



The Senate
NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. BOX 500129
SAIPAN, MP 96950

STANDING COMMITTEE REPORT NO. 23-60
Date: October 2, 2023
RE: House Bill No. 23-35, HS1

Honorable Edith E. DeLeon Guerrero
President of the Senate
Twenty-Third Northern Marianas
Commonwealth Legislature
Saipan, MP 96950

Dear Madam President:

Your Committee on Fiscal Affairs, to which was referred House Bill No. 23-35, HS1, entitled:

“To enact a provision to provide tax incentives for employers who hire individuals with special needs”,

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion and deliberation, your Committee recommends the passage of the proposed legislation in the form of House Bill No. 23-35, HS1, Senate Substitute 1.

II. ANALYSIS:

A) Purpose:

The purpose of House Bill No. 23-35, HS1 is to provide tax incentives for employers who hire individuals with special needs through the enactment of a new statutory provision.

B) Committee Findings:

Your Committee finds that in 1990 the Americans with Disabilities Act was enacted to protect individuals with disabilities from discrimination in areas of state services, public accommodations including commercial facilities, and employment by private and public employers. Through this Act, many individuals with disabilities have been provided an equal opportunity to employment and accessibility to confidently contribute as a member of their community.

Your Committee further finds that House Bill No. 23-35, House Substitute 1 seeks to enact the Long-Term Disability Employment Tax Credit within the Commonwealth of the Northern Mariana Islands. If enacted, an employer may be eligible for a non-refundable tax credit of 40% of the wages paid against the tax imposed on total gross revenue, pursuant to 4 CMC §§ 1301-1311, for the hiring of individuals with disabilities, as defined by the American with Disabilities Act of 1990, as amended under 42 U.S.C. § 12101 *et seq.* Additionally, qualification for the tax credit requires continuous employment of nine months, whether part-time or full-time. Upon enactment, the tax credit shall be capped at \$4,000 for the tax year claimed and shall be subject to an increase of \$1,000 for each subsequent tax year, not to exceed \$10,000.

Your Committee met on October 2, 2023, to formally discuss the proposed legislation and review the comments submitted to the Committee. Your Committee unanimously supports the intent of the proposed legislation. However, upon further review and deliberation with Ms. Pamela Sablan, Executive Director of the CNMI Council on Developmental Disabilities, your Committee agreed to make several amendments: (1) to clarify that the implementation of the tax credit shall be capped per employer for the tax year claimed; (2) provide the Department of Labor with the sole responsibility to vet qualified employers; and (3) insert a provision for the promulgation of regulations to carry out the intent of the proposed legislation.

During the meeting, no member objected to the passage of the proposed legislation, as amended. It is for these reasons that your Committee recommends the passage of the proposed legislation in the form of House Bill No. 23-35, HSI, Senate Substitute 1.

C) Legislative History:

House Bill No. 23-35 was formally introduced by Representative Thomas DLC. Manglona on March 31, 2023, and was subsequently referred to the House Standing Committee on Ways and Means for disposition. The House Standing Committee on Ways and Means adopted Standing Committee Report No. 23-22 recommending the passage of the proposed legislation in the form of House Bill No. 23-35, House Substitute 1. On June 20, 2023, House Bill No. 23-35, HSI was passed by the House of Representatives during its First Day, Third Special Session. House Bill No. 23-35, HSI was transmitted to the Senate on June 21, 2023, and subsequently referred to the Senate Standing Committee on Fiscal Affairs for disposition.

During the Twenty-Second Northern Marianas Commonwealth Legislature, a similar legislation, House Bill No. 22-114 was formally introduced by Representative Leila H.F.C Staffler and Representative Christina M.E. Sablan on August 29, 2022, and was referred to the House Standing Committee on Ways and Means for disposition. No further action was taken.

D) Public Hearing and Comment:

1. Public Hearing. No public hearing was scheduled for House Bill No. 23-35, House Substitute 1. However, a Committee Meeting, which is open to the public, was held on October 2, 2023, and continued the following day. See below for further details.
2. Committee Meeting. The proposed legislation made its first appearance during the scheduled committee meeting convened on October 2, 2023. The Committee Meeting notices and agenda, as amended, were officially posted on September 27, 2023, on various legislative forums and social media sites to invite members of the general public to provide comments as indicated under *Item No. III. Public Comments* of the Committee Agenda. During the Committee Meeting, public comments were provided in support of the proposed legislation by the following:
 - a. Pamela Sablan, Executive Director, CNMI Council on Developmental Disabilities
 - b. Hannah Igisaia, Member, Voices of the CNMI Saipan Chapter
 - c. Eileen Babauta, Director, CNMI University Center for Excellence in Developmental Disabilities
 - d. Doris Ann Taitingfong, Vice President, Voices of the CNMI Saipan Chapter
 - e. Leila Staffler, Secretary, Department of Labor- written testimony read by Pamela Sablan

The following comment neither supports nor opposes the bill, but respects the action made by the legislature:

