

TITLE 75: OFFICE OF THE GOVERNOR

SUBCHAPTER 75-10.3 JUDGMENT SETTLEMENT ACT RULES

Part 001 General Provisions

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Subchapter Authority: 1 CMC §§ 2051-2053; 1 CMC § 7207(b).

Subchapter History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: 1 CMC §§ 2051-2053 create an Office of the Governor within the Commonwealth government, charged with the duties provided by law. 1 CMC § 7207(b) authorizes the Governor to negotiate settlement and payments of judgments entered against the government.

This chapter was adopted as a set of rules other than regulations pursuant to 1 CMC §§ 9101(m) and 9105(b).

Part 001 - General Provisions

§ 75-10.3-001 Judgment Settlement Act of 2013

The purpose of adoption of these rules (“Rules”) is to provide a structure for implementation of the “Judgment Settlement Act of 2013” (“Act”).

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

§ 75-10.3-005 Office of the Governor

These rules are adopted under authority of the Office of the Governor as provided under his executive authority and shall be effective as of date of adoption. Commonwealth Constitution, art. III, 1 CMC §§ 9101(m) (definition of the term rule), (n) (rule making process), 9102 (publication of rules and orders), 9103 (compilation of rules), 9105 (filing and effective dates of rules).

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

§ 75-10.3-010 Judgment Plaintiffs/Judgment Claims

Under the structure of these Rules an administrative structure for implementation of the terms of the Act is provided to address claims of plaintiffs (“Judgment Plaintiffs”) against the Commonwealth of the Northern Mariana Islands (“Commonwealth”) which have been reduced to judgment by a court of competent jurisdiction (“Judgment Claims”).

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission inserted a period at the end of the section pursuant to 1 CMC § 3806(g).

§ 75-10.3-015 Application for Participation

Under these Rules, plaintiffs may file an application (“Applicant”) on forms established by the Commonwealth and supplying the required information (“Complete Application”). Applications which are incomplete shall be rejected and shall not be considered until meeting the requirement for a complete application. Complete applications shall be considered for participation in the program in the order received.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “plaintiffs” and “complete application” pursuant to 1 CMC § 3806(f).

§ 75-10.3-020 Tax Credits

The consideration provided by the Commonwealth for satisfaction of the judgment claims is limited to tax credits and no cash or any other consideration is provided.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “judgment claims” and “tax credits” pursuant to 1 CMC § 3806(f).

§ 75-10.3-025 Limitation on Use of Tax Credits

The use of tax credits is limited to amount of Commonwealth tax liability owed by the taxpayer and cannot be used to produce a tax liability overpayment. Additionally, tax credits cannot be

used to satisfy any liability of the taxpayer for taxes that he has collected from another party and which he is holding in trust for the Commonwealth (e.g., wage and salary tax withholding, hotel tax).

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits,” “wage and salary tax withholding,” and “hotel tax” pursuant to 1 CMC § 3806(f).

§ 75-10.3-030 Judgment Settlement Alternatives

Under these rules, plaintiffs may request settlement of their judgment claim through one of three judgment settlement alternatives (“Settlement Alternatives”): (a) Existing Delinquent Tax Liabilities Settlement Alternative; (b) Annual Allocation Settlement Alternative; and (c) Reduced Judgment Settlement Alternative (collectively “Judgment Settlement Alternatives”). These judgment settlement alternatives are briefly discussed in the sections that follow.

(a) Existing Delinquent Settlement Alternative. Under this program, judgment plaintiffs who have existing delinquent Commonwealth tax liabilities (“Delinquent Taxes”) can use the value of the judgment claim to satisfy these liabilities. Any amount of the judgment claim that is in excess of the delinquent taxes shall be provided annual tax credits under the second alternative judgment settlement alternative, “Annual Allocation Judgment Settlement Alternative Program” as discussed below.

(b) Annual Allocation Judgment Settlement Alternative. Under this program, judgment plaintiffs shall receive an annual allocation of tax credits that can be used for settlement of Commonwealth tax liabilities. Under this structure the Commonwealth will set aside an annual amount of tax liability credits of not less than two million dollars that will then be divided among all participants in this settlement alternative. Thus, if 100 judgment plaintiffs participate and the annual allocation is \$2,000,000 each participant would be allocated \$20,000 in tax credits (“Tax Credits”) or until their judgment claim is satisfied. The tax credits in this settlement alternative received may be transferred to another as a gift or sold for cash by the judgment plaintiff.

(c) Reduced Judgment Settlement Alternative. The third settlement alternative is the Reduced Judgment Settlement Alternative which provides an accelerated satisfaction of the judgment claim using tax credits in return for reduction in the value of the judgment claim. Under this structure, the judgment plaintiff must agree to reduction in the value of the judgment claim of at least one-third and in return will be provided tax credits for the remaining reduced value in the succeeding tax year. Like the Annual Allocation Judgment Settlement Alternative, the tax credits received may be transferred to another as a gift or sold by the judgment plaintiff.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “rules,” “judgment claim,” “judgment plaintiffs,” “delinquent taxes,” “tax credits,” and “settlement alternative” pursuant to 1 CMC § 3806(f).

§ 75-10.3-035 Full Settlement of Claim

Participation in the Settlement Act Program requires complete extinguishment of the plaintiff's judgment claim. Thus, you cannot ask for ½ of your judgment claim to be addressed with tax credits.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words "plaintiff's," "judgment claim" and "tax credits" pursuant to 1 CMC § 3806(f). The Commission corrected the spelling of the word "claim" pursuant to 1 CMC § 3806(g).

