

STANDING COMMITTEE REPORT NO. 23-16

RE: C.B. NO. 23-34/W&M

SUBJECT: REVENUE SHARING BETWEEN NATIONAL AND STATE
GOVERNMENTS REGARDING TAXES COLLECTED

SEPTEMBER 19, 2023

The Honorable Esmond B. Moses
Speaker, Twenty-Third Congress
Federated States of Micronesia
Second Regular Session, 2023

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred Congressional Bill No. 23-34, entitled:

"A BILL FOR AN ACT TO AMEND SECTION 805 OF TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW 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.",

begs leave to report as follows:

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

Congressional Bill No. 23-34 amends 54 F.S.M.C. §805, concerning the sharing of revenues between the National and State Governments in regards to taxes collected. Under current law, 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. Additionally, beginning in fiscal year 2016, the States received an additional 20% of the wage and salary tax, gross receipts tax, and import duties other than the fuel tax. This amount historically went

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into the State sub-accounts "A" of the FSM Trust Fund, and in certain years on an extraordinary basis the funds were available to the States for other uses.

Congressional Bill No. 23-34 proposes to maintain the current revenue sharing whereby 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. Beginning in fiscal year 2024, the bill proposed to end the transfer of the extra 20% of the wage and salary tax, gross receipts tax, and import duties other than the fuel tax that the States have received since fiscal year 2016.

Your Committee notes the purpose of the bill is to adjust the revenue sharing between the National and State Governments in light of the Constitutional Amendment requiring revenues from fishing agreements to be dividing equally between the National and State Governments. Your Committee finds this is an appropriate time to review and modify the revenue sharing under 54 F.S.M.C. §805. Due to the substantial extra revenue that will now be available to the State Governments from fishing access fees, your Committee finds it fitting to end the transfer of the extra 20% of the wage and salary tax, gross receipts tax, and import duties other than the fuel tax.

Conclusion

Your Committee has carefully reviewed Congressional Bill No. 23-34. Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 23-34, 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. 23-34.

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Respectfully submitted,

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

/s/ Perpetua S. Konman
Perpetua S. Konman, vice-chairwoman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Tiwiter Aritos
Tiwiter Aritos, member

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

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

Victor V. Gouland, member