

SECOND CONGRESS OF THE FEDERATED STATES OF MICRONESIA

SECOND REGULAR SESSION, 1961

C.B. No. 2-126

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A BILL FOR AN ACT

To amend the Social Security Law, 73 T T C, as amended by Public Law No. 6-89, expanding coverage and eligibility, lowering the age for retirement benefits eligibility, increasing employee contributions, and for other purposes.

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

Section 1. Section 3 of Title 73 T T C as amended by Public Law No. 6-89, is hereby further amended to read as follows:

"Section 3. Definitions. In this title, unless the context otherwise requires, the following definitions shall be applicable:

(1) "Agricultural labor" includes all service performed on a farm in the employ of the owner or tenant or other operator of a farm in connection with the operation, management, conservation, or improvement of such farm and its tools and equipment, or in the production or harvesting of any commodity and its preparation for market. The term "farm" shall include stock, dairy, poultry, fruit orchards and truck garden farms, plantations, ranches, nurseries, greenhouses or similar structures used for raising agricultural or horticultural commodities.

(2) The term "employee" means:

- (a) any officer of a corporation or
- (b) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee; or
- (c) any self-employed person who has at least one employee for whom he is required to report in a given quarter; or
- (d) any self-employed person who had more than \$10,000 2,500 of annual gross revenue in the preceding

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1 calendar year.

2 (3) "Employment" means any service by an employee
3 for the Trust Territory employer employing him, irrespec-
4 tive of where such employment shall be performed, except
5 family employment.

6 (4) "Family employment" shall mean employment of a
7 worker by a member of his household, his parent, or his
8 son or daughter except that the worker may apply to the
9 Board for a determination that such employment is bona
10 fide covered employment subject to this Title.

11 (5) "Wages" means remuneration paid subject to the
12 provisions of this Title, including the cash value of all
13 remuneration paid in any medium other than cash and remunera-
14 tion accruing to a self-employed person. Remuneration
15 accruing to a self-employed person shall be deemed to be
16 twice the amount paid to the highest paid employee reported
17 by the self-employed person in a quarter, subject to nine
18 hundred dollars maximum per quarter. Remuneration accruing
19 to a self-employed person who has no covered employees shall
20 be deemed to be twenty-five percent per quarter of ten
21 percent of the gross revenue of his business for the previous
22 calendar year, subject to nine hundred dollars maximum.
23 Remuneration paid for any service which is more or less than
24 a whole dollar shall, as may be prescribed by regulations,
25 be computed to the nearest dollar. Wages shall not include:

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(a) That part of remuneration in excess of nine hundred dollars paid in a quarterly reporting period by one employer.

(b) Any payment on account of sickness or accident disability, or medical or hospitalization expenses made by an employer to or on behalf of an employee.

(c) Any payment made to or on behalf of an employee or to his beneficiary from a trust or annuity.

(d) Remuneration paid in any medium other than cash to an employee for service not in the course of the employer's trade or business or for domestic service in a private home of an employer.

(e) Remuneration paid for casual or intermittent labor not performed in the course of the employer's trade or business when such employment does not exceed employment in more than one week in each calendar month of each quarterly reporting period.

(6) The term "quarter" and the term "calendar quarter," means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

The term "quarter of coverage" means a quarter in which the individual has been paid fifty dollars or more in wages in employment subject to this Title.

(7) Insured status for the purposes of this Title:

(a) "Fully insured individual" means any

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1 individual who has not less than one quarter of coverage
2 for each year beginning after June 30, 1968, or for each
3 year after attaining the age of twenty-one whichever is
4 later, and up to but excluding the year in which he attained
5 retirement age, or became disabled, or died, whichever first
6 occurred, except that in no case shall an individual be a
7 fully insured individual unless he has at least eight
8 quarters of coverage.

9 (b) "Currently insured individual" means any
10 individual who has had not less than six quarters of coverage
11 during the thirteen quarter period ending with:

- 12 (i) the quarter in which he died or,
13 (ii) the quarter in which he became entitled
14 to old age insurance benefits or,
15 (iii) the quarter in which he became disabled,
16 which ever first occurs.

