



# HOUSE OF REPRESENTATIVES

TWENTY-SECOND LEGISLATURE

COMMONWEALTH OF THE NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

P.O. BOX 500586 SAIPAN, MP 96950

**DONALD M. MANGLONA**  
CHAIRPERSON  
WAYS AND MEANS COMMITTEE

*Asptd - 7/6/2021*  
STANDING COMMITTEE REPORT NO. 22-20

DATE: July 2, 2021

RE: House Bill No. 22-27

The Honorable Edmund S. Villagomez  
Speaker of the House of Representatives  
Twenty-Second Northern Marianas  
Commonwealth Legislature  
Capitol Hill  
Saipan, MP 96950

Dear Mr. Speaker:

Your Committee on Ways and Means to which House Bill No. 22-27 was referred, entitled:

“To amend 4 CMC §1407 (b) to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants; and for other purposes.”

begs leave to report as follows:

## I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. No. 22-27 be passed by the House in the form of House Draft 1.

HOUSE CLERK'S OFC  
RECEIVED BY *[Signature]*  
DATE *7/2/2021* TIME *2:11pm*

## II. ANALYSIS:

### A. Purpose:

The purpose of this Act is to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants.

### B. Committee Amendment:

The Committee made the following amendment to strengthen the intent of House Bill No. 22-27.

- Page 3
  - Line 9, Inserted the following:

“All funds collected under subsection (b) of this section shall be deposited into a separate revolving, non-lapsing account titled, the “Customs and Quarantine Inspection and Clearance Revolving Fund,” established by the Secretary of Finance with the Director of Customs as the expenditure authority”.

### C. Committee Findings:

Your Committee finds that House Bill No. 21-104, HS1, SD1, CCS1 entitled, “To reduce the thirty-day period within which to pay the excise tax in respect to dutiable goods requiring Customs inspection and clearance to be paid upon clearing Customs became Public Law No. 21-42 and codified under 4 CMC, §1407 (a) and (b). The findings stated that the current law allows taxpayers to pay the excise tax within 30 days after entry of the goods subject to the tax. The bill would require taxpayers to pay the excise tax upon clearing Customs. By requiring payment of the excise tax to be paid upon clearing customs, the credit risk associated with the nonpayment of the excise tax will be minimized. The members of the House and Senate in collaboration with the Division of Customs worked collaboratively to see this legislation become law.

Your Committee further finds that PL 21-42, enacted on February 5, 2021, gave the Division of Customs the authority to grant minimum deferred payment grace periods of thirty days and fifteen days, respectively, for post-clearance payments for qualified low-risk importers. The Division of Customs has had time to implement and has conducted a series of stakeholder meetings to ensure that all businesses were aware of the requirements of excise tax payment upon clearance. The Division supports the removal of the 15-day grace period for the following reasons:

- 1). Customs recommends that we maintain a standard grace period of 30-days rather than offering a 15-day grace period and a 30-day grace period.
- 2). Customs ability to track and monitor penalty and interest on importers that do not pay their tax may be challenging in the long term.
- 3). Majority of the low-risk importers pay their excise taxes prior to the 30-day grace period.

In addition, your Committee finds that this Act will also provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants. Since the enactment of PL21-42, the Division has seen an increase in low-risk importers applying or have applied to the Division of Customs to avail to the grace period. In light of this finding, your committee finds that it would be extremely beneficial to provide the Division of Customs with the authority to assess fees for such applications. The funds collected under subsection (b) of this Act shall be deposited into a separate revolving, non-lapsing account titled, the "Customs and Quarantine Inspection and Clearance Revolving Fund," established by the Secretary of Finance with the Director of Customs as the expenditure authority. These funds will help cover the administrative cost and others expenses associated with the implementation of this Act.

Your Committee agrees with the intent and purpose of this Act, therefore, recommends that the House pass House Bill No. 22-27 in the form of House Draft 1.

C. Public Comments/Public Hearing:

Comments were received from the following:

- 1) Mr. James C. Deleon Guerrero, Acting Director, Division of Customs

"For the reasons stated above, Customs is in support of the amendment as proposed."

Director Jose C. Mafnas testified before the Committee on Ways and Means, along with his management team, on June 9, 2021 in support of HB22-27 with recommended amendments.



