

**AN ACT**

To protect the fiscal integrity of the Commonwealth government by repealing sunset provisions in the tax laws of the Commonwealth, eliminating the Earned Income Credit, to lifting the cap on the number of poker and pachinko slot machines in the Third Senatorial District and increasing such machines' license fees; and for other purposes.

**BE IT ENACTED BY THE ELEVENTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:**

Section 1. Short Title. This Act may be cited as the Fiscal Integrity Act of 1998.

Section 2. Findings. The Legislature finds that 4 CMC § 1402(a), as enacted by Public Law 9-22, was amended by Public Law 9-57. The Legislature further finds that this statute is in need of further amendment to help alleviate the financial crisis facing the Commonwealth government, by eliminating sunset provisions that would reduce tax revenues. Likewise, the excess credit tax on the Earned Income Credit under the Northern Marianas Territorial Income Tax (NMTIT), which was partially eliminated by Public Law 9-22, must be reinstated. The Commonwealth can no longer afford to pay this credit. In addition, the Commonwealth's implementation of the Earned Income Credit in a manner that diverges from that of the U.S. Internal Revenue Code exposes the CNMI government to potential liability in the tens of millions of dollars. Re imposition of the excess tax credit on the Earned Income Credit will eliminate this risk to the Commonwealth and CNMI taxpayers.

The Legislature also finds and declares that the amendment to 4 CMC § 1402(a) made by Public Law 9-57 had the effect of extending the sunset date for 4 CMC § 1402(a)(16), as amended, until October 6, 1998.

The Legislature also finds that the ceiling on the number of poker and pachinko slot machine licenses is a deterrent to economic growth in the Commonwealth and should be lifted. Accordingly, the ceiling on poker and pachinko slot machines is repealed and license fees for such machines are increased. Each Senatorial District is authorized to adopt additional license fees which shall be available for local appropriation.

Section 3. Cigarette Excise Tax Prospective Decrease Repealed. 4 CMC § 1402(a)(16) is hereby amended to read:

“(16) Cigarettes, fifty (50) cents per every twenty (20) cigarettes or fractional equivalent thereof;”

Section 4. Liquid Fuel Tax Prospective Decrease Repealed. 4 CMC § 1403(a) is hereby amended to read:

“(a) Liquid Fuel Tax. Except as provided in subsection (b) and (c), for the privilege of first selling or distributing fuel in the Commonwealth, there is imposed an excise tax at the rate of fifteen (15) cents per gallon.”

Section 5. Alcoholic Beverage Tax: Prospective Decrease Repealed. 4 CMC § 1501(a) is hereby amended to read as follows:

“(a) There is imposed upon any person doing business in any establishment located in the Commonwealth which is licensed to serve alcoholic beverages for consumption on the premises of the establishment, a tax in the amount of ten percent (10%) of the total charge for any alcoholic beverage sold or consumed at the establishment. ‘Alcoholic beverage’ means any beverage containing alcohol.”

Section 6. Tax on Overpayment. 4 CMC § 1709 is hereby amended to read:

“§ 1709. Tax on Overpayments. There is imposed on every person who is subject to the NMTIT and who has an overpayment arising from any excessive credit, other than a credit relating to taxes withheld at the source, such as wages, and the credit relating to estimated taxes paid in excess of the actual tax liability of the taxpayer, a separate, additional tax for such taxable year equal to the amount of such overpayment.”

Section 7. Poker Machine License Fees. 4 CMC § 1503(a)(2) is hereby amended to read:

“(2) For amusement machines whose major element is chance which provides a reward or prize of value or for poker machines or similar amusement machines, the fee is \$6,000 per machine. For a period of three years from the date of commencement of casino operations pursuant to a Tinian Gaming Control Commission (TGCC) license, this fee shall be waived for machines operated within the casino premises which is the subject of a TGCC license. Beginning January 1, 1999, any and all video card or

gambling games placed in any game room shall be assessed with the same fees found in 4 CMC § 1503(a)(2)”

Section 8. Pachinko License Fees. 4 CMC § 1503(a)(5) is hereby amended to read:

“(5) The term ‘pachinko slot machine’ used in this chapter refers to the slot machine whose outer structure has three reels with symbols to be matched by pressing three buttons to stop the rotation of the spinning reels. It is a machine that requires a degree of skill in order for the winner to win a prize. For pachinko slot machines or similar amusement machines, the annual license fee shall be \$6,000 per machine.”

