



# Commonwealth of the Northern Mariana Islands

## Office of the Governor

Saipan, Mariana Islands 96950

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REPLY TO:

DEFT. or ACTIVITY

MAY 27 1982

The Honorable Benigno R. Fitiaf  
Speaker, House of Representatives  
Third Northern Marianas Commonwealth  
Legislature  
Saipan, CM 96950

and

The Honorable Olympio T. Borja  
President of the Senate  
Third Northern Marianas Commonwealth  
Legislature  
Saipan, CM 96950

Dear Mr. Speaker and Mr. President:

RE: HOUSE BILL NO. 144, HD1, SD2 (REVENUE AND TAX I ON ACT  
OF 1982)

On May 27, 1982, I signed into law the above referenced bill, which becomes Public Law 3-11. The Administration commends the Legislative Branch for passing legislation which increases taxes and raises revenues. We realize that nobody likes to have their taxes increased but this action is necessary as seen fit by the Legislature if the government is to continue to provide necessary services and to begin to reduce financial deficits accumulated from previous years. While this Administration demonstrated its agreement on the substance of the new law, we would like to bring some matters of concern to your attention for possible action by the Legislative Branch, hopefully as soon as possible in order to prevent undue problems in the administration and enforcement of the law. The concerns of the Administration and the public are carefully reviewed. These concerns are as follows:

- (1) Section 103 repeals the Foreign Investors Business Permit Act. This Act, although archaic, does provide a certain degree of protection to local businesses. The Administration favors some type of legislation regulating foreign businesses and the Administration would like to discuss possible means of regulating foreign investors in a manner which would not impede our economic growth or discourage needed foreign investment. In addition, Public Law 3-11 repeals Section 11 of Title 33 of the Trust Territory Code which requires that insurance companies, granted a

The Honorable Benigno R. Fitial  
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business permit pursuant to the Foreign Investors Business Permit Act, deposit with the Registrar of Corporations \$100,000 cash, negotiable securities or corporate surety bonds. The purpose of this provision is to insure that the company has sufficient funds to satisfy judgments. Legislation should be introduced immediately to reinstate this provision of law which protects policy holders.

- (2) The definition of source income, as set forth in Section 104(u) of Public Law 3-11 covers three categories of income, two of which relate to wages and salaries. The third involves wages received pursuant to a contract with the Commonwealth Government. The definition does not deal with compensation for services paid as fees, gross income derived from businesses, gains derived from investments, etc. It is the understanding of the Administration that the current definition is not intended to exclude other types of income from falling within the definition of "source income" but legislation should be enacted to clarify this ambiguity.
- (3) Section 304(d) of Public Law 3-11 provides that off-shore banking corporations shall be exempted from the tax subjected on banks, banking institutions, building and loan associations and other financial institutions. The Administration is opposed to this exemption and supports the view that off-shore banking corporations should pay a fair tax and should not be given preferential treatment. One of the reasons for licensing off-shore banking corporations was to broaden the Commonwealth's tax base. The above cited provision clearly contravenes that objective.
- (4) Section 104(r) of Public Law 3-11 includes telegraph and television services and garbage services within the definition of a public utility. Telegraph, television and garbage services are provided to the residents of the Commonwealth by private corporations. In addition, certain activities of the two media are

The Honorable Benigno R. Fitial  
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regulated under federal law. Saipan Cable TV, for example, provides commentary on the activities of the government and that company's inclusion as a public utility may violate that company's freedom of speech. We wish to prevent unnecessary court action against the government due to the ambiguity of the law.

- (5) The Administration is extremely concerned regarding Sections 401 and 402 of Public Law 3-11. These Sections, as we understand it, impose an excise tax on goods imported into the Commonwealth for personal use and consumption. We feel that this is an unfair imposition on the travelling public who, so often, travel abroad to purchase for personal use items that are better priced elsewhere and also items that cannot be found in the Commonwealth. In addition, these taxes will be difficult to assess and collect and will undoubtedly delay and interfere with the processing of visitors and returning residents into the Commonwealth. For example, no exemption is made for the casual use of goods imported into the Commonwealth. We would recommend that a One Hundred Dollars (\$100.00) exemption be given to returning residents and full exemption be given to transient visitors and tourists.
- (6) The Administration is doing everything within its power to improve the delivery of potable water in the Commonwealth. The basic service charge imposed by Section 604 of Public Law 3-11 should not be imposed until such time as the residents of the Commonwealth receive the benefits of a reliable water service. Hopefully, we will accomplish this soon. We recommend that the effective date for any rate adjustment be implemented after the necessary improvement is achieved.
- (7) The Administration recommends that the excise tax imposed on certain cosmetics and toiletries be reduced to five percent ad valorem instead of the fifteen percent ad valorem set forth in Section 402(e) of Public Law 3-11. In this day and age, certain cosmetics and toiletries cannot be considered luxuries and are, in fact, necessities of life. On Section 404(a) we recommend that fruit juices be exempted from the container tax as such items are necessary for the health and well-being of our citizens.

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- (8) The Administration has been advised by the Social Security Administration that Public Law 3-11 would impose a tax on social security payments. This would impose an additional burden on persons who are truly needy and we have been advised that neither the Federal Government nor state governments tax these benefits.

We wish to emphasize that we favor enactment of legislation to increase government revenues because of anticipated shortfalls in revenue and because our Administration has inherited serious deficits from the previous Administration. We further feel that our citizens should begin to bear the burden of running our government as part of our role to gradually develop fiscal independence, self-reliance, and self-government. However painful and controversial taxation **may** be, we are asking our people to understand our action and to sacrifice with us. We therefore owe it to our citizens to revise our tax laws to reflect their serious concerns. In this connection, we would, therefore, urgently request that representatives of the Administration and the Legislature meet at the earliest possible date to consider the series of amendments to Public Law 3-11 as enumerated above.

Sincerely,

A handwritten signature in dark ink, appearing to read "Pedro A. Tenorio", is written over a horizontal line.

PEDRO A. TENORIO  
Acting Governor

Enclosure

THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

FIRST SPECIAL SESSION, 1982

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AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and a71 of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law F.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-31-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

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Offered by Representative Benigno R. Fitial

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Date: May 5, 1982

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House Action

Referred to: Committee on Appropriations

Standing Committee Report No. 3-38

First Reading: May 5, 1982

Final Reading: May 6, 1982

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Senate Action

Referred to: Committee on Fiscal Affairs

Conference Committee Report No. 3-14

First Reading: May 6, 1982

Harbert S. Del Rosario  
Clerk

FIRST SPECIAL SESSION, 1982

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**AN ACT**

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 126-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

BE IT ENACTED BY THE NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1        Chapter I. Short Title, Purpose, Repealer, Definitions and  
2        Government Exemption.

3        Section 101. Short Title. This Act shall be known and may be  
4        cited as the "Revenue and Taxation Act of 1982".

5        Section 102. Purpose. It is the purpose of this Act:

6                (a) to compile, revise, amend, or repeal all general  
7        revenue and taxation laws in effect in the Commonwealth of the  
8        Northern Mariana Islands;

9                (b) pursuant to the authority of the Government of the  
10       Northern Mariana Islands as recognized by Sections 103, 203(c), 601,  
11       602, 603, 604 and 605 of the Covenant To Establish A Commonwealth of  
12       the Northern Mariana Islands In Political Union With the United  
13       States of America, to establish a general system of revenue and  
14       taxation; and

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1           (c) to provide necessary revenue to provide adequate  
2 funding for the ever-increasing needs for government services,  
3 programs and operations.

4           Section 103. Repealer:

5           (a) Sections 1 through 202 of Title 33 and all of Title  
6 77 of the Trust Territory Code are repealed in their entirety.

7           (b) Public Law 1-21 is repealed in its entirety.

8           (c) Public Law 1-30 is repealed in its entirety.

9           (d) Marianas District Law P.L. 5-51 is repealed in  
10 its entirety.

11           (e) Marianas District Laws P.L. 4-72 (Act No. 128-1974)  
12 and P.L. 4-206 are repealed in their entirety.

13           (f) Section 8 of Marianas District Law P.L. 4-145 is  
14 repealed in its entirety.

15           (g) Title 5 in its entirety and Title 6, Chapter 1  
16 Section 1(1), Chapter 2 Section 13(2), Chapter 6, and Chapter 8  
17 of the Saipan Municipal Code are repealed.

18           (h) Saipan Municipal Ordinance Nos. 25-6-1974,  
19 25-28-1974, 25-33-1974, 25-3-1975 and 25-10-1976 are repealed  
20 in their entirety.

