

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by amending section 141 thereof to create a limited exemption from the tax on gross revenues for businesses involving significant investment from outside the Federated States of Micronesia, and for other purposes.

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

1 Section 1. Section 141 of title 54 of the Code of the
2 Federated States of Micronesia, as amended, is hereby further
3 amended to read as follows:

4 "Section 141. Tax on gross revenues; Exemption.

5 (1) There shall be assessed, levied, collected, and
6 paid a tax of \$80 per year upon that portion of the
7 amount of gross revenues earned by every business
8 subject to the provisions of this chapter which does not
9 exceed \$10,000 per year.

10 (2) There shall be assessed, levied, collected, and
11 paid a tax of three percent per year upon that portion
12 of the amount of gross revenues earned by every business
13 subject to the provisions of this chapter which is in
14 excess of \$10,000 per year.

15 (3) Businesses which earn gross revenues of not more
16 than \$2,000 per year are exempt from taxation under this
17 section. The deduction shall be claimed by the business
18 by filing for a refund under the provisions of sections
19 122 and 123 of this chapter.

1 (4) Businesses with respect to which persons or
2 enterprises having residences and principle places of
3 business outside the Federated States of Micronesia own
4 a 30 percent or greater ownership interest and have
5 contributed 30 percent or more of the capital used in
6 the business shall be exempt from taxation under this
7 section in any or all of the first five years of such
8 businesses' transacting business within the Federated
9 States of Micronesia, upon application to the Secretary,
10 Department of Finance and Administration, and a finding
11 by the Secretary that the business has met each of the
12 following requirements for the year in question:

13 (a) 30 percent or more of the business is owned
14 by persons or enterprises whose residence and principle
15 place of business, except for the business applying for
16 the exemption, are outside the Federated States of
17 Micronesia;

18 (b) 30 percent or more of the capital of the
19 business has been contributed by persons or enterprises
20 whose residence and principle place of business, except
21 for the business applying for the exemption, are outside
22 the Federated States of Micronesia;

23 (c) the business has employed, throughout the
24 year, no fewer than five persons who, for at least six
25 continuous months prior to being employed by the

1 business, were residents of the Federated States of
2 Micronesia;

3 (d) that the business has been transacting
4 business in the Federated States of Micronesia for no
5 more than five years, and is not a continuation of a
6 business or the result of a merger or restructuring of a
7 business that has been transacting business in the
8 Federated States of Micronesia for more than five years.

9 ~~[(4)]~~ (5) For the purpose of section 805 of this title,
10 every business that operates in more than one State of
11 the Federated States of Micronesia shall file a separate
12 tax return for revenue collected in each State."

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

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17 Date: 8/30/04

Introduced by: /s/ Sabino S. Asor
Sabino S. Asor

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