§ 75-10.3-040 No Tax Credits for Interest or Penalty Claims

Tax credits are not provided for interest or penalties and any value associated with penalties and interest in the judgment claim will be considered as extinguished and settled in return for the tax credits provided.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words "judgment claim" and "tax credits" pursuant to 1 CMC § 3806(f).

§ 75-10.3-045 Transfer of Judgment Plaintiff's Interest

If the judgment plaintiff has transferred his interest to another, this transfer must comply with the Commonwealth Statute of Frauds (i.e., written transfer of the identified judgment claim signed by the judgment plaintiff) (preferably notarized).

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words "judgment plaintiff" and "judgment claim" pursuant to 1 CMC § 3806(f).

§ 75-10.3-050 Deceased Judgment Plaintiff

If judgment plaintiff is deceased, an applicant must establish pre-death transfer that complies with the Statute of Frauds (preferably notarized) requirements or transfer of claim authorized by probate proceedings.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words "judgment plaintiff" and "probate proceedings" pursuant to 1 CMC § 3806(f). The Commission corrected the spelling of the phrase "Statute of Frauds" pursuant to 1 CMC § 3806(g).

§ 75-10.3-055 Tax Credits Must be Reported as Income

Tax credits received by a judgment plaintiff are considered as revenue and must be reported on appropriate tax forms unless the judgment is for a personal injury claim.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits” and “judgment plaintiff” pursuant to 1 CMC § 3806(f).

§ 75-10.3-060 Limits on Transfer of Tax Credits

Once an applicant has been awarded tax credits, they may only be transferred once. Thus, anyone who receives tax credits from someone who has been awarded them may not transfer to another except as part of a noncompensated decedent estate transfer.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits” pursuant to 1 CMC § 3806(f).

§ 75-10.3-065 Unauthorized Transfers

Any unauthorized transfer will result in denial of the use of the tax credit by the attempted transferee and cancellation of the value of the attempted transferor tax credits without further consideration.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credit” pursuant to 1 CMC § 3806(f).

§ 75-10.3-070 Tax Credits May be Sold or Given as Gifts

The party to whom tax credits are awarded, may transfer them only once to another either as a gift or sale. Under this structure, a party who originally received the tax credits (and only this original party) may convert tax credits into cash. The amount of the cash received for the tax credits is strictly between the seller and buyer. No other sale or transfer other than from the plaintiff judgment is allowed other than through probate proceedings. The fair market value of any consideration received for transfer of these tax credits must be reported by the recipient as income. If the recipient transfers the tax credits for less than the face value of the judgment, then he can claim a loss. No loss can be claimed if the transfer was a gift.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits,” “probate proceedings,” and “plaintiff judgment” pursuant to 1 CMC § 3806(f).

§ 75-10.3-075 Transfer Must Comply with Requirements

All transfers of tax credits must apply for transfer authorization and receive approval of the Commonwealth prior to the transfer being effective.

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History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits” pursuant to 1 CMC § 3806(f).

§ 75-10.3-080 Compliance with Department of Finance Requirements

All tax credits awarded under this program must comply with reporting requirements and procedures established by the Department of Finance and Division of Revenue & Taxation.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the words “tax credits” pursuant to 1 CMC § 3806(f). The Commission inserted a period at the end of the section pursuant to 1 CMC § 3806(g).

§ 75-10.3-085 Further Modification of Rules

The Office of the Governor reserves the right to modify these rules from time to time as required.

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the word “rules” pursuant to 1 CMC § 3806(f).

§ 75-10.3-090 Further Explanation

These Rules are further explained and interpreted by the attached “Judgment Settlement Act of 2013 Implementation Plan.” [Exhibit A]

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the capitalization of the word “rules” pursuant to 1 CMC § 3806(f).

Exhibit A
Judgment Settlement Act of 2013 Implementation Plan

I. Judgment Settlement Act of 2013

P.L. 18-37 (“Judgment Settlement Act of 2013”) provides authority to the Governor to negotiate settlement of the outstanding \$27 million in judgments that are pending against the Commonwealth. P.L. 18-37 § 2. The settlement of judgments is a direct expense of the government and generally must be included in annual budget allocations which would require deferment of other expenditures. Since the total Commonwealth budget for the upcoming year is \$137 million inclusion of \$27 for payment of judgments would require a 19.7% reduction of proposed services. This amount of reduction would affect all essential services of the Commonwealth and thus is unacceptable. To avoid such an impact, an alternative approach to resolution of these claims is required.

In the development of an alternative approach, four factors had to be considered:

1. Participation in the program must be strictly voluntary and plaintiffs with existing judgments (“Judgment Plaintiffs”) may retain their current claim status or choose to participate in a settlement alternative;
2. The proposed judgment settlement structure must minimize impact on current and future budget revenues in order to avoid layoffs and service reductions;
3. Settlement programs using revenues from current and future budgets must include legislative budget authorization; and
4. The program should provide the Governor with flexible authority to negotiate individual settlements.