21           (i) Tinian Municipal Ordinance Nos. 6, 7, 4-67, as  
22 amended are repealed.

23           (j) Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 in  
24 their entirety and Section 11.20.03 of Chapter 11.20 of the Rota  
25 Municipal Code are repealed.

1           (k) All Municipal Ordinances, Code Provisions, or  
2 Marianas District Public Laws imposing general business license  
3 fees which are not specifically listed in this section are repealed.

4           Section 104. Definitions. In this Act, unless otherwise  
5 specifically expressed:

6           (a) "Amusement machines" mean any mechanical, electrical  
7 or other device, contrivance or machine which, upon insertion of a  
8 coin, token or similar object therein, or upon payment of any  
9 consideration whatsoever, is available to play or operate, the  
10 play or operation of which, whether by reason of the skill of the  
11 operator or application of the element of chance, or both, may  
12 deliver or entitle the person playing or operating the machine to  
13 receive cash, premiums, merchandise, tokens, extra games or use,  
14 or anything of value whatsoever, whether the payoff is made  
15 automatically from the machine or in any other manner whatsoever.

16           (b) "Basic service charge" means the costs, including  
17 personnel compensation and capital costs, associated with the  
18 purchase of fuel, operation, installation, and delivery of  
19 electricity or water to a person.

20           (c) "Business" includes all activities whether personal,  
21 professional or incorporated, carried on within the Commonwealth  
22 for either direct or indirect economic benefit, as determined by  
23 the Director; PROVIDED, however, one who qualifies as an employee  
24 under this section shall not be considered a business.

25           (d) "Commonwealth" means the Commonwealth of the



1 Northern Mariana Islands, including the government thereof, which  
2 lies within the area north of 14 degrees north latitude, south *of*  
3 21 degrees north latitude, west of 150 degrees east longitude and  
4 east of 144 degrees east longitude, as extended by the Marine  
5 Sovereignty Act of 1980, Public Law 2-7.

6 (e) "Covenant" means the Covenant to Establish a  
7 Commonwealth of the Northern Mariana Islands in Political Union  
8 with the United States of America.

9 (f) "Director" means the Director of Finance of the  
10 Northern Marianas Commonwealth Government.

11 (g) "Employee" means any individual in the service of  
12 one or more employers for compensation.

13 (h) "Employer" means any person who pays wages and  
14 salaries to another or to himself. Employer includes any  
15 individual, corporation, association, joint stock company, bank,  
16 insurance company, credit union, cooperative, or other equity or  
17 group employing any person, and also includes the Director, or  
18 any other officer or agent of the Commonwealth, charged with the  
19 disbursement of public monies as salaries or wages to employees  
20 of the Commonwealth Government, and any department, agency, and  
21 instrumentality thereof, as *the* case may be insofar as such  
22 disbursements are concerned. "Employer" also includes the  
23 Government of the Trust Territory of the Pacific Islands, the  
24 United States Government and its instrumentalities, and the  
25 governments of foreign nations and their instrumentalities.

## THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

FIRST SPECIAL SESSION, 1982

## AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; ~~to~~ repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; ~~to~~ amend paragraph 1 of Section 6 of Title 33, <sup>7</sup>Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

Offered by Representative Benigno R. FitiafDate: May 5, 1982

## House Action

Referred to: Committee on Appropriations

Standing Committee Report No. 3-38

First Reading: May 5, 1982

Final Reading: May 6, 1982

## Senate Action

Referred to: Committee on Fiscal Affairs

Conference Committee Report No. 3-44

First Reading: May 6, 1982

  
Herbert S. Del Rosario  
Chief Clerk  
House of Representatives

FIRST SPECIAL SESSION, 1982

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1           (c) to provide necessary revenue to provide adequate  
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4           Section 103. Repealer:

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24 their entirety and Section 11.20.03 of Chapter 11.20 of the Rota  
25 Municipal Code are repealed.

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1           (k) All Municipal Ordinances, Code Provisions, or  
2   Marianas District Public Laws imposing general business license  
3   fees which are not specifically listed in this section are repealed.

4           Section 104. Definitions. In this Act, unless otherwise  
5   specifically expressed:

6           (a) "Amusement machines" mean any mechanical, electrical  
7   or other device, contrivance or machine which, upon insertion of a  
8   coin, token or similar object therein, or upon payment of any  
9   consideration whatsoever, is available to play or operate, the  
10   play or operation of which, whether by reason of the skill of the  
11   operator or application of the element of chance, or both, may  
12   deliver or entitle the person playing or operating the machine to  
13   receive cash, premiums, merchandise, tokens, extra games or use,  
14   or anything of value whatsoever, whether the payoff is made  
15   automatically from the machine or in any other manner whatsoever.

16           (b) "Basic service charge" means the costs, including  
17   personnel compensation and capital costs, associated with the  
18   purchase of fuel, operation, installation, and delivery of  
19   electricity or water to a person.

20           (c) "Business" includes all activities whether personal,  
21   professional or incorporated, carried on within the Commonwealth  
22   for either direct or indirect economic benefit, as determined by  
23   the Director; PROVIDED, however, one who qualifies as an employee  
24   under this section shall not be considered a business.

25           (d) "Commonwealth" means the Commonwealth of the

1 Northern Mariana Islands, including the government thereof, which  
2 lies within the area north of 14 degrees north latitude, south of  
3 21 degrees north latitude, west of 150 degrees east longitude and  
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5 Sovereignty Act of 1980, Public Law 2-7.

6 (e) "Covenant" means the Covenant to Establish a  
7 Commonwealth of the Northern Mariana Islands in Political Union  
8 with the United States of America.

9 (f) "Director" means the Director of Finance of the  
10 Northern Marianas Commonwealth Government.

11 (g) "Employee" means any individual in the service of  
12 one or more employers for compensation.

13 (h) "Employer" means any person who pays wages and  
14 salaries to another or to himself. Employer includes any  
15 individual, corporation, association, joint stock company, bank,  
16 insurance company, credit union, cooperative, or other equity or  
17 group employing any person, and also includes the Director, or  
18 any other officer or agent of the Commonwealth, charged with the  
19 disbursement of public monies as salaries or wages to employees  
20 of the Commonwealth Government, and any department, agency, and  
21 instrumentality thereof, as the case may be insofar as such  
22 disbursements are concerned. "Employer" also includes the  
23 Government of the Trust Territory of the Pacific Islands, the  
24 United States Government and its instrumentalities, and the  
25 governments of foreign nations and their instrumentalities.

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1           (i) "Financial institution" means any savings and loan  
2 association, or any incorporated savings and loan company, trust  
3 company, mortgage banking company, consumer finance company or  
4 other financial corporation.

5           (j) "Firearms" means any device, by whatever name  
6 known, which is designed or may be converted to expel or hurl a  
7 projectile or projectiles by the action of an explosion, or  
8 release, or an expansion of gas, including but not limited to  
9 guns, except a device designed or redesigned for use solely as a  
10 signaling, limethrowing, spearfishing, or industrial device, or  
11 a device which hurls a projectile by means of the release or  
12 expansion of carbon dioxide or air.

13           (k) "Gross revenue" means the total amount of money or  
14 the value of other consideration received from selling real or  
15 personal property in the Commonwealth, from leasing property  
16 employed in the Commonwealth, or from performing services in the  
17 Commonwealth. Gross revenue includes the gross receipts, cash or  
18 accrued, of a person received as compensation for personal services  
19 not in the form of salaries or wages as defined in this section,  
20 and the gross receipts of a business derived from trade, business,  
21 commerce or sales and the value proceeding or accruing from the  
22 sale of tangible personal property, or service, or both, and all  
23 receipts, actual or accrued by reason of the capital of the business  
24 engaged in, including interest, discount, rentals, royalties, fees,  
25 or other emoluments however designated and without any deductions on

1 account of the cost of property sold, the cost of materials used,  
2 labor cost, taxes, royalties, interest or discount paid or any  
3 other expenses whatsoever. Gross revenue shall not include the  
4 following:

5 (1) Refunds and cash discounts allowed and  
6 taken;

7 (2) Money received and held in a fiduciary  
8 capacity; or

9 (3) Wages and salaries which are taxed under  
10 Chapter Two of this Act.

11 (1) "Lease or rental" means any contract, oral, written or  
12 implied, by which a person gives the use and possession of personal  
13 or real property to another person and includes the use of any of  
14 the goods, merchandise or commodities specified in Section 402 of  
15 this Act.

16 (m) "Local territorial income tax" means the income tax  
17 laws in force in the United States which came into force in the  
18 Commonwealth pursuant to Section 601 of the Covenant as a local  
19 income tax of the Commonwealth.

