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A BILL FOR AN ACT

To amend title 54 of the Code of the Federated States of Micronesia by amending section 112 to provide for certain deductions from "gross revenue," and for other purposes.

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

1 Section 1. Section 112 of title 54 of the Code of the Federated

2 States of Micronesia is hereby amended to read as follows:

3 "Section 112. Definitions. Wherever used in this chapter,
4 unless the subject matter, context, or sense otherwise requires.

5 (1) 'Business' means any profession, trade, manufacture,
6 or other undertaking carried on for pecuniary profit and includes
7 all activities whether personal, professional, or incorporated,
8 carried on within the Federated States of Micronesia for economic
9 benefit either direct or indirect, and excludes casual sales,
10 as determined by the Secretary; however, one who qualifies as an
11 employee under this section shall not be considered as a business.
12 Copra production by unincorporated copra producers collectively
13 or severally shall not be included as a business under this
14 definition.

15 (2) 'Commercial aircraft' means any aircraft capable of
16 and intended for use in commercial aviation.

17 (3) 'Employee' means any individual who, under the usual
18 common law rules applicable in determining the employer-employee
19 relationship, has the status of an employee.

20 (4) 'Employer' includes any individual, corporation,
21 association, joint stock company, bank, insurance company, credit
22 union, cooperative, or other equity or group employing any person,
23 and also includes the Trust Territory, Federated States of Micro-
24 nesia, State and local governments, and their agencies, charged
25 with the disbursement of public moneys as salaries or wages.

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1 'Employer' also includes the United States Government and
2 instrumentalities thereof.

3 (5) 'Gross revenue' means the gross receipts, cash or
4 accrued, of the taxpayer received as compensation for personal
5 services not in the form of salaries or wages as defined in
6 subsection (11) of this section, and the gross receipts of the
7 taxpayer derived from trade, business, commerce, or sales and
8 the value proceeding or accruing from the sale of tangible
9 personal property, or service, or both, and all receipts, actual
10 or accrued by reason of the capital of the business engaged in,
11 including interest, rentals, royalties, fees, or other emoluments
12 however designated and without any deductions on account of the
13 cost of property sold, the cost of materials used, labor cost,
14 taxes royalties, or interest paid or any other expenses ~~whatsoever~~,
15 except the following: medical and life insurance for employees;
16 business entertainment expenses within the Federated States of
17 Micronesia including, but not limited to, accommodations and meals;
18 the value of locally purchased machinery and equipment; and the
19 value of materials, commodities and equipment acquired locally
20 for further processing. Gross revenue shall not include the
21 following:

- 22 (a) refunds and rebates;
23 (b) moneys held in a fiduciary capacity;
24 (c) income in the form of wages and salaries which are
25 taxed under other provisions of this chapter;

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1 (d) sale payments received for the sale of a com-
2 mercial aircraft, to the extent that such sale payments in any
3 quarter shall equal the rental payments made to the buyer by
4 the seller of such aircraft for its rental by seller;

5 (e) rental payments received for the rental of a
6 commercial aircraft, to the extent that such rental payments in
7 any quarter shall equal the sale payments made to the lessor by
8 lessee of such aircraft for its purchase by the lessor; or

9 (f) cash discounts allowed and taken on sales, the
10 proceeds of sale of goods, wares, or merchandise returned by
11 customers when the sale price is refunded either in cash or by
12 credit; or the sale price of any article accepted as part of
13 payment of any new article sold, if the full sale price of a new
14 article is included in 'gross revenue.'

15 (6) 'Military or Naval Forces of the United States' and
16 'Armed Forces of the United States' means all regular and reserve
17 components of the uniformed services which are subject to the
18 jurisdiction of the Secretary of the Army, Navy, or Air Force,
19 and also includes the Coast Guard.

20 (7) 'Month' means calendar month.

21 (8) 'Purchase payments' means payments on the actual selling
22 price, including any interest, carrying charges, or other charges
23 associated with a sale. As used herein, the word 'sale' implies
24 a transfer of ownership of that which is sold, in exchange for
25 the purchase payments or promise thereof.

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1 (9) 'Rental payments' means any payments made in exchange
2 for use or rental, and includes interest, carrying charges, or
3 other charges associated with use or rental.

4 (10) 'Secretary' means the Secretary of the Department of
5 Finance.

6 (11) 'Wages' or 'Salaries' means and includes commissions,
7 fees, compensation, emoluments, bonuses, and every and all other
8 kinds of compensation paid for, credited, or attributable to
9 personal services performed by an individual, which services have
10 been performed by such person as an employee. Wages and salaries
11 shall not include the following:

12 (a) wages and salaries received from the United States by
13 members of the Military or Naval Forces of the United States or the
14 Armed Forces of the United States;

15 (b) reasonable per diem and travel allowances to the extent
16 that they do not exceed any comparable Trust Territory Government rates;

17 (c) rental value of a home furnished to any employee or
18 a reasonable rental allowance paid to any employee (to the extent
19 such allowance is used by the employee to rent or provide a home);

20 (d) any payment on account of sickness or accident
21 disability, or any payment of medical or hospitalization expenses,
22 made by an employer to or on behalf of an employee; provided,
23 however, that normal wages or salaries paid to an employee for a
24 period of time during which he is excused from work because of
25 sickness shall not be excluded from wages and salaries under this

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1 subsection;

2 (e) any payment made to or on behalf of an employee
3 or to his beneficiary from a trust or annuity;

4 (f) remuneration paid in any medium other than cash
5 to an employee for service not in the ordinary course of the
6 employer's trade or business or for domestic service in a private
7 home of an employer;

8 (g) remuneration paid for casual or intermittent labor
9 not performed in the ordinary course of the employer's trade or
10 business and for not more than one week in each calendar month;

11 (h) any payment in the form of a scholarship, fellow-
12 ship, or stipend made to any employee while he is a full-time,
13 bona fide student at an educational institution within the Trust
14 Territory;

15 (i) wages and salaries received by a minister of the
16 gospel or clergyman from a religious group or organization;

17 (j) wages and salaries received by an employee for
18 services performed or rendered in the capacity of a domestic or
19 household employee for a private individual or family.

20 (12) 'Year' means calendar year."
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1 Section 2. This act shall take effect on January 1 of the calendar
2 year immediately following that calendar year in which it is approved by
3 the President of the Federated States of Micronesia, or January 1 of the
4 calendar year immediately following that calendar year in which it becomes
5 law without such approval.

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7 Date: 10/16/88

Introduced by: 
Pedro Harris

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