

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 805 to provide for the distribution of 100% of certain taxes to the States, and for other purposes.

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

1 Section 1. Section 805 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Law No. 10-
3 68, is hereby further amended to read as follows:

4 "Section 805. Distribution of revenues.

5 (1) The treasurer of the Federated States of
6 Micronesia shall pay eighty percent of the net taxes
7 collected pursuant to section 221(9) of this title and
8 ~~[the following shares]~~ one-hundred percent (100%) of all
9 other net taxes collected pursuant to sections 121, 141,
10 and 221 of this title into the treasury of the State
11 government to which the taxes are attributable for
12 appropriation by the State legislature as follows:

13 (a) fifty percent without restriction; and

14 (b) ~~[twenty]~~ fifty percent, which shall be
15 dedicated by the recipient State to capital account uses
16 related to education and health, including sanitation.

17 (2) 'Net taxes' as used in subsection (1) of this
18 section means gross collections of taxes, penalties,

1 interest, or other related charges less refunds.

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

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

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

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

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

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13 Date: 10/23/02

Introduced by: /s/ Roosevelt D. Kansou
Roosevelt D. Kansou

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