

STANDING COMMITTEE REPORT NO. 20-69

RE: C.B. NO. 20-198/W&M

SUBJECT: PERCENTAGE OF FISHING FEES AND REVENUES COLLECTED
UNDER THE MRA SCHEME DEPOSITED INTO FSM TRUST FUND.

JULY 03, 2018

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Fourth Special Session, 2018

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B. No.
20-198, entitled:

"TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY ADDING A NEW SECTION 1222 FOR THE PURPOSE OF REQUIRING TWENTY PERCENT (20%) OF ALL NATIONAL GOVERNMENT FISHING FEES COLLECTED IN A FISCAL YEAR TO BE DEPOSITED INTO THE FSM TRUST FUND, AND TO FURTHER AMEND SECTIONS 1015, 1017 AND 1019 OF TITLE 37 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NO. 18-71, FOR THE PURPOSE OF REQUIRING ONE HUNDRED PERCENT (100%) OF THE TAX ON ALL PREMIUMS COLLECTED FROM CAPTIVE INSURANCE COMPANIES IN A FISCAL YEAR TO BE DEPOSITED INTO THE FSM TRUST FUND, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The purpose and intent of this bill are described in the title. It is twofold:

1. To require depositing 20% of the fishing fees collected by the National Government under title 24 of the Code of the FSM to be deposited into the FSM Trust Fund; and

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2. To require depositing 100% of the revenues collected under the major corporations scheme (better known as the "MRA Scheme") into the FSM Trust Fund.

With these measures the bill attempts to guarantee that at least \$15 million a year get deposited into the FSM Trust Fund on a non-discretionary basis. The bill attempts to do that by adding a new section 1222 of Title 55, and by amending Title 37 to require that 100% of a "tax on premium" be deposited into the FSM Trust Fund.

Your Committee solicited the comments of the Department of Finance and Administration. The Department, by communication to the Speaker dated June 27, 2018, a copy of which was given to your Committee, states that it is in support of the bill. The Department stated that:

1. Amending section 1222 requiring 20% of the fishing fees to be deposited into the FSM Trust Fund will result in deposits totaling \$12 to \$14 million per annum
2. However, amending title 37 will only result in a deposit of \$0.5 million. The Department suggested that the bill targeted the wrong section of the law, and referred instead to Title 54 Section 321 as the section that generates most of the revenues under the MRA Scheme.

Your Committee defers to the technical knowledge of the Department of Finance and Administration and suggests the following amendments to the bill:

1. In the title, delete "further amend sections 1015, 1017 and 1019 of Title 37 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 18-17" and insert "add a new section 324 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended" in lieu thereof.
2. Delete section 2 of the bill and insert a new section 2 to read as follows:

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"Title 54 of the Code of the Federated States of Micronesia (Annotated), as amended, is hereby further amended by adding a new section 324, to read as follows:

'Section 324: One hundred percent (100%) of the tax generated pursuant to section 321 of this subsection shall be deposited into the FSM Trust Fund.' "

3. Delete section 3 of the bill and renumber the remaining sections accordingly.

Your Committee is in accord with the intent and purpose of C.B. No. 20-198 as amended above and recommends its passage on First Reading in the form attached hereto as C.B. No. 20-198, C.D.1.

Respectfully submitted,

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

David W. Panuelo, member

Victor V. Gouland, member

/s/ Ferny S. Perman
Ferny S. Perman, member

/s/ Robson U. Romolow
Robson U. Romolow, member

Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member