



GOVERNMENT OF KOSRAE

Office of the Governor

Post Office Box 158

Kosrae, Federated States of Micronesia 96944

Telephone: 691-370-3002/3003..Facsimile: 691-370-3162

April 19, 2012

Y 4/20/12

The Honorable Lyndon P. Abraham
Speaker
10th Kosrae State Legislature
Tofol, Kosrae FM 96944


Dear Mr. Speaker:

Enclosed please find this bill which I have signed into law today, April 19, 2012. It became State Law No. 10-33.

Thank you for your efforts to meet the deadline requested by the Tax Reform working group.

As we propose additional legislation related to tax reform and as we move toward implementation, it may be that this enactment will be subject to some amendments. I look forward to continuing our joint efforts as each new piece of legislation and any amendments to this enactment are submitted for your consideration.

Sincerely,


Lyndon H. Jackson
Governor

/mia





TENTH KOSRAE STATE LEGISLATURE

P. O. Box 187

Tofol, Kosrae State

Federated States of Micronesia 96944

Telephone: (691) 370-3019/3177 * Fax: 370-2177

Web Page: www.kosraelegislature.org

Lyndon P. Abraham
SPEAKER

Palikun M. Shrew
VICE SPEAKER

Robert I. Taulung
FLOOR LEADER

LELU:
Bob H. Skilling
Chang B. William
Gibson T. Siba
Lyndon P. Abraham
Tulensa W. Palik

TAFUNSAK:
Joakim Joab Sigrah
Espil Tulensru
Maker L. Palsis
Robert I. Taulung

MALEM:
Erinson M. Charley
Person M. Timothy
Palikun M. Shrew

UTWE:
Isaiah F. Waguk
Erinson H. Edmond

March 28, 2011

The Honorable Lyndon H. Jackson
Governor
State of Kosrae
Kosrae, FM 96944

Dear Governor Jackson:

I have the honor to transmit herewith for your consideration and action **L. B. NO. 10-72, L.D. 3, TO AMEND TITLE 9 OF THE KOSRAE STATE CODE; AND FOR OTHER PURPOSES.**, which passed the Legislature, Third Regular Session, by two-thirds of the members of the Legislature, a quorum being present.

Respectfully yours,

Tosie K. Elley
Chief Clerk
Tenth Kosrae State Legislature

Enclosures

**TENTH KOSRAE STATE LEGISLATURE
THIRD REGULAR SESSION
FEBRUARY 13, 2012 – MARCH 17, 2012**

A BILL FOR AN ACT

**TO AMEND TITLE 9 OF THE KOSRAE STATE CODE; AND FOR
OTHER PURPOSES.**

INTRODUCED Floor Leader Robert I. Taulung (By Request)

DATE: March 9, 2012

ACTION BY THE LEGISLATURE

PASSED FIRST READING: March 15, 2012

REFERRING TO: Committee of the Whole
COWR. No. 10-02 – A – 03/15/12

PASSED SECOND READING: March 16, 2012


Tosie K. Elley
Chief Clerk
KOSRAE STATE LEGISLATURE



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LEGISLATIVE BILL NO. 10-72, L.D. 3

We hereby certify that the foregoing Bill has passed Second and Final Readings in the Legislature, Third Regular Session, 2012, by two-thirds of the members of the Tenth Kosrae State Legislature, a quorum being present.

Lyndon P. Abraham
Speaker
Tenth Kosrae State Legislature

Tosie K. Elley
Chief Clerk
Tenth Kosrae State Legislature

A BILL FOR AN ACT

To amend Title 9 of the Kosrae State Code; and for other purposes.

BE IT ENACTED BY THE KOSRAE STATE LEGISLATURE:

1 Section 1. Chapter 1 of Title 9 is hereby repealed in its entirety.

2 Section 2. Chapter 1 of Title 9 is hereby amended to read as follows:

3 "CHAPTER 1. REVENUE ADMINISTRATION ACT.

4 SUBCHAPTER A: GENERAL PROVISIONS

5 Section 9.101. Short Title. This Chapter may be cited as the Kosrae State Revenue
6 Administration Act of 2011.

7 Section 9.102. Definitions. Wherever used in this Chapter, unless the subject matter,
8 context, or sense otherwise requires:

9 (1) "Arrangement" means any contract, agreement, plan, or understanding
10 whether express or implied and whether or not enforceable in legal proceedings.

11 (2) "Associate" has the meaning in Section 9.2103 of the Kosrae Value Added
12 Tax Act.

13 (3) "Attorney General" means the Attorney General of the State of Kosrae.

14 (4) "Authority" means the FSM Unified Revenue Authority established under
15 Section 711 of Title 54 of the Federated States of Micronesia Code.

16 (5) "Board" means the Board of Directors of the Authority.

17 (6) "CEO" means the Chief Executive Officer of the Authority.

18 (7) "Director" means the Director of the Kosrae State Department of
19 Administration and Finance.

(8) "FSM" means the Federated States of Micronesia.

(9) "Governor" means the Governor of the State of Kosrae.

(10) "Late payment interest" means late payment interest imposed under Section 9.191 of this Title.

(11) "Objection decision" means the decision referred to in Section 9.131(5) of this Title.

(12) "Person" means an individual, company, corporation, partnership, unincorporated association or other business entity, trust, estate, government, political subdivision of a government, or public international organization.

(13) "Prescribed" means prescribed by the Director by regulation.

(14) "Representative" means:

(a) in the case of an individual under a legal disability, the guardian, conservator, or manager who receives or is entitled to receive income on behalf, or for the benefit, of the individual;

(b) in the case of a company or corporation, the chief executive officer, public officer, managing director, or any director of the company;

(c) in the case of a partnership, any partner in the partnership;

(d) in the case of a trust, any trustee of the trust;

(e) in the case of an unincorporated association or other business entity (other than a company, corporation, or partnership) any individual responsible for accounting

1 for the receipt or payment of moneys or funds on behalf of the association;

2 (f) in the case of the National or a State Government, or a local authority in
3 FSM, any individual responsible for accounting for the receipt or payment of moneys or funds on
4 behalf of the Government or local authority;

5 (g) in the case of a foreign government, political subdivision of a foreign
6 government, or public international organization, any individual responsible for accounting for
7 the receipt or payment of moneys or funds in FSM on behalf of the government, political
8 subdivision of the government, or organization;

9 (h) in the case of a non-resident person, any person controlling the person's
10 affairs in FSM, including any manager of any business of such person and, in relation to
11 Customs, the person's Customs agent; or

12 (i) in the case of a person to whom Section 9.143 applies, the trustee of the
13 person under that Section,

14 (j) any person that the CEO has, by notice in writing, declared to be a
15 representative of a person for the purposes of this Chapter.

16 (15) "Revenue law" means this Chapter and a law of Kosrae State imposing a tax
17 that the Authority is permitted to administer by virtue of the laws of Kosrae State.

18 (16) "Revenue officer" means the CEO and any officer of the Authority.

19 (17) "Self-assessment" means a self-assessment of VAT under Chapter 2 of this
20 Title.

1 (18) "Self-assessment return" means a VAT return required to be furnished by a
2 self-assessment taxpayer under a revenue law.

3 (19) "Self-assessment taxpayer" means a person required to file a self-assessment
4 VAT return.

5 (20) "State" means Kosrae State unless the context clearly indicates otherwise.

6 (21) "State Government" means the State Government of Kosrae.

7 (22) "Tax" means any tax or penalty imposed under a revenue law, and includes an
8 installment of tax.

9 (23) "Tax assessment" means:

10 (a) a self-assessment;

11 (b) an assessment under Subchapter C of this Chapter, including an
12 amended assessment; and

13 (c) an assessment of penalty under Section 9.196 of this Title; or

14 (d) an assessment made under a revenue law.

15 (24) "Tax decision" means:

16 (a) a tax assessment; or

17 (b) a decision in relation to a revenue law on any matter left to the
18 discretion, judgment, direction, opinion, approval, consent, satisfaction, or determination of the
19 CEO, other than such decision made by the CEO in relation to the making of a tax assessment or
20 to take action pursuant to Subchapter D of this Chapter.

(25) "Tax period" means:

(a) in the case of VAT, the VAT period; or

(b) in any other case, the period for which the tax or duty is reported.

(26) "Tax return" means a return required to be filed under a revenue law.

(27) "Taxpayer" means a person liable for any tax imposed under a revenue law.

(28) "VAT" means a valued added tax imposed under a revenue law.

Section 9.103. References to Terms Used in Other Laws. When this Chapter applies in respect of a revenue law, any term not defined in this Chapter has the meaning given to it in any other revenue law, unless specifically excluded.

Section 9.104. Administration and Collection.

(1) Unless otherwise required by law for a particular tax, the Authority is hereby designated as an agent of the State to administer revenue laws and collect taxes, subject to the following conditions:

(a) The Authority shall be governed and shall abide by this Act and all other State Acts and regulations that apply to the administration of revenue laws and collection of taxes.

(b) The Authority shall perform the functions as the administrator of revenue laws and collector of taxes under the legal supervision and advice of the Attorney General or such other attorney as the Attorney General may authorize.

(c) The Authority shall provide such status reports on tax administration and

1 collection as the Director, by notice in writing, may periodically require.

2 (d) The Authority shall answer to oversight by the State Legislature as set
3 forth by statute, regulation or Memorandums of Understanding.

4 (e) The Authority shall refer a criminal violation of a revenue law to the
5 Attorney General for prosecution.

6 (2) The Authority's responsibility to administer taxes shall commence on the
7 commencement of administration date as determined under Section 769(2) of Title 54 of the
8 Federated States of Micronesia Code (FSM Unified Revenue Authority Act) provided that the
9 Governor may prescribe a different date for commencement by executive order.

