

W+M

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, regarding taxation, as amended, by further amending section 112, as amended by Public Law No. 7-41, to deduct from gross revenue computations an amount equal to all labor costs of citizen employees, Federated States of Micronesia Social Security contributions paid on behalf of such citizens, and certain utilities expenses, 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 States of
2 Micronesia, as amended by Public Law No. 7-41, is hereby further amended to
3 read as follows:

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

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

15 (2) 'Business-related utilities expense' means an actual
16 expenditure of funds paid to a public utility for power, water, or
17 waste-water services necessary to and directly related to the
18 conduct of business.

19 ~~(23)~~ 'Commercial aircraft' means any aircraft capable of and
20 intended for use in commercial aviation.

21 ~~(34)~~ 'Employee' means any individual who, under the usual
22 common law rules applicable in determining the employer-employee
23 relationship, has the status of an employee.

24 ~~(45)~~ 'Employer' includes any individual, corporation,
25 association, joint stock company, bank, insurance company, credit

1 union, cooperative, or other equity or group employing any person,
2 and also includes the Federated States of Micronesia, State and
3 local governments, and their agencies, charged with the
4 disbursement of public moneys as salaries or wages. "Employer"
5 also includes the United States Government and instrumentalities
6 thereof.

7 (~~56~~) 'Gross revenue' means:

8 (a) the gross receipts, cash or accrued, of the taxpayer
9 received as compensation for personal services not in the form of
10 salaries or wages as defined in subsection (~~1112~~) of this section;
11 and

12 (b) the gross receipts of the taxpayer derived from
13 trade, business, commerce, or sales and the value proceeding or
14 accruing from the sale of tangible personal property, or services, or
15 both, and all receipts, actual or accrued by reason of the capital of
16 the business engaged in, including interest, rentals, royalties, fees, or
17 other emoluments however designated and without any deductions
18 on account of the cost of property sold, the cost of materials used,
19 ~~labor cost~~, taxes, royalties, or interest paid or any other expenses
20 whatsoever other than the following expenses which may be
21 deducted to the extent substantiated through reliable
22 documentation: labor costs of citizen employees, Federated States
23 of Micronesia Social Security contributions which have been paid by
24 the taxpayer for the benefit of his or her citizen employees pursuant
25 to title 53 of the Code of the Federated States of Micronesia, and

WEM

C.B. NO. 1043

1 business-related utilities expenses; PROVIDED, however, that
2 ~~G~~gross revenue shall not include the following:
3 (~~A~~ i) refunds and rebates;
4 (~~B~~ ii) moneys held in a fiduciary capacity;
5 (~~C~~ iii) income in the form of wages and salaries which are
6 taxed under other provisions of this chapter;
7 (~~D~~ iv) sale payments received for the sale of a
8 commercial aircraft, to the extent that such sale payments in any
9 quarter shall equal the rental payments made to the buyer by the
10 seller of such aircraft for its rental by seller;
11 (~~E~~ v) rental payments received for the rental of a
12 commercial aircraft, to the extent that such rental payments in any
13 quarter shall equal the sale payments made to the lessor by lessee
14 of such aircraft for its purchase by the lessor;
15 (~~F~~ vi) cash discounts allowed and taken on sales, the
16 proceeds of sale of goods, wares, or merchandise returned by
17 customers when the sale price is refunded either in cash or by credit;
18 or the sale price of any article accepted as part of payment of any
19 new article sold, if the full sale price of a new article is included in
20 'gross revenue'; or
21 (~~G~~ vii) gross revenue received by an international
22 organization, foreign contractor, or other foreign entity paid from
23 foreign aid proceeds donated to the Federated States of Micronesia
24 pursuant to a foreign aid agreement entered into by the Federated
25 States of Micronesia, the terms of which require that such gross

WEA

1 revenue shall not be subject to taxation by the Government of the
2 Federated States of Micronesia.

3 (~~6~~7) 'Military or Naval Forces of the United States' and
4 'Armed Forces of the United States' means all regular and reserve
5 components of the uniformed services which are subject to the
6 jurisdiction of the Secretary of the Army, Navy, or Air Force, and
7 also includes the Coast Guard.

8 (~~7~~8) 'Month' means calendar month.