20 (n) "Manufacturer" means any business engaged in  
21 combining or processing components or materials to increase their  
22 value for sale in the ordinary course of business.

23 (o) "Month" means calendar month.

24 (p) "Off-shore banking corporation" means an entity  
25 incorporated in the Commonwealth of the Northern Mariana Islands,



1 whose principal purpose is:

2 (1) negotiating, making and extending loans to  
3 borrowers who are not residents or citizens of the  
4 Commonwealth of the Northern Mariana Islands ;or

5 (2) borrowing from lenders who are not residents  
6 or citizens of the Commonwealth of the Northern Mariana  
7 Islands.

8 An off-shore banking corporation shall not transact business as  
9 a retail bank within the Commonwealth of the Northern Mariana  
10 Islands.

11 (q) "Person" means:

12 (1) any individual, estate, firm, corporation,  
13 company, joint venture, association, partnership, trust,  
14 receiver, club, syndicate, cooperative association or  
15 any other entity; or

16 (2) a foreign government, the United States, the  
17 Trust Territory of the Pacific Islands, the Commonwealth,  
18 or any agency or instrumentality of these entities.

19 (r) "Public utility" means a person engaged in the sale of:

20 (1) electric energy, gas, water, garbage, or  
21 sewerage disposal services;

22 (2) public transportation services as a common  
23 carrier; or

24 (3) telephone, telegraph, or television  
25 services.

1           (s) "Rebate" means an adjustment, reduction, return,  
2 credit, nontaxable refund, or other nontaxable payment of all or part  
3 of any tax, as provided by the Commonwealth of such amount of the  
4 taxes paid by a person. The term "rebate" shall apply only to any  
5 tax imposed on income from sources within the Commonwealth. The term  
6 "rebate" shall not apply to any tax imposed on income exempted by  
7 subsection (aa)(1) of this section.

8           (t) "Sale" means the transferring, giving or exchanging of  
9 personal or real property or services of any kind for an agreed sum  
10 of money or other valuable consideration and includes the use of any  
11 of the goods, merchandise or commodities specified in Section 402 of  
12 this Act.

13           (u) "Sources within the Commonwealth" as it relates to  
14 income means:

15               (1) all wages and salaries paid by the Commonwealth  
16 Government to any employee or other individual rendering  
17 services to the Commonwealth Government, whether or not  
18 such services are performed within the Commonwealth; or

19               (2) all wages and salaries paid to any employee by  
20 the Government of the Trust Territory of the Pacific  
21 Islands, the Government of the United States of America,  
22 or a person incorporated, registered, or otherwise doing  
23 business in the Commonwealth; PROVIDED, that such  
24 employment is physically performed in the Commonwealth,  
25 except for any employment period less than 45 working  
26 days or 30 continuous working days per year.

1                   (3) All funds received by a person other than  
2                   an employee or other individual under any contract to  
3                   which the person and the Commonwealth are parties;  
4                   PROVIDED, that this subsection shall apply solely  
5                   to contracts entered into on or after the effective  
6                   date of this Act.

7                   (v) "Taxpayer" means any person subject to tax under this  
8                   Act.

9                   (w) "Transient occupant of a room or rooms in a hotel,  
10                  lodging house or similar facilities " means those persons who occupy  
11                  such facilities in a specific location for less than thirty (30)  
12                  consecutive days.

13                  (x) "User fee" means the administrative costs associated  
14                  with the delivery of a department's or agency's ministerial services.

15                  (y) "Utility rate" means the total costs, including  
16                  personnel compensation and capital costs, associated with the  
17                  operation, installation, and delivery of public utility services to  
18                  a person.

19                  (z) "Wages" and "Salaries" means any compensation for  
20                  services, such as commissions, fees, compensation, educational  
21                  benefits, emoluments, bonuses, and every and all other kinds of  
22                  compensation paid for, credited, or attributable to personal  
23                  services performed by an employee or other individual; PROVIDED,  
24                  that wages and salaries shall not include the following:

25                         (1) Wages and salaries received from the United  
26                  States by members of the active Armed Forces of the United States.

1                   (2) Reasonable per diem and travel allowances to  
2           the extent that they do not exceed any comparable Commonwealth  
3           Government rates.

4                   (3) Rental value of a home furnished to any  
5           employee or a reasonable rental allowance paid to any  
6           employee to the extent the allowance is used by the  
7           employee to rent or provide a home.

8                   (4) Any payment of medical or hospitalization  
9           expenses made by an employer or insurance company to or on  
10          behalf of an employee or insured.

11                   (5) Payments made to or on behalf of an employee  
12          or to his beneficiary from a trust, annuity, or retirement  
13          program, to the extent of any contributions made by the  
14          employee; Provided, that the legislature will appropriate  
15          these taxes to the Retirement Fund as a part of the  
16          Commonwealth Government's contribution.

17                   (6) Any payment in the form of a scholarship,  
18          fellowship, or stipend made to any employee while he is a  
19          full-time, bona fide student at an educational institution.

20                   (aa) "Wholesaler" means any business engaged in the sale  
21          of tangible personal property to another for resale for direct  
22          or indirect economic benefit.

23                   (bb) "Year" means calendar year.

24          Section 105. Other Definitions. In the event it is appropriate  
25          to further define the terms used in this Act, the Director may further

1 define the terms by regulation, taking into account the definitions  
2 and use of the terms in the United States Internal Revenue Code of  
3 1954, as amended, and the applicable regulations, thereto.

4       Section 106. Government Exemption. The United States and  
5 Commonwealth Governments, their departments, agencies and  
6 instrumentalities, are hereby specifically exempted from any  
7 liability to pay any tax imposed by Chapter Three of this Act.

8           Chapter II. Wage and Salary Tax.

9       Section 201. Wage and Salary Tax. (a) There is imposed an  
10 annual tax on all wages and salaries from sources within the  
11 Commonwealth received by an individual. The tax shall be determined  
12 in accordance with the following schedule:

13	If the gross annual wages and	The tax on the gross annual
14	salaries of an employee or other	wages and salaries
15	individual are:	
16	(a) \$0 to 1,000	No Tax
17	(b) \$1,001 to 5,000	2% of amount over \$0
18	(c) \$5,001 to 7,000	3%
19	(d) \$7,001 to 15,000	4%
20	(e) \$15,001 to 22,000	5%
21	(f) \$22,001 to 30,000	6%
22	(g) \$30,001 to 40,000	7%
23	(h) \$40,001 to 50,000	8%
24	(i) \$50,001 and over	9%

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1                    Chapter III. Gross Revenue Tax

2            Section 301. Tax on Gross Revenues. There is imposed an annual  
3 tax upon the gross revenues earned by every business, except as  
4 otherwise provided in this Chapter.

5 The tax shall be determined in accordance with the following schedule:

6            If the annual gross revenue	The tax on the total annual
7            earned is between:	gross revenue earned is:
8            (a) \$0 to 5,000	no tax
9            (b) \$5,001 to 50,000	1.5% of amount over \$0
10           (c) \$50,001 to 100,000	2%
11           (d) \$100,001 to 250,000	2.5%
12           (e) \$250,001 to 500,000	3%
13           (f) \$500,001 to 750,000	3.5%
14           (g) \$750,001 and over	5%

15           Section 302. Tax on Agricultural Producers and Fisheries. The  
16 provisions of Section 301 and the taxes imposed thereunder shall not  
17 apply to businesses engaging in agricultural production and fisheries;  
18 PROVIDED, however, these businesses shall be taxed at the rate of one  
19 percent (1%) of gross revenues in excess of \$20,000. All businesses  
20 claiming this exemption shall file the returns required by Section 805  
21 of this Act whether a tax is due or not.

22           Section 303. Tax on Manufacturers and Wholesalers. The provisions  
23 of Section 301 and the taxes imposed thereunder shall apply to businesses  
24 which derive gross revenue from manufacturing and wholesaling; PROVIDED,  
25 however, the gross revenue derived from these activities shall be taxed

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1 at a maximum rate of two percent (2%). All persons claiming this  
2 exemption shall file the returns required by Section 805 of this Act  
3 whether a tax is due or not and shall maintain separate records and  
4 accounts showing gross revenues derived from manufacturing, wholesaling,  
5 retailing and other business operations. All persons claiming this  
6 exemption shall disclose such records and accounts upon request for  
7 verification by the Director.

8 Section 304. Tax on Banks, Banking Institutions, Building and  
9 Loan Associations, and other Financial Institutions.

10 (a) Section 301 shall not apply to any bank, banking  
11 institution, building and loan association, or other financial  
12 institution; PROVIDED, however, these businesses shall be taxed  
13 at the greater of five percent (5%) of the net income received  
14 from such business or two percent (2%) of gross revenues.