10 Section 9.105. Kosrae Representative. The Governor shall appoint subject to the advice
11 and consent of the Legislature, a representative of Kosrae State to the Board of Directors of the
12 FSM Revenue Authority. The person appointed shall serve for a period of four years unless
13 sooner removed by the Governor, dies, resign or has been incapacitated or disabled which
14 renders him unable or unfit to perform the duties as a member of the Board for at least six (6)
15 months.

16 Section 9.106. Qualifications. The person appointed shall possess the following
17 qualifications:

18 (1) An expert in taxation or at least familiar with all the tax laws, policies, rules
19 and regulations of the State and FSM National Government;

20 (2) Shall not be convicted of any felony, even if pardoned;

(3) Shall not have been disqualified or suspended from practice of the person's profession;

(4) Shall not have been adjudged bankrupt; and

(5) Has no outstanding tax liability from Kosrae State and FSM National Government.

During the period of membership to the Board of Directors of the FSM Revenue Authority, the Kosrae State representative shall maintain the above qualifications otherwise he will be considered automatically removed.

SUBCHAPTER B - TAX RETURNS

Section 9.111. Extension of Time to File a Tax Return.

(1) A taxpayer required to file a tax return may apply, at any time and in writing, to the CEO for an extension of time to file the return.

(2) The CEO may, upon satisfaction that there is reasonable cause (as defined in regulations issued from time to time by the Authority), grant an application under Subsection (1) and must serve notice of the decision on the applicant.

(3) An extension of time granted under this Section does not change the date for payment of tax due as specified in the revenue law under which the return has been made, but shall extend the date from which penalties shall be payable with respect to the late filing of a return.

Section 9.112. Tax Return Duly Made. A tax return purporting to be filed by or on

1 behalf of a taxpayer is treated as having been filed by the taxpayer or with the taxpayer's
2 authority unless the contrary is proven.

3 SUBCHAPTER C – TAX DECISIONS

4 Section 9.121. Self-assessments. For the purposes of this Chapter:

5 (1) A self-assessment taxpayer who has filed a self-assessment return is treated as
6 having made an assessment of the amount of tax payable for the tax period to which the return
7 relates being that amount as set out in the return; and

8 (2) A self-assessment return furnished by a self-assessment taxpayer is treated as
9 a notice of the assessment served by the CEO on the taxpayer on the date the return was filed.

10 Section 9.122. Assessment of Person who Fails to File a Tax Return.

11 (1) If a taxpayer liable for tax on an assessment basis under a revenue law fails to
12 file a tax return for a tax period as required under the revenue law, the CEO may, at any time,
13 make an assessment of the tax payable by the taxpayer.

14 (2) The CEO must serve a taxpayer assessed under Subsection (1) with notice of
15 the assessment as soon as is practicable after making the assessment. The notice must state:

- 16 (a) the amount of tax payable;
- 17 (b) the amount of interest or penalty (if any) payable in respect of the tax
18 payable;
- 19 (c) the tax period in respect of which the assessment relates;
- 20 (d) the date of issue of the notice; and

(e) the due date for payment of the tax payable under the notice.

Section 9.123. Advanced Tax Assessments.

(1) The CEO may make an assessment of the tax payable for the tax period and the tax is payable on the date set out in the notice of assessment served on the taxpayer if, in any tax period:

(a) a taxpayer liable for tax on an assessment basis under a revenue law ceases to carry on a trade, business, profession, vocation, or employment; or

(b) the CEO has reasonable grounds to believe that a taxpayer liable for tax on an assessment basis under a revenue law may leave, or has left, the FSM without filing a return as required under the revenue law for the tax period.

(2) The CEO must serve a taxpayer assessed under Subsection (1) with notice, in writing, of the assessment as soon as is practicable after making the assessment, and such notice must set out the matters specified in Section 9.122(2).

(3) An assessment made under Subsection (1) can be amended under Section 9.124 so that the taxpayer is assessed in respect of the whole of the tax period to which the assessment under Subsection (1) relates.

Section 9.124. Amendment of Tax Assessments.

(1) Subject to this Section, the CEO may amend a tax assessment by making such alterations or additions to the assessment as the CEO considers necessary to ensure that a taxpayer is liable for the correct amount of tax payable in respect of the tax period to which the

1 assessment relates.

2 (2) A self-assessment taxpayer can apply to the CEO within the time specified in
3 Subsection (3)(b) for the CEO to make an amendment in accordance with Subsection (1) to a
4 self-assessment and the CEO shall serve the taxpayer with notice of the decision on the
5 application as soon as is practicable after the making of the assessment.

6 (3) The amendment of a tax assessment under Subsection (1) may be made:

7 (a) in the case of fraud or willful neglect, within six years of the date the
8 CEO served notice of the assessment on the taxpayer or within one year after the fraud or willful
9 neglect is discovered, whichever is the later; or

10 (b) in any other case, within six years of the date the CEO served notice of
11 the assessment on the taxpayer.

12 (4) As soon as practicable after making an amended assessment under this
13 Section, the CEO must serve the taxpayer with notice of the amended assessment.

14 (5) Subject to Subsection (6), if a notice of assessment (referred to as the "original
15 assessment") has been amended under Subsection (1), the CEO may further amend the original
16 assessment within the later of:

17 (a) six years after the CEO served notice of the original assessment on the
18 taxpayer; or

19 (b) one year after the CEO served notice of the amended assessment on the
20 taxpayer.

(6) If Subsection (5)(b) applies, the CEO is limited to amending the alterations and additions made in the amended assessment to the original assessment.

(7) An amended assessment is treated in all respects as a tax assessment for the purposes of this Chapter (other than Subsection (1) or (2)) and the revenue law under which the original assessment has been made.

(8) The making of an amended assessment does not preclude liability for any interest and penalty in relation to the tax assessed under the amended assessment arising from the date that tax was due under the original assessment.

Section 9.125. Validity of Tax Decisions.

(1) The validity of a tax decision, a notice of a tax decision, or any other document purporting to be made or executed under a revenue law, if it is, in substance and effect, in conformity with the law under which it has been made, issued, or executed and the person assessed, or intended to be assessed or affected by the decision or document, is designated in it according to common understanding:

- (a) cannot be quashed or deemed to be void or voidable for want of form; or
- (b) is not affected by reason of any immaterial mistake, defect, or omission therein.

Section 9.126. Correctness of Tax Decisions.

(1) Except pursuant to proceedings under Subchapter D:

- (a) no tax decision can be disputed in any Court or in any other proceedings

1 on any ground whatsoever;

2 (b) the production of the original notice of a tax assessment or a document
3 under the hand of the CEO purporting to be a copy of a notice of such assessment is conclusive
4 evidence of the making of the assessment and that the amount and particulars of the assessment
5 are correct; and

6 (c) in the case of a self-assessment taxpayer, the production of the original
7 self-assessment return or a document under the hand of the CEO purporting to be a copy of such
8 return is conclusive evidence of the contents of the return.

9 (2) A Court must, in all proceedings, take judicial notice of the signature of the
10 CEO in either the original or copy of a notice of a tax decision.

11 Section 9.127. Rectification of Mistakes. If the CEO is satisfied that an order made or
12 document issued by the CEO under a tax law contains a mistake that is apparent on the face of
13 the record or document and the mistake does not involve a dispute as to the interpretation of the
14 law or facts of the case, the CEO may, for the purposes of rectifying the mistake, amend the
15 order or document any time before the expiration of six years from the date of making or issuing
16 the order or document.

17 SUBCHAPTER D: OBJECTIONS AND APPEALS

18 Section 9.131. Objection to Tax Decision.

19 (1) A person dissatisfied with a tax decision must lodge an objection to the
20 decision with the CEO within 30 days of service of the notice of the decision.

1 (2) If the CEO has amended an assessment under Section 9.124, the taxpayer has
2 no further right of objection that the taxpayer would have had if the amendment had not been
3 made, except to the extent that by reason of the amendment a fresh liability is imposed on the
4 taxpayer or an existing liability is increased.

5 (3) An objection must substantially comply with the prescribed form and state
6 fully and in detail the grounds upon which the person objecting relies to support the objection.

7 (4) A person may apply, in writing, to the CEO for an extension of time to lodge
8 an objection and the CEO may, if satisfied there is reasonable cause, grant an application under
9 this Section and must serve notice of the decision on the applicant as soon as is practicable after
10 making the decision.

11 (5) Subject to Subsection (6), the CEO must consider the objection and either
12 allow the objection in whole or part, or disallow it. The CEO's decision is referred to as an
13 "objection decision".

14 (6) The CEO is not required to consider an objection unless and until the person
15 objecting has complied with all the requirements under this Chapter or the revenue law to which
16 the objection relates in relation to the making of tax returns and payment of tax.

17 (7) The CEO must serve notice of the objection decision on the person objecting
18 as soon as practicable after making the decision.

19 Section 9.132. Judicial Review.

20 (1) A person dissatisfied with an objection decision may institute an action for

review in a Court of competent jurisdiction in the State of Kosrae. Such action is commenced by filing a petition, within sixty days after service of notice of the objection decision, setting forth:

(a) assignments of errors alleged to have been committed by the CEO in making the objection decision;

(b) the facts relied upon to sustain such assignments of errors; and

(c) a prayer for appropriate relief.

(2) The CEO is the defendant in proceedings under Subsection (1).

(3) The payment of the amount of tax in dispute, in whole or part, after the filing of a petition under Subsection (1) does not deprive the Court of jurisdiction.

(4) When the decision of the Court or an appeal therefrom becomes final, the CEO must, upon presentment of a certified copy of the decree, make such adjustments as are necessary to correct, amend, or abate the assessment, and determine whether an additional amount of tax is to be assessed.

Section 9.133. General Provisions Relating to Objections and Appeals.