On July 1, 2021, Director Jose C. Mafnas, along with Robert Reyes testified before the Committee on Ways and Means in support of HB22-27 and recommended that the Committee pass the bill in the form of House Draft 1 to include an amendment offered by Rep. Christina Sablan to create a revolving fund and to deposit all funds collected under subsection (b) of this Act with the Director of Customs as the expenditure authority. The Director ensured the Committee that the funds will be used to cover the administrative cost of implementing this Act and will be shared between Saipan, Tinian and Rota.

2) Mr. David DLG. Atalig, Secretary, Department of Finance

“Through this consultation, it was determined that with a 30-day grace period, the majority of the low-risk importers are able to comply and pay their excise tax on time. However, the current provision allowing for options between a 15-day grace period and 30-day grace period has created an additional layer of assessment process that has the strong potential to be complicated and time consuming.”

3) Mr. Joe C. Guerrero, President, Saipan Chamber of Commerce Board of Directors

“The SCC opposes HB22-27 as is but believes in supporting the Division of Customs in its implementation of PL21-42 by amending HB22-27 in the following:

-HB 22-27 authorizes the Director of Customs to promulgate rules and establish fees for application for low-risk importers. SCC believes HB22-27 should include a cap “not to exceed \$50 per applicant per year” in the statute.”

Comments received have been attached as part of this committee report.

D. Legislative History:

House Bill No. 22-27 was introduced by Representative John Paul P. Sablan on March 16, 2021 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.

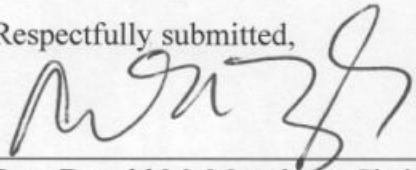
E. Cost Benefit:

The enactment of House Bill No. 22-27, HD1 will result in additional cost to the CNMI Government in the form of administrative costs and other resources needed to effectively carry out the intent of the proposed legislation. However, the proposed legislation provides the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants that shall be deposited into a separate revolving, non-lapsing account with the Director of Customs as the expenditure authority.

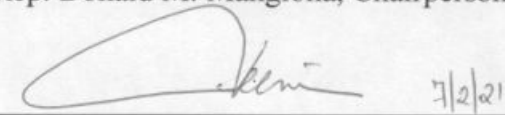
**III. CONCLUSION:**

The Committee is in accord with the intent and purpose of H. B. No. 22-27, and recommends its passage in the form of House Draft 1.

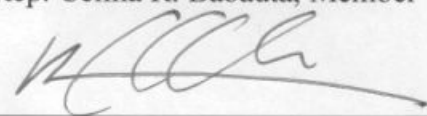
Respectfully submitted,



Rep. Donald M. Manglona, Chairperson



Rep. Celina R. Babauta, Member



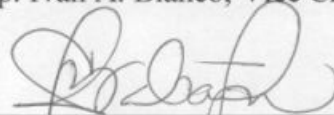
Rep. Vicente C. Camacho, Member

Rep. Edwin K. Propst, Member

Rep. Patrick H. San Nicolas, Member

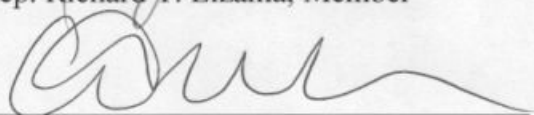
Rep. Denita K. Yangetmai, Member

Rep. Ivan A. Blanco, Vice Chair



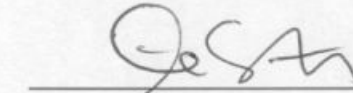
Rep. Sheila J. Babauta, Member

Rep. Richard T. Lizama, Member

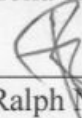


Rep. Christina M.E. Sablan, Member

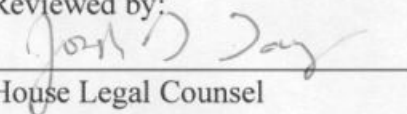
Rep. Leila H.F.C. Staffler, Member



Rep. Ralph N. Yumul, Member



Reviewed by:



