ELEVENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

FIRST REGULAR SESSION, 1999

C.B. NO. 11-17

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 805, as amended by Public Laws Nos. 7-41, 9-139, and 10-68, for the purpose of removing restrictions on funds paid into State treasuries, and for other purposes.

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

Section 1. Section 805 of title 54 of the Code of the
Federated States of Micronesia, as amended by Public Laws Nos. 7-41,
9-139, and 10-68, is hereby further amended to read as follows:

"Section 805. Distribution of revenues.

(1) The treasurer of the Federated States of Micronesia
shall pay eighty percent of the net taxes collected
pursuant to section 221(9) of this title and [the
following shares] seventy percent of all other net taxes
collected pursuant to sections 121, 141, and 221 of this
title into the treasury of the State government to which
the taxes are attributable for appropriation by the State
legislature[.]"

[(a) fifty percent without restriction; and
(b) twenty percent, which shall be dedicated by
the recipient State to capital account uses related to
education and health, including sanitation.]

(2) 'Net taxes' as used in subsection (1) of this
section means gross collections of taxes, penalties,
interest, or other related charges less refunds.

[(3) 'Capital account use' shall be as defined in article
II, section 3(f) of the Fiscal Procedures Agreement,
referred to in section 339 of title 55.

(4) Prior to payment of any funds to a State pursuant to
paragraph (b) of subsection (1) of this section, the State
and the Secretary of Finance shall have entered into a
memorandum of understanding (MOU) that provides that the
State shall account for the funds separately and according
to generally accepted accounting principles and that the
State shall periodically report on the use of the funds to
the Secretary of Finance and to the Congress of the
Federated States of Micronesia.

(5) Periodically, or at the request of the Secretary of
Finance, the Public Auditor shall inspect and audit
transactions, accounts, books, and other financial records
relating to the use of funds paid to a State pursuant to
paragraph (b) of subsection (1) of this section for
compliance with the restrictions contained therein. In
the event that an audit discloses a violation of a
restriction or the MOU, the Secretary may direct
withholding from future payments to the State the amount
for which the State was found in violation of a
restriction, or that amount which is not verifiable
because of noncompliance with the MOU."

(6) The revenue office in each State may administer
the taxes of the State in which it is located, but those
duties shall not interfere with the administration of
taxes imposed by the laws of the Federated States of
Micronesia. All costs in excess of those funded by
appropriations of the Congress of the Federated States of
Micronesia required for the administration of State taxes
shall be borne entirely by the State."

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

Date: \[\sqrt{11\text{-}99}\] Introduced by: Nohsia Halbert