A BILL FOR AN ACT

To amend sections 122 and 131 of title 54 of the Code of the Federated States of Micronesia (Annotated), by creating an exemption from the wages and salaries tax for the first $5,000 of an employee’s total wages and salaries for a calendar year, and for other purposes.

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

Section 1. Section 122 of title 54 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 122. [Deduction] Exemption on 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] an exemption of the first $5,000 per year from [all] the total 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] an exemption is claimed.

(2) [The deduction shall be claimed by the employee filing for a refund under the provisions of section 123 of this chapter.] The employer, when calculating the withholding of tax from the employee’s wages and salaries under section 131 of
this chapter, shall prorate the exemption over the
calendar year and reduce the withholding amounts
accordingly.”

Section 2. Section 131 of title 54 of the Code of the
Federated States of Micronesia (Annotated), is hereby amended
to read as follows:

"Section 131. Resident Employers – Withholding of
Tax.

(1) The tax imposed by section 121 of this
chapter shall be collected by the employer by
deducting and withholding the tax imposed, in
accordance with the requirements of section 122 of
this chapter, on any wages and salaries as and when
paid or credited to the employee.

(2) Every employer required to deduct and
withhold the tax imposed shall be liable for the
payment and shall pay such tax to the National
revenue officer of the State in which the employer
has his principal place of business, or to the
Secretary, if the employer has no place of business
in the Federated States of Micronesia.

(3) Any employer who violates any of the
provisions of this section shall be subject to the
penalties prescribed in this chapter.”

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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: 11/14/19

Introduced by: /s/ Isaac V. Figir

Isaac V. Figir