

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia by enacting a new chapter 7 thereof to establish an Independent Revenue and Tax Administration within the FSM National Government, and by repealing chapter 8 of title 54 of the Code of the Federated States of Micronesia in its entirety, by abolishing the Customs and Tax Division within the FSM Department of Finance and Administration and delineating its functions and responsibilities, and for other purposes.

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

1 Section 1. Purpose & Findings. Congress finds that one of
2 the underlying assumptions of the amended Compact of Free
3 Association, as evidenced by the scheduled annual reductions in
4 Compact Financial Assistance to the FSM and acknowledged by the 3rd
5 FSM Economic Summit which adopted a "high growth scenario" policy
6 for the FSM, is that the FSM must undertake every effort to expand
7 its economy, build up its revenue bases and continuously improve
8 its tax laws and revenue collection to offset such scheduled
9 reductions in Compact financial assistance; and further finds that
10 the current tax administration has been ineffective in collecting
11 the Nation's taxes as evidenced by the current report of \$10
12 million in delinquent taxes in the State of Kosrae alone; now
13 therefore, Congress believes a revision of the nation's existing
14 tax administration structure with the necessary expert staff and a
15 degree of independence for the agency to collect the nation's
16 revenue without undue interference by bureaucratic interests, is
17 the proper course of action in light of the new realities and
18 challenges during and beyond the 20 year period of the Amended

1 Compact.

2 Section 2. Title 54 of the Code of the Federated States of
3 Micronesia is hereby amended by enacting a new chapter 7 entitled,
4 "Independent Tax and Revenue Administration".

5 Section 3. Title 54 of the Code of the Federated States of
6 Micronesia is hereby amended by enacting a new section 701 of the
7 new chapter 7 to read as follows:

8 "Section 701. Establishment. The Independent Tax and
9 Revenue Administration is hereby created and established
10 under the law of the Federated States of Micronesia as
11 an independent agency separate from the Department of
12 Finance and Administration of the National Government."

13 Section 4. Title 54 of the Code of the Federated States of
14 Micronesia is hereby amended by enacting a new section 702 of the
15 new chapter 7 to read as follows.

16 "Section 702. Functions. The Administration shall be
17 responsible for the administration and enforcement of
18 all the tax laws of the Federated States of Micronesia,
19 for the collection of all revenues deriving therefrom,
20 for the continuous analysis and recommendations for
21 improvement of the National Government tax laws and for
22 the promulgation and improvement of all necessary
23 regulations thereunder."

24 Section 5. Title 54 of the Code of the Federated States of
25 Micronesia is hereby amended by enacting a new section 703 of the
26 new chapter 7 to read as follows:

1 "Section 703. Organization. The Administration will be
2 divided into two divisions:

3 (1) a tax and revenue division which is responsible
4 for the assessment and collection of taxes; and

5 (2) a legal collection division which carries out all
6 legal collections of delinquent taxes."

7 Section 6. Title 54 of the Code of the Federated States of
8 Micronesia is hereby amended by enacting a new section 704 of the
9 new chapter 7 to read as follows:

10 "Section 704. Staffing.

11 (1) All current permanent employees of the current FSM
12 Customs and Tax Administration are to be transitioned
13 into the new Administration.

14 (2) The Head of the new Administration will be a
15 certified public tax accountant, who will also head the
16 division of tax and revenue;

17 (3) The head of the collection division will be a tax
18 attorney, who has graduated from an accredited law school
19 where he or she received not less than 15 credit hours in
20 tax law courses, has worked as a tax attorney for not
21 less than two (2) years, not earlier than five (5) years
22 before joining the Administration, is in good standing
23 with a bar association before joining the FSM Bar, and
24 must become a member of the FSM Bar not later than two
25 years after joining the Administration.

26 (4) The FSM Public Auditor shall hire the certified

1 public accountant and the tax attorney, and their
2 credentials shall be reviewed by the Secretary of Finance
3 before formal employment.

4 (5) The certified public accountant and the tax
5 attorney shall each serve for a term of not more than
6 five (5) years for the Administration and shall serve
7 during good behavior and their respective tenures may be
8 extended for a second five-year term.

9 (6) The certified public accountant and tax attorney
10 may be removed for cause on recommendation of the
11 Secretary of Justice to the FSM President, who makes the
12 removal decision."

13 Section 7. Title 54 of the Code of the Federated States of
14 Micronesia is hereby amended by enacting a new section 705 of the
15 new chapter 7 to read as follows:

16 "Section 705. Operations Budget of the Administration.
17 The annual operations budget for the Administration will
18 not exceed one-half percent (0.5%) of actual local
19 revenue collected during the preceding fiscal year."

20 Section 8. Title 54 of the Code of the Federated States of
21 Micronesia is hereby amended by enacting a new section 706 of the
22 new chapter 7 to read as follows:

23 "Section 706. Legal Collection of Delinquent Taxes.

24 (1) Any legal collection action of delinquent taxes by
25 the Administration shall be commenced in the FSM Supreme
26 Court Trial Division as a civil matter.

Sabino S. Asor

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20