

STANDING COMMITTEE REPORT NO. 22-62

RE: C.B. NO. 22-279/W&M

SUBJECT: TAXPAYER IDENTIFICATION NUMBER (TIN) BILL TO AMEND  
CHAPTER 8 OF TITLE 54 OF THE FSM CODE.

APRIL 04, 2023

The Honorable Wesley W. Simina  
Speaker, Twenty-Second Congress  
Federated States of Micronesia  
Seventh Special Session, 2023

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred  
Congressional Bill No. 22-279, entitled:

"TO FURTHER AMEND CHAPTER 8 OF TITLE 54 OF THE CODE OF  
THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS  
AMENDED BY PUBLIC LAWS NOS. 18-107, 21-152, 22-57, 22-  
139, AND 22-158, BY ADDING NEW SECTIONS 806 AND 807, FOR  
THE PURPOSE OF ALLOWING THE ISSUANCE, USE AND  
CANCELLATION OF TAXPAYER IDENTIFICATION NUMBERS (TIN),  
THE ESTABLISHMENT OF AN ELECTRONIC NOTICE SYSTEM FOR  
CERTAIN TAXPAYERS FOR THE ELECTRONIC SERVICE OF NOTICE  
AND FILING OF TAX RETURNS, AND THE REGULATION THEREOF BY  
THE SECRETARY OF THE DEPARTMENT OF FINANCE AND  
ADMINISTRATION, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of this bill are expressed in its title.

An initial bill C.B. No. 22-71 was introduced on September 9,  
2021. After consideration, a new shorter bill, C.B. No. 22-279,  
reflecting the purposes intended by C.B. No. 22-71, was

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introduced on March 20, 2023.

As indicated in its title, C.B. No.22-279 authorizes the issuance and cancellation of a TIN by the Secretary of Finance and the use of an Electronic Notice System that allows both electronic notification and electronic filing of tax documents for certain taxpayers. C.B. No. 22-279 specifies that the electronic form will replace the paper form for eligible taxpayers. It also specifies that the Secretary will have discretion to implement the provisions of the law by regulation.

Your Committee considers the adoption of regulations to implement the provisions of Title 54 to be an inherent power of the Secretary of Finance, reaffirmed in Section 803 of Title 54. In addition, the manner in which the legislation is to be implemented, -- such as the form in which the TIN application must be made, or the conditions for issuance and cancellation of TINs, or the list of documents in which the TIN must be used, or the conditions under which the Electronic Notice System established must operate -- are matters of regulation and need not be specified in statute. Accordingly, your Committee favors enacting a bill that is more succinct than C.B. No. 22-71, leaving it to the Secretary of Finance to issue regulations specifying the conditions for the implementation of TINs and the electronic filing and notification system. Your Committee believes that this bill, which has deleted unnecessary provisions of C.B. No. 22-71, will accomplish the purposes intended by C.B. No. 22-71 while remaining within the role given to the legislation.

C.B. No. 22-279 requires the Secretary to allow taxpayers who do not have access to equipment that allows electronic filing or receipt of electronic notices, to file a physical copy of the tax return and receive non-electronic notices. As emphasized at the hearing, your Committee is of the opinion that electronic filing and notification cannot yet be made mandatory for all. Your Committee believes that by providing this flexible option, C.B. No. 22-279 takes into account the specifics of our society

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and ensures fair treatment for our taxpayers who do not yet have access to electronic equipment.

Further, your Committee commends the efforts of the FSM, including the recent legislative proposals undertaken by the Department of Finance and the Congress to take advantage of the benefits offered by new technologies and digital tools. Your Committee further recognizes the need to modernize the filing and notification procedures of the Department of Finance, as originally proposed in C.B. No. 22-71. It recognizes that electronic filing and notifications should allow for more automatic, accurate, transparent, and streamlined tracking of transactions involving taxpayers through the use of an electronic system that will eventually completely replace the manual system.

Your Committee on Ways and Means held a hearing on C.B. No. 22-279 on March 22, 2023. Present at the hearing were the Chairman of the Ways and Means Committee Isaac V. Figir, Senator Victor V. Goulard; witnesses Robert Nakasone Jr, Esq, Assistant Attorney General representing the Department of Justice, Andrew Haigh, Tax Administration Advisor, and Mr. Randy Sue, Assistant Secretary of the Customs and Tax Division of the Department of Finance and Administration.

The Chairman explained the rationale for introducing C.B. No. 22-279, emphasizing the importance of giving small businesses and individuals who do not have the necessary equipment the ability to complete tax forms and receive notifications by non-electronic means. He then gave the witnesses an opportunity to comment on the contents of the newly introduced bill replacing C.B. No. 22-71. Your Committee noted the following witnesses' comments:

Mr. Haigh thanked your Committee for supporting C.B. No. 22-279 and indicated that his Department fully supports the new bill because it addresses the Department's concerns regarding the implementation of the TIN and the Electronic Notice System.

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He indicated that C.B. No. 22-279 does not provide for criminal penalties for violation of its provisions, unlike C.B. No. 22-71. The Department of Justice confirmed that Title 54 already contains penalties for violation of its provisions, namely Sections 804(2) and 901. As a result, your committee believes that it is not necessary to amend C.B. No. 22-279 to add a provision on criminal penalties.

Furthermore, Mr. Haigh explained that when a taxpayer dies and thus ceases to be a taxpayer, his or her TIN is not cancelled but only deactivated, ensuring that the same TIN is never assigned to someone else. The bill as introduced allowed cancellation of a TIN for a person who ceases to be a taxpayer, which includes a person who dies. Your committee believes that C.B. No. 22-279 should be amended slightly to remove the reference to cancellation of TINs for persons who cease to be taxpayers.

Witnesses were advised to contact Committee staff with any concerns regarding the new bill following further review.

After a thorough review of the proposed legislation and consideration of the witnesses' comments at the hearing, your Committee reports its findings below.

**CONCLUSION**

After reviewing and considering all of the testimony received at the March 22, 2023, public hearing, your Committee on Ways and Means would like to propose a minor amendment to C.B. No. 22-279, as follows, to reflect the testimony that the TIN of a taxpayer who dies and thus ceases to be a taxpayer is not cancelled, but merely deactivated:

- 1) Section 1, page 2, lines 6-7, delete "or when a person ceases to be a taxpayer".

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Your Committee supports the implementation of a modernized electronic system for taxpayers who have access to the required equipment, to electronically file and receive notices. Your Committee is convinced that this will improve tracking, transparency, and efficiency for both taxpayers and the Department of Finance.

Therefore, your Committee is in accord with the intent and purposes of C.B. No. 22-279 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, as C.B. No. 22-279, C.D.1.

Respectfully submitted,

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

Victor V. Gouland, member

Dion G. Neth, member

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

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

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

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