(1) In any proceeding under this Chapter:

(a) in the case of a tax assessment, the burden is on the taxpayer to prove that the assessment is excessive; or decision (other than a tax assessment), the burden is on the person objecting to the decision to prove that the decision should not have been made or should have been made differently.

(2) In an action for review by a Court under Section 9.132, the person bringing

1 the action and any subsequent appeal therefrom, is limited to the grounds stated in the person's
2 objection to the CEO.

3 (3) To the extent necessary for the making of a decision and when presented, the
4 reviewing Court shall decide all relevant questions of law and fact, interpret constitutional and
5 statutory provisions, and determine the meaning or applicability of the terms of any action taken
6 by the CEO.

7 (4) The reviewing Court shall:

8 (a) compel any action of the CEO unlawfully withheld or unreasonably
9 delayed;

10 (b) hold unlawful and set aside any actions and decisions of the CEO found
11 to be:

12 (i) arbitrary, capricious, an abuse of discretion, or otherwise not in
13 accordance with law;

14 (ii) contrary to constitutional right, power, privilege, or immunity;

15 (iii) in excess of statutory jurisdiction, authority, or limitations, or a
16 denial of legal rights;

17 (iv) without substantial compliance with the procedures required by
18 law; or

19 (v) unwarranted by the facts.

20 (5) Subject to Subsection (6), the tax due under a tax assessment is payable

1 notwithstanding that an objection has been lodged or an action for judicial review under Section
2 9.132 has been instituted by the taxpayer in respect of the assessment.

3 (6) The CEO may, upon application in writing by a taxpayer, agree to stay
4 recovery of tax in dispute under a tax assessment up to a maximum of 50% of the disputed tax,
5 but only if the taxpayer has paid the entire amount of tax due under the assessment that is not in
6 dispute.

7 SUBCHAPTER E: RECOVERY OF UNPAID TAX

8 Section 9.141. Payment of Tax.

9 (1) A taxpayer must pay tax in the prescribed manner.

10 (2) Any unpaid tax may be sued for and recovered in any Court of competent
11 jurisdiction by the CEO suing in his or her official capacity as collection agent for the State
12 Government.

13 (3) In any suit under Subsection (2), the production of a certificate signed by the
14 CEO stating the name and address of the taxpayer and the amount of tax due is sufficient
15 evidence that the amount of tax is due by the taxpayer and sufficient authority for the Court to
16 give judgment with full costs of suit against the taxpayer.

17 Section 9.142. Extension of Time to Pay Tax.

18 (1) A taxpayer may apply, in writing, to the CEO for an extension of time to pay
19 tax due under a revenue law.

20 (2) If an application has been made under this Section, the CEO may, giving due

1 regard to the circumstances of the case, grant the taxpayer an extension of time for payment of
2 the tax due, or require the taxpayer to pay the tax due in such installments as the CEO may
3 determine. The CEO must serve the taxpayer with written notice of the decision.

4 (3) If a taxpayer permitted to pay tax by installments defaults in the payment of
5 an installment, the whole balance of the tax outstanding at the time of default, is immediately
6 payable.

7 (4) The grant of an extension of time or permission to pay tax due by installments
8 does not preclude the liability for late payment interest arising from the original date the tax was
9 due for payment.

10 Section 9.143. Trustees, Liquidators, Receivers, Executors And the Like.

11 (1) In this Section the term "trustee" shall include:

- 12 (a) a liquidator of a company being wound up;
13 (b) a receiver for debenture holders who has taken possession of any assets
14 of a company;
15 (c) a trustee in bankruptcy;
16 (d) a mortgagee in possession;
17 (e) an executor of a deceased's estate; or
18 (f) any other person holding a similar office or acting in a similar capacity.

19 (2) In this Section the term "taxpayer", in relation to a trustee, means the person
20 whose assets are in the possession of or control of the trustee, including if the trustee is an

1 executor, the estate of the deceased person.

2 (3) A trustee must, within 14 days after becoming a trustee in respect of, or
3 assuming the control of, assets of a taxpayer in the capacity as trustee, give written notice thereof
4 to the CEO.

5 (4) The CEO must notify the trustee, in writing, of the amount of any tax that is
6 payable by the taxpayer and such notice must be served on the trustee within one month of the
7 CEO being served with a notice under Subsection (3).

8 (5) Subject to Subsection (6), a trustee:

9 (a) must not, without the leave of the CEO, dispose of any asset of the
10 taxpayer until a notice has been served on the trustee under Subsection (4);

11 (b) must set aside, out of the assets available for the payment of tax due by
12 the taxpayer, assets to the value of the amount notified under Subsection (4), or the whole of the
13 assets if their value is less than the amount notified; and

14 (c) is, to the extent of the value of the assets required to be set aside, liable
15 for the tax due by the taxpayer.

16 (6) A trustee may pay the expenses properly incurred by the trustee in the
17 capacity as such, including the trustee's remuneration, in priority to the amount notified under
18 Subsection (4).

19 (7) If two or more persons are trustees in respect of a taxpayer, the obligations
20 and liabilities under this Section apply jointly and severally to the trustees but may be discharged

1 by any of them.

2 (8) The amount that a trustee is liable for under Subsection (5)(c) is treated as if it
3 were tax payable by the trustee as taxpayer for the purposes of this Subchapter, Subchapter F,
4 and Section 9.171.

5 Section 9.144. Recovery of Unpaid Tax from Third Party.

6 (1) In this Section, "payer" means a person who:

7 (a) owes or may subsequently owe money to a taxpayer;

8 (b) holds or may subsequently hold money, for or on account of, a taxpayer;

9 (c) holds money on account of some other person for payment to a taxpayer;

10 or

11 (d) has authority from some other person to pay money to a taxpayer.

12 (2) This Section applies if a taxpayer is liable to pay tax and the tax has not been
13 paid by the taxpayer by the due date for payment. This remedy shall be in addition to any right
14 of levy and execution set forth in Subchapter F.

15 (3) If this Section applies, the CEO may, by notice in writing, require a payer in
16 respect of the taxpayer to pay the amount specified in the notice to the CEO, being an amount
17 that does not exceed the amount of tax that has not been paid.

18 (4) A payer must pay the amount specified in a notice under Subsection (3) by the
19 date specified in the notice, being a date that is not before the date that the amount owed to the
20 taxpayer becomes due to the taxpayer or held on the taxpayer's behalf.

1 (5) If a notice served under Subsection (3) requires a payer to deduct amounts
2 from wages or salaries, the amount required to be deducted by the payer from each payment
3 must not exceed twenty percent (20%) of the amount of each payment of wages or salaries.

4 (6) If a person served with a notice under Subsection (3) is unable to comply with
5 the notice by reason of lack of moneys owing to, or held for, the taxpayer, the person must notify
6 the CEO, in writing, setting out the reasons for the person's inability to comply.

7 (7) If a notice is served on the CEO under Subsection (6), the CEO may, by
8 notice in writing:

9 (a) accept the notification and cancel or amend the notice issued under
10 Subsection (3); or

11 (b) reject the notification.

12 (8) The CEO must, by notice in writing to the payer, revoke or amend a notice
13 served under Subsection (3) if the taxpayer has paid the whole or part of the tax due or has made
14 an arrangement satisfactory to the CEO for payment of the tax.

15 (9) A copy of a notice served on a payer under this Section must be served on the
16 taxpayer.

17 (10) An amount deducted from a payment by a payer pursuant to a notice served
18 on a payer under this Section is held by the payer in trust for the Authority.

19 (11) A payer making a payment under this Section is treated as acting under the
20 authority of the taxpayer and of all other persons concerned and is hereby indemnified in respect

1 of the payment.

2 (12) The CEO must apply any amount paid by a payer under this Section to the tax
3 owing by the taxpayer.

4 (13) A payer who, without reasonable cause, fails to comply with a notice under
5 this Section is personally liable for the amount specified in the notice.

6 (14) The amounts referred to in Subsections (10) and (13) are treated as if they
7 were tax payable by the payer as taxpayer for the purposes of this Subchapter, Subchapter F, and
8 Section 9.171.

9 Section 9.145. Seizure of Goods.

10 (1) In addition to any other right of levy and execution set forth in Subchapter F
11 hereunder, the CEO or a revenue officer authorized by the CEO in writing for the purposes of
12 this Section may seize any goods if the VAT that is payable in respect of the supply of those
13 goods has not been paid or the CEO or authorized officer has reasonable grounds to believe that
14 such VAT will not be paid.

15 (2) Any goods seized under this Section must be stored in a place approved by the
16 CEO or authorized officer for the storage of seized goods.

17 (3) If goods have been seized under Subsection (1), the CEO or authorized officer
18 must, as soon as is practicable after the seizure, serve on the owner of the goods or the person
19 who had custody or control of the goods immediately before the seizure, a notice in writing:

20 (a) identifying the goods;

(b) stating that the goods have been seized under this Section and the reason for seizure; and

(c) setting out the terms of Subsections (6), (7), and (8).

(4) The CEO or authorized officer is not required to serve a notice under Subsection (3) if, after making reasonable enquiries, the CEO or authorized officer does not have sufficient information to identify the person on whom the notice should be served.

(5) If Subsection (4) applies, the CEO or authorized officer may serve a notice under Subsection (3) on any person claiming the goods, provided the person has given the CEO or authorized officer sufficient information to enable the notice to be served.

(6) The CEO or authorized officer may authorize any goods seized under Subsection (1) to be delivered to the person on whom a notice under Subsection (3) has been served if that person has paid, or makes an arrangement satisfactory to the CEO or authorized officer for payment of, the VAT that is payable in respect of the supply of the goods.

(7) Except if Subsection (6) applies, the CEO or authorized officer must detain the goods seized under Subsection (1):

(a) in the case of perishable goods, for such period as the CEO or authorized officer considers reasonable having regard to the condition of the goods; or

(b) in any other case, for ten days after seizure of the goods.