II. Judgment Settlement Alternatives

Using the four criteria identified, a program has been developed that focuses on the use of tax credits. Under this program, judgment plaintiffs may apply for Commonwealth tax credits which can be either used to satisfy their own Commonwealth tax liabilities or sold to third parties for use by such third parties to offset their Commonwealth tax liabilities. In order to accommodate the varying needs of judgment plaintiffs, three alternative voluntary settlement structures (“Voluntary Settlement Alternatives”) are provided:

A. Delinquent Commonwealth Tax Liability Judgment Settlement Alternative

The first voluntary settlement alternative is for judgment plaintiffs that have existing delinquent tax liabilities to the Commonwealth. Under this program, a dollar for dollar tax credit is provided for the full principal amount of the existing Commonwealth judgment (not to include any portion of such judgment associated with interest or penalties). The amount of the judgment claim is reduced by the amount of the tax credit required to satisfy existing liabilities owed to the Commonwealth. If there is a balance in the amount of the judgment after deduction for the existing tax liabilities, this can be satisfied by using the Annual Allocation Judgment Settlement Alternative discussed below.

Illustrative of this alternative, if a judgment plaintiff has a judgment claim against the Commonwealth of \$100,000, and has existing tax obligations to the Commonwealth of \$60,000, he/she could apply to use \$60,000 of the judgment value to satisfy existing liabilities and have the \$40,000 satisfied by either the Annual Allocation Settlement Alternative or Reduced Judgment Settlement Alternative discussed below. Restricting the use of this program to judgment plaintiffs with existing delinquent liabilities to Commonwealth would minimize the impact on current budget revenues as these are delinquent accounts from prior fiscal periods and not projected at full value collection in the current fiscal year.

B. Annual Allocation Judgment Settlement Alternative

The second voluntary judgment settlement alternative is to provide an annual budget allocation that would be divided proportionally among all participating judgment plaintiffs. Under this program the Governor would include an annual appropriation in future budgets that would provide tax credits to all participants (“Annual Tax Credit Allocation”). These annual tax credit allocations could be used by each of the judgment plaintiffs or transferred to a third party.

The provision of this ability to transfer the annual tax credit allocations allows judgment plaintiffs the option to sell the credits for cash or other consideration. Due to the complexity associated with transfer of tax credits, all transfers will have to be reported to the Commonwealth Division of Revenue & Taxation and only one transfer is permitted—that from the judgment plaintiff to a third party.

As an illustration of this structure, if a budget allocation of \$3 million is provided and there are judgment plaintiffs who chose to participate who in total have \$15 million in plaintiff judgment claims (non-inclusive of any claims for interest or penalties) each judgment plaintiff would receive a tax credit allocation equal to twenty percent of their outstanding plaintiff judgment claim and have the total value of participating plaintiff judgment claims reduced to \$12 million. In subsequent budget years this process would be repeated until all plaintiff judgment claims are satisfied.

C. Reduced Judgment Settlement Alternative

The third voluntary judgment settlement program provides a structure for quick resolution of claims based on a negotiated reduction of the value of the judgment. Under this structure, the Governor has authority to negotiate settlements of plaintiff judgments and include the payment in the succeeding budget using tax liability credits. Like other judgment settlement structures, the tax liability credits can be transferred once to a third party for cash. Because this settlement alternative will have a significant impact on the succeeding year’s budget, and allow immediate conversion to cash value, applicants are required to agree to a reduction of at least 33% in the dollar value of the plaintiff’s judgment and the foregoing of any accumulated or future interest and penalties.

Illustrative of this program, an individual with a one million dollar claim who agreed to a 33% reduction would receive tax liability credits of \$670,000.00 which could then be converted to cash through sale to a third party in the succeeding budget year.

III. General Principles

All settlement alternatives require that the full value of the plaintiff's judgment be included so as to provide satisfaction of the full claim. Because of the complexity associated with the provision of tax liability credits, all parties seeking to participate in this program will be required to comply with applicable rules established by the Office of the Attorney General in coordination with the Department of Finance. These rules establish requirements associated with: (1) limits on use; (2) tax reporting requirements; (3) transfer restrictions; and (4) documentation. These requirements are briefly discussed below.

A. Tax Credit Use Restrictions

As one of the general objectives of this implementation plan is to reduce the impact on the Commonwealth's annual budget, use of tax credits in this program are limited to actual tax liabilities due. Thus the tax credits can never be used to overpay tax liability that would result in a tax refund. An additional limit on the use of tax credits is that they cannot be used for payments of tax liability in which the party is collecting taxes from another that are being held in trust for the Commonwealth such as the hotel tax, and the wage and salary tax withholding requirements. 4 CMC § 1804 (wage and salary tax withholding by employer). Finally, as has been previously stated, tax credits cannot be used for tax liabilities to the United States or any agency other than the Commonwealth of the Northern Mariana Islands.

B. Tax Reporting

The receipt of consideration through a judgment is generally considered income (unless for personal injury). Because of this, any consideration received by the judgment plaintiffs through the judgment settlement alternatives must be included in income of the recipient. If the consideration provided is tax credits, the face value of these credits is required to be reported. If the tax credits are subsequently sold for an amount less than their face value, this would be considered a loss for tax purposes.

C. Transferability of Judgment Claims

The concept of transferability impacts this program in three situations: (1) Transfer of a judgment interest during lifetime of the original plaintiff; (2) transfers after death of the original plaintiff; and (3) transfers made after entering into a settlement agreement with the Commonwealth. These three scenarios are briefly discussed below.

1. Transfer of Judgment Claims During Lifetime

A judgment claim is considered personal property of the plaintiff owner. A judgment claim like almost any property interest can be readily transferred from the original plaintiff to another. A writing is not always required for transfer of this property right, although it is unlikely that a liable defendant would recognize an oral transfer of this claim against him. Additionally, the defendant in any judgment would want assurances from the original plaintiff that any payment of this judgment would be applied against the claim of the original plaintiff. Additionally, if the

judgment claim is not settled within one year of award, the Commonwealth Statute of Frauds would require a writing, signed by the original plaintiff, specifically indicating in some manner that his interest in the judgment claim at issue is being transferred to another. Therefore, for the Commonwealth to recognize the transfer of a judgment claim from the original plaintiff to another requires the provision of written documentation indicating a transfer of this property interest to the person claiming this interest and signed by the original plaintiff. This claim of transfer would be enhanced if the signature of the original plaintiff on the transfer document is notarized.