House Legal Counsel

Attachment: Comments dated April 22, 2021: James C. Deleon Guerrero, Acting Director,  
Division of Customs  
Comments dated April 28, 2021: David DLG. Atalig, Secretary, Department of  
Finance  
Comments dated May 12, 2021: Joe C. Guerrero, President, Saipan Chamber of  
Commerce Board of Directors



## DIVISION OF CUSTOMS SERVICE

Department of Finance

P O Box 5234 CHRBSAIPAN, MP 96950

TEL: 670.664.1610 FAX: 670.664.1615 EMAIL: [cnmicustoms@dof.gov.mp](mailto:cnmicustoms@dof.gov.mp)



April 22, 2021  
CSL21-017

Representative Donald Manglona  
Chairman, Committee on Ways & Means  
CNMI 22<sup>nd</sup> Legislature  
P O Box 500586  
Saipan, MP 96950

RE: Comments H.B. 22-27 to amend 4 CMC §1407(b)

Dear Mr. Chairman:

Thank you for the opportunity to comment on House Bill No. 22-27 to amend 4 CMC §1407(b) to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for the low-risk importer applicants.

With the passage of PL 21-42, Customs has conducted a series of stakeholder meetings to ensure that all businesses are aware of the requirement of excise tax payment upon clearance. We are writing today to support the amendments of 4 CMC §1407(b) to remove the 15-day grace period for these reasons:

- Customs recommends that we maintain a standard grace period of 30-days rather than offering a 15-day grace period and a 30-day grace period.
- Customs ability to track and monitor penalty and interest on importers that do not pay their excise tax may be challenging in the long term.
- Majority of the low-risk importers pay their excise taxes prior to the 30-day grace period.

For the reasons stated above, Customs is in support of the amendment as proposed. Should you need additional information from our office, please call us at 664-1610 or email [cnmicustoms@dof.gov.mp](mailto:cnmicustoms@dof.gov.mp).

Sincerely,

James C. DeLeon Guerrero  
Acting-Director





Office of the Secretary  
Department of Finance



P. O. Box 5234 CHRB SAIPAN, MP 96950

TEL.: (670) 664-1100 FAX: (670) 664-1115

April 28, 2021

SFL 2021-112

Hon. Donald Manglona  
Chairman  
Committee on Ways & Means  
22nd Commonwealth Legislature  
P.O. Box 500586, Saipan, MP 96950  
Tel: 1-(670) 664-8950

**Subject:** Commonwealth of the Northern Mariana Islands (CNMI) Department of Finance Comments and Recommendations on House Bill 22-27, "To amend 4 CMC § 1407(b) to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants; and for other purposes."

Dear Chairman Manglona:

The Department of Finance, Office of the Secretary is pleased to provide you with our comments and recommendations on House Bill 22-27, to amend 4 CMC § 1407(b) to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants; and for other purpose.

In an effort to provide our comments and recommendation on this important legislation, the Department of Finance, Office of the Secretary consulted with the management of Division of Customs Service to evaluate the administrative and accounting requirements the Division of Customs Service will have to comply with in the implementation of HB 22-27 should it become law.

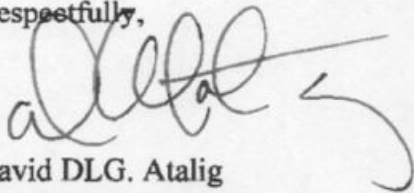
Through this consultation, it was determined that with a 30-day grace period, the majority of the low-risk importers are able to comply and pay their excise tax on time. However, the current provision allowing for options between a 15-day grace period and 30-day grace period has created an additional layer of assessment process that has the strong potential to be complicated and time consuming.



Further, the provision for the Division of Customs authority to promulgate and establish an application fee for low-risk importer applicants is a necessary control to assure the program is not overwhelmed with applications, thereby requiring the Division to dedicate additional resources and time to process the applications.

On behalf of the CNMI Department of Finance, I thank you for the opportunity to provide these comments and recommendations. If you have any questions or need additional information regarding this letter, please do not hesitate to contact me at (670) 664-1100 or via email at david.atalig@dof.gov.mp.

Respectfully,

A handwritten signature in black ink, appearing to read 'Atalig', with a long horizontal stroke extending to the right and a small arrow-like flourish at the end.