Section 9. License Term. 4 CMC § 1503(c) is hereby amended to read:

“(c) License fees shall be paid in full prior to the issuance of a license. Upon payment of the required fee, each license shall be for a period of one year from the date of issuance.”

Section 10. Additional Licenses Fees Authorized. 4 CMC § 1503 is hereby amended by adding new subsection (e) to read as follows:

“(e) Each Senatorial district may, pursuant to 1 CMC § 1402(c)(5), establish additional license fees for poker machines licensed under 4 CMC § 1503(a)(2) and pachinko slot machines licensed under 4 CMC § 1503(a)(5). Any additional fees shall be available for local appropriation under 1 CMC Division 1, Chapter 4.”

Section 11. Poker Machine Ceiling. 4 CMC § 1504 (d) is hereby repealed and reenacted as follows:

“(d) There shall be no ceiling or restriction on the number of poker machine licenses issued in and for the Third Senatorial District and the number of poker machine licenses issued in and for the First and Second Senatorial District may be increased as determined by the respective legislative delegation. Any additional fees and machines issued and imposed upon the effective date of this act, the Secretary of Finance shall reserve such fees and will be subject for appropriation by the respective legislative delegation pursuant to the authority set forth in ¶ 1503(e) and 1 CMC §§ 1403 and 1405.

Section 12. Pachinko Slot Machine Ceiling. 4 CMC § 1504 (f) is hereby amended to read:

“(f) The total number of licenses to be issued under 4 CMC § 1503(a)(5) shall not exceed 200 each for the First and Second Senatorial Districts. There shall be no

limitation on the number of such licenses issued for the Third Senatorial District. The number of pachinko slot machine licenses issued in and for the First and Second Senatorial District may be increased as determined by the respective legislative delegation.”

Section 13. Reservation of Poker License Revenues Redistributed. 4 CMC § 1508(b) is hereby amended to read:

“(b) The Secretary of Finance shall reserve 50 percent of all revenues raised from the licensing of amusement machines under 4 CMC § 1503(a)(2) and 50 percent under 4 CMC § 1503(a)(5) for the Northern Mariana Islands Retirement Fund and shall promptly deposit such revenues with the Retirement Fund without further appropriation.”

Section 14. Reservation of Poker License Revenues Redistributed. 4 CMC § 1508 is hereby amended to insert a subsection (d) to read:

“(d) The Secretary of Finance shall deposit 40 percent of all revenues raised from the licensing of amusement machines under 4 CMC § 1503(a)(2) into the General Fund.”

Section 15. Applicability. With respect to Section 8 of this Act, any pachinko slot machine licensed before the effective date of this Act, the fees established in Section 8 shall not apply until January 1, 1999.

Section 16. Local Revenue Bills; Poker and Pachinko Slot Machine License Fees. 1 CMC § 1402(c) by is hereby amended to insert a new subsection (5) to read as follows:

“(5) Poker machine and pachinko slot machine license fees pursuant to 4 CMC § 1503(e) and 1504(d).”

Section 17. 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 18. 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 19. Effective Date. This Act shall take effect upon its approval by the Governor or upon its becoming law without such approval.

**CERTIFIED BY:**

/s/ Diego T. Benavente  
**DIEGO T. BENAVENTE**  
**Speaker**  
House of Representatives

**ATTESTED BY:**

/s/ Evelyn C. Fleming  
**EVELYN C. FLEMING**  
House Clerk

Approved this 10<sup>th</sup> day of August, 1998

/s/ Pedro P. Tenorio  
**PEDRO P. TENORIO**  
**Governor**  
Commonwealth of the Northern Mariana Islands