2. Transfers of Judgment Claims After Death

A judgment claim belonging to a decedent is difficult to transfer because of probate requirements. Once a party dies consideration must be provided of all of the debts of the decedent plus Commonwealth laws controlling division of estates before actual property rights may be transferred. This process of evaluation of claims, statutory requirements and wishes of the decedent is provided by the Commonwealth Superior Court in probate proceedings. Under Commonwealth law, clear title to property owned by a decedent at the time of death cannot be established without the use of probate proceedings. Because of this, the Commonwealth requires applicants who received their interest from a decedent to show that the estate has been probated in order to consider these judgment claims for inclusion in Settlement Act programs.

3. Transfers of Tax Credits Received through the Settlement Act

The third area of judgment claim transfer concerns tax credits received through participation in the Settlement Act. The Commonwealth is required to maintain detailed records on the tax liability of each individual and associated payment history. The establishment of transferable tax credits creates challenges to the government as these credits must be properly monitored to prevent their misuse and ownership. This tracking requirement is further complicated by the fact that the credits may be used over several years.

In order to provide a structure that limits the associated complexities of this program, the Commonwealth hereby limits the transfer of any awarded Judgment Settlement Act tax credits to a single transfer from the party to whom the Commonwealth awards the tax credits to a third party. Any further transfer will not be recognized by the Commonwealth. Any proposed transfer must first submit a transfer application for approval to the Department of Revenue & Taxation (attached). Any transfers consummated without the prior approval of the Department of Revenue & Taxation are null and void.

D. Documentation

In order to properly track all tax credits, participating plaintiffs will be provided with annual document indicating the amount of credits currently available for use and the remaining value of existing tax credits. A copy of this proposed form is attached.

E. Judgment Settlement Alternative Forms

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The application and forms applicable to the three judgment settlement alternatives are attached and are available from the Department of Finance and the Department of Revenue & Taxation in Dandan and on their website at: <http://www.cnmidof.net/>

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected capitalization throughout the exhibit pursuant to 1 CMC § 3806(f). The Commission corrected the word “chose” to “choose” pursuant to 1 CMC § 3806(g). The Commission struck the figure “20%” pursuant to 1 CMC § 3806(e).

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Exhibit B
Judgment Settlement Alternative Application Form

Commonwealth of the Northern Mariana Islands
Division of Revenue & Taxation
Judgment Settlement Alternative Application Form

Date: _____

Case Number: _____ (attach copy of judgment)

Value of Judgment (Excluding any interest and penalties) \$ _____

Plaintiff Applicant(s):

_____	_____	_____
Print name	Taxpayer id. #	e-mail
_____	_____	_____
Print name	Taxpayer id. #	e-mail
_____	_____	_____
Print name	Taxpayer id. #	e-mail

Contact Person: _____

Telephone Number: _____

e-mail: _____

Judgment Settlement Alternative Requested (refer to fact-sheet on Settlement Alternatives to obtain information on program details)

Delinquent Tax Liability Judgment Settlement Alternative

Annual Allocation Judgment Settlement Alternative

Reduced Judgment Settlement Alternative

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Exhibit C
Delinquent Tax Liability Judgment Settlement Alternative Contract Template Form

Agreement Between the Commonwealth of the Northern Mariana Islands and
_____ to Resolve an Existing Judgment Claim

This document entered into this ___ day of the month of _____ 20__ is an agreement (“Agreement”) between the Commonwealth of the Northern Mariana Islands, a duly established government whose address is Caller Box 10007 Saipan, MP 96950 (“Commonwealth”) and _____ a (individual, corporation, partnership) whose address is _____ (“Plaintiff(s)”) in order to provide a structure for settlement of an existing judgment of the Plaintiff(s) against the Commonwealth using tax credits.

I. Recitals

Whereas, the Commonwealth as a duly established government has sovereign immunity from lawsuits unless specifically authorized; and

Whereas, Commonwealth law (1 CMC § 7207) provides that no court may order the disbursement of funds from the Commonwealth Treasury or order the reprogramming of funds in order to provide for such disbursement; and

Whereas, Commonwealth law (1 CMC § 7207) provides that any final judgment of a court (“Judgment”) shall be paid only pursuant to an item of appropriation for settlements and awards (“Budget Appropriation”); and

Whereas, the Commonwealth has current existing Judgments that exceed \$27 million which have been established for many years and not received Budget Appropriation; and

Whereas, P.L. 18-37 provides discretionary authority to the Governor to negotiate settlements of Judgments using credits that can be used to satisfy Commonwealth tax obligations (“Tax Liability Credits”); and

Whereas, Plaintiff(s) have an existing Judgment against the Commonwealth associated with case no. _____ in the amount of \$_____, which excludes any associated interest or penalties (“Plaintiff’s Judgment” or “Judgment”); and

Whereas, the Plaintiff has existing tax liabilities owed to the Commonwealth central government (“Plaintiff Tax Liabilities”); and

Whereas, the Parties seek to enter into an agreement where the Commonwealth provides credits to the Plaintiff in order to satisfy his or her existing Commonwealth tax liabilities (“Tax Liability Credits”) in return for satisfaction of all claims arising or associated with the Plaintiff’s Judgment.

