A BILL FOR AN ACT

To further amend section 805 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Laws Nos. 17-05, 18-107, 21-152, 22-57, 22-139 and 22-158, to change the revenue sharing percentages between the National and State Governments with regards to tax revenues, and for other purposes.

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

Section 1. Purpose. The purpose of this act is to change the percentages of revenue sharing between the National and State Governments with regards to taxes collected. Currently the State Governments receive 80% of the fuel tax collected and 50% of the wage and salary tax, gross receipts tax and import duties (other than the fuel tax). This distribution will remain in place.

Additionally, historically, the Congress had seen fit to provide the State Governments with 20% of the total tax take remaining after the above State distribution was made.

With the Constitutional amendment requiring revenues from fishing agreements to be divided equally between the National and State Governments, it is fitting that the distribution of tax revenue be adjusted.

Section 2. Section 805 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Laws Nos. 17-05, 18-107, 21-152, 22-57, 22-139 and 22-158, is hereby further amended as follows:

“Section 805. Distribution of revenues.
(1) Distribution to the States.

(a) The treasurer of the Federated States of Micronesia shall pay eighty percent (80%) of the net taxes collected pursuant to section 221(9) of this title (fuel tax), and fifty percent (50%) of all other net taxes collected pursuant to sections 121 (wage and salaries tax), 141 (gross revenue tax), and 221 (import duties -other than fuel tax under section 221(9)), of this title into the treasury of the State government to which the taxes are attributable for appropriation by the State legislatures.

(b) Through the end of fiscal year 2023 [Subject to Part (e) below], an additional twenty percent of the total of all other net taxes collected pursuant to sections 121, 141, and 221 of this title after the Treasurer of the Federated States of Micronesia has administered distribution under part (a) shall be deposited by the treasurer of the Federated States of Micronesia into the State sub-account “A” of the FSM Trust Fund on behalf of the National Government for the State government to which the taxes are attributable, UNLESS part (e) below provided otherwise. The additional twenty percent (20%) deposited by the National Government into the individual States sub-account A may not be withdrawn...
by the States. For fiscal year 2024 and thereafter, zero percent (0%) of the total of all other net taxes collected after distribution under part (a) shall be transferred to the States.

(c) Twenty-five percent (25%) of the amount remaining, after the transfer of funds pursuant to parts (a) and (b) of this subsection, of the net taxes collected pursuant to subsection 221(1) of this title (cigarette tax) shall be placed in an account to be used solely for post-graduate school scholarships or full-time post-secondary courses of study leading to commercial Federal Aviation Administration (FAA) licenses, ratings and certifications. The allottee of the scholarship funds shall be the President of the Federated States of Micronesia or dis designee[‡].

(d) Except as specifically provided in parts (a), (b) and (c) of this subsection, all net taxes collected shall be part of the General Fund of the Federated States of Micronesia, subject to appropriation by Congress pursuant to title 55 of the Code of the Federated States of Micronesia.

(e) [on an extraordinary basis the extra 20% net taxes collected during fiscal years 2021 and 2022 as defined in part (b) of this subsection above shall be remitted to the States and not to the FSM Trust Fund.]
For fiscal year 2023 only, the 20% of net taxes referenced in part (b) shall be distributed as follows:

(i) [On an extraordinary basis, Kosrae State's share of the extra 20% of net taxes, as provided in part (b) of this subsection above, collected during the fiscal year 2023] shall not be deposited into the FSM Trust Fund but shall be remitted in full to Kosrae State;

(ii) [For] Chuuk State's share [of the extra 20% of next taxes, as provided in part (b) of this subsection above, collected during the fiscal year 2023] shall be not deposited into the FSM Trust Fund but shall be remitted in full to Chuuk State; PROVIDED HOWEVER, that such amount, as necessary, shall be used to defray what Chuuk State may owe to municipalities for prior years pursuant to the 8% revenue sharing required under section 6 of article VIII of the Constitution of the State of Chuuk; PROVIDED, FURTHER, that the Governor shall be the allottee of such funds and shall provide guidelines for the proper allocation, distribution, and safeguard of the funds;

(iii) [For] Pohnpei State's share for the fiscal year 2023] shall be remitted to fuel wholesalers for the purpose of providing a fuel
subsidy on gasoline, diesel, and kerosene to Pohnpei residents;

(iv) [For] Yap State's, [its] share [for Fiscal Year 2023] shall be deposited into the Yap State sub-account "A" of the FSM Trust Fund, as provided in part (b) [of this subsection] above.

(2) 'Net taxes' as used in subsection (1) of this section means gross collections of taxes, penalties, interest, or other related charges less refunds."

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: 7/25/23  Introduced by: /s/ Isaac V. Figir
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