(8) If the detention period in Subsection (7) has expired, the CEO or authorized officer may sell the goods by public auction or, in the case of perishable goods, may sell the

goods in such manner as the CEO or authorized officer determines, and apply the proceeds of sale as follows:

(a) first towards the cost of taking, keeping, and selling the goods seized;

(b) then towards payment of any VAT that is payable in respect of the supply of the goods; and

(c) then towards payment of any other tax due by the person whose goods have been seized; and

(d) the remainder of the proceeds, if any, must be paid to the person whose goods have been seized.

(9) If the proceeds of disposal are less than the sum of the cost of taking, keeping, and selling the goods seized and the VAT due, the CEO or authorized officer may proceed under this Chapter to recover the excess.

(10) The costs of taking, keeping, and selling the seized goods is treated as if they were tax payable by the person whose goods have been seized as taxpayer for the purposes of this Subchapter and Section 9.171.

Section 9.146. CEO May Require Security. The CEO may, for the purposes of securing payment of any tax that is or will become due, require a taxpayer to give security in such amount and in such manner as the CEO thinks fit.

Section 9.147. Taxpayer Leaving FSM.

(1) If the CEO has reasonable grounds to believe that a taxpayer may leave the

1 FSM before the due date for payment of any tax and the taxpayer has not made an arrangement
2 satisfactory to the CEO for payment of the tax, the tax is due on such date as specified by the
3 CEO by notice in writing to the taxpayer.

4 (2) If the CEO has reasonable grounds to believe that a taxpayer may leave the
5 FSM (or the State) without paying tax due, the CEO may issue a certificate containing those
6 grounds and the particulars of the tax due to the FSM Department of Justice (or the Attorney
7 General, as the case may be), requesting the prevention of the taxpayer from leaving the FSM or
8 the State until the taxpayer:

9 (a) makes payment of the tax due in full; or

10 (b) makes an arrangement satisfactory to the CEO for payment of the tax
11 due.

12 (3) The CEO must serve a copy of a certificate issued under Subsection (2) on the
13 taxpayer named in the certificate if it is practicable to do so.

14 (4) Payment of the tax specified in the certificate to a customs or immigration
15 officer or the production of a certificate signed by the CEO stating that the tax has been paid or
16 satisfactory arrangements for payment have been made is sufficient authority for allowing the
17 taxpayer to leave FSM or State.

18 Section 9.148. Temporary Closure of Business.

19 (1) If a taxpayer fails to pay VAT on or before the due date, the CEO or revenue
20 officer authorized by the CEO, in writing, for the purposes of this Section may notify the

1 taxpayer in writing of the intention to close down part or the whole of the taxpayer's business
2 unless the taxpayer pays the tax due within seven days of the date of the notice.

3 (2) If a taxpayer fails to comply with a notice under Subsection (1), the CEO or
4 authorized officer may issue an order to close down part or the whole of the business of that
5 person for a period not exceeding 14 days.

6 (3) The CEO or authorized officer may, at any time, enter any premises described
7 in an order issued under Subsection (2) for the purposes of executing the order and shall require
8 a police officer to be present while the order is being executed.

9 (4) The CEO or authorized officer shall affix, in a conspicuous place on the front
10 of the premises of the business or part of the business which has been closed under an order
11 issued under Subsection (2), a notice in the following words "CLOSED TEMPORARILY FOR
12 NOT COMPLYING WITH TAX OBLIGATIONS BY ORDER OF THE CEO OF THE FSM
13 UNIFIED REVENUE AUTHORITY UNDER SECTION 9.148 OF THE REVENUE
14 ADMINISTRATION ACT".

15 (5) If the tax due is paid in full within the period of closure, or a satisfactory
16 arrangement is reached with the CEO with respect to payment of the tax, the order issued under
17 Subsection (2) ceases to have effect and the CEO must immediately arrange for removal of the
18 notice referred to in Subsection (4).

19 SUBCHAPTER F: LEVY AND EXECUTION

20 Section 9.151. Tax as Lien on Property.

1 (1) If any taxpayer neglects or refuses to pay or collect and pay any tax that is due
2 after assessment or demand for payment as provided in this Title, the amount of the tax shall be a
3 lien in favor of the Authority on all property of that taxpayer as allowed hereunder.

4 (2) The lien imposed by Subsection (1) of this Section shall arise at the time that
5 the assessment or demand has been made as provided in this Chapter, and shall continue until the
6 liability for payment of the amount assessed or demanded is satisfied or extinguished.

7 (3) As against any mortgagee, pledgee, purchaser, judgment creditor, lienor or
8 other encumbrance for value, the lien imposed by Subsection (1) shall not be considered to have
9 arisen or have any effect whatever unless notice of the lien has been filed. Against all
10 subsequently arising interests, the lien shall have priority.

11 (4) The notice of lien must be filed in the State Court of the State in which the
12 property is located and a copy thereof sent by certified or registered mail to the taxpayer not less
13 than 45 days after the assessment or demand for payment as provided in this Title. The notice of
14 lien:

15 (a) Shall identify the taxpayer whose liability for taxes is sought to be
16 enforced, the type or nature of the tax, the amount of the tax due on the date that the notice is
17 filed plus any penalty or interest that may be chargeable, the date or approximate date on which
18 the tax became due, and the date on which the assessment or demand for payment was delivered
19 or mailed; and

20 (b) Shall state

(i) that the Authority claims a lien for the entire amount of tax asserted to be due, including applicable interest and penalties, and including any additional amounts that may become due after the notice is filed, and

(ii) that the lien may result in levy and sale of the property if the amounts asserted to be due are not paid in full.

(5) Notwithstanding any other provision of this Chapter, the following described property shall be exempt from the taking of liens and subsequent attachment and execution as imposed under this Chapter:

(a) *Personal and household goods.* All necessary household furniture, cooking and eating utensils, and all necessary wearing apparel, bedding, and provisions for household use sufficient for four months.

(b) *Necessities for trade or occupation.* All tools, implements, utensils, work animals and vehicles that are not used for personal transportation, including travel from residence to place of employment and return thereto, and equipment necessary to enable the person against whom the attachment or execution is issued to carry on his usual occupation.

(c) *Certain Interests in land.* All interests in land, exclusive of leasehold interests, except where such interests can be shown to have been acquired to avoid attachment or execution with respect to the cause of action to which the attachment or execution is ordered, or where attachment or execution against such interest in land is specifically permitted under a real property mortgage statute or real property deed of trust statute for the State in which the interest

1 is located.

2 Section 9.152. Warrant for collection of tax; issuance; effect; levy and sale.

3 (1) If, within thirty (30) days time following filing of the notice of lien pursuant
4 to Section 9.151, the delinquent taxpayer fails or refuses to pay all sums secured by the same, or
5 to enter into other arrangements for the payment of the same as provided in this Title, the
6 Authority may issue a tax warrant for the enforcement of such lien and for the collection of any
7 tax secured by the lien. Upon issuing the tax warrant, any property of the delinquent taxpayer,
8 except as provided in Section 9.151(5), may be levied upon and converted to money in
9 accordance with this Chapter.

10 (2) A levy shall be executed by taking possession of the taxpayer's property
11 pursuant to the authority contained in the tax warrant or by serving the warrant upon the
12 taxpayer, upon any other person in possession of property of the taxpayer, or upon any person or
13 depository, including any officer or employee of any governmental entity, subdivision or agency,
14 who owes or who will owe money to the taxpayer, who is holding funds of the taxpayer, and
15 ordering him to reveal the extent thereof and surrender it to the State forthwith or agree to
16 surrender it or the proceeds therefrom in the future, but, in any case, on the terms and conditions
17 stated in the tax warrant.

18 (3) The tax warrant shall be directed to and executed by the Attorney General.
19 Except as provided otherwise by this Title, the tax warrant shall be levied and the sale or other
20 disposal made in the same manner and with the same effect as a levy and sale under a writ of

1 execution.

2 (4) A tax warrant shall:

3 (a) bear on its face a statement of the authority for its issuance and service,
4 compel compliance with its terms, and shall be attested to under oath, by the CEO;

5 (b) identify the taxpayer whose liability for taxes is sought to be enforced,
6 the amount thereof, and the date or approximate date on which the tax became due;

7 (c) state that the Authority claims a lien for the entire amount of tax asserted
8 to be due, including applicable interest and penalties;

9 (d) order the person on whom it is served to reveal all property in his
10 possession, custody or control that belongs to the taxpayer and the extent of his own interest
11 therein; and to reveal the amount and kind of property of the taxpayer that, to the best of his
12 knowledge, is in the possession, custody or control of others;

13 (e) order the person on whom it is served to surrender the property
14 forthwith, but may allow him to agree, in writing, to surrender the property or the proceeds
15 therefrom on a certain date in the future when the taxpayer's right to it would otherwise mature;
16 and

17 (f) state on its face the penalties for willful failure by any person upon
18 whom it is served to comply with its terms.

19 (5) Whenever any property upon which levy has been made by virtue of a tax
20 warrant is not sufficient to satisfy the claim for which levy is made, the CEO thereafter, and as

1 often as may be necessary, may proceed to levy in like manner upon any other property of the
2 taxpayer against whom the claim exists, until the amount due from the taxpayer is fully paid.

3 Section 9.153. Surrender of property subject to levy; penalty and notice.

4 (1) Upon receipt of a tax warrant issued pursuant to Section 9.152, any person in
5 possession or control of property subject to levy under a tax warrant shall immediately surrender
6 the property or discharge the obligation to the CEO; but not that part of the property that is
7 already the subject of a bona fide attachment, execution, levy or other similar process.