David DLG. Atalig  
*Secretary of Finance*



# SAIPAN CHAMBER OF COMMERCE

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May 12, 2021

**2021  
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Chair Donald Manglona  
House Ways & Means  
22<sup>nd</sup> Commonwealth of the Northern Marianas Legislature  
P.O. Box 500586  
Saipan, MP 96950

Dear Chair Manglona,

The Saipan Chamber of Commerce (SCC) Board of Directors respectfully submits our position on the following bill:

**HB22-27 EXCISE TAX AMENDMENT To remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants Source amendment: 4 CMC § 4407(b)**

**The SCC opposes HB 22-27 as is but believes in supporting the Division of Customs in its implementation of PL 21-42 by amending HB 22-27 in the following way:**

- HB 22-27 authorizes the Director of Customs to promulgate rules and establish fees for application for low-risk importers. SCC believes HB 22-27 should include a cap “not to exceed \$50 per applicant per year” in the statute.

SCC notes that this fee should specifically go towards processing paperwork and not be a taxation on businesses offsetting increased cost to operate. Additionally, SCC asks that the CNMI Legislature ensure proper funding for increased staffing needs caused by PL 21-42, as there are concerns, specifically at the post office, on the timeliness of wait times to pay excise taxes on arrival.

Thank you for considering our comments. We appreciate the opportunity to give our opinions on how this bill may affect our business community.

Regards,

Joe C. Guerrero  
President, SCC Board of Directors

**CC: Representative Ivan Blanco**

**TWENTY-SECOND NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**MARCH 16, 2021**

**First Regular Session, 2021**

**H. B. 22-27, HD1**

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**A BILL FOR AN ACT**

To amend 4 CMC §1407(b) to remove the 15-day grace period and to provide the Division of Customs with the authority to promulgate and establish application fees for low-risk importer applicants; and for other purposes.

**BE IT ENACTED BY THE 22<sup>ND</sup> NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:**

1           **Section 1. Findings and Purpose.** The Legislature finds that prior to the  
2 enactment of Public Law 21-42, excise tax payments were allowed to be made  
3 within thirty days upon clearance from the customs inspection. However, pursuant  
4 to Public Law 21-42, the Division of Customs was given the authority to grant  
5 minimum deferred payment grace periods of thirty days and fifteen days,  
6 respectively, for post-clearance payments for qualified low-risk importers.  
7 Cognizant of the potential to qualify as a “low-risk importer”, many importers are  
8 applying or have applied to the Division of Customs hoping that they will be able  
9 to avail of such grace periods. Pursuant to such high demand, the Legislature finds  
10 that it would be extremely pertinent to provide the Division of Customs with the  
11 authority to assess fees for such applications. The funds realized and generated from  
12 such fees can be used to stimulate the CNMI’s economy and provide financial

1 cushion to our ailing situation. Furthermore, the Legislature finds that it would be  
2 appropriate to remove the “fifteen-day” grace period to provide for these qualified  
3 low-risk importers with ample time to pay the excise taxes that are due while giving  
4 them an opportunity to conduct their operations in an orderly manner.

5 Therefore, the purpose of this Act is to remove the 15-day grace period and  
6 to provide the Division of Customs with the authority to promulgate and establish  
7 application fees for low-risk importer applicants and for other purposes.

8 **Section 2. Amendment.** 4 CMC §1407(b) is hereby amended to read as  
9 follows:

10 “(b) Customs Inspection and Clearance Required. In the case of  
11 those goods, commodities, resources, or merchandise whose first sale or use  
12 in the Commonwealth requires customs inspection and clearance, payment  
13 shall be made upon clearing customs. Such goods, commodities, resources,  
14 or merchandise may be released prior to the payment of excise tax and upon  
15 the submission of the bill of lading and/or manifest or invoice or any other  
16 form prescribed by the secretary. Where the actual amount of tax cannot be  
17 determined upon clearing Customs, an estimated tax shall be paid, subject  
18 to later adjustment. For good cause, the Director of Customs or his/her  
19 designee ~~in the First, Second and Third Senatorial Districts,~~ shall allow the  
20 excise tax to be paid after clearance. Prior to the implementation of this  
21 section, the Division of Customs shall promulgate regulations, to include