15 (b) For the purpose of this Section, "net income" shall  
16 mean the gross income of such taxpayer received from all sources  
17 less the following deductions therefrom:

- 18 (1) Salaries or bonuses paid and other  
19 compensation from personal services;  
20 (2) Interest or discount paid;  
21 (3) Rents paid;  
22 (4) Ordinary operating expenses such as supplies,  
23 utility services, insurance premiums other than for life  
24 insurance; PROVIDED, that any deductible insurance expense

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1 shall be allowable only to the extent that such a premium  
2 is applicable to the tax period against which it is claimed;

3 (5) Loans or obligations charged off the books of  
4 the bank as losses unless charged against reserves then in  
5 existence;

6 (6) Losses other than loan losses, such as those  
7 occasioned by fire or other casualty, theft, embezzlement,  
8 and the like, but only to the extent not covered by insurance  
9 proceeds collected;

10 (7) Transfers from earnings to reserve for bad  
11 debts or other contingencies provided for;

12 (8) Miscellaneous direct expenses such as legal,  
13 advertising, auditing, and the like; and

14 (9) Loss on property sold and depreciation on  
15 property owned.

16 (c) All deductions allowed pursuant to subsection (b)  
17 shall be limited to the portion attributable to the income earned  
18 within the Northern Mariana Islands.

19 (d) Off-shore banking corporations shall be exempt from  
20 any tax under this Section or Chapter.

21 Chapter IV. Excise Taxes.

22 Section 401. Alcohol and Tobacco Excise Taxes.

23 (a) Commercial Use. For the privilege of the first sale  
24 or use of alcohol and tobacco imported into the Commonwealth, there  
25 is imposed upon all such persons selling alcohol and tobacco, excise  
26 taxes as specified in Subsection (c) of this Section.



1           (b) Personal Use and Consumption. Any international  
2 passenger disembarking from a ship or an airplane may import for  
3 personal use and consumption exempt from the excise taxes imposed  
4 by this Section:

5           (1) an amount of cigarettes not to exceed  
6 thirty (30) packages of twenty (20) cigarettes per package;

7           (2) an amount of distilled alcoholic beverages  
8 not to exceed three-fifths (3/5) of a gallon;

9           (3) an amount of wine and sake not to exceed one  
10 gallon.

11          (c) Rates.

12           (1) Cigarettes, fifteen cents (\$.15) per every  
13 twenty (20);

14           (2) Tobacco, other than cigarettes, fifty percent  
15 (50%) of the invoice price of the tobacco;

16           (3) Beer and malt beverages, ten cents (\$.10) per  
17 can or bottle of twelve fluid ounces or fractional part thereof;

18           (4) Distilled alcoholic beverages, one dollar and  
19 forty cents (\$1.40) per fifth (1/5) of a wine gallon;

20           (5) Wine and sake, three dollars (\$3.00) per  
21 gallon; Provided, that this tax shall not apply to any  
22 religious organization which is importing, receiving, or  
23 purchasing in the Commonwealth sacramental wine for use in  
24 the religious rites of such organization. The Director  
25 shall provide by regulation for the reimbursement of wine

1        taxes paid by any business selling sacramental wine to such  
2        an organization.

3        Section 402. General Excise Tax. For the privilege of first  
4        selling, using, manufacturing, leasing or renting goods, merchandise,  
5        or commodities imported into the Commonwealth, there is imposed upon  
6        all such persons an excise tax as specified herein:

7                (a) Soft drinks and nonalcoholic beverages, five cents  
8        (\$.05) on each twelve fluid ounces or fractional part thereof;

9                (b) Foodstuffs for human consumption, one percent (1%)  
10       ad valorem;

11               (c) Agricultural commodities, such as fertilizers, seed,  
12       animal feeds, pesticides and herbicides, one percent (1%) ad valorem;

13               (d) Perfumery, articles of perfumery including cologne and  
14       other fragrances whether in sachets or otherwise, twenty percent (20%)  
15       ad valorem;

16               (e) Cosmetics and toiletries, including all preparations  
17       used as applications to the hair or skin, lipsticks, eye shadows and  
18       mascara, pomades, powders, makeup and other toilet preparations not  
19       having medicinal properties, fifteen percent (15%) ad valorem;

20               (f) Educational materials purchased by a school or  
21       library, one percent (1%) ad valorem;

22               (g) Prescription drugs and medicines, one percent (1%)  
23       ad valorem;

24               (h) Construction materials, three percent (3%) ad valorem;

25               (i) All other property not otherwise provided for by law,  
26       five percent (5%) ad valorem.

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1       Section 403. Liquid Fuel Taxes.

2           (a) Gasoline, Diesel, and Other Liquid Fuel Tax. For the  
3 privilege of first selling, using or distributing gasoline, oil,  
4 diesel, or other liquid fuel, other than aviation fuel, imported into  
5 the Commonwealth, there is imposed an excise tax at the rate of ten  
6 cents (\$.10) per gallon.

7           (b) Aviation Fuel Tax. For the privilege of first selling,  
8 using or distributing aviation gas or other aviation fuel imported into  
9 the Commonwealth, there is hereby imposed an excise tax at the rate of  
10 three percent (3%) ad valorem. The Director of Finance may reduce or  
11 waive by regulation the aviation fuel tax upon an airline upon finding  
12 that the airline will increase its flight schedule into and within the  
13 Commonwealth to a level resulting in benefits to the Commonwealth in  
14 excess of the loss of revenue under this section.

15       Section 404. Beverage Container Excise Tax.

16           (a) Non-Alcoholic Containers. There is imposed an excise  
17 tax upon the privilege of first sale of soft drink and other nondairy  
18 beverage containers in the amount of four cents (\$.04) per container  
19 upon the first seller.

20           (b) Alcoholic Containers. There is imposed an excise tax  
21 upon the privilege of first sale of each container of beer, ale or  
22 other malt beverage in the amount of four cents (\$.04) per container  
23 upon the first seller.

24       Section 405. Exemption. Any product subject to tax under this  
25 chapter which is not received by or is certified by the person liable

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1 for tax as damaged may be exempted from such tax upon certification  
2 of damage or nonreceipt by the carrier or his agent.

3 Section 406. Payment of Taxes - Time - Release of Goods. All  
4 taxes required by this Chapter shall be paid within thirty calendar  
5 (30) days, after the entry of the goods, commodities or merchandise.  
6 Products covered by this chapter shall be released prior to the payment  
7 of tax. If the actual amount of the tax cannot be determined within  
8 thirty calendar (30) days after the entry, an estimated tax shall be  
9 paid subject to later adjustment.

10 Section 407. Refunds - Exports. Any person who imports goods,  
11 merchandise, or commodities into the Commonwealth for sale, lease or,  
12 rental and exports them to a buyer outside of the Commonwealth shall be  
13 entitled to a refund of taxes actually paid on such upon application to  
14 the Director.

15 Section 408. Refunds - Limitations Period. Application for refund  
16 pursuant to Section 407 shall be filed with the Director within one year  
17 after the end of the calender year in which the amount to be refunded was  
18 withheld or paid.

19 Chapter V. Miscellaneous Taxes and License Fees.

20 Section 501. Bar Tax.

21 (a) There is imposed upon any person doing business in any  
22 establishment licensed to serve alcoholic beverages for consumption  
23 on the premises of the establishment, a tax in the amount of three  
24 percent (3%) of the total charges for any beverage sold or consumed  
25 at the establishment.

1           (b) Every person subject to the tax imposed by this  
2 section shall make a monthly return to the Director of all amounts  
3 received from the sale of beverages and shall pay the taxes due  
4 thereon prior to the twentieth day of the succeeding month.

5           Section 502. Hotel Occupancy Tax.

6           (a) An occupancy tax is imposed upon transient occupants  
7 of a room or rooms in a hotel, lodging house, or similar facility of  
8 ten percent (10%) of the amount charged or paid for the accommodations.  
9 This tax applies and is collectible when the payment is made.

10          (b) Every person subject to collect the tax imposed by this  
11 Section shall make a monthly return to the Director of all amounts  
12 received from such charges for lodging and shall pay the taxes due  
13 thereon prior to the twentieth day of the succeeding month.

14          Section 503. Business License Fees.

15          (a) Business License Required. Any person engaging in  
16 business as a condition precedent to engaging or continuing in such  
17 business, shall obtain from the Director of Commerce and Labor a  
18 license to engage in or conduct such business.

19          (b) In no event shall a business be required to purchase  
20 more than one general business license for the same line of business  
21 for any location or locations in the Commonwealth.