8 (2) Any person who receives a tax warrant and wrongfully fails or refuses to
9 comply therewith shall be liable in his own person and estate to the Authority in a sum equal to
10 the value of the property not so surrendered or paid over, but not exceeding the amount of the
11 taxes for the collection of which such levy has been made, together with penalties and interest on
12 such sum from the date of such levy, plus the costs of executing the warrant.

13 (3) As soon as practicable after the levy, the CEO shall notify the taxpayer of the
14 amount and kind of property seized and of the total amount demanded in payment of tax.

15 Section 9.154. Notice of sale; redemption.

16 (1) As soon as practicable after the levy and seizure of the property pursuant to
17 Section 9.152, the CEO shall decide on a date, time and place for the sale of any property,
18 excepting cash or liquid deposits, which may be immediately applied pursuant to Section 9.156,
19 and shall make a diligent inquiry as to the identity and whereabouts of the owner of the property
20 and persons having an interest therein, and shall notify the owner and such persons of the time

1 and place for the sale.

2 (2) Notice of the sale must be given to the delinquent taxpayer, in writing, at least
3 thirty (30) days before the date set for the sale. Such notice shall contain a description of the
4 property to be sold, a statement of the amount due, including interest, penalties and costs, the
5 name of the delinquent taxpayer, and a statement that, unless the amount due plus interest,
6 penalties and costs are paid on or before the time fixed in the notice for the sale, the property, or
7 so much of it as is necessary, will be sold in accordance with law and the notice.

8 (3) No sale of imperishable property shall be held until after the expiration of
9 thirty (30) days from the date of the levy thereon, provided that perishable property may be sold
10 immediately after seizure without prior notice of the sale. The CEO shall make special efforts
11 pursuant to rules and regulations to give notice of the sale to persons with a particular interest in
12 special or perishable property, and, apart from the requirements stated above, shall advertise the
13 sale in a manner appropriate to the kind of property to be sold.

14 (4) If any property of the taxpayer subject to levy cannot be reasonably divided so
15 as to enable the CEO to sell a part thereof to raise the whole amount of the tax and expenses, the
16 whole of the taxpayer's interest in the property shall be sold.

17 (5) The levy and sale shall not be made, or the levy and sale shall be terminated
18 and released if the taxpayer pays the entire amount due, furnishes security, or makes other
19 arrangements for payment that are acceptable to the CEO as provided in this Title. Upon making
20 such payment or arrangements the CEO shall restore the property to the taxpayer, insofar as is

possible, and all further proceedings in connection with the levy and sale of the property shall cease from the time of the payment or signing of an agreement with the Authority.

Section 9.155. Sale; delivery of bill of sale; disposition of unsold portion.

(1) Except as provided in Subsection (4) of this Section, the Authority shall sell the property, excluding cash and liquid deposits, at public auction and in accordance with the notice of sale, and shall deliver to the purchaser a bill of sale for the property sold.

(2) Except as provided in Subsection (4) of this Section, payment must be in full, in cash or its equivalent, and made immediately after the acceptance of a bid for the property.

(3) The unsold portion of any property seized may be left at the place of sale at the risk and cost of the delinquent taxpayer.

(4) The foregoing notwithstanding, stocks, bonds, certificates of deposit, promissory notes or other securities which have a specific value or prevailing market price may be sold by the Authority at a private sale at a price not lower than the specific price or prevailing market price, or may otherwise be liquidated to their cash value in accordance with the regulations promulgated by the CEO. No such liquidation may occur sooner than the date scheduled for the sale as stated in the notice.

Section 9.156. Proceeds of levy and sale.

(1) Money realized by levy or sale under this act shall be first applied against the expenses of the proceedings.

(2) The amount remaining, if any, then shall be applied to the liability for the tax,

1 interest and penalties for which the levy was pursued.

2 (3) Except as provided in Subsection (4) of this Section, the balance, if any, shall
3 be returned to the taxpayer or the person legally entitled thereto and a receipt obtained.

4 (4) If, before the sale, any person having an interest in or lien upon the property
5 files with the Authority notice of his interest or lien, the Authority shall withhold any excess,
6 pending a determination of the rights of the respective parties to it by a court of competent
7 jurisdiction.

8 SUBCHAPTER G: RECORD KEEPING AND INFORMATION COLLECTION

9 Section 9.161. Accounts and Records.

10 (1) Every taxpayer must, for the purposes of a revenue law, maintain in the State
11 of Kosrae such accounts, documents, and records (including in electronic form) as may be
12 required under the revenue law and such accounts, documents, and records must be retained by
13 the taxpayer for six years after the end of the tax period to which they relate.

14 (2) If any accounts, documents, or records referred to Subsection (1) are not in
15 English, the CEO may, by notice in writing, require the person keeping the accounts, documents,
16 or records to provide, at the person's expense, a translation into English by a translator approved
17 by the CEO.

18 Section 9.162. Power to Enter and Search.

19 (1) For the purposes of administering a revenue law, the CEO or a revenue officer
20 authorized by the CEO, in writing, for the purposes of this Section:

(a) must have, upon presentation of a warrant issued by a court of competent jurisdiction, full and free access to any premises, place, property, book, record, or data storage device;

(b) may, upon presentation of a warrant issued by a court of competent jurisdiction, make an extract or copy of any accounts, documents, books, or records (including in electronic form) to which access is obtained under Subsection (a);

(c) may, upon presentation of a warrant issued by a court of competent jurisdiction, seize any information on accounts, documents, books, or records that, in the opinion of the CEO or authorized officer, affords evidence that may be material in determining the tax liability of a taxpayer;

(d) may retain any information on accounts, documents, books, or records seized under Subsection (c) for as long as they may be required for determining a taxpayer's tax liability or for any proceeding under a revenue law; and

(e) may, if a hard copy or copy on data storage media of information stored on a data storage device is not provided, seize and retain the device for as long as is necessary to copy the information required.

(2) A revenue officer is not entitled to enter or remain on any premises or place if, upon request by the owner or lawful occupier, the officer is unable to produce the CEO's written authorization permitting the officer to exercise powers under Subsection (1).

(3) The CEO or authorized officer may require a police officer to be present for

1 the purposes of exercising powers under this Section.

2 (4) Upon presentation by the CEO or authorized officer of a warrant issued by a
3 court of competent jurisdiction, the owner or lawful occupier of the premises or place to which
4 an exercise of power under Subsection (1) relates, must provide all reasonable facilities and
5 assistance to the CEO or authorized officer.

6 (5) A person whose accounts information, documents, books, or records have
7 been seized under Subsection (1) may examine them and make copies, at the person's expense,
8 during the Authority's regular office hours.

9 (6) A person whose data storage device has been seized under Subsection (1) may
10 have access to the device during the Authority's regular office hours on such terms and
11 conditions as the CEO or authorized officer may specify.

12 (7) The CEO or authorized officer must sign for all accounts information,
13 documents, books, records, or data storage devices removed and retained under this Section and
14 return them to the owner within 14 days of the conclusion of the investigation to which they
15 relate and all related proceedings.

16 (8) This Section has effect notwithstanding:

17 (a) any law relating to privilege or the public interest with respect to the
18 giving of information or the production of any property, accounts, documents, books, or records
19 (including in electronic form) except as may be protected by Constitution or the attorney/client
20 privilege; or

1 (b) any contractual duty of confidentiality.

2 Section 9.163. Administrative Summons.

3 (1) The CEO may, for the purposes of administering any revenue law, by notice
4 in writing, require any person:

5 (a) to furnish such information as the CEO may require;

6 (b) to attend and give evidence concerning that person's or any other
7 person's tax affairs excepting the constitutional protections governing self-incrimination in
8 criminal matters or an attorney representing the taxpayer for matters falling within the
9 attorney/client privilege or

10 (c) to produce all accounts, books, documents, and records (including in
11 electronic form) in the person's custody or under the person's control relating to that person's or
12 any other person's tax affairs excepting the constitutional protections governing self-
13 incrimination in criminal matters or an attorney representing the taxpayer for matters falling
14 within the attorney/client privilege.

15 (2) If a notice served under Subsection (1) requires the production of accounts,
16 books, documents, or records (including in electronic form), it is sufficient if such accounts,
17 books, documents, or records are described in the notice with reasonable certainty.

18 (3) A notice issued under this Section must be served personally upon the person
19 to whom it is directed or left at the person's last known usual place of business or abode and the
20 certificate of service signed by the person serving the notice is conclusive evidence of the facts

1 stated therein.

2 (4) The CEO may require the information or evidence referred to in Subsection
3 (1) to be given on oath, verbally or in writing, and, for that purpose, the CEO may administer the
4 oath.

5 (5) This Section has effect notwithstanding

6 (a) any law relating to privilege or the public interest with respect to the
7 giving of information or the production of any property, accounts, documents, books, or records
8 (including in electronic form) except as may be protected by Constitution or the attorney/client
9 privilege; or

10 (b) any contractual duty of confidentiality.

11 Section 9.164. Audit of Taxpayer's Tax Affairs.

12 (1) The CEO may select any taxpayer for an audit of the taxpayer's tax affairs for
13 the purpose of a revenue law having regard to:

14 (a) the taxpayer's history of compliance or non-compliance with the revenue
15 law or any other revenue law;

16 (b) the amount of tax payable by the taxpayer;

17 (c) the class of business conducted by the taxpayer; or

18 (d) any other matter that the CEO considers relevant to ensuring the
19 collection of tax due.

20 (2) The fact that a taxpayer has been audited in relation to a tax period does not

1 preclude the taxpayer from being audited again in the relation to the next and following tax
2 periods if there are reasonable grounds for the audits, particularly having regard to the matters
3 referred to in Subsection (1).

4 (3) An audit of a taxpayer's tax affairs may be conducted for the purposes of more
5 than one revenue law.