II. Settlement Agreement

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Now therefore in consideration of the recitals stated above, the mutual covenants contained herein and other good and valuable consideration the adequacy of which is hereby acknowledged, the Parties agree to the following terms:

1. Commonwealth agrees to provide Plaintiff(s) with \$_____ in Tax Liability Credits to the Plaintiff which shall be comprised of two elements: (1) Delinquent Tax Liability Judgment Settlement Alternative for existing Commonwealth tax liabilities equal to \$_____ ; and (2) Annual Allocation Judgment Settlement Alternative or Reduced Judgment Settlement Alternative for the balance of the value of Judgment in the amount of \$_____ (collectively "Settlement Alternatives"). The use of these Settlement Alternatives as applied to the Plaintiffs Judgment is shown in the table below:

Judgment Value	\$_____
Tax Credits provided by Delinquent Tax Liability Judgment Settlement Alternative Program	\$(_____)
Tax Credits provided by Annual Allocation Judgment Settlement Alternative Program or Reduced Judgment Settlement Tax Liability Credits	\$(_____)
Remaining Unsatisfied Value of Plaintiff(s) Judgment	\$_____

2. The Delinquent Tax Liability Credits provided under this Agreement shall only be used for current tax liabilities ("Current Tax Liabilities") of the Plaintiffs as of date of the Agreement which are identified in the table below:

Taxpayer	Taxpayer Identification	Tax	Tax Period	Amount

3. Upon signature of the Parties to this Agreement, the Commonwealth shall immediately apply the Delinquent Tax Liability Credits provided herein to the Current Tax Liabilities as identified and provide the Plaintiffs with a receipt showing satisfaction of these liabilities and full use of the Tax Liability Credits.

4. Use of Annual Allocation Judgment Settlement Credits or Reduced Judgment Settlement Tax Liability Credits received in this Agreement are subject to program rules applicable to these credits (attached).

5. Amount of Tax Liability Credits provided and any associated Transfer must comply with tax reporting requirements.

6. This agreement is controlled by law of the Commonwealth of the Northern Mariana Islands and the Parties consent to the exclusive jurisdiction to the Superior Court of the Commonwealth of the Northern Mariana Islands on the Island of Saipan.

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7. In consideration for the provision of Tax Liability Credits provided under this agreement as indicated herein, the sufficiency of which is acknowledged, Plaintiff(s) agree to fully release, acquit and forever discharge the Commonwealth and all of their various respective agencies, instrumentalities, contractors, subcontractors, consultants, affiliates, employees, officers, successors, heirs, assigns, attorneys and any and all other persons, firms, corporations, entities in actual or claimed or potential privity or joint and several liability therewith from any and all claims, actions, causes of actions, liability, demands, or damages known or unknown, suspected foreseeable or unforeseeable arising directly or indirectly out of or in any manner connected to, any fact, circumstances, act or omission existing or occurring at any time prior to the day of this Agreement and in any manner involving concerning or relating to Civil Action _____.

8. If any element of this Agreement is found to be unenforceable by a court of competent jurisdiction it shall not affect the remaining sections which shall remain in force.

9. This Agreement, together with any referenced documents or exhibits represents the entire agreement and understanding of the Parties hereto with respect to the subject matter hereof and supersedes and all prior oral or written agreements and understandings and shall not be modified except in a writing signed by both parties.

10. This Agreement may be executed in separate counterparts, each counterpart when so executed to be deemed an original, and all counterparts when taken together shall constitute one and the same Agreement. To promote timely compliance with this Agreement, electronic transmission of executed documents shall be deemed sufficient to warrant commensurate performance. Confirmation shall nevertheless be made by delivery of the executed original to the other party as soon as possible.

11. The terms and conditions of this of this Agreement are confidential and the Parties agree that they shall not divulge the terms and conditions thereof unless ordered to do so by a court of competent jurisdiction although limited disclosure to tax professionals is allowed for purposes of associated tax filings.

12. The Public Auditor of the Commonwealth of the Northern Mariana Islands shall pursuant to 1 CMC § 7845, have the right to examine and copy any records, data, or papers relevant to this Agreement for a period of three (3) years after final payment under this Agreement.

13. Parties warrant and represent that they are the sole and exclusive owners of all claims and defenses which are the subject of this Agreement and that they have not assigned or transferred or purported to assign or transfer voluntarily or involuntarily, or by operation of law or equity any claim herein released or any portion thereof.

14. The person signing this agreement on behalf of the Parties warrant that they have the authority to sign this Agreement in the capacity in which they are signing and to lawfully bind the Parties, respectively to the Agreement.

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IN WITNESS WHEREOF, the Parties hereto or their lawful representatives have duly executed this Agreement as of the date set first set forth above.

For Commonwealth

ELOY S. INOS, Governor
Commonwealth of the Northern Mariana Islands

For Plaintiff(s)

Signature

Print Name

Signature

Print Name

Signature

Print Name

Notary Stamp (as to validity of Plaintiff(s) Signatures)

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the spelling of the word “reprogramming” pursuant to 1 CMC § 3806(g).