17 (8) "Contributions" shall mean the tax imposed upon
18 income of covered employees and the tax imposed upon employers
19 on account of wages paid to a covered employee.

20 (9) "Board," as used in this Title, means the Trust
21 Territory Social Security Board provided for by Section 51,
22 Chapter 3 of this Title.

23 (10) "Earnings test" shall mean that a citizen who
24 receives a retirement or survivor's pension and who works
25 in covered or non-covered employment shall have his quarterly

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benefit reduced by \$1 for each \$2 earned in a quarter, except there shall be no reduction for the first \$100 earned in a quarter. The reduction shall be applied in the subsequent quarter in which the earnings were made and shall be prorated for each month.

(11) "Disability" means inability to engage in any substantial gainful employment by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months.

(12) "Became disabled" means the first month in which an individual is under a disability and is both fully and currently insured."

Section 2. Section 101 of Title 73 of T T C, as amended by Public Law No. 6-89, is further amended to read as follows:

"Section 101. Who is covered.

(1) All employees as defined by this Title, wherever employed by a Trust Territory employer, shall be covered by this Title unless both the employer and the employee are currently subject to the United States Social Security System or any other recognized Social Security System. For the purposes of this Title, any elected official in any government unit or body in the Trust Territory is deemed to be an employee employed by a Trust Territory employer. The

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1 governmental unit or body to which such person is elected
2 is subject to the provisions in this Title relating to the
3 duty and obligations of a Trust Territory employer. The fol-
4 lowing persons are excepted from the provisions of this Title:
5 persons in family employment.

6 (2) Every person who:

7 (a) is a fully insured individual, as defined in
8 this Title,

9 (b) has attained age ~~sixty years~~ fifty-five years,
10 and

11 (c) has filed application for old age insurance
12 shall be entitled to an old age insurance benefit for each
13 month beginning with the month of July, 1970, for which both
14 paragraphs (a) and (b) of this Subsection are satisfied which-
15 ever is later and ending with the month preceding the month in
16 which he dies, subject to the earnings test as defined in this
17 Title."

18 Section 3. Section 151 of Title 73 of T T C, as amended by Public
19 Law No. 6-89, is further amended to read as follows:

20 "Section 151. Employee contributions.

21 (1) There is hereby imposed on the income of every
22 employee a tax equal to the following percentages of wages
23 received by him with respect to employment subject to this
24 Title:

25 (a) With respect to wages paid during the fiscal

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years 1969 through 1976, the rate shall be one percent;

(b) With respect to wages paid during the fiscal years 1977 through 1980, the rate shall be two percent;

(c) With respect to wages paid during the fiscal years 1981 through 1985, the rate shall be ~~three~~ five percent;

(d) With respect to wages paid during the fiscal years 1986 through 1990, the rate shall be ~~four~~ six percent;

(e) With respect to wages paid after June 30, 1990, the rate shall be ~~five~~ seven percent.

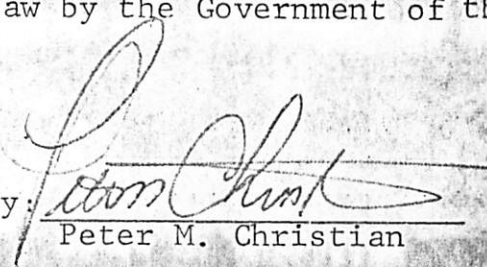
(2) The tax imposed shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. Every employer required to so deduct the tax shall be liable for the payment of such tax to the Board, and shall be indemnified against the claims and demands of any person for the amount of any such payment made by such employer."

Section 4. This act shall become law upon signing by the President of the Federated States of Micronesia, or upon its becoming law without such approval, and the enactment of the same law by the Government of the Marshall Islands and the Republic of Belau.

Date:

October 13, 1991

Introduced by:


Peter M. Christian