22          (c) Terms. Licenses issued under this Section shall not  
23 be transferable and shall be valid for one year.

24          (d) Fees. The following annual fees shall be paid to the  
25 Director of Commerce and Labor for the respective license at the time  
26 of issuance or renewal:

- 1 (1) Banks, five hundred dollars;
- 2 (2) Offshore banking corporations, one thousand
- 3 dollars;
- 4 (3) Securities dealers, three hundred dollars;
- 5 (4) Insurance companies, three hundred dollars;
- 6 (5) Insurance brokers, one hundred dollars;
- 7 (6) Insurance agents, seventy-five dollars;
- 8 (7) Public utilities, three hundred dollars;
- 9 (8) Manufacturers, fifty dollars;
- 10 (9) Wholesalers, fifty dollars;
- 11 (10) Roadside vendors selling local agricultural
- 12 and fishery products, five dollars; and
- 13 (11) General business license covering all other
- 14 businesses unless provided otherwise by this
- 15 Act, fifty dollars.

16 (e) Renewal. A licensee may renew his license upon the

17 expiration thereof by the payment of the annual license fee.

18 (f) Conditions for Revocation or Suspension. (1) The

19 Director of Commerce and Labor may revoke or suspend any license

20 issued under this section, upon finding after two weeks public notice

21 and a hearing conducted pursuant to the provisions of Sections 8, 9,

22 10, and 11 of Title 17 of the Trust Territory Code that:

23 (A) The application of the licensee contains

24 false or fraudulent information;

25 (B) The licensee bribed or otherwise unlawfully

1                   influenced any person to issue the permit other  
2                   than on the merits of the application;

3                   (C) The licensee presented false or fraudulent  
4                   information to any person in support of his  
5                   application; or

6                   (D) The licensee violates any of the provisions  
7                   of the Commonwealth of the Northern Mariana Islands  
8                   laws or any of the rules and regulations issued  
9                   thereunder.

10                  (2) Any person aggrieved by a license suspension or  
11                  revocation shall be entitled to a review of the same by  
12                  the Commonwealth Trial Court upon written appeal made  
13                  within thirty days from the date the license suspension  
14                  or revocation decision is issued. Such review shall be  
15                  brought pursuant to the provisions of Sections 12 and 13  
16                  of Title 17 of the Trust Territory Code.

17                  (g) Upon request the Director of Commerce and Labor shall  
18                  transmit a listing, and monthly update, of all business licenses  
19                  issued to the Department of Finance.

20                  (h) Unless the Director of Commerce and Labor provides  
21                  otherwise, this section shall not affect public health or alcoholic  
22                  beverage control licensing.

23                  Section 504. Admiralty and Maritime Fees. Section 5 of Title 19  
24                  of the Trust Territory Code is amended to read as follows:

25                  "§5. Fees. There shall be paid to the Director for

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1 original registration of a vessel the sum of twenty  
2 dollars and for each re-registration the sum of ten  
3 dollars. All such fees collected shall be remitted  
4 to the Director."

5 Section 505. Motor Vehicles and Operator's Fees.

6 (a) Section 54 of Title 83 of the Trust Territory Code is  
7 amended to read as follows:

8 "§54. Registration Fees. There shall be paid to  
9 the Director of Finance for the registration of  
10 vehicles the following fees:

- 11 (a) bicycles, one dollar and fifty cents;  
12 (b) mopeds and motorcycles up to 100cc, five dollars;  
13 (c) motorcycle over 100cc, ten dollars;  
14 (d) jeeps, sedans, automobiles, and other motor  
15 vehicles not exceeding 6 passengers or  $\frac{1}{2}$  ton capacity  
16 and weighing less than 2,000 pounds, twenty-five dollars;  
17 (e) pickups, trucks, buses and self-propelled  
18 equipment and machinery by gross vehicle weight. Gross  
19 vehicle weight in pounds as specified by the manufacturer  
20 at the time of the original sale or entry into the  
21 Commonwealth; whichever is greater:

22 (i) under two thousand nine-hundred ninety-nine  
23 pounds or fraction thereof, twenty-five dollars;

24 (ii) three thousand to four thousand nine-hundred  
25 ninety-nine pounds or fraction thereof, fifty dollars;



1 (iii) five thousand to seven thousand four-hundred  
2 ninety-nine pounds or fraction thereof, one-hundred dollars;

3 (iv) seven thousand five-hundred pounds and over,  
4 two-hundred dollars.

5 (f) low boys, twenty-five dollars.

6 (g) all other self-propelled vehicles, fifty dollars.

7 (h) for duplicate or substitute registration cards  
8 and plates: subsections (b) and (c), two dollars and fifty  
9 cents; subsections (d), (e), and (f) five dollars; and  
10 subsection (g), ten dollars."

11 (b) Section 151 of Title 83 of the Trust Territory Code is  
12 hereby amended to read as follows:

13 "§151. Operator's license - Fees. No person except  
14 those expressly exempted in the Chapter shall drive any  
15 motor vehicle upon a highway in the Commonwealth unless  
16 such person has been licensed as an operator under this  
17 Chapter. A fee of fifteen dollars shall be paid to the  
18 Director of the Department of Finance for each such  
19 license issued. A fee of five dollars shall be paid  
20 to the Director of the Department of Finance for each  
21 duplicate or substitute license issued."

22 (c) Subsection (4) of Section 155 of Title 83 of the Trust  
23 Territory Code is hereby amended to read as follows:

24 "(4) A fee of five dollars shall be paid to the  
25 Director of the Department of Finance for each

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1 learner's permit issued. A fee of five dollars  
2 shall be paid to the Director of the Department  
3 of Finance for each duplicate or substitute permit  
4 issued."

5 Section 506. Corporation Fees. Section 3 of Title 37 of the  
6 Trust Territory Code is hereby amended by adding a new subsection (3)  
7 as follows:

8 "(3). Fees. There is hereby levied and imposed  
9 the following filing fees, which shall be paid to  
10 the Director of the Department of Finance prior to  
11 issuance of a Charter and deposited in the General  
12 Fund:

13 (a) Domestic Corporation, one hundred  
14 (\$100.00) dollars.

15 (b) Registration of a Foreign Corporation,  
16 one hundred (\$100.00) dollars.

17 (c) Non-Profit Corporation, ten (\$10.00)  
18 dollars.

19 Section 507. Weapons Fees. Section 580 of Title 63 of the Trust  
20 Territory Code is amended to read as follows:

21 "\$580. Fees for licenses and identification cards.

22 The fees for issuance and renewal of annual licenses  
23 and identification cards as required by this Chapter  
24 shall be as follows:

25 (1) For an identification card, twenty-five  
26 (\$25.00) dollars.

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- 1                   (2) For a dealer's license, three hundred  
2                               (\$300.00) dollars.  
3                   (3) For a manufacturer's license, one thousand  
4                               (\$1,000.00) dollars.  
5                   (4) For a wholesaler's license, one thousand  
6                               (\$1,000.00) dollars.  
7                   (5) For replacement of lost, destroyed or defaced  
8                               identification card, ten (\$10.00) dollars.  
9                   Fees collected pursuant to this section shall be paid  
10                           to the Director of the Department of Finance and  
11                           deposited in the General Fund."

12           Section 508. Amusement Machines. (a) There is imposed the  
13 following annual license fees for the commercial operation of  
14 amusement machines as follows:

15                   (1) For amusement machines (other than poker or  
16 similar amusement machines) whose major element is skill and  
17 whose only reward or prize is limited to additional games or  
18 other use of the machine (e.g., Space Invaders, pinball  
19 machines, pool tables, etc.), one hundred fifty dollars  
20 (\$150.00) per machine.

21                   (2) For amusement machines whose major element  
22 is chance which provides a reward or prize of value or for  
23 poker or similar amusement machines, two thousand five  
24 hundred (\$2,500.00) dollars per machine.

25                   (3) For all coin-activated phonographs or other

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1 coin-activated music producing machines, one hundred fifty  
2 (\$150.00) dollars per machine.

3 (4) For all coin-activated kiddie ride machines,  
4 designed for children under the age of sixteen, twenty-five  
5 (\$25.00) dollars per machine.

6 (b) The tax imposed by this Section shall be the liability  
7 of any owner or lessee, or any officer, manager, or representative of  
8 any owner or lessee, of the amusement device, or any person operating  
9 or managing any business at which such amusement machine is offered  
10 for patronage.