Exhibit D
Annual Allocation Judgment Settlement Alternative Contract Template Form

Agreement Between the Commonwealth of the Northern Mariana Islands and
_____ to Resolve an Existing Judgment Claim

This document entered into this _____ day of the month of _____ 20____ is an agreement (“Agreement”) between the Commonwealth of the Northern Mariana Islands, a duly established government whose address is Caller Box 10007 Saipan, MP 96950 (“Commonwealth”) and _____ a (individual, corporation, partnership) whose address is _____ (“Plaintiff(s)”) in order to provide a structure for settlement of an existing judgment of the Plaintiff(s) against the Commonwealth using tax credits.

I. Recitals

Whereas, the Commonwealth as a duly established government has sovereign immunity from lawsuits unless specifically authorized; and

Whereas, Commonwealth law (1 CMC § 7207) provides that no court may order the disbursement of funds from the Commonwealth Treasury or order the reprogramming of funds in order to provide for such disbursement; and

Whereas, Commonwealth law (1 CMC § 7207) provides that any final judgment of a court (“Judgment”) shall be paid only pursuant to an item of appropriation for settlements and awards (“Budget Appropriation”); and

Whereas, the Commonwealth has current existing Judgments that exceed \$27 million which have been established for many years and not received Budget Appropriation; and

Whereas, P.L. 18-37 provides discretionary authority to the Governor to negotiate settlements of judgments using credits that can be used to satisfy Commonwealth tax obligations (“Tax Liability Credits”); and

Whereas, Plaintiff(s) have an existing Judgment against the Commonwealth associated with case no. _____ in the amount of \$_____, which excludes any associated interest or penalties (“Plaintiff’s Judgment” or “Judgment”); and

Whereas, the use of Tax Liability Credit directly reduces the amount of revenue received by the Commonwealth in a fiscal period, and thus their use must be carefully structured.

Whereas, the Parties seek to enter into an agreement where the Commonwealth provides annual Tax Liability Credits to the Plaintiff in order to provide a structure for settlement of the Judgment and extinguish all associated claims against the Commonwealth of any nature.

II. Settlement Agreement

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Now therefore in consideration of the recitals stated above, the mutual covenants contained herein and other good and valuable consideration the adequacy of which is hereby acknowledged, the Parties agree to the following terms:

1. The Commonwealth agrees to provide Plaintiff(s) with a proportionate share of Tax Liability Credits (“Proportionate Share of Tax Liability Credits”) that are provided in the Commonwealth of the Northern Marianas Islands authorized budget (“Budget”).
2. The Proportionate Share of Tax Liability Credits that shall be provided to the Plaintiff shall be determined by dividing the annual Judgment Settlement amount authorized in the Budget (“Settlement Budget Authorization”) by the total value of all Judgment Claims which are participating in the Annual Allocation Settlement Alternative program.
3. Commonwealth will provide Plaintiff or Transferee with annual statement indicating the amount of Annual Tax Liability Allocation and remaining unsatisfied Judgment Amount.
4. Should the Settlement Budget Authorization for any fiscal year be less than \$2 million dollars, any shortfall up to \$2 million shall be provided directly by the Commonwealth through deferred of other authorized expenditures (“Deferral of Expenditures”).
5. Plaintiff may transfer, gift, sell, assign (collectively “Transfer”) his or her interest in the Annual Allocation Settlement Alternative in whole or in part one time to a third party upon compliance with applicable Commonwealth requirements and written authorization which shall not be unreasonably withheld, however no further Transfer of any nature whatsoever is allowed.
6. Annual Tax Liability Credit Allocations are not authorized, nor can they be used, until funded by approved Settlement Budget Authorization or specific Deferral of Expenditures established by the Governor.
7. Use of Annual Allocation Judgment Settlement Credits received in this Agreement are subject to program rules applicable to these credits (attached).
8. The Amount of Tax Liability Credits provided and any associated Transfer must comply with tax reporting requirements.
9. This agreement is controlled by law of the Commonwealth of the Northern Mariana Islands and the exclusive jurisdiction of the courts therein.
10. In consideration for the specific annual allocation of Tax Liability Credits provided to the Plaintiff(s) as a specific Settlement Budget Authorization or Deferral of Expenditures established by the Governor an equal amount of the Plaintiff’s Judgment shall be considered satisfied and Plaintiff(s) agree to an equal proportionate release, acquit and forever discharge the Commonwealth and all of their various respective agencies, instrumentalities, contractors, subcontractors, consultants, affiliates, employees, officers, successors, heirs, assigns, attorneys and any and all other persons, firms, corporations, entities in actual or claimed or potential privity or joint and several liability therewith from any and all claims, actions, causes of actions,

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liability, demands, or damages known or unknown, suspected foreseeable or unforeseeable arising directly or indirectly out of or in any manner connected to, any fact, circumstances, act or omission existing or occurring at any time prior to the day of this Agreement and in any manner involving concerning or relating to Civil Action _____ and the Plaintiff's Judgment.

11. This Agreement shall be interpreted and controlled by laws of the Commonwealth of the Northern Mariana Islands and the exclusive jurisdiction of the Superior Court of the Commonwealth of the Northern Mariana Islands.

12. If any element of this Agreement is found to be unenforceable by a court of competent jurisdiction it shall not affect the remaining sections which shall remain in force.

13. This Agreement, together with any referenced documents or exhibits represents the entire agreement and understanding of the Parties hereto with respect to the subject matter hereof and supersedes and all prior oral or written agreements and understandings and shall not be modified except in a writing signed by both parties.

14. This Agreement may be executed in separate counterparts, each counterpart when so executed to be deemed an original, and all counterparts when taken together shall constitute one and the same Agreement. To promote timely compliance with this Agreement, electronic transmission of executed documents shall be deemed sufficient to warrant commensurate performance. Confirmation shall nevertheless be made by delivery of the executed original to the other party as soon as possible.