6 Section 9.165. Issuance of Taxpayer Identification Numbers. The CEO may assign or
7 cancel a Taxpayer Identification Number respecting a taxpayer pursuant to the FSM Revenue
8 Administration Act.

9 Section 9.166. Quotation of Taxpayer Identification Number. The CEO may require a
10 taxpayer to state the taxpayer's Taxpayer Identification Number in any tax return, notice, or other
11 document used for the purposes of any revenue law.

12 SUBCHAPTER H: REPRESENTATIVES

13 Section 9.171. Liabilities and Obligations of Representatives.

14 (1) Every representative of a taxpayer is responsible for performing any duties or
15 obligations imposed by a revenue law on the taxpayer, including the payment of tax.

16 (2) A representative making a payment of tax on behalf of a taxpayer is treated as
17 acting under the authority of the taxpayer and is hereby indemnified in respect of the payment.

18 (3) Subject to Subsection (4), any tax that, by virtue of Subsection (1), is payable
19 by a representative of a taxpayer is recoverable from the representative only to the extent of any
20 assets of the taxpayer that are in the possession or under the control of the representative.

1 (4) Subject to Subsection (5), a representative is personally liable for the payment
2 of any tax due by the representative in that capacity if, while the amount remains unpaid, the
3 representative disposes of or parts with any moneys or funds belonging to the taxpayer that are in
4 the possession of the representative or which come to the representative after the tax is payable,
5 if such tax was required by law to have been paid from or out of such moneys or funds.

6 (5) Nothing in Subsection (3) prevents a representative paying an amount on
7 behalf of a taxpayer that has priority over the revenue payable by the taxpayer.

8 (6) If there are two or more representatives of a taxpayer, the duties or obligations
9 referred to in this Section apply jointly and severally to the representatives but may be
10 discharged by any of them.

11 (7) Nothing in this Section relieves a taxpayer from performing any duties or
12 obligations imposed on the taxpayer under a revenue law that the representative of the taxpayer
13 has failed to perform.

14 (8) The amount that a representative is liable for under Subsection (4) is treated as
15 if it were tax payable by the representative for the purposes of Subchapters E and F, and Section
16 9.191.

17 Section 9.172. Liability for Tax Payable by a Company Left with Insufficient Assets.

18 (1) This Section applies if an arrangement has been entered into with the intention
19 of rendering a company unable to satisfy a current or future tax liability under a revenue law.

20 (2) Subject to Subsection (3), if this Section applies, every person who was a

1 director or controlling shareholder of the company at the time the arrangement was entered into
2 is jointly and severally liable for the tax liability of the company.

3 (3) The amount that a person is liable for under Subsection (2) is treated as if it
4 were a tax payable by the person for the purposes of Subchapters E and F, and Section 9.191.

5 (4) A director of a company is not liable under this Section for the tax liability of
6 the company if the CEO is satisfied that the director derived no financial or other benefit from
7 the arrangement and

8 (a) the director has, upon becoming aware of the arrangement, formally
9 recorded with the company his or her dissent and notified the CEO in writing of the arrangement;
10 or

11 (b) the director satisfies the CEO that, at the time the arrangement was
12 entered into

13 (i) the director was not involved in the executive management of the
14 company; and

15 (ii) the director had no knowledge of, and could not reasonably have
16 been expected to know of, the arrangement.

17 (5) For the purposes of this Section, a controlling shareholder of a company is any
18 person who beneficially holds, either alone or together with an associate or associates

19 (a) more than fifty per cent (50%) of the voting rights in the company;

20 (b) more than fifty per cent (50%) of the rights to dividends; or

(c) more than fifty per cent (50%) of the rights to capital.

SUBCHAPTER I: RULINGS

Section 9.181. Binding Public Rulings.

(1) The CEO may make a public ruling in accordance with Section 9.182 setting out the CEO's interpretation on the application of a revenue law.

(2) A public ruling made in accordance with Section 9.182 is binding on the CEO until withdrawn.

(3) A public ruling is not binding on a taxpayer.

Section 9.182. Making a Public Ruling.

(1) The CEO shall print and maintain a gazette or other publication of public rulings to be made available free of charge to the public. The CEO shall make a public ruling by publishing a notice of the ruling in such gazette.

(2) A public ruling must state that it is a public ruling and have a number and subject heading by which it can be identified.

(3) A public ruling applies from the date specified in the ruling and if no date is specified, from the date of publication in the gazette identified in Subsection (1).

Section 9.183. Withdrawal of a Public Ruling.

(1) The CEO may withdraw a public ruling, in whole or part, by publishing notice of the withdrawal in the gazette identified in Section 9.182.

(2) If legislation is passed, or the CEO makes another public ruling, that is

1 inconsistent with an existing public ruling, the existing ruling is treated as withdrawn to the
2 extent of the inconsistency.

3 (3) The withdrawal of a public ruling, in whole or part, has effect

4 (a) if Subsection (1) applies, from the date specified in the notice of
5 withdrawal and if no date is specified, from the date notice of the withdrawal is published in the
6 gazette; or

7 (b) if Subsection (2) applies, from the date of application of the inconsistent
8 legislation or public ruling.

9 (4) A public ruling that has been withdrawn in whole or in part

10 (a) continues to apply to a transaction commenced before the public ruling
11 was withdrawn; and

12 (b) does not apply to a transaction commenced after the ruling was
13 withdrawn to the extent that the ruling is withdrawn.

14 Section 9.184. Binding Private Rulings.

15 (1) Subject to Section 9.185, the CEO shall, upon application in writing by a
16 taxpayer, issue to the taxpayer a private ruling setting out the CEO's position regarding the
17 application of a revenue law to a transaction entered into, or proposed to be entered into, by the
18 taxpayer.

19 (2) If the taxpayer has made a full and true disclosure of all aspects of the
20 transaction relevant to the making of a private ruling and the transaction has proceeded in all

1 material respects as described in the taxpayer's application for the ruling, the ruling is binding on
2 the CEO in relation to the taxpayer.

3 (3) A private ruling is not binding on the taxpayer to whom it is issued.

4 (4) If a private ruling is inconsistent with an existing public ruling, the private
5 ruling has priority to the extent of the inconsistency.

6 Section 9.185. Refusing an Application for a Private Ruling.

7 (1) The CEO may refuse an application for a private ruling if

8 (a) the CEO has already decided the matter that is the subject of the
9 application in a tax assessment;

10 (b) the CEO is of the opinion that an existing public ruling adequately
11 covers the matter that is the subject of the application;

12 (c) the application relates to a matter that is the subject of a tax audit or an
13 objection;

14 (d) the application is frivolous or vexatious;

15 (e) the arrangement to which the application relates has not been carried out
16 and there are reasonable grounds to believe that it will not be carried out;

17 (f) the applicant has not provided the CEO with sufficient information to
18 make a private ruling; or

19 (g) in the opinion of the CEO, it would be unreasonable to comply with the
20 application having regard to the resources needed to comply and any other matters the CEO

1 considers relevant, such as disadvantage to other taxpayers.

2 (2) The CEO shall serve the applicant with a written notice of the refusal to make
3 a private ruling.

4 Section 9.186. Making a Private Ruling.

5 (1) The CEO must make a private ruling unless Section 9.185 applies.

6 (2) The CEO makes a private ruling by serving written notice of the ruling on the
7 applicant.

8 (3) The CEO may make a private ruling on the basis of assumptions about a
9 future event or other matter as considered appropriate.

10 (4) A private ruling must set out the matter ruled on, identifying

11 (a) the taxpayer;

12 (b) the revenue law relevant to the ruling;

13 (c) the tax period to which the ruling applies;

14 (d) the arrangement to which the ruling relates; and

15 (e) any assumptions on which the ruling is based.

16 (5) A private ruling is made at the time the applicant is served with notice of the
17 ruling and remains in force for the period specified in the ruling.

18 (6) The making of a private ruling is not a tax decision for the purposes of this
19 Chapter.

20 Section 9.187. Withdrawal of a Private Ruling.

(1) The CEO may, for reasonable cause, withdraw a private ruling, in whole or part, by written notice served on the applicant.

(2) If legislation is passed, or the CEO publishes a public ruling, that is inconsistent with a private ruling, the private ruling is treated as withdrawn to the extent of the inconsistency.

(3) The withdrawal of a private ruling, in whole or part, has effect

(a) if Subsection (1) applies, from the date specified in the notice of withdrawal; or

(b) if Subsection (2) applies, from the date of application of the inconsistent legislation or public ruling.

(4) A private ruling that has been withdrawn

(a) continues to apply to a transaction commenced before the ruling was withdrawn; and

(b) does not apply to a transaction commenced after the ruling was withdrawn to the extent that the ruling is withdrawn.

(5) A decision to withdraw a private ruling is not a tax decision for the purposes of this Chapter.

Section 9.188. Publication of Private Rulings. The CEO shall include in the gazette or other publication referred to in Section 9.182(1) an edited version of a binding private ruling issued to a taxpayer. The edited version must not disclose the identity of the taxpayer.

SUBCHAPTER J: INTEREST AND ADMINISTRATIVE PENALTIES

Section 9.191. Late Payment Interest.

(1) A person who fails to pay any tax due on or before the due date for payment is liable for late payment interest at the rate of six percent per annum on the amount unpaid calculated from the date the payment was due to the date the payment is made.

(2) Late payment interest paid by a person under Subsection (1) must be refunded to the person to the extent that the principal amount to which the interest relates is found not to have been payable.

(3) Late payment interest payable by a person in respect of an amount referred to in Sections 9.143(7), 9.144(14), or 9.171(8) payable by the person, is borne personally by the person and is not recoverable from any other person.

(4) Late payment interest payable under this Section is simple interest.

(5) Late payment interest payable under this Section is treated as tax payable by a taxpayer for the purposes of Subchapter E and Section 9.171.

