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AN ACT

To establish a special tax sourcing rules of certain United States persons moving to the Commonwealth from Guam, American Samoa, and/or the United States, and for other purposes.

BE IT ENACTED BY THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1           Section 1. Short Title. This Act may be cited as the "Tax Source  
2 Act of 1987."

3           Section 2. Purpose. The purpose of this Act is to locate sources  
4 of taxable income in those cases where a U.S. resident moves from the  
5 United States to Guam or American Samoa and relocate to the Commonwealth  
6 of the Northern Mariana Islands.

7           Section 3. Special Sourcing Rules of Certain United States Persons.  
8 For any United States persons moving to the Commonwealth from Guam,  
9 American Samoa, and/or the United States, irrespective of any other  
10 provision of law, the following sourcing rule will apply if a United  
11 States person was a resident of the United States, Guam, or American  
12 Samoa and then becomes a resident of the CNMI, the rules found in  
13 Internal Revenue Code Section 877(c), as amended, shall apply to such  
14 a person for a 10 year period beginning when such person becomes a  
15 resident of Guam, American Samoa, or the Commonwealth. If such a person  
16 during a 10 year period was a resident of the United States and/or Guam  
17 and/or American Samoa and then such person thereafter moved to the CNMI  
18 and became a resident, the rules found in IRC Section 877(c) will apply  
19 to both moves as follows:

20                   (a) For ten years after leaving the United States for  
21 Guam or American Samoa, IRC Section 877(c) will apply to all

1 items of gross income.

2 (b) Ten years after leaving Guam or American Samoa,  
3 IRC Section 877(c) will apply as amended, to Mirror the term  
4 Guam or American Samoa where the term United States appears  
5 in that statute.

6 (c) Every taxpayer having income subject to these  
7 sourcing rules shall file and pay the appropriate tax  
8 pursuant to Section 935 of the Internal Revenue Code  
9 without a foreign tax credit.

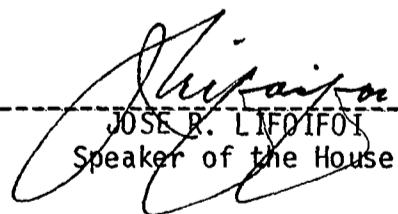
10 (d) The preceding Section 3 shall apply to  
11 dispositions after December 31, 1985, in taxable  
12 years ending after such date.

13 Section 4. Persons under this Act shall include Corporations and  
14 Partnerships.

15 Section 5. Severability. If any provision of this Act is held  
16 invalid by a court of competent jurisdiction, the remainder of this Act  
17 shall not be affected thereby.

18 Section 6. Effective Date. This Act shall take effect upon its  
19 approval by the Governor or upon its becoming law without such approval.

ATTEST:

  
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JOSE R. LIFOIFOI  
Speaker of the House

  
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FRANCES P. SABLAN  
House Clerk

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PEDRO P. TENORIO  
Governor  
Commonwealth of the Northern Mariana Islands