

DEPARTMENT OF STATE TRANSMITTAL SLIP		CLASSIFICATION UNCLASSIFIED	
		DATE 23 September 1977	
TO OMSN		For the Attention of	
FROM Status LNO		SEP 27 1977	
TO THE FOREIGN SERVICE		TO THE DEPARTMENT	
<input type="checkbox"/> For Transmittal to Addressee at the Discretion of Post <input type="checkbox"/> Post Information Only <input type="checkbox"/> Transmit to Foreign Office <input type="checkbox"/> Submit Report <input type="checkbox"/> Reply to the Individual		<input checked="" type="checkbox"/> Dept. Information Only <input type="checkbox"/> CERP Publications <input type="checkbox"/> Enclosure to Previous Airgram <input type="checkbox"/> Reply to Department Request	
<input type="checkbox"/> Transmit to: (U. S. Agency) <input type="checkbox"/> Inform:			
REFERENCE			
ITEMS/REMARKS			
<p>Attached bill is awaiting action by HiCom. It would postpone for one year implementation of the new progressive income tax system (P.L. 7-32) while increasing rates of payroll and gross receipts taxes.</p> <p>One unexpected and presumably unintended result will be to deprive the Marshalls of revenue from U.S. companies and citizens at Kwajalein. These persons now pay a 2% individual tax to the COM and a 1% surcharge to the Marshalls; their total tax liability is limited by Secretarial Order 2918 to 3%. The new bill increases the COM take to 3%, and thereby pre-empto the Marshalls' share.</p>			
IN REPLY REFER TO FILE NUMBER AND DRAFTING OFFICE			
FILE NO.	SIGNATURE Paul J. Bennett		
CLASSIFICATION UNCLASSIFIED	OFFICE Status LNO		

021122

17/7, 201/1

Sept 27, 1977

AN ACT

Amending Sections 252 and 258 of Title 77 of the Trust Territory Code relating to tax on wages and salaries, amending Section 13 of Public Law No. 7-32, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF MICRONESIA:

1 Section 1. Section 252 of Title 77 of the Trust Territory Code is
2 hereby amended to read as follows:

3 "Section 252. Tax on wages and salaries.

4 (1) There shall be assessed, levied, collected, and paid
5 a tax of three percent upon the first eleven thousand dollars
6 and five percent upon the amount over the first eleven thousand
7 dollars of all wages and salaries received by every employee,
8 as defined, except as provided in Subsection (2) of this
9 Section.

10 (2) Every employee, as defined, except those whose gross
11 annual wages and salaries are \$5,000 or more, shall be allowed
12 a deduction of \$1,000 per year from all wages and salaries
13 subject to tax levied by Subsection (1) of this Section, and
14 received by the employee in the year in which the deduction is
15 claimed. The deduction shall be claimed by the employee filing
16 for a refund under the provisions of 77 TTC §267."

17 Section 2. Section 258 of Title 77 of the Trust Territory Code is
18 hereby amended to read as follows:

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19 "Section 258. Tax on gross revenues. There shall be assessed
20 levied, collected, and paid a tax of forty dollars per year
21 upon that portion of the amount of gross revenues earned by
22 every business subject to the provisions of this Chapter which

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marginal
rate > 100%
11.97
5500-165

1 does not exceed ten thousand dollars per year, and there
2 shall be assessed, levied, collected, and paid a tax of one
3 and one-half percent per year upon that portion of the amount
4 of gross revenues earned by every business subject to the
5 provisions of this Chapter which is in excess of ten thousand
6 dollars per year. Businesses which earn gross revenues of not
7 more than two thousand dollars per year are exempt from taxati
8 under this Section. The deduction shall be claimed by the
9 business by filing for a refund under the provisions of 77 TTC
10 §267."

*marginal
rate
100%*

11 Section 3. Section 13 of Public Law No. 7-32 is hereby amended to
12 read as follows:

13 "Section 13. Upon approval by the High Commissioner, or upon
14 its becoming law without such approval, this act shall take
15 effect on January 1, 1979, except Section 1 which shall take
16 effect upon approval."

17 Section 4. This act shall upon its approval by the High Commissioner
18 or upon its becoming law without such approval take effect on January 1
19 1978.

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