11 Chapter VI. User Fees

12 Section 601. User Fees - In General. The directors of the  
13 principal executive branch departments and independent agencies may by  
14 regulation adopted pursuant to Sections 1 through 6 of Title 17 of the  
15 Trust Territory Code impose user fees upon a person to recover the  
16 administrative costs associated with the delivery of the department's  
17 or agency's ministerial services to that person, unless such regulation  
18 is disapproved within sixty days from the date of its submission to the  
19 Legislature by affirmative vote of either house of the Legislature.

20 Section 602. Utility Rate Fees - In General. The Commonwealth  
21 Utility Rate Commission or its successor may by regulation adopted  
22 pursuant to Sections 1 through 6 of Title 17 of the Trust Territory  
23 Code impose and change the utility rate charges established by Sections  
24 603 and 604 of this Act. Such charges may be established at levels  
25 sufficient to recover the costs associated with the operation and  
26 delivery of public utility services to that person.

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1	Section 603. <u>Electrical Power Charges</u> . There is hereby imposed a
2	basic service charge on consumers of electricity at the following rates:
3	If the Monthly Kilowatt Hour      The Cost of the Total Kilowatt Hours
4	Consumption is:      Consumed is:
5	0 to 800      .05 per kwh
6	801 to 2,000      .06
7	2,001 to 25,000      .07
8	25.001 and over      .08

9 The Commonwealth Utility Rate Commission or its successor may increase  
10 the charges in this schedule by regulation.

11 Section 604. Water Charges. There is hereby imposed a basic  
12 service charge of \$.50 per one thousand gallons or any fraction thereof  
13 on consumers of water.

14 Section 605. Collection. The Director of Finance shall administer  
15 the collection of all utility rate fees.

16 Section 606. Energy Assistance. This Chapter shall not affect  
17 the financial assistance for utility services provided under Public  
18 Law 1-22.

19 Chapter VII. United States Net Income Tax

20 Section 701. Tax Relief. Every person subject to the local  
21 territorial income tax shall be entitled to a rebate of one hundred  
22 percent (100%) of such tax for each taxable year beginning before the  
23 effective date of Sections 601 through 603 of the Covenant, except that  
24 only the amounts of such tax imposed on income derived from sources  
25 within the Commonwealth shall be rebated.

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1       Section 702. Tax on Overpayments. There is imposed on every  
2 person who is subject to the local territorial income tax for any  
3 taxable year beginning before the effective date of Sections 601  
4 through 603 of the Covenant and who has an overpayment arising from any  
5 excessive credit, other than the credit relating to taxes withheld on  
6 wages, a separate, additional tax for such taxable year equal to the  
7 amount of such overpayment.

8       Section 703. Local Territorial Income Tax Returns.

9           (a) Persons filing with the Commonwealth:

10               (1) Any person required to file a return with the  
11 Commonwealth for a taxable year who claims a rebate from the  
12 Commonwealth for such year shall attach to the return in respect  
13 of which such rebate is claimed, its computations relating to  
14 the determination of the amount to be rebated.

15               (2) No person otherwise required to file a return  
16 with the Commonwealth for a taxable year need file such return  
17 if such requirement arises solely by virtue of such person's  
18 status as a citizen or resident of the Commonwealth for such  
19 taxable year and if such person derives no income from sources  
20 without the Commonwealth for such taxable year; PROVIDED,  
21 however, that such person shall be required to file an  
22 informational return in the form and manner to be prescribed  
23 by the Director.

24               (3) If the return filed with the Commonwealth is  
25 accompanied by the computations required by paragraph (1) of

1       this subsection, or if, pursuant to paragraph (2) of this  
2       subsection, no return is required to be filed with the  
3       Commonwealth, then the actual payment of the rebated tax  
4       to the Commonwealth shall not be required.

5               (b) Persons filing with the United States:

6                       (1) Any person required to file a return with the  
7       United States for a taxable year who claims a rebate from the  
8       Commonwealth for such year shall file with the Director, on  
9       or before the date required to file such return with the  
10      United States, the computations specified in paragraph (1)  
11      of subsection (a) of this Section and a copy of the return  
12      required to be filed with the United States for the taxable  
13      year.

14               (c) The Director shall cause the claim for rebate to be  
15      reviewed and audited and, if the rebate is found in order, shall  
16      cause the rebate to be paid to such person within one hundred eighty  
17      (180) days of the payment by the United States into the Treasury of  
18      the Commonwealth of such amount of the taxes paid by such person as  
19      relates to income derived from sources within the Commonwealth.

20               (d) The determination of whether or not a person must file  
21      under this Section with the Commonwealth or with the United States  
22      shall be made in accordance with the provisions of this Act and the  
23      rules and regulations of the United States Internal Revenue Code of  
24      1954 as amended.

25      Section 704. Adjustments. If any change or correction is made

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1 in a person's taxable income by Commonwealth or United States tax  
2 authorities, appropriate adjustments to the corresponding rebate  
3 pursuant to Section 702 or the corresponding tax pursuant to Section  
4 703 will be made under a procedure to be specified in regulations  
5 prescribed under Section 818 of this Act.

6 Chapter VIII. Administrative Provisions

7 Section 801. Legal Tender. The legal tender of the Commonwealth  
8 shall be that of the United States.

9 Section 802. General Fund. There is created a General Fund into  
10 which all revenues raised pursuant to the tax laws and other revenue  
11 laws, and all monies received by the Commonwealth, its departments,  
12 agencies and instrumentalities shall be deposited, unless otherwise  
13 provided by law. The Director may make such disbursements from the  
14 General Fund as may be authorized by appropriation. No money shall be  
15 paid out of the General Fund except on appropriation enacted by law, or  
16 by the operation of subsection (a) of Section 9 of Article III of the  
17 Constitution of the Northern Mariana Islands.

18 Section 803. Distribution of Revenues.

19 (a) Except as provided by this Section, all revenues  
20 raised pursuant to this Act shall be deposited into the General Fund.

21 (b) The Marianas Visitors Bureau shall receive  
22 twenty-five percent of the taxes collected under Section 404(b)  
23 and seventy percent of the taxes collected under Section 502.

24 Section 804. Wage and Salary Taxes.

25 (a) Withholding by the employer. The tax imposed by



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1 Chapter Two of this Act shall be collected by the employer of the  
2 employee, based on a Schedule of Withholdings adopted by the Director,  
3 as and when paid or credited to the employee. Every employer required  
4 to deduct and withhold the tax hereby imposed shall be liable for the  
5 payment and shall pay such tax to the Director. Any employer who  
6 violates any of the provisions of this Section shall be subject to the  
7 penalties prescribed in this Chapter.

8 (b) Employer to file return covering tax on compensation.

9 (1) The employer shall, on or before the last day of  
10 the month following the close of each quarter, to wit: on or before  
11 April 30, July 31, October 31, and January 31, pay the tax withheld,  
12 and make a full, true and correct return showing all wages and  
13 salaries paid by him during the preceding quarter, and showing the  
14 tax due and withheld thereon, which return shall be filed for payment  
15 of the tax and shall include such other information as shall be  
16 required or prescribed by the Director. Withholding returns filed by  
17 employers without remitting to the Director the required amount to be  
18 deducted and withheld shall be accepted by the Director; PROVIDED,  
19 that such returns submitted shall not be considered filed until the  
20 actual remittance of the amount due is paid to the Director. With  
21 respect to salaries and wages paid out of public monies, the Director  
22 at his discretion may prescribe special forms for, and different  
23 procedures and times for, the filing of such returns by employers  
24 paying such compensation, or may, upon such conditions and subject  
25 to such rules as he may prescribe from time to time, waive the filing

1 of any such returns. The Director may require more frequent returns  
2 and payments as he in his discretion feels are advisable, but in no  
3 case shall an employer be required to make returns and payments more  
4 frequently than monthly. The Director, for good cause, may extend the  
5 time for making returns and payments but not beyond the last day of  
6 the first month next succeeding the regular due date thereof.

7 (2) Every employer required to deduct and withhold  
8 any tax on the salaries and wages of any employee shall furnish to  
9 each such employee on or before January 31 of the succeeding year  
10 (or, if his employment is terminated before the close of such calendar  
11 year, on the day on which the last payment of compensation is made) a  
12 written statement, showing the wages or salaries paid by the employer  
13 to such employee during the year, and the amount of the tax deducted  
14 and withheld or paid with respect to such compensation. Such employer  
15 shall include with his final return for the calendar year, or shall  
16 file on or before January 31, a duplicate copy of each such statement  
17 with the Director. Any employer required to furnish such statement  
18 who failed to file on the date prescribed thereof, except with regard  
19 to any extension of time for filing, shall be subject to a five dollar  
20 penalty for each such statement not so filed, in addition to other  
21 penalties prescribed in this Chapter. The Director may grant to any  
22 employer a reasonable extension of time, not in excess of sixty days,  
23 with respect to any statement required by this subsection to be  
24 furnished to any employee or to be filed, and may by regulation provide  
25 for the furnishing or filing of statements at such other times and

1 containing such other information as may be required for the  
2 administration of this Act. The Director shall prescribe the form  
3 of statement required by this subsection.