- a. Jim Rayphand, Director, Office of Vocational Rehabilitation, testimony read by Carla Sablan, Program Coordinator, CNMI University Center for Excellence in Developmental Disabilities
3. Written Comment. Your Committee requested comments with a deadline to respond by August 31, 2023. To date, the status of comments received from the forgoing government/private entities are as follows:
 - a. Office of the Attorney General, not received.
 - b. Saipan Chamber of Commerce, not received.
 - c. *Leila Staffler, Secretary, Department of Labor, letter dated October 2, 2023*

E) Estimated Fiscal Cost:

The enactment of House Bill No. 23-35, HS1, Senate Substitute 1, may affect the actual revenue collections of the Commonwealth should eligible employers seek to avail of this proposed tax incentive. Additional costs may be required for the purposes of public outreach, training, and possible renovations to comply with ADA standards to existing public infrastructure. However, your Committee strongly supports the intent of the proposed legislation to provide opportunities for individuals with disabilities to fulfill their desire to serve the community that supports them.

F) Summary of Committee Amendments:

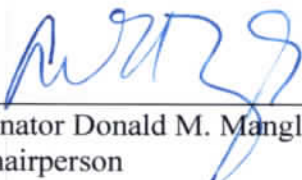
Your Committee agreed to the proposed amendments, as follows:

1. Section 2. Enactment. § xxx. Long-Term Disability Employment Tax Credit (a) and (b). Clarified language provisions pertaining to the implementation of a non-refundable tax credit that would be applied against the tax imposed on the employer's total gross revenue and ensuring that the tax credit is capped per employer per tax year for all eligible employees of the employer.
2. Section 2. Enactment. § xxx. Long-Term Disability Employment Tax Credit (d). Deleted language requiring the Secretary of the Department of Labor to collaborate with the Division of Revenue and Taxation. Therefore, providing the Department of Labor the responsibility to certify qualified employers to avail of the tax credit.
3. New Section 3. Regulations. Inserted language to allow the Department of Labor and Department of Finance to promulgate regulations to properly implement the intent of the proposed legislation within six months of the Act becoming law. Succeeding provisions were renumbered accordingly.

III. CONCLUSION:

Your Committee agrees with the intent and purpose of the proposed legislation and recommends passage in the form of House Bill No. 23-35, HS1, Senate Substitute 1.

Respectfully submitted,



Senator Donald M. Manglona
Chairperson

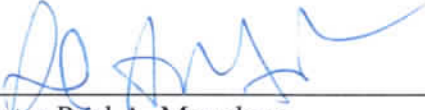


Senator Corina L. Magofna
Vice Chairperson



Senator Celina R. Babauta
Member

Senator Karl R. King-Nabors
Member



Senator Paul A. Manglona
Member



Senator Dennis C. Mendiola
Member

Reviewed by:



Senate Legal Counsel

Attachment(s):

- *Leila Staffler, Secretary, Department of Labor, letter dated October 2, 2023*

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 2023

First Regular Session, 2023

H. B. 23-35, HS1, SS1

A BILL FOR AN ACT

To enact a provision to provide tax incentives for employers who hire individuals with special needs.

**BE IT ENACTED BY THE 23RD NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings and Purpose.** The Legislature finds that many
2 individuals with disabilities in our Commonwealth are faced with difficulties in
3 accessing employment, restrooms, transportation, and other essential public
4 services. The Legislature also finds that the Americans with Disabilities Act (ADA)
5 of 1990 was enacted as the nation's first comprehensive civil rights law addressing
6 the needs of people with disabilities. This legislation addressed issues regarding
7 discrimination in employment, public services, public accommodations, and
8 telecommunications for people with disabilities. It afforded similar protections
9 against discrimination to Americans with disabilities as the Civil Rights Act of
10 1964, which prohibits discrimination based on race, religion, sex, national origin,
11 and other characteristics. As a U.S. jurisdiction, it is essential to ensure that our

1 citizens with special needs are protected and enabled to enjoy the rights that are
2 afforded to them by the Americans with Disabilities Act of 1990.

3 The Legislature further finds that many individuals with disabilities in the
4 CNMI are eager and determined to be part of the workforce. Many of these
5 individuals are not only highly educated but also highly capable to establish
6 themselves and be positive contributors to our society. The Legislature also finds
7 that it would be appropriate to provide incentives for employers to hire these
8 individuals. A nonrefundable tax credit will give these businesses an incentive to
9 provide a suitable platform for this special group of individuals to showcase their
10 skills and feel empowered to be positive contributors to our society.

11 Therefore, the purpose of this Act is to enact a provision to provide tax
12 incentives for employers who hire individuals with disabilities.

