

HESA
A BILL FOR AN ACT

To amend sections 103 and 105 of title 53 of the Code of the Federated States of Micronesia, the Trust Territory Social Security Act, in order to provide for an increase in quarterly taxable wages, an increase in the minimum quarters of coverage to be fully insured and currently insured, to increase the penalty for delinquent employers, and for other purposes.

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

1 Section 1. Section 103 of title 53 of the Code of the Federated States
2 of Micronesia is hereby amended to read as follows:

3 "Section 103. Definitions. In this title, unless the context
4 otherwise requires, the following definitions shall be applicable:

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

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

16 (3) "Board" as used in this title, means the Trust Territory
17 Social Security Board provided for by chapter 2 of this title.

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

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

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1 (6) "Earnings test" means that an individual who receives a
2 retirement or survivor's pension and who works in covered or noncovered
3 employment shall have his quarterly benefit reduced by one dollar for
4 each two dollars earned in a quarter, except there shall be no
5 reduction for the first \$200 earned in a quarter. The reduction shall
6 be applied in the subsequent two quarters immediately after the quarter
7 in which the earnings were made.

8 (7) The term "employee" means:

9 (a) any officer of a corporation; or

10 (b) any individual who, under the usual common law rules
11 applicable in determining the employer-employee relationship, has the
12 status of an employee; or

13 (c) any self-employed person who has at least one employee
14 for whom he is required to report in a given quarter; or

15 (d) any self-employed person who had more than \$10,000 of
16 annual gross revenue in the preceding calendar year.

17 (8) "Employment" means any service by an employee for the Trust
18 Territory employer employing him, irrespective of where such employment
19 shall be performed, except family employment.

20 (9) "Family employment" means employment of a worker by a member
21 of his household, his parent, or his son or daughter except that the
22 worker may apply to the Board for a determination that such employment
23 is bona fide covered employment subject to this title.

24 (10) "Insured status" for the purposes of this title:

25 (a) "Fully insured individual" means any individual who has not lo:

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1 than one quarter of coverage for each year beginning after June 30,
2 1968, or for each year after attaining the age of twenty-one whichever
3 is later, and up to but excluding the year in which he attained
4 retirement age, or became disabled, or died, whichever first occurred,
5 except that in no case shall an individual be a fully insured
6 individual unless he has at least ~~eight~~ twelve quarters of coverage;

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

10 (i) the quarter in which he died; or

11 (ii) the quarter in which he became entitled to old age
12 insurance benefits; or

13 (iii) the quarter in which he became disabled, whichever
14 first occurs.

15 (11) The term "quarter" and the term "calendar quarter," means a
16 period of three calendar months ending on March 31, June 30, September
17 30, or December 31.

18 The term "quarter of coverage" means a quarter in which the
19 individual has been paid \$50 or more in wages in employment subject to
20 this title.

21 (12) "Wages" means remuneration paid subject to the provisions of
22 this title, including the cash value of all remuneration paid in any
23 medium other than cash and remuneration accruing to a self-employed
24 person. Remuneration accruing to a self-employed person shall be
25 deemed to be twice the amount paid to the highest paid employee

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1 reported by the self-employed person in a quarter, subject to ~~\$1,200~~
2 \$1,500 maximum per quarter. Remuneration accruing to a self-employed
3 person who has no covered employees shall be deemed to be twenty-five
4 percent per quarter of ten percent of the gross revenue of his business
5 for the previous calendar year, subject to ~~\$1,200~~ \$1,500 maximum.
6 Remuneration paid for any service which is more or less than a whole
7 dollar shall, as may be prescribed by regulations, be computed to the
8 nearest dollar. Wages shall not include:

9 (a) that part of remuneration in excess of ~~\$1,200~~ \$1,500
10 paid in a quarterly reporting period by one employer;

11 (b) any payment on account of sickness or accident
12 disability, or medical or hospitalization expenses made by an employer
13 to or on behalf of an employee;

14 (c) any payment made to or on behalf of an employee or to
15 his beneficiary from a trust or annuity;

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

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

23 Section 2. Section 105 of title 53 of the Code of the Federated
24 States of Micronesia is hereby amended to read as follows:

25 "Section 105. Violations - Penalties.

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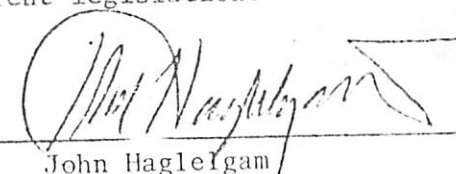
1 (1) Any person who knowingly makes any false statement or who
2 falsifies any report to or record of the Trust Territory Social
3 Security System in an attempt to defraud the system shall be guilty of
4 a misdemeanor and upon conviction thereof shall be imprisoned for a
5 period of not more than one year, or fined not more than \$2,000, or
6 both.

7 (2) Any person who willfully fails to report wages paid or pay
8 contributions required thereon shall be guilty of a misdemeanor and, in
9 addition to any other penalty prescribed by law, such a person shall
10 also pay penalties not in excess of one hundred percent of the tax due
11 plus interest to the Board as it by regulation shall require.

12 (3) Any covered employer who fails to submit the quarterly report
13 and pay the Social Security tax within ten days after the end of the
14 quarter shall be considered delinquent. The Board or its authorized
15 representatives shall be vested with the authority to levy a penalty of
16 not more than ~~\$50~~ \$250 on delinquent employers."

17 Section 3. This act shall become law upon approval by the
18 President of the Federated States of Micronesia or its becoming law without
19 such approval, and shall take effect upon concurrent legislation enacted by
20 the Governments of Palau and the Marshall Islands and the approval by the
21 High Commissioner of this act and such concurrent legislation.

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23 Date: 5/25/83

Introduced by: 
John Haglegam
(by request)

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