9 (~~8~~9) 'Purchase Payments' means payments on the actual
10 selling price, including any interest, carrying charges, or other
11 charges associated with a sale. As used herein, the word "sale"
12 implies a transfer of ownership of that which is sold, in exchange for
13 the purchase payments or promise thereof.

14 (~~9~~10) 'Rental payments' means any payments made in
15 exchange for use or rental, and includes interest, carrying charges,
16 or other charges associated with use or rental.

17 (~~10~~11) 'Secretary' means the Secretary of the Department
18 of Finance.

19 (~~11~~12) 'Wages' or 'Salaries' means and includes commissions,
20 fees, compensation, emoluments, bonuses, and every and all other
21 kinds of compensation paid for, credited, or attributable to personal
22 services performed by an individual, which services have been
23 performed by such person as an employee. Wages and salaries
24 shall not include the following:

25 (a) wages and salaries received from the United States

W&M

-
- 1 by members of the Military or Naval Forces of the United States or
2 the Armed Forces of the United States;
- 3 (b) reasonable per diem and travel allowances to the
4 extent that they do not exceed any comparable Federated States
5 of Micronesia Government rates;
- 6 (c) rental value of a home furnished to any employee or
7 a reasonable rental allowance paid to any employee (to the extent
8 such allowance is used by the employee to rent or provide a home);
- 9 (d) any payment on account of sickness or accident
10 disability, or any payment of medical or hospitalization expenses,
11 made by an employer to or on behalf of an employee; provided,
12 however, that normal wages or salaries paid to an employee for a
13 period of time during which he is excused from work because of
14 sickness shall not be excluded from wages and salaries under this
15 subsection;
- 16 (e) any payment made to or on behalf of an employee
17 or to his beneficiary from a trust or annuity;
- 18 (f) remuneration paid in any medium other than cash to
19 an employee for services not in the ordinary course of the
20 employer's trade or business or for domestic service in a private
21 home of an employer;
- 22 (g) remuneration paid for casual or intermittent labor
23 not performed in the ordinary course of the employer's trade or
24 business and for not more than one week in each calendar month;
- 25 (h) any payment in the form of a scholarship, fellowship,

1 or stipend made to any
2 student at an educational

3 (i) wages and sa
4 gospel or clergyman from a re

5 (j) wages and salaries
6 services performed or rendered in
7 household employee for a private indiv

8 (k) wages and salaries receiv
9 not a citizen of the Federated States of Mik
10 by an international organization, foreign con
11 entity performing services or otherwise conduct
12 furtherance if a foreign aid agreement entered into
13 States of Micronesia, the terms of which require tha
14 and salaries shall not be subject to taxation by the Go
15 the Federated States of Micronesia.


16 (1/213) 'Year' means calendar year."

17 Section 2. This act shall take effect 180 days following its becomin

18 Section 3. This act shall become law upon approval by the President
19 the Federated States of Micronesia or upon its becoming law without such
20 approval.

21 Date: 5/22/97

22 Introduced by:

23 
24 Peter M. Christian
25

Union, cooperative, or other equity or group employing any person,
and also includes the Federated States of Micronesia, State and
local governments, and their agencies, charged with the
disbursement of public moneys as salaries or wages. "Employer"
also includes the United States Government and instrumentalities
thereof.

(b) 'Gross revenue' means:

(a) the gross receipts, cash or accrued, of the taxpayer
received as compensation for personal services not in the form of
salaries or wages as defined in subsection (1112) of this section;
and

(b) the gross receipts of the taxpayer derived from
trade, business, commerce, or sales and the value proceeding or
accruing from the sale of tangible personal property, or services, or
both, and all receipts, actual or accrued by reason of the capital of
the business engaged in, including interest, rentals, royalties, fees, or
other emoluments however designated and without any deductions
on account of the cost of property sold, the cost of materials used,
labor cost, taxes, royalties, or interest paid or any other expenses
whatsoever other than the following expenses which may be
deducted to the extent substantiated through reliable
documentation: labor costs of citizen employees, Federated States
of Micronesia Social Security contributions which have been paid by
the taxpayer for the benefit of his or her citizen employees pursuant
to title 53 of the Code of the Federated States of Micronesia, and