TENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

PUBLIC LAW NO. 10-73
HOUSE BILL NO. 10-328, SD1

THIRD SPECIAL SESSION, 1997

AN ACT

To provide a tax credit for contributions made to qualifying educational institutions; and for other purposes.

BE IT ENACTED BY THE TENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

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. 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.

Section 2. Education Tax Credit.
(a) 4 CMC, Division 1, Chapter 2, as amended, is hereby amended by redesignating sections 1205 and 1206 as sections 1206 and 1207, and adding a new section 1205 to read as follows:

§ 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 sections 1201 and 1202 of this Chapter 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 section 1206 of this Chapter 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 section 1306 of this division combined shall be the lesser of the sum of the taxes imposed under sections 1201, 1202 and 1301 through 1304 of this division, or five thousand dollars ($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.

(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.

(b) 4 CMC, Division 1, Chapter 3, as amended is hereby amended by redesignating section 1306 and 1307 as sections 1307 and 1308, and adding a new section 1306 to read as follows:

§ 1306. Education Tax Credit.
   (a) person may take cash contributions made during the tax year to qualifying educational institutions as a nonrefundable credit against the tax imposed by sections 1301, 1302, 1303, and 1304 of this Chapter 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" for purposes of computing the credit under Section 1308 of this Chapter 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 section 1205 of this division combined shall be the lesser of the sum of the taxes imposed under sections 1201, 1202, and 1301 through 1304 of this division, or five thousand dollars ($5,000).

(c) The term "qualified educational institution" under this section has the same meaning as in section 1205 of this division.

(d) To obtain the credit, the taxpayer must furnish to the Division of Revenue and Taxation the information prescribed in section 1205(d) of this division."

Section 3. Severability. If any provision of this Act or the application of any such provision to any person or circumstance should be held invalid by a court of competent jurisdiction, the remainder of this Act or the application of its provisions to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

Section 4. Savings Clause. This Act and any repealer contained herein shall not be construed as affecting any existing right acquired under contract or acquired under statutes repealed or under any rule, regulation or order adopted under the statutes. Repealers contained in this Act shall not affect any proceeding instituted under or pursuant to prior law. The enactment of this Act shall not have the effect of terminating, or in any way modifying, any liability, civil or criminal, which shall already be in existence at the date this Act becomes effective.

Section 5. Effective Date. This Act shall take effect upon its approval by the Governor or upon its becoming law without such approval.

CERTIFIED BY: ATTESTED BY:

/s/ Diego T. Benavente /s/ Evelyn C. Fleming
DIEGO T. BENAVENTE EVELYN C. FLEMING
Speaker of the House House Clerk

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Vetoed this 3rd day of October, 1997

/s/ Froilan C. Tenorio
FROILAN C. TENORIO
Governor
Commonwealth of the Northern Mariana Islands

Overridden by the House of representative on November 12, 1997, and the Senate on October 14, 1997, by the affirmative vote of two-thirds of the members in each house.

CERTIFIED BY:

/s/ Diego T. Benavente
DIEGO T. BENAVENTE
Speaker of the House

/s/ Jesus R. Sablan
JESUS R. SABLАН
President of the Senate

Overridden by the House on 11/12/97
Overridden by the Senate on 10/14/97
Became Public Law No. 10-73