

## FSM Information Services

### Press Release

#### **21<sup>st</sup> FSM Congress Approves the Economic Stimulus Package, President Panuelo Signs it Into Law; Businesses Encouraged to Apply for Wage Subsidies and Submit Taxes on Time to Receive Gross Tax Revenue Rebates**

PALIKIR, Pohnpei—On April 22<sup>nd</sup>, 2020, His Excellency David W. Panuelo, President of the Federated States of Micronesia (FSM), signed Public Law 21-105, which temporarily diverts funding from the Nation's fishing access fees and from revenue derived from major corporations to the Economic Stimulus Package (as opposed to the FSM Trust Fund). The fifteen million dollars (\$15,000,000) Economic Stimulus Package is the largest single stimulus of its type in the Nation's forty-one (41) years of Constitutional Government. This Public Law funds the bulk of the Economic Stimulus Package, which is presently focused on the tourism sector vis-à-vis the Tourism Sector Mitigation Fund. This release will focus on how the Economic Stimulus Package came about and how it presently operates, the Executive Branch's intentions for the Fourth Regular Session of the 21<sup>st</sup> FSM Congress in May, 2020 as it relates to the Economic Stimulus Package, and how businesses can apply for, and receive, financial assistance.

During the Fourth Special Session of the 21<sup>st</sup> FSM Congress in March 2020, the Congress, much to President Panuelo's applause, developed the Tourism Sector Mitigation Fund—including approximately one million dollars (\$1,000,000) of financial assistance to the tourism sector. The Public Law also established an oversight committee for the fund, Chaired by the Secretary of Finance, with Members including the Secretaries of the Department of Justice, the Department of Resources & Development, and the Department of Environment, Climate Change, & Emergency Management. This was developed at a time when COVID-19 was not yet identified as a global Pandemic and when the most affected sector of the Nation's economy was in the tourism industry, which has affected the FSM States of Yap and Chuuk disproportionately compared to the FSM States of Pohnpei and Kosrae, to include temporary closure of some of the Nation's most prestigious and recognized hotels.

As the nature of the threat posed by COVID-19 has continued to evolve and it became clearer to the President and the Congress that the economic impacts may be more involved and with a longer and deeper impact on the economy, the Nation began working on the Economic Stimulus Package which would allow the FSM National Government to process wage subsidies, debt relief, and gross revenue tax and social security tax rebates for affected businesses. Most recently, this led to President Panuelo and the Fifth Special Session of the 21<sup>st</sup> FSM Congress working to divert funding originally intended for insertion into the FSM Trust Fund to fund the Economic Stimulus Package.

Initially the Economic Stimulus Package was intended to target assistance to both the private sector (including businesses proper as well as its owners and employees) as well as provide individual

unemployment assistance. Through the Enduring Partnership between the FSM and the United States of America, the U.S. Department of Labor and the FSM Department of Finance & Administration (DOFA) are developing the FSM Pandemic Unemployment Assistance Program, which is the program that will offer direct payments to individuals who have lost their job due to COVID-19. This separate but complementary program will be discussed in thorough detail in a forthcoming release.

The FSM Economic Stimulus Package targets businesses and their employees, and has three separate funding sources: the first funding source is the Tourism Sector Mitigation Fund, which includes approximately one million dollars (\$1,000,000) from the 21<sup>st</sup> FSM Congress and an additional five hundred thousand (\$500,000) from the Project Development Fund managed by the National Oceanic Marine Resource Authority. The second funding source is through Public Law 21-105, which diverts approximately nine million dollars (\$9,000,000) previously earmarked for the FSM Trust Fund into the Economic Stimulus Package; and the third funding source is approximately three million dollars (\$3,000,000) of financial assistance sourced from the Asian Development Bank (ADB). Additionally, President Panuelo and Vice President George have submitted for Congress' review an additional two million dollars (\$2,000,000) in the Fiscal Year 2021 budget. Altogether, the total value of the FSM Economic Stimulus Package is approximately fifteen million dollars (\$15,000,000~\$18,000,000) and represents the single largest economic stimulus in the Nation's nearly forty-one (41) years of Constitutional Government.

