

## YSC, Title 13. Taxation & Finance

### DIVISION 1: TAXATION

#### Chapter 1: State Taxes

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#### **§101. Title.**

This chapter shall be known and may be cited as the "State Tax Act of 1979".

**Source:** YSL 1-40 §1, modified.

**Cross-reference:** The constitutional provisions on Taxation and Finance are found in Article IX of the Yap Constitution. Sections 1, 2, and 3 of Article IX states:

"Section 1. The power of taxation shall never be surrendered, suspended or contracted away.

Section 2. No tax shall be levied or appropriation of public money made or public property transferred except for a public purpose.

Section 3. The property of the State Government or its political subdivisions shall be exempt from taxation."

#### **§102. Purpose.**

The purpose of this chapter is to levy and collect state taxes in a manner to provide incentives for the exploitation, consumption, sale and export of natural resources of the State, and consistent with this purpose, to exempt the exploitation, consumption, sale and export of natural resources from taxation.

**Source:** YSL 1-40 §2, modified.

**Cross-reference:** Section 4 of Article IX of the Yap Constitution states: "The taxing power shall be reserved to the State Government, except so much thereof as may be delegated by the Legislature to the local governments; provided that the State Government may not tax real property."

#### **§103. Excise tax.**

(a) There is levied an excise tax at the following rates:

(1) Live animals; animal products.

- (A) One percent (1%) ad valorem of live animals.
- (B) One percent (1%) ad valorem of meat and edible meat offals.
- (C) One percent (1%) ad valorem of fish, crustaceans and mollusks.
- (D) One percent (1%) ad valorem of dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included.
- (E) One percent (1%) ad valorem of products of animal origin, not elsewhere specified or included.

(2) Vegetable products.

- (A) One percent (1%) ad valorem of live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage.
- (B) One percent (1%) ad valorem of edible vegetables and certain roots and tubers.
- (C) One percent (1%) ad valorem of edible fruit and nuts; peel of melons or citrus fruit.
- (D) One percent (1%) ad valorem of coffee, tea, mate and spices.
- (E) One percent (1%) ad valorem of cereals.
- (F) One percent (1%) ad valorem of products of the milling.
- (G) One percent (1%) ad valorem of oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruits; industrial and medical plants; straw and fodder.
- (H) One percent (1%) ad valorem of lacs; gums, resins and other vegetable saps and extracts.
- (I) One percent (1%) ad valorem of vegetable plaiting materials; vegetable products not elsewhere specified and included.

(3) Animal and vegetable fats and oils and their cleavage products: prepared edible fats; animal and vegetable waxes.

- (A) One percent (1%) ad valorem of animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes.

(4) Prepared foodstuffs; beverages; spirits and vinegar; tobacco.

- (A) One percent (1%) ad valorem of preparations of meat, of fish, of crustaceans or mollusks.
- (B) One percent (1%) ad valorem of sugars and sugar confectionery.

- (C) One percent (1%) ad valorem of cocoa and cocoa preparations.
  - (D) One percent (1%) ad valorem of preparations of cereals, flour or starch; pastrycooks' products.
  - (E) One percent (1%) ad valorem of preparations of vegetable, fruits or other parts of plants.
  - (F) One percent (1%) ad valorem of miscellaneous edible preparations.
  - (G) Twenty-seven cents (\$0.27) per container of 12 fluid ounces or less of beer, ale and malt beverages, and thirty-three cents (\$0.33) per container of more than 12 fluid ounces of such alcoholic beverages; nine dollars (\$9.00) per gallon of distilled alcoholic beverages; four dollars and fifty cents (\$4.50) per gallon of wine; ten cents (\$0.10) per container of 12 fluid ounces or less and fifteen cents (\$0.15) per container of more than 12 fluid ounces of soft drinks and non-alcoholic beverages other than pure fruit or vegetable juices and dairy products.
  - (H) One percent (1%) ad valorem of residues and waste from the food industries; prepared animal fodder.
  - (I) Thirty cents (\$0.30) per 20 cigarettes; three cents (\$0.03) per cigar; six cents (\$0.06) per ounce of tobacco other than cigarettes and cigars.
- (5) Mineral products.
- (A) One percent (1%) ad valorem of salt; sulphur, earths and stone; plastering materials, lime and cement.
  - (B) One percent (1%) ad valorem of metallic ores, slag and ash.
  - (C) Five cents (\$0.05) per gallon of gasoline and diesel fuel; one percent (1%) ad valorem of mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.
- (6) Products of the chemical and allied industries.
- (A) One percent (1%) ad valorem of inorganic chemicals; organic and inorganic compounds of precious metals, of rare earth metals, or radio-active elements and of isotopes.
  - (B) One percent (1%) ad valorem of organic chemicals.
  - (C) One percent (1%) ad valorem of pharmaceutical products.
  - (D) One percent (1%) ad valorem of fertilizers.
  - (E) One percent (1%) ad valorem of tanning and dyeing extracts; tannins and their derivatives; dyes, colors, paints and varnishes; putty, fillers and stopping; inks.
  - (F) One percent (1%) ad valorem of essential oils and resinoids; perfumery, cosmetic or toilet preparations.