(6) Late payment interest payable under this Section is in addition to any penalty imposed under this Subchapter or any sanction imposed under Subchapter I in respect of the same act or omission.

Section 9.192. Penalty for Failure to File a Tax Return or Lodge Other Document.

(1) A person who fails to file a tax return or lodge any other document as required under any revenue law is liable.

(a) in the case of a failure to file a tax return under which tax is payable, for a penalty of one percent (1%) of the amount of tax payable under the return for each month or part month that the return remains unfiled; or

(b) in any other case, for a penalty of \$10 for each day of default.

(2) A taxpayer served with a notice of assessment by the CEO under Section 9.122 is liable for a penalty of twenty-five percent (25%) of the tax assessed (taking into account any subsequent amendment of the assessment) in addition to the penalty imposed under Subsection (1)(a).

(3) For the purposes of Subsection (1)(b), a person ceases to be in default at the time the document is received by the CEO.

Section 9.193. Penalty for Failure to Pay Tax By Due Date.

(1) A taxpayer who fails to pay tax when due is liable for a penalty equal to ten percent (10%) of the amount of tax due for each month, or part of a month, that the tax remains unpaid subject to a maximum penalty of one hundred percent (100%) of the unpaid tax.

(2) The penalty imposed under Subsection (1) is in addition to interest payable under Section 9.191 for late payment of tax. The ceiling on the amount of penalty payable under Subsection (1) does not apply to or take into account interest payable under Section 9.191.

(3) The reference to "tax" in Subsection (1) does not include penalties.

Section 9.194. Penalty for Failure to Maintain Proper Records.

(1) A taxpayer who fails to maintain accounts, documents, or records as required

under a revenue law is liable

(a) if the failure was knowingly or recklessly made, for a penalty equal 50
fifty percent (50%) of the amount of tax payable by the taxpayer for the tax period to which the
failure relates; or

(b) in any other case, for a penalty equal to ten percent (10%) of the amount
of tax payable by the taxpayer for the tax period to which the failure relates.

Section 9.195. Penalty for Making False or Misleading Statement.

(1) This Section applies to a person

(a) who makes a statement to a revenue officer that is false or misleading in
a material particular or omits from a statement made to a revenue officer any matter or thing
without which the statement is false or misleading in a material particular; and

(b) whose statement results in the tax liability of any person computed on
the basis of the statement being less than it would have been if the statement had not been false
or misleading (the difference being referred to as the "tax shortfall").

(2) Subject to Subsection (3), a person to whom this Section applies is liable

(a) if the statement or omission was made knowingly or recklessly, for a
penalty equal to fifty percent (50%) of the tax shortfall; or

(b) in any other case, for a penalty equal to ten percent (10%) of the tax
shortfall.

(3) No penalty is payable under Subsection (2) if

(a) the person who made the statement did not know and could not reasonably be expected to know that the statement was false or misleading in a material particular; or

(b) the tax shortfall arose as a result of a self-assessment taxpayer taking a reasonably arguable position on the application of a revenue law to the taxpayer's circumstances in filing a self-assessment return.

(4) Nothing in Subsection (3) prevents the imposition of late payment interest under Section 9.191 in respect of a tax shortfall if the tax is not paid by the due date.

(5) A reference in this Section to a statement made to a revenue officer means a statement made in writing or orally to a revenue officer acting in the performance of the officer's duties under a revenue law, and includes a statement made

(a) in any application, certificate, declaration, notification, tax return, objection, or other document furnished or lodged under a revenue law;

(b) in any information required to be furnished under a revenue law;

(c) in any document furnished to a revenue officer;

(d) in answer to a question asked of a person by a revenue officer; or

(e) to another person with the knowledge or reasonable expectation that the statement would be passed on to a revenue officer.

Section 9.196. Collection of Penalty.

(1) A liability for penalty is calculated separately with respect to each Section

imposing a penalty under this Subchapter.

(2) If a penalty has been paid under this Title and the CEO institutes a prosecution under Subchapter I in respect of the same act or omission, the CEO must refund the amount of the penalty paid, and no penalty is payable unless the prosecution is withdrawn.

(3) The CEO must

(a) make an assessment of penalty imposed under this Subchapter; and

(b) serve a notice of the assessment on the person subject to the penalty, which notice must state the amount of penalty payable and the due date for payment.

(4) A person liable to pay a penalty may apply, in writing, to the CEO for remission of the penalty payable.

(5) The CEO may, upon application under Subsection (4) or on the CEO's own initiative, remit, in whole or in part, any penalty payable by a person.

SUBCHAPTER K: TAXATION OFFENSES

Section 9.201. Offense for Failure to File Tax Return.

(1) A taxpayer who, without reasonable excuse, fails to file a tax return by the due date is guilty of an offense.

(2) *Penalty.* A person convicted of an offense under this Section shall be subject to a fine not exceeding five hundred dollars (\$500), or, if a natural person, imprisoned for not more than six months, or both.

Section 9.202. Offense for Failure to Comply with Obligations under this Chapter.

(1) A person is guilty of an offense:

(a) who, without reasonable cause, fails to:

(i) comply with Section 9.143;

(ii) comply with a notice served on the person under Section 9.144;

(iii) provide security as required under Section 9.146;

(iv) provide facilities and assistance as required by Section 9.162(4); or

(v) comply with a notice under Section 9.163; or

(b) who, knowing that a certificate has been issued under Section 9.147(2),

leaves or attempts to leave the FSM without paying the tax due or making an arrangement satisfactory to the CEO for payment.

(2) *Penalty.* A person convicted of an offense under this Section shall be subject to a fine not exceeding five hundred dollars (\$500), or, if a natural person, imprisoned for not more than six months, or both.

Section 9.203. Offense for Failure to Maintain Proper Records.

(1) A taxpayer who knowingly or recklessly fails to maintain accounts, documents, or records as required under a revenue law is guilty of an offense.

(2) *Penalty:* A taxpayer convicted of an offense under Subsection (1) of this Section shall be subject to a fine not exceeding \$1,000, or, if a natural person, imprisoned for not more than one year, or both.

(3) A taxpayer convicted of an offense under Subsection (1) of this Section is

1 subject to the immediate revocation of any existing license or permit to do business in the State
2 of Kosrae that has been issued to the taxpayer.

3 Section 9.204. Offense for Improper Use of Taxpayer Identification Number.

4 (1) A person who uses a false Taxpayer Identification Number on any tax return
5 or document prescribed or used for the purposes of a revenue law is guilty of an offense.

6 (2) *Penalty.* A person convicted of an offense under Subsection (1) of this Section
7 shall be subject to a fine not exceeding one thousand dollars (\$1,000), or, if a natural person,
8 imprisoned for not more than one year, or both.

9 (3) A person who uses the Taxpayer Identification Number of another person is
10 treated as having used a false Taxpayer Identification Number, unless the Taxpayer
11 Identification Number has been used with the permission of that other person on a document
12 relating to the tax affairs of that other person.

13 (4) A person who fails to apply for cancellation of the person's Taxpayer
14 Identification Number as required under Section 9.166 of this title is guilty of an offense.

15 (5) *Penalty.* A person convicted of an offense under Subsection (4) of this
16 Section shall be subject to a fine not exceeding five hundred dollars (\$500).

17 Section 9.205. Offense for Making False or Misleading Statement.

18 (1) A person is guilty of an offense if the person knowingly or recklessly

19 (a) makes a statement to a revenue officer that is false or misleading in a
20 material particular; or

(b) omits from a statement made to a revenue officer any matter or thing without which the statement is false or misleading in a material particular.

(2) *Penalty:* A person convicted of an offense under this Section shall be subject to a fine not exceeding \$ 20,000, or, if a natural person, imprisoned for not more than one years, or both.

(3) Section 9.195(5) applies in determining whether a person has made a statement to a revenue officer.

Section 9.206. Offense for Obstruction of Revenue Officer.

(1) A person who obstructs a revenue officer in the performance of duties under any revenue law is guilty of an offense.

(2) *Penalty:* A person convicted of an offense under this Section shall be subject to a fine not exceeding \$1,000, or, if a natural person, imprisoned for not more than one year, or both.

Section 9.207. Offense for Aiding or Abetting a Taxation Offense. A person who aids, abets, assists, incites, or induces another person to commit an offense under a revenue law (referred to as the "principal offense") is guilty of an offense and is liable for the same penalty as imposed for the principal offense.

Section 9.208. Offense Relating to Seized Goods or Temporarily Closed Premises.

(1) A person is guilty of an offense if the person

(a) takes any goods that have been seized under Section 9.145 or that are the

1 subject of a warrant under Subchapter F or that are in premises the subject of an order under
2 Section 9.148; or

3 (b) before or at or after any seizure of goods under Section 9.145 or
4 proceedings under Subchapter F, staves, breaks or destroys any goods, or documents relating to
5 any goods, to prevent

6 (i) the seizure or the securing of the goods; or

7 (ii) obtaining proof of an offense; or

8 (c) enters premises the subject of an order under Section 9.148 without the
9 permission of the CEO.

10 (2) *Penalty:* A person convicted of an offense under this Section shall be subject
11 to a fine not exceeding \$1,000, or, if a natural person, imprisoned for not more than one year, or
12 both.

13 Section 9.209. Offenses by Revenue Officers.

14 (1) A revenue officer who directly or indirectly asks for, or takes in connection
15 with any of the officer's duties, any payment or reward whatsoever, whether pecuniary or
16 otherwise, or promise or security for any such payment or reward, not being a payment or reward
17 that the officer was lawfully entitled to receive, is guilty of an offense.

18 (2) *Penalty.* A person convicted of an offense under Subsection (1) of this Section
19 shall be subject to a fine not exceeding twenty thousand dollars (\$20,000), or imprisoned for not
20 more than ten years, or both.

