

AN ACT

To amend Chapter 13 of Title 40 of the Palau National Code to allocate ten percent (10%) of the annual revenues from the import tax on alcoholic beverages to pay healthcare coverage subscription costs for citizens who are not working and are at least sixty (60) years of age or disabled; to amend Chapter 26 of Title 40 of the Palau National Code to allocate ten percent (10%) of the annual tobacco excise tax revenues to fund healthcare coverage subscription costs for citizens who are not working and are at least sixty (60) years of age or disabled; to allocate ten percent (10%) of taxes on alcohol and tobacco to non-communicable disease prevention; to reapportion revenue from foreign fishing agreements; and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

1 Section 1. Legislative findings.

2 The Olbiil Era Kelulau finds that Article VI of the Constitution of the Republic
3 of Palau places on the national government of Palau the affirmative responsibility to
4 promote the health and social welfare of the citizens of Palau through the provision of
5 free or subsidized healthcare. It is pursuant to this fundamental obligation that the
6 national government passed RPPL No. 8-14, also known as the National Healthcare
7 Financing Act, which established a government-managed healthcare system. The Olbiil
8 Era Kelulau also finds that the government must ensure that its healthcare program is
9 adequately funded in order to fulfill its duty to provide healthcare for its citizens,
10 particularly the elderly and disabled. Therefore, the Olbiil Era Kelulau finds it
11 necessary to strengthen the nation's healthcare system by allocating ten percent (10%)
12 of the revenues derived from the import tax on alcoholic beverages each year and ten
13 percent (10%) of the revenues derived from the tobacco excise tax each year to pay
14 healthcare coverage subscription costs for citizens who are not working and are at least
15 sixty (60) years of age or disabled. Using the tax revenues for these purposes is
16 consistent with both the taxes' aim to promote the health of the people of Palau and the
17 government's duty under the Constitution to provide healthcare for its citizens,
18 including the most vulnerable members of society.

19 The Olbiil Era Kelulau also finds that non-communicable diseases present a
20 serious threat to Palau's public health. Allocating ten percent (10%) of revenues from
21 taxes on alcohol and tobacco to the National Coordinating Mechanism for
22 Non-Communicable Diseases would allow it to fund programs that it determines are

1 best able to prevent non-communicable diseases in Palau. Prevention is a far more
2 cost-effective method of dealing with public health issues than waiting to treat those
3 issues once they arise, and using taxes from products that contribute to the epidemic of
4 non-communicable diseases will assist efforts to protect the health and wellbeing of
5 Palauans. The National Coordinating Mechanism will review proposals for programs
6 to combat non-communicable diseases and decide what programs to support and how
7 much to request for each program. The National Coordinating Mechanism will then
8 transmit an appropriation request to the Olbiil Era Kelulau, which will consider the
9 request and appropriate the amount it deems suitable from the Non-Communicable
10 Diseases Fund.

11 Finally, in response to constitutional concerns about the distribution of foreign
12 fishing revenues in RPPL No. 9-49 (“Palau National Marine Sanctuary Act”), the
13 Olbiil Era Kelulau finds that the current distribution of revenues found in 27 PNC §
14 177 should be adjusted to allocate a portion of the revenues from foreign fishing
15 agreements to the national government. Article XII, Section 6(c) of the Constitution
16 calls for revenues from such agreements to be “divided equitably between the national
17 government and all state governments” and including the national government in the
18 distribution of foreign revenues will guarantee the “equitable distribution” that the
19 Constitution demands.

20 Section 2. Amendment.

21 Chapter 13 of Title 40 of the Palau National Code is amended to add a new
22 Section 1307 as follows:

23 “§ 1307. Allocation of alcoholic beverage tax revenues for healthcare-related
24 costs.

25 (a) Ten percent (10%) of the annual revenues derived from the tax imposed on
26 alcoholic beverages under this chapter will be allocated to pay healthcare coverage
27 subscription costs for citizens who are sixty (60) years of age or older and not working,
28 and for citizens who are disabled and not working, in accordance with 41 PNC §
29 952(a). The Minister of Finance will disburse to the Healthcare Fund the funds
30 allocated under this subsection no later than the fifteenth day of the month following

1 the end of each quarter of the fiscal year.

2 (b) Ten percent (10%) of the annual revenues derived from the tax imposed on
3 alcoholic beverages under this chapter will be allocated to the Non-Communicable
4 Diseases Fund established in Section 4.”

