To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending sections 121 and 122 thereof to modify the wage and salary tax rates, and for other purposes.

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

Section 1. Section 121 of title 54 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 121. Tax on wages and salaries. There shall be assessed, levied, collected, and paid a tax of six percent upon the first $11,000 and ten percent upon the amount over the first $11,000 of all wages and salaries received, prior to January 1, 2006, by every employee, as defined, except as provided in section 122 of this chapter. Beginning January 1, 2006, there shall be assessed, levied, collected and paid a tax on wages and salaries received by each employee in each year as follows:

(a) there shall be no tax on the first $2,000 of wages and salaries received by the employee in each year;

(b) on all wages and salaries in excess of $2,000, but less than $15,000, there shall be a tax of 10 percent;

(c) on all wages and salaries in excess of $15,000, but less than $25,000, there shall be a tax of 15 percent; and
(d) on all wages and salaries in excess of $25,000, there shall be a tax of 20 percent."

Section 2. Section 122 of title 54 of the Federated States of Micronesia is hereby amended to read as follows:

"Section 122. Deduction from tax; Claim for refund.

(1) Every employee, as defined, except those whose gross annual wages and salaries are $5,000 or more, shall be allowed a deduction of $1,000 per year from all wages and salaries subject to tax levied by section 121 of this chapter and received by the employee in the year in which the deduction is claimed, provided that this section shall not apply to any wages and salaries received by the employee after January 1, 2006.

(2) The deduction shall be claimed by the employee filing for a refund under the provisions of section 123 of this chapter."

Section 3. 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: 5/13/05

Introduced by: /s/ Isaac V. Figir

Isaac V. Figir