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TENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

THIRD REGULAR SESSION, 1998

C.B. NO.

10-254

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 805, as amended by Public Laws Nos. 7-41, 9-139, and 10-68, to modify the restrictions on certain funds paid into State treasuries, and for other purposes.

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

1 Section 1. Section 805 of title 54 of the Code of the  
2 Federated States of Micronesia, as amended by Public Laws  
3 Nos. 7-41, 9-139 and 10-68, is hereby further amended to read  
4 as follows:

5 "Section 805. Distribution of revenues.

6 (1) The treasurer of the Federated States of  
7 Micronesia shall pay eighty percent of the net  
8 taxes collected pursuant to section 221(9) of this  
9 title and the following shares of all other net  
10 taxes collected pursuant to sections 121, 141, and  
11 221 of this title into the treasury of the State  
12 government to which the taxes are attributable for  
13 appropriation by the State legislature:

14 (a) fifty percent without restriction;  
15 and

16 (b) twenty percent, which shall be  
17 dedicated by the recipient State to ~~capital~~  
18 ~~account~~ uses related to education and health,  
19 including sanitation, provided that no such funds  
20 may be used for personnel, travel, or vehicles.

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

25 (3) ~~Capital account uses shall be as~~

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1            Defined in Article IV, Section 3(f) of the  
 2            Fiscal Provisions Agreement, referred to in  
 3            Section 339 of Title 55.

4            (A) Prior to payment of any funds to a State  
 5            pursuant to paragraph (b) of subsection (1) of  
 6            this section, the State and the Secretary of  
 7            Finance shall have entered into a memorandum of  
 8            understanding (MOU) that provides that the State  
 9            shall account for the funds separately and  
 10           according to generally accepted accounting  
 11           principles and that the State shall periodically  
 12           report on the use of the funds to the Secretary of  
 13           Finance and to the Congress of the Federated  
 14           States of Micronesia.

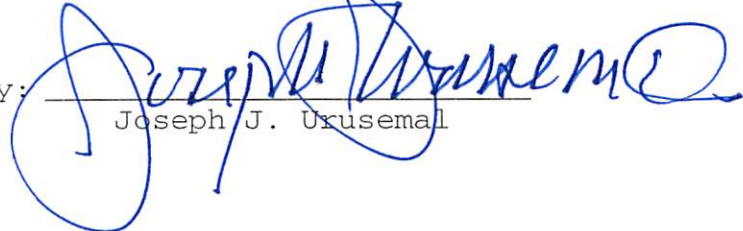
15           (B) Periodically, or at the request of the  
 16           Secretary of Finance, the Public Auditor shall  
 17           inspect and audit transactions, accounts, books,  
 18           and other financial records relating to the use of  
 19           funds paid to a State pursuant to paragraph (b) of  
 20           subsection (1) of this section for compliance with  
 21           the restrictions contained therein. In the event  
 22           that an audit discloses a violation of a  
 23           restriction or the MOU, the Secretary may direct  
 24           withholding from future payments to the State the  
 25           amount for which the State was found in violation

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1 of a restriction, or that amount which is not  
2 verifiable because of noncompliance with the MOU.

3 (5) The revenue office in each State may  
4 administer the taxes of the State in which it is  
5 located, but those duties shall not interfere with  
6 the administration of taxes imposed by the laws of  
7 the Federated States of Micronesia. All costs in  
8 excess of those funded by appropriations of the  
9 Congress of the Federated States of Micronesia  
10 required for the administration of State taxes  
11 shall be borne entirely by the State."

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

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16 Date: 5/19/98 Introduced by:   
17 Joseph J. Urusemal  
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