(G) One percent (1%) ad valorem of soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing and scouring preparations, candles and similar articles, modeling pastes and "dental waxes".

(H) One percent (1%) ad valorem of albuminoidal substances; glues; enzymes.

(I) One percent (1%) ad valorem of explosives; pyrotechnic products; matches, pyrophoric alloys; certain combustible preparations.

(J) One percent (1%) ad valorem of photographic and cinematographic goods.

(K) One percent (1%) ad valorem of miscellaneous chemical products.

(7) Artificial resins and plastic materials, cellulose esters and ethers, and articles thereof; rubber, synthetic rubber, factice, and articles thereof.

(A) One percent (1%) ad valorem of artificial resins and plastic materials, cellulose esters and ethers; articles thereof.

(B) One percent (1%) ad valorem of rubber, synthetic rubber, factice, and articles thereof.

(8) Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of gut (other than silk-worm gut).

(A) One percent (1%) ad valorem of raw hides and skins (other than furskins) and leather.

(B) One percent (1%) ad valorem of articles of leather saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut).

(C) One percent (1%) ad valorem of furskins and artificial fur; manufactures thereof.

(9) Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto and of other plaiting materials; basket and wickerwork.

(A) One percent (1%) ad valorem of wood and articles of wood; wood charcoal.

(B) One percent (1%) ad valorem of cork and articles of cork.

(C) One percent (1%) ad valorem of manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork.

(10) Paper-making material; paper and paperboard and articles thereof.

- (A) One percent (1%) ad valorem of paper-making material.
- (B) One percent (1%) ad valorem of paper and paperboard; articles of paper pulp, of paper or of paperboard.
- (C) One percent (1%) ad valorem of printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans.

(11) Textiles and textile articles.

- (A) One percent (1%) ad valorem of silk and waste silk.
- (B) One percent (1%) ad valorem of manmade fibres (continuous).
- (C) One percent (1%) ad valorem of metallized textiles.
- (D) One percent (1%) ad valorem of wool and other animal hair.
- (E) One percent (1%) ad valorem of flax and ramie.
- (F) One percent (1%) ad valorem of cotton.
- (G) One percent (1%) ad valorem of manmade fibres (discontinuous).
- (H) One percent (1%) ad valorem of other vegetable textile materials; paper yarn and woven fabrics of paper yarn.
- (I) One percent (1%) ad valorem of carpets, mats, matting and tapestries; pile and chenille fabrics; narrow fabrics; trimmings; tulle and other net fabrics; lace; embroidery.
- (J) One percent (1%) ad valorem of wadding and felt; twine, cordage, ropes and cables; special fabrics; impregnated and coated fabrics; textile articles of a kind suitable for industrial use.
- (K) One percent (1%) ad valorem of knitted and crocheted goods.
- (L) One percent (1%) ad valorem of articles of apparel and clothing accessories of textile fabric, other than knitted or crocheted goods.
- (M) One percent (1%) ad valorem of other made up textile articles.
- (N) One percent (1%) ad valorem of old clothing and other textiles; rags.

(12) Footwear, headgear, umbrellas, sunshades, whips, riding crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair.

- (A) One percent (1%) ad valorem of footwear, gaiters and the like; parts of such articles.
- (B) One percent (1%) ad valorem of headgear and parts thereof.
- (C) One percent (1%) ad valorem of umbrellas, sunshades, walking sticks,

whips, riding-crops and parts thereof.

(D) One percent (1%) ad valorem of prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair.

(13) Articles of stone, of plaster, of cement, of asbestos, of mica and of similar materials; ceramic products; glass and glassware.

(A) One percent (1%) ad valorem of stone, of plaster, of cement, of asbestos, of mica and of similar materials.

(B) One percent (1%) ad valorem of ceramic products.

(C) One percent (1%) ad valorem of glass and glassware.

(14) Pearls, precious and semi-precious stones, precious metals, rolled precious metals, and articles thereof; imitation jewelry; coin.

(A) One percent (1%) ad valorem of pearls, precious and semi-precious stones; precious metals, rolled precious metals, and articles thereof; imitation jewelry.

(B) One percent (1%) ad valorem of coin.

(15) Base metals and articles of base metals.

(A) One percent (1%) ad valorem of iron and steel and articles thereof.

(B) One percent (1%) ad valorem of copper and articles thereof.

(C) One percent (1%) ad valorem of nickel and articles thereof.