15. The terms and conditions of this of this Agreement are confidential and the Parties agree that they shall not divulge the terms and conditions thereof unless ordered to do so by a court of competent jurisdiction although limited disclosure to tax professionals is allowed for purposes of associated tax filings.

16. The Public Auditor of the Commonwealth of the Northern Mariana Islands shall pursuant to 1 CMC § 7845, have the right to examine and copy any records, data, or papers relevant to this Agreement for a period of three (3) years after final payment under this Agreement.

17. Parties warrant and represent that they are the sole and exclusive owners of all claims and defenses which are the subject of this Agreement and that they have not assigned or transferred or purported to assign or transfer voluntarily or involuntarily, or by operation of law or equity any claim herein released or any portion thereof.

18. The person signing this agreement on behalf of the Parties warrant that they have the authority to sign this Agreement in the capacity in which they are signing and to lawfully bind the Parties, respectively to the Agreement.

IN WITNESS WHEREOF, the Parties hereto or their lawful representatives have duly executed this Agreement as of the date set first set forth above.

For Commonwealth

TITLE 75: OFFICE OF THE GOVERNOR

ELOY S. INOS, Governor
Commonwealth of the Northern Mariana Islands

For Plaintiff(s)

Signature

Print Name

Signature

Print Name

Signature

Print Name

Notary Stamp (as to validity of Plaintiff Signatures)

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the spelling of the word “reprogramming” pursuant to 1 CMC § 3806(g).

Exhibit E
Reduced Judgment Settlement Alternative Contract Template Form

Agreement Between the Commonwealth of the Northern Mariana Islands and
_____ to Resolve an Existing Judgment Claim

This document entered into this ____ day of the month of _____ 20____ is an agreement (“Agreement”) between the Commonwealth of the Northern Mariana Islands, a duly established government whose address is Caller Box 10007 Saipan, MP 96950 (“Commonwealth”) and _____ a (individual, corporation, partnership) whose address is _____ (“Plaintiff(s)”) in order to provide a structure for settlement of an existing judgment of the Plaintiff(s) against the Commonwealth using tax credits.

I. Recitals

Whereas, the Commonwealth as a duly established government has sovereign immunity from lawsuits unless specifically authorized; and

Whereas, Commonwealth law (1 CMC § 7207) provides that no court may order the disbursement of funds from the Commonwealth Treasury or order the reprogramming of funds in order to provide for such disbursement; and

Whereas, Commonwealth law (1 CMC § 7207) provides that any final judgment of a court (“Judgment”) shall be paid only pursuant to an item of appropriation for settlements and awards (“Budget Appropriation”); and

Whereas, the Commonwealth has current existing Judgments that exceed \$27 million which have been established for many years and not received Budget Appropriation; and

Whereas, P.L. 18-37 provides discretionary authority to the Governor to negotiate settlements of judgments using credits that can be used to satisfy Commonwealth tax obligations (“Tax Liability Credits”); and

Whereas, Plaintiff(s) have an existing Judgment against the Commonwealth associated with case no. _____ in the amount of \$ _____, which excludes any associated interest or penalties (“Plaintiff’s Judgment” or “Judgment”); and

Whereas, the use of Tax Liability Credit directly reduces the amount of revenue received by the Commonwealth in a fiscal period, and thus their use must be carefully structured.

Whereas, the Parties seek to enter into an agreement where the Commonwealth provides Tax Liability Credits to the Plaintiff in order to provide a structure for settlement of the Judgment and the extinguishment or all claims of the Plaintiffs of any nature against the Commonwealth associated with the Judgment.

II. Settlement Agreement

Now therefore in consideration of the recitals stated above, the mutual covenants contained herein and other good and valuable consideration the adequacy of which is hereby acknowledged, the Parties agree to the following terms:

1. The Commonwealth agrees to provide Plaintiff(s) with Tax Liability Credits (“Reduced Judgment Settlement Tax Liability Credits”) in the amount of _____ and _____/100 dollars (\$_____.____) as set forth herein in return for the full extinguishment of the Judgment and any and all claims associated therewith.

2. If the full amount of the Reduced Judgment Settlement Tax Liability Credits are not utilized in the year of issuance, then the Commonwealth will provide Plaintiff or Transferee with an annual statement indicating the amount of Reduced Judgment Settlement Tax Liability Credits taken and remaining unused amounts of Reduced Judgment Settlement Tax Liability Credits.

3. Plaintiff may transfer, gift, sell, assign (collectively “Transfer”) his, her or its Reduced Judgment Settlement Tax Liability Credits in whole or in part, one time, to a third party or third parties upon compliance with applicable requirements and receipt of written Commonwealth authorization, which shall not be unreasonably withheld, however no further Transfer of the Reduced Judgment Settlement Tax Liability Credits of any nature whatsoever shall be allowed or recognized.

4. Reduced Judgment Settlement Tax Liability Credit Allocations need not be funded by Legislative Budget Authorization or specific Deferral of Expenditures established by the Governor.

5. Use of Reduced Judgment Settlement Tax Liability Credits received through participation in the Reduced Judgment Settlement Alternative that are received in this Agreement are subject to program rules applicable to these credits (attached).

6. The Amount of Reduced Judgment Settlement Tax Liability Credits provided and any associated Transfer must comply with tax reporting requirements.

7. This agreement is controlled by law of the Commonwealth of the Northern Mariana Islands and the exclusive jurisdiction of Superior Court of the Commonwealth of the Northern Mariana Islands on the Island of Saipan.