5 Section 3. Amendment.

6 Chapter 26 of Title 40 of the Palau National Code is amended to add a new
7 Section 2607 as follows:

8 “§ 2607. Allocation of tax revenues for healthcare-related costs.

9 (a) Ten percent (10%) of the annual revenues derived from the tax imposed
10 under this chapter will be allocated to pay healthcare coverage subscription costs for
11 citizens who are sixty (60) years of age or older and not working, and for citizens who
12 are disabled and not working, in accordance with 41 PNC § 952(a). The Minister of
13 Finance will disburse to the Healthcare Fund the funds allocated under this subsection
14 no later than the fifteenth day of the month following the end of each quarter of the
15 fiscal year.

16 (b) Ten percent (10%) of the annual revenues derived from the tax imposed
17 under this chapter will be allocated to National Coordinating Mechanism for
18 Non-Communicable Diseases Fund established in Section 4.”

19 Section 4. Non-Communicable Diseases Fund.

20 (a) There is established within the National Treasury a permanent
21 Non-Communicable Diseases Fund (“Fund”). The purpose of this fund is to support
22 the efforts of the National Coordinating Mechanism for Non-Communicable Diseases,
23 established by Executive Order 379, to prevent non-communicable diseases. The Fund
24 is reserved for programs selected by the National Coordinating Mechanism for
25 Non-Communicable Diseases and may only be appropriated and disbursed in
26 accordance with subsections (b) and (c). This fund is non-lapsing.

27 (b) In order to access the Fund through the annual national budget, the
28 National Coordinating Mechanism for Non-Communicable Diseases must submit a
29 proposed operating budget in accordance with Chapter 3 of Title 40. The proposed
30 operating budget must include a description of the programs the National

Coordinating Mechanism for Non-Communicable Diseases intends to fund along with the amount to be allocated to each program and how each program supports the National Coordinating Mechanism for Non-Communicable Diseases' strategic plan.

(c) In order to access the fund outside of the annual national budget, the National Coordinating Mechanism for Non-Communicable Diseases must submit a request to the Olbiil Era Kelulau containing the same information required in subsection (b).

Section 5. Amendment.

Section 177 of Title 27 of the Palau National Code, as amended by RPPL No. 9-49, is hereby amended to read as follows:

“§ 177. Foreign fishing revenue distribution.

(a) In this section, “foreign fishing agreement” means a contractual agreement or international treaty by which the Republic derives revenue from allowing outside persons and countries to fish for highly migratory fish within the Republic’s jurisdictional waters.

(b) In this section, “revenue” means any income that the Republic receives from a foreign fishing agreement under the terms of a foreign fishing agreement, and the issuing of licenses to fish within the Republic’s jurisdictional waters.

(c) All revenue derived from the fishing agreements shall hereby be divided between the national government and among the state governments as follows:

(1) fifteen percent (15%) of the revenue shall go to the national government;

(2) sixty-five percent (65%) shall be equally divided among the states; and

(3) twenty percent (20%) shall be divided among the states according to the population of each state as stated in the most recent national government census.”

Section 6. Amendment.

Amend 40 PNC § 1505 as follows:

“§ 1505. Revocation or suspension.

The Director may revoke or suspend any license issued under this chapter upon finding that a taxpayer:

(a) has not paid taxes due;

(b) has otherwise violated any provision of this division or regulations issued pursuant to this division;

(c) has failed to make Social Security contributions as required by 40 PNC § 744; or

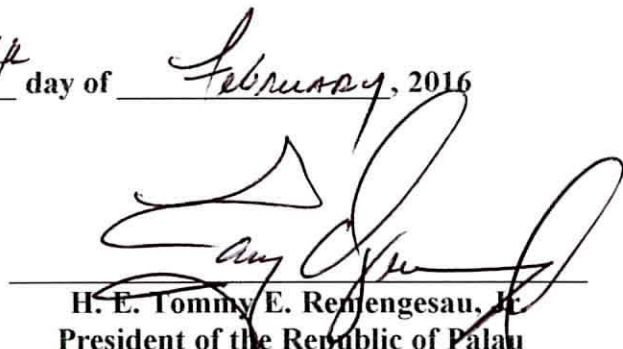
(d) has failed to file a quarterly report to the Social Security Administration as required by 40 PNC § 745.”

Section 7. Effective date.

This Act shall take effect upon either its approval by the President of the Republic of Palau or its becoming law without such approval.

PASSED: February 02, 2016

Approved this 17th day of February, 2016



H. E. Tommy E. Renjengesau, Jr.
President of the Republic of Palau