4 (3) Any employer who violates any of the provisions of  
5 this Section shall be subject to penalties prescribed in this Chapter.

6 (c) Taxes withheld by employer held in trust-Employer's  
7 liability. All taxes withheld by any employer under Chapter II shall  
8 be held in trust by such employer for the Commonwealth and for payment  
9 to the Director in the manner and at the time required by this Act.  
10 If any employer shall fail, neglect, or refuse to deduct and withhold  
11 from the compensation paid to an employee, or to pay over, the amount  
12 of the tax imposed, such employer shall be liable to pay to the  
13 Commonwealth the amount of the tax, which amount shall (whether or  
14 not tax withholdings constituting trust funds have been comingled  
15 with said employer's assets) form a lien on the employer's entire  
16 assets, having priority over all other claims and liens. Any employer  
17 may recover from an employee any amount which he should have withheld  
18 but did not withhold from such employee's wages and salaries, if he  
19 has been required to pay and has paid the amount to the Commonwealth  
20 out of his own funds pursuant to this Section.

21 (d) No cause of action against employer for withholding.  
22 No employee shall have any right of action against his employer with  
23 respect to any monies deducted from such employee's salaries and wages  
24 in compliance or intended compliance with this Act and paid to the  
25 Director.

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1           (e) Individual to file return of earned income. Any  
2 individual who is paid or credited wages or salaries from an employer  
3 who does not have a place of business in the Commonwealth and does  
4 not have an agent within the Commonwealth responsible for making the  
5 returns, withholdings, and payments of taxes on compensation required  
6 by this Act, shall file a return with and pay the tax due under this  
7 Act to the Director. Any individual who is paid or credited wages  
8 from the United States or an instrumentality thereof shall be under  
9 the same duty as an individual who is paid or credited wages or  
10 salaries from an employer who does not have a place of business in  
11 the Commonwealth.

12           (f) The Commonwealth Retirement Board and all other  
13 persons administering trust, annuity, or retirement programs shall  
14 be treated as employers for the purposes of this Section.

15       Section 805. Returns, withholdings, and payment of tax on gross  
16 revenue from business.

17           (a) Every business, on or before the last day of the  
18 month following the close of each quarter, to wit: on or before  
19 April 30, July 31, October 31, January 31, shall pay, based on its  
20 gross revenue of the preceding quarter, the amount of tax imposed by  
21 Chapter III of this Act to the Director. Each business shall, on or  
22 before the date provided for payment of tax under this subsection,  
23 make a full, true, and correct return showing all such gross revenue  
24 received, accrued, or earned, and the amounts deducted and set aside  
25 on account thereof during the preceding quarter, which return shall

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1 be filed with the Director and shall include such other information  
2 as shall be required or prescribed by the Director. The Director,  
3 for good cause, may extend the time for making payments and returns,  
4 but not beyond the last day of the first month succeeding the regular  
5 due date thereof.

6 (b) Every business shall be liable for the payment of the  
7 tax required to be deducted and paid by it to the Commonwealth.

8 (c) Failure to comply with the provisions of this Section  
9 shall be punishable under the penalties prescribed by this Chapter.

10 (d) If any business earns or derives its gross revenue  
11 from business activities or undertakings both within and without the  
12 Commonwealth during the taxable year, then the whole of its gross  
13 revenue shall be presumed to have been derived from sources within  
14 the Commonwealth; PROVIDED, however, that the business may file for  
15 an apportionment of the tax on a form prescribed by the Director and  
16 the tax shall be levied only on that portion which is earned in, or  
17 derived from sources or transactions or parts of transactions within  
18 the Commonwealth.

19 Section 806. Tax forms. The Director shall prescribe the forms  
20 of all returns required to be furnished under the provisions of this  
21 Act or provide for other methods of filing returns and may provide in  
22 such forms for the giving of such information as he may deem necessary  
23 or advisable. All information required by the form of any return must  
24 be included in the return by the person, employer, company, or business  
25 responsible for making the return. No return shall be complete unless

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1 and until it is signed by or for the employer, business or other  
2 person liable to make the return, or by someone authorized to do so  
3 on behalf of such employer, business or other person. Every return  
4 shall be signed by a natural person. The Director may require that,  
5 if any person or persons actually prepare or sign a return for another  
6 employer, business or other person, a form stating such facts and  
7 authorizing such person to sign such return be signed by the person so  
8 preparing or signing the return, and the employer, business or other  
9 person in whose name the return is filed. The Director may by  
10 regulations define the classes of persons to whom this provision shall  
11 apply.

12       Section 807. Transaction to be Recorded - Penalties for Violations.

13 Every person, engaging in any transaction subject to a tax, fee or  
14 charge imposed under this Act shall keep a complete and accurate record  
15 of each transaction and such record shall be available for inspection,  
16 examination and audit by the Director or his delegate at any time for  
17 at least three (3) years after the date of such transaction. Any  
18 person willfully failing to keep or make available for examination such  
19 records, in addition to the sanctions provided in this Chapter, shall be  
20 subject to revocation of any relevant existing license to do business  
21 within the Commonwealth.

22       Section 808. Assessment by Director. Upon the failure of any  
23 person, business, or employer to make and file a return required by  
24 this Act within the time and in the manner and form prescribed, or upon  
25 failure to pay any amount due, the Director may notify such person,

1 business or employer of such failure and demand that a return be made  
2 and filed and the tax paid as required by this Act. If such person,  
3 business or employer upon notice and demand by the Director, fails or  
4 refuses within thirty days after receipt of the notice and demand to  
5 make and file a return and pay the tax required by this Act, the  
6 Director may make a return for such person, business or employer from  
7 any information and records obtainable, and may levy and assess the  
8 appropriate amount of tax. Such assessment shall be presumed to be  
9 correct unless and until it is proved incorrect by the person, business  
10 or employer disputing the amount of the assessment.

11 Section 809. Refunds.

12 (a) If it shall be shown, upon application of an employee,  
13 that there has been withheld from his wages or salaries any tax not  
14 due thereon, or more than the amount of tax due thereon, or that he  
15 has paid from his wages and salaries any tax not due thereon or more  
16 than the amount of tax thereon, or if it is shown upon application of  
17 the business that it has paid an amount not due as tax under this Act  
18 or greater than the tax levied under this Act, then the Director shall  
19 refund the amount found to have been overpaid or otherwise not due and  
20 shall pay such refund out of current collections of the tax. Prior to  
21 granting any refund, the Director shall determine within ninety days  
22 after an application for refund is submitted that:

23 (1) the amount so overpaid or otherwise not due has  
24 been paid to the Commonwealth;

25 (2) the amount of refund claimed has not been used

1 as a credit or deduction against any tax or taxes due and  
2 payable to the Commonwealth from such employee; and

3 (3) application for such refund was filed within  
4 one year after the end of the calendar year in which the  
5 amount to be refunded was withheld or paid.

6 (b) The Director may withhold any refund owing to a  
7 taxpayer under this Act in order to secure the collection of any tax  
8 imposed by this Act or any other monetary obligation owing to the  
9 Government of the Commonwealth or its agencies and instrumentalities.

10 Section 810. Judicial Review.

11 (a) If a decision of the Director is adverse to the  
12 taxpayer, in whole or in part, the taxpayer shall have the right  
13 within one year from the date of such decision to institute an action  
14 for review, irrespective of the amount, in the Commonwealth Trial  
15 Court. Such action shall be commenced by filing a complaint setting  
16 forth assignments of all errors alleged to have been committed by the  
17 Director in his determination of the assessment, the facts relied upon  
18 to sustain such assignments of errors, and a prayer for appropriate  
19 relief. The Director or his successor in office shall be the defendant  
20 in such proceedings.

21 (b) When the decision of the Court or an appeal therefrom  
22 becomes final, the Director shall, upon presentation of a certified  
23 copy of the decree, make such adjustments as are necessary to correct,  
24 amend or abate the assessment, and to determine whether any additional  
25 amount should be assessed.



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1           (c) When the assessment is paid, in whole or in part, after  
2 the filing of the complaint, the Court shall not thereby be deprived  
3 of jurisdiction.

4       Section 811. Tax Liens-Levy of Executive Authorized. All taxes  
5 imposed or authorized under this Act shall be a lien upon any property  
6 of the person or business obligated to pay said taxes and may be  
7 collected by levy upon such property in the manner to be prescribed by  
8 the Director pursuant to Section 818 of this Act.

