

STANDING COMMITTEE REPORT NO. 16-139

RE: C.B. NO. 16-154/W&M

SUBJECT: UNIFIED REVENUE AUTHORITY

MARCH 29, 2011

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Sixth Special Session, 2011

Dear Mr. Speaker:

Your committee on Ways and Means, to which was referred C.B. No. 16-154 entitled:

A BILL FOR AN ACT TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA BY ADDING A NEW CHAPTER 7, FOR THE PURPOSE OF ESTABLISHING A FEDERATED STATES OF MICRONESIA UNIFIED REVENUE AUTHORITY FOR THE NATIONAL GOVERNMENT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of C.B. No. 16-154 are expressed in its title.

C.B. No. 16-154 creates the URA, or Unified Revenue Authority. C.B. No. 16-154 is only one of five tax reform bills, each being important to the overall product. However, being the foundation of the greater tax reform initiative, it is fitting to pass the bill creating the URA prior to passing the other bills. The URA does not stand on its own though, and depends upon the other pieces of the tax reform at both the state and national level.

The URA would be the central unit for the collection of both state and national taxes. The URA would have authority to collect state taxes pursuant to a Memorandum of Understanding between the five governments and any law enacted to give effect to the terms of the Memorandum of Understanding. It would have authority to collect national taxes pursuant to the law creating it.

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The URA is meant to be an independent tax collection unit. Political independence is gained through the structure and funding of the URA. The URA will have a six member Board with one member representing each government and one non-voting member representing the private sector. The Board will hire a CEO who will be responsible for all operational aspects of the URA. Because the CEO is hired by and remains at the pleasure of the Board only, the CEO is insulated from political influence.

The other mechanism bolstering the URA's independence is its funding. The URA's operations will be funded directly by a portion of each government's taxes collected. This will provide steady and adequate funding for the URA without depending upon yearly appropriations. The authority for the direct funding of URA operations from national tax revenue is provided in the law creating the URA. The authority for direct funding of the URA from state tax revenues will be provided in a Memorandum of Understanding between the five governments and from any law enacted to give effect to the terms of the Memorandum of Understanding.

Your Committee insists that in order for the tax reform to be successful and for the URA to collect each government's taxes, the cost of URA operations must be equitably shared among the five governments. A solution must be arrived at which provides efficient, independent, and equitable funding of the URA.

Personnel for the authority will not be subject to the Public Service System. Section 765 of C.B. 16-154 explicitly states that URA employees are not subject to existing personnel laws or regulations. This policy represents additional effort to make the URA an independent and powerful tax collector. It is imperative to efficient tax collection that the CEO and Board have control over the personnel responsible for URA operations.

Your Committee views passage of the URA as the first step toward maturity of the entire tax reform project. Your Committee hopes each government will do its part in enacting its own legislation toward this goal.

Your Committee recommends the following amendments:

1. Page 29, line 16, before "Unless" insert "(1)".
2. Page 29, line 20, after "operations" insert "in collecting National taxes".
3. Page 29, line 24, after "year." return down one line and insert "(2) The Authority's operations in collecting each state's taxes will be funded pursuant to a

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Memorandum of Understanding described in section 759 of this title and any law enacted by a state to give effect to such Memorandum of Understanding."

4. Page 41, line 19, after "Authority" insert ", including the states' commitments to fund the Authority's operations in collecting state taxes".
5. Page 49, line 12, before "The Authority" insert "(1) The provisions of this chapter become effective on October 1, 2011."
6. Page 49, line 12, before "The Authority" insert "(2)"

Conclusion

With these amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. 16-154 and recommends its passage on First reading and that it be placed on the calendar for Second and Final reading in the form attached hereto C.B. 16-154, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Claude H. Phillip, vice chairman

/s/ Roger S. Mori
Roger S. Mori, member

/s/ Dion G. Neth
Dion G. Neth, member

/s/ Peter Sitan
Peter Sitan, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member

Setiro Paul, member