1 (3) A revenue officer who enters into or acquiesces in any agreement to do any
2 act or thing, abstain from doing any act or thing, permit or connive in the doing of any act or
3 thing, or conceal any act or thing, whereby the State Government is or may be defrauded of
4 revenue, or that is contrary to the provisions of a revenue law or to the proper execution of the
5 officer's duty is guilty of an offense.

6 (4) *Penalty.* A person convicted of an offense under Subsection (3) of this Section
7 shall be subject to a fine not exceeding twenty thousand dollars (\$20,000), or imprisoned for not
8 more than ten years, or both.

9 (5) A person who directly or indirectly offers or gives to a revenue officer any
10 payment or reward whatsoever, whether pecuniary or otherwise, or any promise or security for
11 any payment or reward, not being a payment or reward that the officer was lawfully entitled to
12 receive, is guilty of an offense.

13 (6) *Penalty.* A person convicted of an offense under Subsection (5) of this Section
14 shall be subject to a fine not exceeding twenty thousand dollars (\$20,000), or, if a natural person,
15 imprisoned for not more than ten years, or both.

16 (7) A person who proposes or enters into any agreement with a revenue officer in
17 order to induce the officer to do any act or thing, abstain from doing any act or thing, permit or
18 connive in the doing of any act or thing, or conceal any act or thing, whereby the State
19 Government is or may be defrauded of revenue, or that is contrary to the provisions of a revenue
20 law or to the proper execution of the officer's duty is guilty of an offense.

1 (8) *Penalty.* A person convicted of an offense under Subsection (7) of this Section
2 shall be subject to a fine not exceeding twenty thousand dollars (\$20,000), or, if a natural person,
3 imprisoned for not more than ten years, or both.

4 (9) For the purposes of this Section, a revenue officer includes any person
5 employed or engaged by the Authority in any capacity and includes a director or former director
6 of the Board, a member or former member of a committee of the Board, a person invited to a
7 Board or committee meeting, or a former officer or employee of the Authority.

8 Section 9.210. Offenses by Companies.

9 (1) If an offense under a revenue law is committed by a company, the offense is
10 treated as having been committed by every person who, at the time the offense was committed,
11 was

12 (a) the chief executive officer, public officer, managing director, a director,
13 company secretary, or other similar officer of the company; or

14 (b) acting or purporting to act in that capacity.

15 (2) Subsection (1) does not apply to a person if

16 (a) the offense was committed without that person's consent or knowledge;
17 and

18 (b) the person, having regard to the nature of the person's functions and all
19 the circumstances, has exercised reasonable diligence to prevent the commission of the offense.

20 Section 9.211. Court Order to Comply with Revenue Law. Upon conviction of a person

of an offense under this Subchapter, and the failure of the person to comply with a court order, the person shall be subject to the provisions and penalties of Title 6, Section 6.1104 of the Kosrae State Code, in addition to any penalties set forth in this Subchapter.

SUBCHAPTER L: FORMS AND NOTICES

Section 9.221. Forms and Notices: Authentication of Documents.

(1) A form, notice, tax return, statement, table, or any other document prescribed or published by the CEO for the purposes of any revenue law may be in such form as the CEO determines for the efficient administration of the revenue laws.

(2) The CEO must make the documents referred to in Subsection (1) available to the public at the offices of the Authority and at such other locations, or by mail or such other means, as the CEO may determine.

(3) A notice or other document issued, served, or given by the CEO under a revenue law is sufficiently authenticated if the name or title of the CEO, or authorized officer, is printed, stamped, or written on the document.

Section 9.222. Manner of Lodging Documents. Except as provided in Section 9.224, a tax return, application, notice, or other document to be filed with the CEO under the revenue law must be delivered by personal delivery or registered mail to an office of the Authority.

Section 9.223. Service of Notices.

(1) Subject to Section 9.224 and except as otherwise provided in a revenue law, a notice or other document required to be served by the CEO on a person for the purposes of a

revenue law is treated as properly served on the person if

- (a) personally served on the person;
- (b) left at the person's usual or last known place of abode or business in the FSM; or
- (c) sent by registered mail to the person's usual or last known address in the FSM.

(2) If a notice or other document is served by registered mail, service is, in the absence of proof to the contrary, deemed to have been effected at the time at which the notice or other document would be delivered in the ordinary course of business, and in proving such service it is sufficient to prove that the envelope containing the notice or other document was properly addressed and was posted.

(3) If the person to whom a notice or other document has been sent by registered mail is informed of the fact that there is a registered letter awaiting the person at a Post Office, and the person refuses or fails to take delivery of the letter, and the letter consists of the notice or other document, service of the notice or other document is deemed to have been effected.

(4) The validity of service of a notice under a revenue law cannot be challenged after the notice has been wholly or partly complied with.

(5) The reference to "person" in this Section includes a representative of the person.

Section 9.224. Electronic Returns and Notices.

(1) The CEO may establish and operate a procedure (referred to as the "electronic notice system") for electronic filing of tax returns or other documents to the CEO and electronic service of notices and other documents by the CEO and, for this purpose, the CEO may provide written conditions for

(a) the registration of taxpayers to participate in the electronic notice system (referred to as "registered users");

(b) the issuing and cancellation of authentication codes to registered users;

(c) the tax returns and other documents that may be transmitted through the electronic notice system, including the form and manner in which they are to be transmitted;

(d) the correction of errors in or amendments to electronic returns or other documents;

(e) the use of the electronic notice system, including the procedure applicable if there is a breakdown or interruption in the system;

(f) the use in any electronic transmission of symbols, codes, abbreviations, or other notations to represent any particulars or information required under a revenue law; and

(g) any other matters for the better provision of the electronic notice system.

(2) A registered user may, in accordance with the conditions set by the CEO under Subsection (1), file a tax return or other document to the computer account of the CEO.

(3) The CEO may, in accordance with the conditions set by the CEO under Subsection (1), serve a notice or other document to the computer account of a registered user.

(4) If a tax return or other document of a registered user has been transmitted to the computer account of the CEO using the authentication code assigned to the registered user either with or without the authority of the registered user, and before the registered user has applied to the CEO for cancellation of the authentication code, the return or other document is, for the purposes of the revenue law under which it has been filed, presumed to be filed by the registered user unless the registered user proves to the contrary.

(5) For the purposes of a revenue law, an electronic tax return, notice, or other document, or a copy thereof, shall not be ruled inadmissible in evidence merely on the basis that it was filed or served without the filing or delivery of any equivalent document or counterpart in paper form.

(6) If an electronic tax return, notice, or other document is admissible under Subsection (5), it is presumed that, until the contrary is proved, the contents of the electronic return, notice, or other document have been accurately transmitted.

(7) Section 9.126 shall apply to

(a) an electronic tax assessment served by the CEO on the basis that the reference in Section 9.126(b) to a copy of a notice of a tax assessment includes a certificate under the hand of the CEO identifying the tax assessment, and stating the authentication code of the registered user and the device involved in the production and transmission of the electronic tax assessment; and

(b) an electronic tax return furnished by a registered user on the basis that

the reference in Section 9.126(c) to a copy of a tax return includes a certificate under the hand of the CEO identifying the tax return, and stating the authentication code of the registered user and the device (if known) involved in the production and transmission of the electronic tax return.

(8) A person furnishing an electronic tax return or other document on behalf of another person must not divulge or disclose the contents of the return or document, or a copy thereof, without the prior written consent of the CEO.

(9) A person who fails to comply with Subsection (8) of this Section is guilty of an offense.

(10) *Penalty:* A person convicted of an offense under Subsection (8) of this Section shall be subject to a fine not exceeding \$500 or imprisoned for not more than six months, or both.

Section 9.225. Due Date for Documents and Tax Payments.

(1) If the due date for the following is a Saturday, Sunday, or public holiday, the due date is the next following business day:

- (a) filing a tax return, application, notice, or other document;
- (b) the payment of tax; or
- (c) taking any other action under a revenue law.

SUBCHAPTER M: FINAL PROVISIONS

Section 9.231. Regulations.

(1) The Director shall, subject to approval of the Governor and review by the

1 Office of the Attorney General prescribe and have printed necessary regulations for the
2 enforcement of this Chapter and such regulations shall have force and effect of law.

3 (2) The regulations shall also provide for matters prescribed under the Chapter to
4 be made by regulation.

5 Section 9.232. Transitional.

6 (1) Subject to this Section, this Chapter applies to any act or omission occurring,
7 or any taxation assessment made, before this Chapter came into force.


8 (2) Any appeal or prosecution commenced before this Chapter came into force
9 shall be continued and disposed of as if this Chapter had not come into force.


10 (3) If the period for any application, appeal, or prosecution had expired before
11 this Chapter came into force, nothing in this Chapter shall be construed as enabling the
12 application, appeal, or prosecution to be made under this Chapter by reason only of the fact that a
13 longer period is specified in this Chapter.

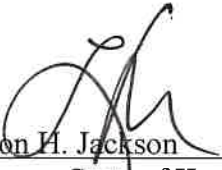
14 (4) Any tax liability that arose before this Chapter came into force may be
15 recovered under this Chapter, but without prejudice to any action already taken for the recovery
16 of the tax.

17 Section 9.233. Effective Date. This Act shall become law upon approval of the
18 Governor, or upon its becoming law without such approval and shall take effect upon the
19 commencement of Tax Administration by the Authority.

PASSED BY THE TENTH KOSRAE STATE LEGISLATURE ON THE 16TH DAY OF
MARCH 2012.


Lyndon P. Abraham
Speaker, 10th Kosrae State Legislature

Attested by: 
Chief Clerk


Lyndon H. Jackson
Governor, State of Kosrae

Date: 4-19-12



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