9       Section 812. Privileged information.

10           (a) Secrecy Required:

11               (1) All reports and returns required by this Act  
12 shall be preserved for three years and thereafter until the  
13 Director orders them to be destroyed.

14               (2) The Director and every employee of the Division  
15 of Revenue and Taxation of the Department of Finance shall  
16 maintain the secrecy of all matters relating to this Act which  
17 come to their knowledge and shall not communicate such matters  
18 to any person except for the purpose of carrying into effect  
19 this Act or any other enactment imposing taxes or duties  
20 payable to the Commonwealth.

21           (b) The Chief and every employee of the Division of  
22 Revenue and Taxation, while in such employment, shall not engage in  
23 the business or profession of tax accounting or accept employment  
24 with compensation, from any person, firm, or corporation for the  
25 purpose, directly or indirectly, of preparing the tax returns  
26 required by the Commonwealth.

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1 Nor shall such person accept any employment for the purpose of  
2 advising or preparing materials or data, or the auditing of books or  
3 records to be used as an effort to defeat or cancel any tax or part  
4 thereof that has been assessed by the Commonwealth.

5 (c) No employee of the Division of Revenue and Taxation  
6 shall be required to produce in any court any matter or thing relating  
7 to the taxes imposed by this Act coming under his notice in the  
8 performance of his duties as an employee of the Division of Revenue  
9 and Taxation except when it is necessary to do so for the purpose of  
10 carrying into effect any provision of this Act or any other enactment  
11 imposing duties or taxes payable to the Commonwealth.

12 (d) Statistical or other general information as to the  
13 amounts of income or particulars set forth or disclosed in reports or  
14 returns required under this Act may, upon request of a committee  
15 appointed by the Legislature, be furnished to the committee.

16 (e) The Attorney General or his delegate may inspect the  
17 report or return and all relevant records of any taxpayer who brings  
18 an action to set aside or review the tax based thereon, or against  
19 whom an action or proceeding has been instituted to recover any tax  
20 or any penalty imposed by this Act.

21 (f) Nothing herein shall prohibit the Director or his  
22 delegate from compiling and publishing statistics or information  
23 generally on the returns filed so long as there is no reference to a  
24 particular return and the statistics and the information do not in  
25 effect divulge the contents of any one return. The Director shall

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1 annually disclose to the public the numbers of all persons who pay  
2 taxes at the rates set forth in Sections 201(f), (g), and (h), 301,  
3 302, 303, and 304, 502, and other Sections as the Director may by  
4 regulation prescribe.

5 (g) Any violation of this Section shall be a misdemeanor  
6 and shall be punishable by a fine of not more than \$500 or imprisonment  
7 for not more than six months, or both.

8 Section 813. Civil Action of Enforcement. Any taxes imposed or  
9 authorized under this Act may also be collected by a civil suit brought  
10 by the Attorney General either in the name of the Commonwealth or in  
11 the name of the Director. In such civil suit a written statement by the  
12 Director or his delegate as to the amount of tax due, the fact that it  
13 is unpaid, and who is authorized to collect it, shall be sufficient  
14 evidence of these matters unless it is expressly shown to the contrary.

15 Section 814. Penalties for Willful Violations.

16 (a) Willful failure to collect or pay over tax. Any  
17 person, required under this Act to collect, account for, and pay over  
18 any tax imposed by this Act, who willfully fails to collect or  
19 truthfully account for and pay over such tax shall, in addition to  
20 other penalties provided by law, be guilty of a felony and, upon  
21 conviction thereof, shall be fined not more than Ten Thousand Dollars  
22 (\$10,000.00), or imprisoned not more than two (2) years, or both,  
23 together with the cost of prosecution. Evidence of personal use of  
24 any such tax so collected by the person charged with collection,  
25 either in his business or otherwise, shall constitute prima facie

1 evidence for willful failure to truthfully account for and pay over  
2 such tax in violation of this Act.

3 (b) Any person who shall willfully fail or refuse to make  
4 or retain any record or return required by this Act or shall make any  
5 false or fraudulent return with intent to evade any tax, or shall  
6 refuse to permit the Director to examine any books, paper, record or  
7 memorandum bearing, directly or indirectly, on the transactions subject  
8 to tax hereunder, shall be guilty of a misdemeanor punishable by a fine  
9 of not more than One Thousand Dollars (\$1,000) or imprisonment for not  
10 more than one (1) year, or both.

11 (c) In addition to the foregoing penalties, any person who  
12 knowingly shall swear to or verify under oath any false or fraudulent  
13 statement with intent to evade any tax imposed by this Chapter, shall  
14 be guilty of perjury and, on conviction thereof, shall be guilty of a  
15 felony, punishable by a fine of not more than Ten Thousand Dollars  
16 (\$10,000) or imprisonment for not more than two (2) years, or both.

17 Section 815. Monthly Penalty Upon Taxes. In case of failure to  
18 pay any tax levied or imposed under this Act when due, there shall be  
19 added to the amount due, ten percent (10%) of the amount of such tax if  
20 the period of nonpayment is not more than one month, with an additional  
21 ten percent (10%) for each additional month or fraction thereof during  
22 which nonpayment continues, not exceeding one hundred percent (100%) in  
23 the aggregate.

24 Section 816. Failure to File Return on Time. Except as may be  
25 permitted by the Director if any employer or taxpayer fails to make and

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1 file a return required under this Act on or before the date set, unless  
2 prior to that date such taxpayer applied for and received an extension  
3 for reasonable cause, one percent (1%) of the tax shall be added for  
4 each thirty (30) days or fraction thereof elapsing between the due date  
5 of the return and the date on which it is actually filed; PROVIDED,  
6 however, that the minimum penalty under this Section shall be five  
7 dollars.

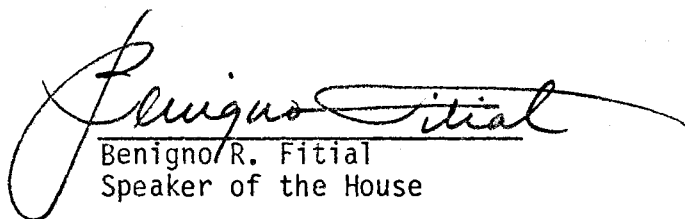
8 Section 817. Interest. In addition to the penalty imposed by  
9 Section 815 of this Act, interest of fifteen percent (15%) per annum  
10 shall be imposed on all unpaid taxes, penalties, fees and charges  
11 imposed by this Act.

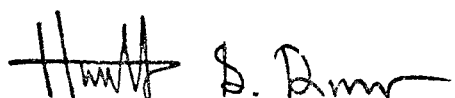
12 Section 818. Rules and Regulations. The Director upon approval  
13 of the Governor shall have broad authority to prescribe all necessary  
14 rules and regulations not in conflict with this Act for the assessment  
15 and collection of taxes, penalties, fees and charges and for the proper  
16 administration of this Act.

17 Section 819. Severability. If any provision of this Act or any  
18 rule, regulation, or order promulgated hereunder, or the application  
19 of any such provision, rule, regulation or order to any person or  
20 circumstances shall be held invalid, by a court of competent  
21 jurisdiction, the remainder of this Act or any rules, regulations  
22 or order promulgated pursuant thereto or the application of such  
23 provisions, regulations, rules or orders to persons or circumstances  
24 other than those to which it is held invalid, shall not be affected  
25 thereby.

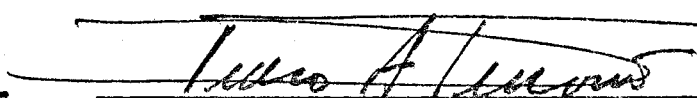
1       Section 820. Effective Date. This Act shall take effect on  
2   June 1, 1982; PROVIDED,  
3       (a) Section 303 shall be effective on October 1, 1982;  
4       (b) Section 501 shall be effective on July 1, 1982; and  
5       (c) The ten percent (10%) occupancy tax of Section 502(a)  
6   shall remain at seven percent (7%) until October 1, 1982.  
7       Section 821. Termination Date. Chapters Two and Three of this  
8   Act shall terminate upon midnight, December 31, 1982; PROVIDED, that  
9   the Commonwealth has adopted a local income tax and sales tax system  
10   for individuals and businesses by that date.

ATTEST:

  
Benigno R. Fitial  
Speaker of the House

  
Herbert S. Del Rosario  
Chief Clerk

MAY 27, 1982

  
FOR Pedro P. Tenorio  
Governor  
Commonwealth of the Northern Mariana Islands