(D) One percent (1%) ad valorem of aluminum and articles thereof.

(E) One percent (1%) ad valorem of magnesium and beryllium and articles thereof.

(F) One percent (1%) ad valorem of lead and articles thereof.

(G) One percent (1%) ad valorem of zinc and articles thereof.

(H) One percent (1%) ad valorem of tin and articles thereof.

(I) One percent (1%) ad valorem of other base metals employed in metallurgy and articles thereof.

(J) One percent (1%) ad valorem of tools, implements, cutlery, spoons, forks, of base metal; parts thereof.

(K) One percent (1%) ad valorem of miscellaneous articles of base metal.

(16) Machinery and mechanical appliances; electrical equipment; parts thereof.

(A) Five percent (5%) ad valorem of electrical home appliances, including air

conditioners, refrigerators, freezers, washing machines, clothes driers, and stoves; one percent (1%) ad valorem of other boilers, machinery and mechanical appliances or parts thereof.

(B) One percent (1%) ad valorem of electrical machinery and equipment; parts thereof.

(17) Vehicles, aircraft, vessels and associated transport equipment.

(A) One percent (1%) ad valorem of railway and tramway locomotives, rollingstock and parts thereof; railway and tramway track fixtures and fittings; traffic signaling equipment of all kinds (not electrically powered).

(B) Ten percent (10%) ad valorem of motor vehicles, other than railway or tramway rolling-stock, or parts thereof.

(C) One percent (1%) ad valorem of aircraft and parts thereof; parachutes; catapults and similar aircraft launching gear; ground flying trainers.

(D) One percent (1%) ad valorem of ships, boats and floating structures.

(18) Optical, photographic, cinematographic, measuring, checking, precision, medical and surgical instruments and apparatus; clocks and watches; musical instruments; sound recorders or reproducers; television image and sound recorders or reproducers; parts thereof.

(A) One percent (1%) ad valorem of optical, photographic, cinematographic, measuring, checking, precision, medical and surgical instruments and apparatus; parts thereof.

(B) One percent (1%) ad valorem of clocks and watches and parts thereof.

(C) Ten percent (10%) ad valorem of televisions, phonographs, stereos, and tape recorders; one percent (1%) ad valorem of all other musical instruments; sound recorders or reproducers; television image and sound recorders or reproducers.

(19) Arms and ammunition; parts thereof.

(A) One percent (1%) ad valorem of arms and ammunition; parts thereof.

(20) Miscellaneous manufactured articles.

(A) One percent (1%) ad valorem of furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings.

(B) One percent (1%) ad valorem of articles and manufactures of carving or moulding material.

(C) One percent (1%) ad valorem of brooms, brushes, powder-puffs and sieves.

(D) One percent (1%) ad valorem of toys, games and sports requisites; parts thereof.

(E) One percent (1%) ad valorem of miscellaneous manufactured articles.

(21) Works of art, collectors' pieces, and antiques.

(A) One percent (1%) ad valorem of works of art, collectors' pieces, and antiques.

(b) This section shall not apply to:

(1) Items imported from a State of the Federates States of Micronesia;

(2) Items imported by a government agency or pursuant to a contract with a government agency when the contract expressly exempts the items from the excise tax and is approved by the Governor;

(3) Items in transit to outside the State; and

(4) Items for personal use with total value of less than one hundred dollars (\$100.00).

**Source:** YSL 1-40 §3, as amended by YSL 1-91 §1, YSL 1-104 §1, YSL 1-171 §1, YSL 1-219 §1, and YSL 4-15 §1, modified.

**§104. Hotel occupancy tax.**

There is levied a tax of ten percent (10%) of the occupancy rate of a hotel room.

**Source:** YSL 1-40 §4.

**§105. Motor vehicle rental tax.**

There is levied a tax of ten percent (10%) of the rental rate of a motor vehicle.

**Source:** YSL 1-40 §5.

**Cross-reference:** The statutory provisions on Motor Vehicles and Highways are found in Title 25 of this Code.

**§106. Due date.**

Taxes levied by this chapter shall attach after the release of an item from a port of entry of the State, upon removal of the items from their original box, case, container, bale or other package, or upon the occupancy of a hotel room or the rental of a motor vehicle, as the case may be. All hotel room occupancy taxes and all motor vehicle taxes that attach during each quarter of the government fiscal year shall be paid to the Division of Revenue within fifteen days after the end of the fiscal quarter. All excise taxes shall be paid to the Division of Revenue within ten working days after removal of the items from their original box, case, container, bale or other package. It is presumed that on or before 45 calendar days from the date items are released from a port of entry, such items have been removed from their original box, case, container, bale or other package. The beginning date of such 45 calendar days shall be the date of the FSM National Government import tax release stamp.