8. In consideration for the specific allocation of Reduced Judgment Settlement Tax Liability Credits provided to the Plaintiff(s), Plaintiff(s) hereby agree to, and hereby do, acquit and forever discharge the Commonwealth and all of their various respective agencies, instrumentalities, contractors, subcontractors, consultants, affiliates, employees, officers, successors, heirs, assigns, attorneys and any and all other persons, firms, corporations, entities in actual or claimed or potential privity or joint and several liability therewith from any and all claims, actions, causes of actions, liability, demands, or damages known or unknown, suspected foreseeable or unforeseeable arising directly or indirectly out of or in any manner connected to, any fact,

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circumstances, act or omission existing or occurring at any time prior to the day of this Agreement and in any manner involving concerning or relating to Civil Action _____ and the Plaintiff's Judgment.

9. If any element of this Agreement is found to be unenforceable by a court of competent jurisdiction it shall not affect the remaining sections which shall remain in force.

10. This Agreement, together with any referenced documents or exhibits represents the entire agreement and understanding of the Parties hereto with respect to the subject matter hereof and supersedes and all prior oral or written agreements and understandings and shall not be modified except in a writing signed by both parties.

11. This Agreement may be executed in separate counterparts, each counterpart when so executed to be deemed an original, and all counterparts when taken together shall constitute one and the same Agreement. To promote timely compliance with this Agreement, electronic transmission of executed documents shall be deemed sufficient to warrant commensurate performance. Confirmation shall nevertheless be made by delivery of the executed original to the other party as soon as possible.

12. The terms and conditions of this of this Agreement are confidential and the Parties agree that they shall not divulge the terms and conditions thereof unless ordered to do so by a court of competent jurisdiction although limited disclosure to tax professionals is allowed for purposes of associated tax filings.

13. The Public Auditor of the Commonwealth of the Northern Mariana Islands shall pursuant to 1 CMC § 7845, have the right to examine and copy any records, data, or papers relevant to this Agreement for a period of three (3) years after final payment under this Agreement.

14. Parties warrant and represent that they are the sole and exclusive owners of all claims and defenses which are the subject of this Agreement and that they have not assigned or transferred or purported to assign or transfer voluntarily or involuntarily, or by operation of law or equity any claim herein released or any portion thereof.

15. The person signing this agreement on behalf of the Parties warrant that they have the authority to sign this Agreement in the capacity in which they are signing and to lawfully bind the Parties, respectively to the Agreement.

IN WITNESS WHEREOF, the Parties hereto or their lawful representatives have duly executed this Agreement as of the date set first set forth above.

For Commonwealth

ELOY S. INOS, Governor
Commonwealth of the Northern Mariana Islands

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For Plaintiff(s)

Signature

Print Name

Signature

Print Name

Signature

Print Name

Notary Stamp (as to validity of Plaintiff Signatures)

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

Commission Comment: The Commission corrected the spelling of the word “reprogramming” pursuant to 1 CMC § 3806(g).

Exhibit F
Tax Liability Credit Transfer Application Form

Commonwealth of the Northern Mariana Islands
Division of Revenue & Taxation
Judgment Settlement Alternative
Tax Liability Credit Transfer Application

Date: _____

1. Plaintiff Applicant(s):

_____	_____	_____
Print name	Taxpayer id. #	e-mail
_____	_____	_____
Print name	Taxpayer id. #	e-mail
_____	_____	_____
Print name	Taxpayer id. #	e-mail

2. Contact Person: _____

3. Telephone Number: _____

4. e-mail: _____

5. Case Number: _____ (attach copy of judgment)

6. Date of Judgment Settlement Alternative Agreement (attach copy) _____

7. Proposed Transfer (in the space below briefly describe the proposed transfer structure)

8. Tax Liability Credits that are proposed to be transferred in this transaction \$ _____

9. Identify the consideration that will be received for Transfer of Tax Credit Liabilities

10. Identification of proposed transferee:

Proposed Transferee	Taxpayer Identification Number

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Commonwealth Use Only Below this line

1. Type of Judgment Settlement Alternative Agreement
 - Delinquent Tax Liability Judgment Settlement Alternative
 - Annual Allocation Judgment Settlement Alternative
 - Reduced Judgment Settlement Alternative

2. Original value of Tax Liability Credits \$ _____

3. Current balance of Tax Liability Credits \$ _____

Approval of Commonwealth Revenue & Tax Division

Date

Print Name

Title

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).

**Exhibit G
Tax Liability Credit Annual Report**

Commonwealth of the Northern Mariana Islands
Division of Revenue & Taxation
Tax Liability Credit Annual Statement

Date of Notice: _____

Taxpayer _____

Address: _____

Taxpayer ID number _____

Tax Credit Liability Settlement Agreement Number _____

Type of Tax Liability Settlement Alternative: _____

Date of Tax Liability Settlement Alternative Agreement: _____

Original Tax Liability Credit Value: \$_____

Current Tax Period to which this notice applies: _____

Amount of Tax Liability Credit available to be used in Current Tax Period: \$_____

Remaining Balance of Tax Liability Credit \$_____

This notice is provided by the Commonwealth Division of Revenue & Taxation as required under the Judgment Settlement Act Alternative Program. If you have questions in regards to this program or information provided herein you may consult with staff at the Dandan Office or visit the website provided at: <http://www.cnmidof.net/>

History: Adopted 36 Com. Reg. 35368 (Aug. 28, 2014).