

AN ACT

To further amend title 21 of the Code of the Federated States of Micronesia, as amended by Public Laws Nos. 5-7, 5-104, 7-37 and 7-99, by amending section 208 thereof (regarding FSM Telecommunications Corporation); to amend title 22 of said Code by amending section 209 thereof (regarding Coconut Development Authority); to further amend title 24 of said Code, as amended, by amending section 724 thereof (regarding National Fisheries Corporation); to further amend title 30 of said Code, as amended, by amending section 128 thereof (regarding FSM Development Bank), as enacted by Public Law No. 8-47; and to further amend Public Law No. 7-79 (regarding College of Micronesia-FSM), as amended by Public Law No. 8-144, by amending section 29, all for the purpose of deleting exemptions from the import tax, and for other purposes.

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

Section 1. Section 208 of title 21 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 208. Tax liability.

The Corporation shall exist and operate solely for the benefit of the public and shall be exempt from any taxes or assessments except import taxes or assessments on any of its property, operations, or activities. Nothing herein shall be deemed to exempt employees and independent contractors of the Corporation from tax liability for services rendered to the Corporation; and the Corporation shall be liable for employers' contributions to the Social Security System of the Federated States of Micronesia in the manner provided by law."

Section 2. Section 209 of title 22 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 209. Tax exemption.

It is hereby declared that the purpose for which the Authority is created is a public purpose for the benefit of the people of the Federated States of Micronesia, and that the Authority shall not be required to pay any taxes or assessments except import taxes or assessments on any of the property acquired or to be acquired by it, or on its income, operations, or activities."

Section 3. Section 724 of title 24 of the Code of the Federated States of Micronesia is hereby amended to read as follows:

"Section 724. Tax exemption.

The Corporation shall exist and operate solely for the benefit of the public and shall be exempt from any taxes or assessments except import taxes or assessments on any of its property, operations, or activities. Nothing in this section exempts employees and independent contractors of the Corporation from tax liability for income received from the Corporation. The tax-exempt status shall not be available insofar as the Corporation associates itself in a joint venture with a foreign corporation or association."

Section 4. Section 128 of title 30 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 8-47, is hereby amended to read as follows:

"Section 128. Tax exemption; No dividends.

(1) The Bank shall exist and operate solely for the benefit of the public and shall be exempt from any taxes or assessments except import taxes or assessments on any of its property, operations, or activities. It is anticipated, although not required, that continuation of this tax exemption will be periodically reviewed by the Congress of the Federated States of Micronesia on its own motion or as requested by the Bank.

(2) For so long as any part of the tax exemption established in this section shall continue, the Bank shall be

prohibited from paying any dividend or making any other distribution to its stockholders."

Section 5. Section 29 of Public Law No. 7-79 is hereby amended to read as follows:

"Section 29. Exemption from taxation.

The College and its assets, revenues, income, and property shall be exempt from all taxes imposed by the National Government except for import taxes. The tax exemptions provided for in this paragraph shall not be for the benefit of any officer, official, faculty member, employees, student, or other individual associated with the College and the College shall be liable for employer's contributions to any social security or pension system of the National Government in the manner provided by law. For purposes of all types of registration and license fees, sales taxes, and other charges and fees included in prices of equipment, goods and services, the College shall be treated as an agency or instrumentality of the National Government."

Section 6. The foregoing amendments shall not be construed to require that imports of the affected institutions must be subject to import taxes, but only to remove the requirement that they be exempt from such taxes. Whether or not the affected institutions are to enjoy such an exemption is to be determined by reference to the import tax law itself.

Section 7. This act shall become law upon approval by the President of the Federated States of Micronesia or upon its becoming law without such approval.

_____, 1999

Leo A. Falcam
President
Federated States of Micronesia