**Source:** YSL 1-40 §6, as amended by YSL 1-91 §2, YSL 1-219 §2, YSL 2-32 §1, and YSL 3-20 §1, modified.

**Cross-reference:** The statutory provision designating the composition and responsibilities of the Office of Administrative Services that includes the Division of Revenue is found in section 127 of Title 3 (The

Executive) of this Code.

### **§107. Records.**

The seller of items listed in section 103 of this chapter, hotel proprietors, and lessors of motor vehicles shall keep accurate records of all sales, hotel room charges, and motor vehicle rentals, and shall provide the Division of Revenue with supporting documents to substantiate the accuracy of records.

**Source:** YSL 1-40 §7, modified.

**Cross-reference:** Section 103 of this chapter is on excise tax.

### **§108. Division of Revenue.**

The Governor may provide for the administration of this chapter by the National Division of Revenue in whole or in part. Upon the authorization by the Governor, national revenue officers may collect taxes and receive records on behalf of the State.

**Source:** YSL 1-40 §8, as amended by YSL 1-91 §4, modified.

**Cross-reference:** The statutory provisions on the Executive are found in Title 3 of this Code.

### **§109. Waybills and bills of lading.**

All carriers entering the State shall deliver to the Chief of Revenue a copy of the air or sea waybill or bill of lading for all items imported into the State not less than seven days after such items are released from the carrier.

**Source:** YSL 1-40 §9.

### **§110. Penalties.**

(a) Sellers of items listed by section 103 of this chapter, hotel proprietors, and lessors of motor vehicles who fail to collect and timely pay taxes levied by this chapter shall be charged a penalty of three percent (3%) per month on the balance of taxes due and unpaid.

(b) Sellers of items listed by section 103 of this chapter, hotel proprietors, and lessors of motor vehicles who fail to keep and provide to the Division of Revenue accurate records and supporting documents pursuant to section 107 of this chapter shall be guilty of a misdemeanor and shall, upon conviction, be fined not more than \$3,000.00 for each fiscal quarter such failure occurs.

(c) A carrier violating section 109 of this chapter shall be guilty of a misdemeanor and shall, upon conviction, be fined not more than \$3,000.00.

**Source:** YSL 1-40 §10, as amended by YSL 1-91 §5, modified.

**Cross-reference:** Section 103 of this chapter is on excise tax. Section 107 of this chapter is on records. Section 109 of this chapter is on waybills and bills of lading.

### **§111. Liens.**

Taxes levied and penalties charged by this chapter shall constitute a lien upon the property of the person, business, association or corporation who is obligated to pay the tax and penalty, and such taxes and penalties may be collected by levy upon such property in the same manner as the levy of an execution.

**Source:** YSL 1-40 §11, modified.

## **§112. Regulations.**

The Chief of Revenue, with the approval of the Director of Administrative Services and the Governor, shall prescribe such regulations as are necessary to collect all taxes levied under this chapter.

**Source:** YSL 1-40 §12, modified.

**Cross-reference:** The statutory provisions on the Executive are found in Title 3 of this Code. The statutory provisions on Administrative Law are found in Title 10 of this Code.

## **§113. General Fund.**

All taxes, penalties and fines collected pursuant to this chapter shall be deposited in the General Fund of the State of Yap.

**Source:** YSL 1-40 §13, as amended by YSL 2-32 §2, modified.

**Commission Comment:** The "General Fund of the Legislature" is changed to "General Fund of the State of Yap" pursuant to section 1211 of Title 13 (Taxation and Finance) of this Code. Section 1211 of Title 13 establishes the General Fund of the State as the successor fund to, and replacement for, the General Fund of the Legislature.

## **§114. Sports Development Account.**

(a) The following amounts collected pursuant to section 103, subsection (a) paragraphs (4)(G) and (I) of this title shall be deposited in the Enterprise Fund of the State of Yap to the Sports Development Account:

- (1) Two cents (\$0.02) per container of twelve (12) fluid ounces or less of beer, ale and malt beverages;
- (2) Three cents (\$0.03) per container of more than twelve (12) fluid ounces of beer, ale and malt beverages;
- (3) Three dollars (\$3.00) per gallon of distilled alcoholic beverages;
- (4) One dollar and fifty cents (\$1.50) per gallon of wine;
- (5) Ten cents (\$0.10) per twenty (20) cigarettes;
- (6) One cent (\$0.01) per cigar; and
- (7) Two cents (\$0.02) per ounce of tobacco other than cigarettes and cigars.

(b) The amounts collected and deposited as provided in subsection (a) of this section shall be used specifically for the purpose of funding sports development in the State of Yap.

(c) The Director of Administrative Services, with the approval of the Governor, shall develop procedures for the disbursement of funds in the Sports Development Account.

**Source:** YSL 4-15 §2, modified.