

AN ACT

To amend sections 103 and 105 of title 53 of the Code of the Federated States of Micronesia, the Trust Territory Social Security Act, in order to provide for an increase in quarterly taxable wages, an increase in the minimum quarters of coverage to be fully insured and currently insured, to increase the penalty for delinquent employers, and for other purposes.

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

1 Section 1. Section 103 of title 53 of the Code of the Federated
2 States of Micronesia is hereby amended to read as follows:

3 "Section 103. Definitions. In this title, unless the context
4 otherwise requires, the following definitions shall be
5 applicable:

6 (1) "Agricultural labor" includes all service
7 performed on a farm in the employ of the owner or tenant or
8 other operator of a farm in connection with the operation,
9 management, conservation, or improvement of such farm and its
10 tools and equipment, or in the production or harvesting of any
11 commodity and its preparation for market. The term "farm"
12 shall include stock, dairy, poultry, fruit orchards, and truck
13 garden farms, plantations, ranches, nurseries, greenhouses,
14 or similar structures used for raising agricultural or
15 horticultural commodities.

16 (2) "Became disabled" means the first month in which an
17 individual is under a disability and is both fully and
18 currently insured.

19 (3) "Board" as used in this title, means the Trust
20 Territory Social Security Board provided for by chapter 2 of
21 this title.

22 (4) "Contributions" shall mean the tax imposed upon

1 income of covered employees and the tax imposed upon
2 employers on account of wages paid to a covered employee.

3 (5) "Disability" means inability to engage in any
4 substantial gainful employment by reason of any medically
5 determinable physical or mental impairment which can be
6 expected to result in death or which has lasted or can be
7 expected to last for a continuous period of not less than
8 twelve months.

9 (6) "Earnings test" means that an individual who
10 receives a retirement or survivor's pension and who works
11 in covered or noncovered employment shall have his quarterly
12 benefit reduced by one dollar for each two dollars earned
13 in a quarter, except there shall be no reduction for the
14 first \$200 earned in a quarter. The reduction shall be
15 applied in the subsequent two quarters immediately after the
16 quarter in which the earnings were made.

17 (7) The term "employee" means:

18 (a) any officer of a corporation; or

19 (b) any individual who, under the usual common
20 law rules applicable in determining the employer-employee
21 relationship, has the status of an employee; or

22 (c) any self-employed person who has at least one
23 employee for whom he is required to report in a given quarter;

24 or

25 (d) any self-employed person who had more than

1 \$10,000 of annual gross revenue in the preceding calendar
2 year.

3 (8) "Employment" means any service by an employee for
4 the Trust Territory employer employing him, irrespective
5 of where such employment shall be performed, except family
6 employment.

7 (9) "Family employment" means employment of a worker
8 by a member of his household, his parent, or his son or
9 daughter except that the worker may apply to the Board for
10 a determination that such employment is bona fide covered
11 employment subject to this title.

12 (10) "Insured status" for the purposes of this title:

13 (a) "Fully insured individual" means any
14 individual who has not less than one quarter of coverage for
15 each year beginning after June 30, 1968, or for each year
16 after attaining the age of twenty-one whichever is later,
17 and up to but excluding the year in which he attained
18 retirement age, or became disabled, or died, whichever first
19 occurred, except that in no case shall an individual be a
20 fully insured individual unless he has at least twelve
21 quarters of coverage;

22 (b) "Currently insured individual" means any
23 individual who has had not less than eight quarters of
24 coverage during the thirteen quarter period ending with:

25 (i) the quarter in which he died; or

1 (ii) the quarter in which he became
2 entitled to old age insurance benefits; or

3 (iii) the quarter in which he became
4 disabled, whichever first occurs.

5 (11) The term "quarter" and the term "calendar
6 quarter," mean a period of three calendar months ending
7 on March 31, June 30, September 30, or December 31.

8 The term "quarter of coverage" means a quarter in
9 which the individual has been paid \$50 or more in wages in
10 employment subject to this title.

11 (12) "Wages" means remuneration paid subject to the
12 provisions of this title, including the cash value of all
13 remuneration paid in any medium other than cash and remunera-
14 tion accruing to a self-employed person. Remuneration
15 accruing to a self-employed person shall be deemed to be
16 twice the amount paid to the highest paid employee reported
17 by the self-employed person in a quarter, subject to \$1,500
18 maximum per quarter. Remuneration accruing to a self-
19 employed person who has no covered employees shall be
20 deemed to be twenty-five percent per quarter of ten per-
21 cent of the gross revenue of his business for the previous
22 calendar year, subject to \$1,500 maximum. Remuneration paid
23 for any service which is more or less than a whole dollar
24 shall, as may be prescribed by regulations, be computed to
25 the nearest dollar. Wages shall not include:

1 (a) that part of remuneration in excess of
2 \$1,500 paid in a quarterly reporting period by one
3 employer;

4 (b) any payment on account of sickness or
5 accident disability, or medical or hospitalization
6 expenses made by an employer to or on behalf of an
7 employee;

8 (c) any payment made to or on behalf of an
9 employee or to his beneficiary from a trust or annuity;

10 (d) remuneration paid in any medium other than
11 cash to an employee for service not in the course of the
12 employer's trade or business or for domestic service in a
13 private home of an employer;

14 (e) remuneration paid for casual or intermittent
15 labor not performed in the course of the employer's trade
16 or business when such employment does not exceed employment
17 in more than one week in each calendar month of each
18 quarterly reporting period."

19 Section 2. Section 105 of title 53 of the Code of the Federated
20 States of Micronesia is hereby amended to read as follows:

21 "Section 105. Violations - Penalties.

22 (1) Any person who knowingly makes any false statement
23 or who falsifies any report to or record of the Trust
24 Territory Social Security System in an attempt to defraud
25 the system shall be guilty of a misdemeanor and upon

1 conviction thereof shall be imprisoned for a period of not
2 more than one year, or fined not more than \$2,000, or both.

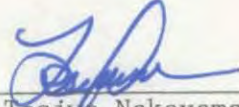
3 (2) Any person who willfully fails to report wages
4 paid or pay contributions required thereon shall be guilty
5 of a misdemeanor and, in addition to any other penalty
6 prescribed by law, such a person shall also pay penalties
7 not in excess of one hundred percent of the tax due plus
8 interest to the Board as it by regulation shall require.

9 (3) Any covered employer who fails to submit the
10 quarterly report and pay the Social Security tax within ten
11 days after the end of the quarter shall be considered
12 delinquent. The Board or its authorized representatives
13 shall be vested with the authority to levy a penalty of not
14 more than \$250 on delinquent employers."

15 Section 3. This act shall become law upon approval by the
16 President of the Federated States of Micronesia or upon its becoming
17 law without such approval, and shall take effect upon concurrent
18 legislation enacted by the Governments of the Republic of Palau and
19 the Republic of the Marshall Islands and the approval by the High
20 Commissioner of this act and such concurrent legislation.

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July 11, 1983


Tosiwo Nakayama
President
Federated States of Micronesia