent export shall be upon the  
13 importer/exporter as specified in regulations.

14 (3) Goods carried in per trip abroad. Each time an  
15 individual person enters or returns to the FSM from a  
16 foreign jurisdiction, he or she is entitled to bring into  
17 the FSM the following goods duty free, provided that such  
18 goods are for that person's own personal use or  
19 consumption and not for resale or exchange, and provided  
20 further that such person is permitted by applicable State  
21 law to possess, use and consume such goods:

22 (a) up to 200 cigarettes;

23 (b) up to one pound of tobacco or twenty cigars;

24 (c) up to 52 fluid ounces or 1500 milliliters of  
25 distilled alcoholic beverages; and

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1 (d) up to two hundred dollars (\$200) worth of  
2 goods other than tobacco products, beer and malt  
3 beverages, distilled alcoholic beverages, and wine.

4 (4) Visitor's personal effects. A visitor to the  
5 FSM may import bona fide personal effects into the FSM  
6 duty free, provided the goods are for the visitor's own  
7 personal use and will be taken with the visitor when he  
8 or she leaves the country.

9 (5) Returning goods. Goods produced or properly  
10 entered in the FSM which are subsequently removed from  
11 the FSM may be returned to the FSM duty free. The  
12 burden shall be on the owner of the goods to establish  
13 that the goods were either produced in the FSM or  
14 previously and properly entered.

15 (6) Goods used in foreign aid projects. An  
16 international organization, foreign contractor, or other  
17 foreign entity may import goods into the FSM duty free  
18 in connection with the performance of services or other  
19 conduct of business in furtherance of a foreign aid  
20 agreement entered into by the FSM, the terms of which  
21 require that such import shall not be subject to  
22 taxation by the FSM; provided that if and when such  
23 goods are subsequently sold in the FSM, import duty  
24 shall be due based on the sale amount. The duty,  
25 together with penalties and interest, shall be the joint

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1           and several personal liability of the importer and the  
2           purchaser and shall be secured by first liens on the  
3           goods and on the importer's property as hereinafter  
4           provided.

5           (7) Certain fishing vessels and equipment. Fishing  
6           vessels basing in the Federated States of Micronesia  
7           under a valid permit or license issued pursuant to title  
8           24 of the Code of the Federated States of Micronesia  
9           shall not be subject to the import duty on either the  
10          vessel or equipment installed in the vessel. This  
11          exemption shall apply to replacement parts and equipment  
12          imported by these fishing vessels as well.

13          (8) Parcels which would generate a de minimis duty.  
14          Parcels mailed or otherwise sent into the FSM, which  
15          would otherwise generate a de minimis duty, shall be  
16          exempt from import duty, provided that such goods are  
17          for the recipient's own personal use or consumption and  
18          not for resale or exchange. Parcels with values up to  
19          the amount specified in subsection (3)(d) of these  
20          section, shall be exempt.

21          (9) Health, education and welfare related goods  
22          donated for humanitarian use. Upon application to and  
23          approval by the Secretary, the import duty on goods  
24          related to health, education or welfare donated without  
25          cost for humanitarian purposes, and not for resale,

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1 shall be waived or refunded; provided, however, that if  
2 and when any of such goods are subsequently sold in the  
3 FSM, import duty shall be due based on the sale amount.  
4 The duty, together with penalties and interest, shall be  
5 the joint and several personal liability of the importer  
6 and the purchaser and shall be secured by first liens on  
7 the goods and on the importer's property as hereinafter  
8 provided."

9 (10) Government imports. Goods imported by the  
10 National, State or local levels of government of the  
11 Federated States of Micronesia, other than for resale,  
12 shall be exempt from the import duty. For purposes of  
13 this exemption, the term 'government' shall include  
14 public corporations, authorities or other entities  
15 established by law to operate as independent  
16 enterprises."

17 Section 2. This act shall become law upon approval by the  
18 President of the Federated States of Micronesia or upon  
19 its becoming law without such approval.

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21 Date: 7/29/16

Introduced by: /s/ for Joseph J. Urusemal  
Florencio S. Harper  
(by request)

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