

AN ACT

To further amend section 805 of title 54 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Laws Nos. 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.

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

1 Section 1. Purpose. The purpose of this act is to change
2 the percentages of revenue sharing between the National and State
3 Governments with regards to taxes collected. Currently the State
4 Governments receive 80% of the fuel tax collected and 50% of the
5 wage and salary tax, gross receipts tax and import duties (other
6 than the fuel tax). This distribution will remain in place.
7 Additionally, historically, the Congress had seen fit to provide
8 the State Governments with 20% of the total tax take remaining
9 after the above State distribution was made.

10 With the Constitutional amendment requiring revenues from
11 fishing agreements to be divided equally between the National and
12 State Governments, it is fitting that the distribution of tax
13 revenue be adjusted.

14 Section 2. Section 805 of title 54 of the Code of the
15 Federated States of Micronesia (Annotated), as amended by Public
16 Laws Nos. 18-107, 21-152, 22-57, 22-139 and 22-158, is hereby
17 further amended as follows:

18 "Section 805. Distribution of revenues.

1 (1) Distribution to the States.

2 (a) The treasurer of the Federated States
3 of Micronesia shall pay eighty percent (80%) of the
4 net taxes collected pursuant to section 221(9) of this
5 title (fuel tax), and fifty percent (50%) of all other
6 net taxes collected pursuant to sections 121 (wage and
7 salaries tax), 141 (gross revenue tax), and 221
8 (import duties - other than fuel tax under section
9 221(9)), of this title into the treasury of the State
10 government to which the taxes are attributable for
11 appropriation by the State legislatures.

12 (b) Through the end of fiscal year 2023 an
13 additional twenty percent of the total of all other
14 net taxes collected pursuant to sections 121,141, and
15 221 of this title after the Treasurer of the Federated
16 States of Micronesia has administered distribution
17 under part (a) shall be deposited by the treasurer of
18 the Federated States of Micronesia into the State sub-
19 account "A" of the FSM Trust Fund on behalf of the
20 National Government for the State government to which
21 the taxes are attributable, UNLESS part (e) below
22 provided otherwise. The additional twenty percent
23 (20%) deposited by the National Government into the
24 individual States sub-account A may not be withdrawn
25 by the States. For fiscal year 2024 and thereafter,

1 zero percent (0%) of the total of all other net taxes
2 collected after distribution under part (a) shall be
3 transferred to the States.

4 (c) Twenty-five percent (25%) of the amount
5 remaining, after the transfer of funds pursuant to
6 parts (a) and (b) of this subsection, of the net taxes
7 collected pursuant to subsection 221(1) of this title
8 (cigarette tax) shall be placed in an account to be
9 used solely for post-graduate school scholarships or
10 full-time post-secondary courses of study leading to
11 commercial Federal Aviation Administration (FAA)
12 licenses, ratings and certifications. The allottee of
13 the scholarship funds shall be the President of the
14 Federated States of Micronesia or his designee.

15 (d) Except as specifically provided in parts
16 (a), (b) and (c) of this subsection, all net taxes
17 collected shall be part of the General Fund of the
18 Federated States of Micronesia, subject to
19 appropriation by Congress pursuant to title 55 of the
20 Code of the Federated States of Micronesia.

21 (e) For fiscal year 2023 only, the 20% of net
22 taxes referenced in part (b) shall be distributed as
23 follows:

24 (i) Kosrae State's share shall not be
25 deposited into the FSM Trust Fund but shall be

1 remitted in full to Kosrae State;

2 (ii) Chuuk State's share shall be not
3 deposited into the FSM Trust Fund but shall be
4 remitted in full to Chuuk State; PROVIDED HOWEVER,
5 that such amount, as necessary, shall be used to
6 defray what Chuuk State may owe to municipalities for
7 prior years pursuant to the 8% revenue sharing
8 required under section 6 of article VIII of the
9 Constitution of the State of Chuuk; PROVIDED, FURTHER,
10 that the Governor shall be the allottee of such funds
11 and shall provide guidelines for the proper
12 allocation, distribution, and safeguard of the funds;

13 (iii) Pohnpei State's share shall be
14 remitted to fuel wholesalers for the purpose of
15 providing a fuel subsidy on gasoline, diesel, and
16 kerosene to Pohnpei residents;

17 (iv) Yap State's, share shall be deposited
18 into the Yap State sub-account "A" of the FSM Trust
19 Fund, as provided in part (b) above.

20 (2) 'Net taxes' as used in subsection (1) of
21 this section means gross collections of taxes,
22 penalties, interest, or other related charges less
23 refunds."

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1 Section 3. This act shall become law upon approval by the
2 President of the Federated States of Micronesia or upon its
3 becoming law without such approval.

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9 OVERRIDE 9/30/23

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Wesley W. Simina
President
Federated States of Micronesia

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