

§ 1205. Education Tax Credit.

(a) A person may take cash contributions made during the tax year to qualifying educational institutions as a nonrefundable credit against the tax imposed by [4 CMC § 1201](#) and [4 CMC § 1202](#) to the extent provided by this section. No such credit shall be allowed for any amount deducted in determining taxable income under the NMTIT as shown on the taxpayer's return. Amounts paid for tuition or fees charged by an educational institution are not cash contributions eligible for a credit within the meaning of this section. The "tax imposed on wages and salaries or earnings" for purposes of computing the credit under [4 CMC § 1206](#) is the tax net of any credit taken pursuant to this section.

(b) The maximum credit available in any one year under this section and [4 CMC § 1306](#) combined shall be the lesser of the sum of the taxes imposed under [4 CMC §§ 1201, 1202](#) and [1301](#) through [1304](#), or \$5,000.

(c) A "qualified educational institution" under this section means:

- (1) The Public School System ("PSS");
- (2) Northern Marianas College ("NMC");
- (3) An educational institution located in the Commonwealth which has been issued a Letter of Determination granting tax-exempt status under Section 501(c)(3) of the IRC by the Division of Revenue and Taxation prior to the date of the donation for which the tax credit is taken;
- (4) Commonwealth Museum of History and Culture;
- (5) Northern Mariana Islands Council for the Humanities;
- (6) Joeten-Kiyu Public Library;
- (7) Northern Marianas Technical Institute; and
- (8) The Northern Marianas Sports Association.

(d) To obtain the credit, the taxpayer must furnish the following to the Division of Revenue and Taxation:

(1) A properly documented receipt issued by the recipient institution which must include, at a minimum, the name and tax identification number of the institution, the taxpayer's name and tax identification number, the date of payment and the amount paid, and the purpose of the donation; and

(2) A copy of the Letter of Determination with respect to the tax-exempt status of the recipient institution.

Source: PL 10-73, § 2(a); subsections (c)(4) and (5) added by PL 12-57, § 7; (c)(6) added by PL 15-120 § 2; (c)(7) added by PL 16-33, § 2; subsection (c)(8) added by PL 18-49 § 4(d) (May 7, 2014); amended by PL 22-28, § 2 (Jan. 31, 2023).

Commission Comment: PL 10-73 took effect November 12, 1997 by veto override. According to PL 10-73, § 1.

Section 1. Findings and Purpose. The Legislature finds that the future of the Commonwealth hinges on the enhanced education of our children. There is no other governmental policy which deserves a higher priority.

TITLE 4: ECONOMIC RESOURCES
DIVISION 1: REVENUE AND TAXATION

Toward this end, this Act will provide incentives to private individuals and business entities to contribute to qualified educational institutions. Although a tax deduction is already available to CNMI taxpayers under our mirror image application of the U.S. Internal Revenue Code (“IRC”) Section 501(c)(3), it is the intention of the Legislature to provide a further and more meaningful tax incentive by providing for a tax credit against the local wage and salary, gross receipts, and earnings taxes. Through this incentive taxpayers will be able to make cash contributions to qualifying educational institutions, including the Public School System and the Northern Marianas College, and receive a nonrefundable credit on their primary local taxes.

Public Law 15-120 took effect on December 21, 2007. PL 15-120 contained severability and savings clause provisions and the following:

Section 1. Findings and Purpose. The Legislature finds that the Education Tax Credit was enacted to provide an incentive to private individuals and business entities to make contributions to qualified educational institutions. The existing statute lists the Public School System, the Northern Marianas College, educational institutions which have been issued Letters of Determination granting tax exempt status under Section 501(c)(3) of the Internal Revenue Code, the Commonwealth Museum of History and Culture, and the Northern Mariana Islands Council for the Humanities as “qualified educational institutions.” The Legislature also finds that the Joeten-Kiyu Public Library is another such educational institution that will benefit from contributions by private individuals and business entities. The Joeten-Kiyu Public Library serves the people of the Commonwealth by providing access to information, knowledge and material in support of educational, entrepreneurial, cultural, research and recreational activities. The library also assists students and the general public in obtaining accurate and current information as well as provides: classic or popular fiction, nonfiction, and reference books, and magazines and materials in printed, multi-media, and digital formats. In addition to these services, the library has also established an Information Technology Center, Manamko Program, and an Outreach Program. The library places a special emphasis on Children's and Youth collections, services, and programs.

The Legislature therefore finds that the Joeten-Kiyu Public Library serves a critical function in the community by providing access to information and ideas that are fundamental to functioning successfully in today's information and knowledge-based society. The Legislature finally finds that the purpose of this Act to permit the Joeten-Kiyu Public Library to benefit from private contributions to be appropriate and timely. Public libraries provide support to schools and students, stimulate learning in the community, and add to the appeal of our community.

Public Law 16-33 took effect on March 26, 2009. PL 16-33 contained severability and savings clause provisions and the following:

Section 1. Findings and Purpose. The Legislature finds that with the upcoming implementation of federal immigration law pursuant to U.S.

TITLE 4: ECONOMIC RESOURCES
DIVISION 1: REVENUE AND TAXATION

§ 1205

Public Law 110-229, there is an imminent need to train the residents of the Commonwealth in the trades professions including carpentry, masonry, painting, plumbing, electrical, etc. The Legislature further finds that the establishment of the Northern Marianas Trade Institute is the first step to training such residents in the trades profession. However, with limited resources, the Northern Marianas Trade Institute cannot expand its programs and accommodate the many students eager to participate in such training. Accordingly, the purpose of this legislation is to include the Northern Marianas Trade Institute in the definition of a qualified education institution pursuant to [4 CMC § 1205](#) so that the institution may qualify for education tax credits.

Legislative Findings of 2023 Amendment.— In addition to severability and savings clause provisions, PL 22-28 included the following Findings and Purpose section:

Section 1. Findings and Purpose. The Legislature finds that the Northern Marianas Trade Institute, as a private entity, is included in 4 CMC § 1205 as a qualified educational [sic] and was able to benefit from the education tax credit. The Legislature however finds that Public Law 20-92 established the Northern Marianas Technical Institute, as a government entity, requires the need to specifically include the Northern Marianas Technical Institute to qualify and benefit from the education tax credit.

Accordingly, the purpose of this legislation is to amend 4 CMC § 1205 to include the Northern Marianas Technical Institute as an educational institution to benefit from the education tax credit.