

STANDING COMMITTEE REPORT NO. 14-131

RE: CA NO. 14-111 PRESIDENTIAL COMMUNICATION NO. 314/W&M

SUBJECT: VETO OVERRIDE OF CA NO. 14-111

NOVEMBER 07, 2006

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Fifth Special Session, 2006

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred Presidential Communication No. 14-314 which was a veto message for C.A. No. 14-111 (C.B. No. 14-6) entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTIONS 112, 141 AND 143 THEREOF TO PERMIT CERTAIN DEDUCTIONS FOR PURPOSES OF THE GROSS REVENUE TAX, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

Your committee has considered the President's veto message of C.A. No. 14-111 (C.B. No. 14-6) contained in Presidential Communication No. 14-314. The rationale for the veto was that the legislation would result in a significant shortfall in public revenue without any guarantee that business owners will use the tax savings to reinvest in their businesses.

At the public hearing, the Acting Secretary of Finance testified that the impact of the legislation would be somewhere between minimal and substantial. It might therefore put tax revenues back to where they were before the increase in import taxes for tobacco, which would be an acceptable risk. There is of course no guarantee that the private sector would use the tax savings productively but we believe that prudent business people - the overwhelming majority- would.

This legislation is also a temporary measure while waiting for the comprehensive tax reform. Your committee is concerned about the lack of progress of the reform process. Your committee understands that this legislation will remain in force only while there is no comprehensive tax reform legislation in place. If the President is concerned about this legislation, he should expedite the comprehensive reform. Meanwhile, this is a measure that is widely supported by the private sector.

Your committee recommends an override of the President's veto.

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Respectfully submitted,

/s/ Isaac V. Figir
Isaac V. Figir, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Manny Mori
Manny Mori, member

/s/ Claude H. Phillip
Claude H. Phillip, member

/s/ Simiram Sipenuk
Simiram Sipenuk, member