13 **Section 2. Enactment.** Subject to codification by the CNMI Law Revision
14 Commission, the following new section is added to Title 4, Division 1, Chapter 3
15 of the Commonwealth Code as follows:

16 **“§ xxx. Long-Term Disability Employment Tax Credit.**

17 (a) Any employer who hires an individual with a disability, as
18 defined by the Americans with Disabilities Act of 1990, as amended
19 (42 U.S.C. § 12101 et seq.), may qualify for a non-refundable tax credit of
20 40% of the wages paid to such worker against the tax imposed on
21 employer’s total gross revenue.

1 (b) In order to qualify for the tax credit provided for in § xxx(a), the
2 individual must be continuously employed by the employer for nine (9)
3 months. The individual may be employed part-time or full-time. The tax
4 credit shall be capped at \$4,000 per employer per tax year for all the
5 employer's eligible employees. This cap shall increase by \$1,000 for each
6 tax year thereafter, to a maximum of \$10,000.

7 (c) To obtain the nonrefundable tax credit, the employer must
8 furnish to the Division of Revenue and Taxation a properly documented
9 compliance letter for each individual issued by any medically acceptable
10 clinic and/or laboratory. Further, the employer shall annually certify
11 compliance with all provisions of this section to the Secretary of Labor.

12 (d) The Secretary of Labor shall have the authority to certify all
13 qualified employers in accordance with subsection (b).”

14 **Section 3. Regulations.** The Secretary of Labor in collaboration with the
15 Secretary of Finance shall promulgate the necessary regulations to carry out the
16 intent of this Act. The regulations shall be completed within 6 months after this Act
17 becomes law.

18 **Section 4. Severability.** If any provision of this Act or the application of
19 any such provision to any person or circumstance should be held invalid by a court
20 of competent jurisdiction, the remainder of this Act or the application of its

1 provisions to persons or circumstances other than those to which it is held invalid
2 shall not be affected thereby.

3 **Section 5. Savings Clause.** This Act and any repealer contained herein shall
4 not be construed as affecting any existing right acquired under contract or acquired
5 under statutes repealed or under any rule, regulation or order adopted under the
6 statutes. Repealers contained in this Act shall not affect any proceeding instituted
7 under or pursuant to prior law. The enactment of this Act shall not have the effect
8 of terminating, or in any way modifying, any liability civil or criminal, which shall
9 already be in existence at the date this Act becomes effective.

10 **Section 6. Effective Date.** This Act shall take effect upon its approval by
11 the Governor or upon it becoming law without such approval.

Prefiled: 3/28/2023

Date: _____ Introduced by: /s/ Rep. Thomas J. DLC. Manglona
/s/ Rep. Diego V.F. Camacho
/s/ Rep. Roy C.A. Ada
/s/ Rep. Blas Jonathan "BJ" T. Attao
/s/ Rep. Joel C. Camacho
/s/ Rep. Joseph A. Flores
/s/ Rep. Marissa R. Flores
/s/ Rep. Malcom J. Omar
/s/ Rep. John Paul P. Sablan

Reviewed for Legal Sufficiency by:
/s/ John M. Bradley
House Legal Counsel



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Department of Labor
1356 Mednilla Avenue Capitol Hill
PO Box 10007, Saipan MP 96950



OFFICE OF THE SECRETARY
LEILA F. STAFFLER

Date: October 2, 2023

To: The Honorable Edith E. DeLeon Guerrero
Senate President
Twenty-Third Northern Marianas Commonwealth Legislature
Capitol Hill Saipan, MP 96950

RE: **Letter of support for HB 23-35 HS1**

Hafa adai yan Tirow from the Department of Labor! This is a letter of support for H.B 23-35 HS1, with the intended purpose of providing incentives for employers who hire individuals with disabilities.

It is widely known that hiring people with disabilities provides multiple social benefits in the workplace such as retaining valuable employees, improving productivity and morale, reducing workers' compensation and training costs, and improving company diversity.

While there are many social benefits for hiring people with disabilities in the workplace, by approving this bill, the 23rd Legislature will ensure there are also added economic benefits for both the businesses who invest in this part of our population and the employees who choose to disclose that they have a disability to their employer.

At this time, because the CNMI is not part of the U.S. enabling legislation set forth in the "Wagner Pyser", we cannot participate in the The Work Opportunity Tax Credit (WOTC). The WOTC is a Federal tax credit available to employers for hiring and employing individuals with disabilities and other identified groups who have faced significant barriers to employment.

There is also a body of research that shows the majority of workplace accommodations cost almost nothing to make. Of those that do incur a cost, the typical one-time expenditure is \$500, which likely can be covered by the support of partnering agencies like OVR or Assistive Tech who are designed to support exactly this type of need.

By approving HB23-35 HS1, this legislature will give businesses an opportunity to benefit from their efforts to increase diversity in their workforce, by being able to claim tax credits, especially in these challenging economic times.

With respect to CNMI Labor's role in certifying requests in collaboration with CNMI Revenue and Taxation, we are ready to meet the challenges ahead for the betterment of inclusivity in the workforce and in preparation for one day being part of the Wagner Pyser system of Employment services.

Sincerely,

Leila Staffler, M.S. Ed
Secretary of Labor