“The intention of the Economic Stimulus Package is to ensure the continued prosperity of the Nation and its citizens during these unprecedented times,” President Panuelo said in a statement. “I give credit to Speaker Simina and the Members of the 21<sup>st</sup> FSM Congress for their collaborative spirit on this Package, and for their enthusiastic dedication towards serving the needs of our Nation's citizens. I also acknowledge the significant and timely delivery of financial assistance from the [ADB] to support the Nation's Economic Stimulus Package.”

In an April 20<sup>th</sup> letter to the Honorable Wesley W. Simina, Speaker of the 21<sup>st</sup> FSM Congress, President Panuelo wrote: “I...offer, on behalf of Vice President and I, our sincerest gratitude for Congress' recent actions, including the extension of the Public Health Emergency Declaration as well as the passage of this [unprecedented and historic] Economic Stimulus Package.”

“I thank you and Congress for your continued leadership and service to the people of our Nation,” President Panuelo wrote.

It is the intention of President Panuelo and Vice President George to work with the 21<sup>st</sup> FSM Congress to ensure that the Economic Stimulus Package is able to benefit all other businesses outside of the tourism sector, such as the Nation's retail sector and fishing industry, which was

discussed during the Committee to Wait on the President after the opening session of the Fifth Special Session of the 21<sup>st</sup> FSM Congress. President Panuelo signaled that the FSM is monitoring developments in other sectors and will be coming to the Fourth Regular Session of Congress in May with a list of industries to expand assistance to.

Citizens presently employed by, or owning, businesses designated as part of the tourism sector through the Tourism Sector Mitigation Fund are currently able to apply for benefits through the FSM Economic Stimulus Package.

If you are currently employed by a business in the tourism sector, you don't need to do anything at this stage to gain benefits; if you are the OWNER of a business in the tourism sector, there are two items you will need to complete prior to receiving financial assistance.

The first item a tourism sector business (and, eventually, any business) will need to do, specifically with regards to receiving Wage Subsidy Assistance, is register at DOFA to receive a Registration Form. Once the form is completed and reviewed by DOFA, the National Government will subsidize 75% of your employees' wages, which is based on your business's tax returns. In other words, if a hypothetical employee earns four dollars in one hour, the Government will rebate you three of those four dollars to cover that employee's wages. The purpose of using tax returns as the basis of the application is to ensure that the Nation's Financial Management Regulations are followed and that the Government's commitments to transparency, responsibility, and accountability are upheld.

The second item a tourism sector business (and, eventually, any business) will need to do is file their taxes for the March quarter, which is due by April 30<sup>th</sup>, 2020. Timeliness in filing taxes is key as DOFA will automatically review your March 2020 quarterly revenues and juxtapose them with your March 2019 quarterly revenues; if the Government can establish that you have suffered financial losses, you will be automatically enrolled in the rebate service. This also applies to Social Security payment rebates; as these use the same return, there is NOT an additional step for businesses to take beyond submitting their tax returns for this particular item.

Business owners in the Nation are encouraged to obtain the Wage Subsidy Assistance application form by visiting DOFA website's page on the Economic Stimulus Package here:

<http://www.dofa.gov.fm/support-to-businesses/>

“One of the key priorities for the Government,” President Panuelo said in a statement, “is to keep businesses open and our people gainfully employed. The COVID-19 Pandemic is a threat to be

taken seriously, but it can be overcome so long as we continue to work together with decision-making across the Nation reflecting the needs of our citizens, for all Micronesians whether they hail from Yap, Chuuk, Pohnpei, or Kosrae are one together. So long as we love one another in our hearts and demonstrate it through our actions, we'll see to it that, as the Book of John 1:5 says, 'the light shines in the darkness, and the darkness has NOT overcome it.'"



**Pictured Above:** His Excellency David W. Panuelo and the Honorable Wesley W. Simina shake hands



**Pictured Above (L→R):** The Honorable Henry S. Falan; the Honorable Johnson S. Elimo; His Excellency David W. Panuelo; the Honorable Reed B. Oliver; the Honorable Carson K. Sigrah