



TWENTY-THIRD LEGISLATURE
COMMONWEALTH OF THE NORTHERN MARIANAS COMMONWEALTH
LEGISLATURE

HOUSE OF REPRESENTATIVES
COMMITTEE ON JUDICIARY AND GOVERNMENTAL
OPERATIONS

P.O. BOX 500586 SAIPAN, MP 96950

MARISSA R. FLORES
CHAIRWOMAN

STANDING COMMITTEE REPORT NO. 23-13
DATE: APRIL 03, 2023
RE: H.B. 23-29

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

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations to which was referred:

H. B. No. 23-29:

“To establish a reward for recovery of public funds and a mechanism for the payment of rewards for disclosures leading to the recovery of public funds; and for other purposes.”

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. No. 23-29 be passed by the House in its current form.

HOUSE CLERK'S OFC

RECEIVED BY *SP*

DATE *04/13* TIME *3:48pm*

II. ANALYSIS:

A. Purpose:

The purpose of House Bill No. 23-29 is to add a whistleblower reward for reporting tax violations and clarify the mechanism by which whistleblower rewards may be paid by OPA, and for other purposes.

B. Committee Findings:

Your Committee finds that the Division of Revenue and Taxation is a government agency under the Department of Finance that is responsible for collecting all revenues and/or taxes for the CNMI Government. Such taxes include, but are not limited to, Gross Revenue Tax (GRT), Hotel Occupancy Tax, and so forth. Your Committee also finds that despite such taxes, there are certain people and/or businesses who choose to violate our tax laws by either reporting incorrect revenue figures or by completely evading payment of such taxes. In committing these illicit acts, the Commonwealth Government is negatively impacted in the form of declines in government revenue that are intended to fund public infrastructure, education, and other important services. Your Committee finds that it is important to implement an award system that rewards individuals who report on such actions that lead to recovery of funds. Your Committee finds that in providing such incentives to individuals, except those employed in the Division of Revenue and Taxation or those who participated in such violations, the Commonwealth Government will be able to recover necessary funds that could be used to benefit all law-abiding tax payers. Your Committee deems that the reward established in the proposed legislation is fair and just.

Your Committee finds that 1 CMC §7841 (Protection of Whistleblowers), was initially enacted by CNMI Public Law 3-91 as a protective measure to protect those who report on any activity constituting fraud, waste or abuse of public funds to the Public Auditor. Such protective measure is geared towards intimidation and retaliatory threats. Your Committee further finds that the aforementioned statute was amended by CNMI Public Law 14-60 which established a monetary incentive for those who provide information leading to recovery of public funds. Despite such incentive, your Committee finds that the mechanism of paying such incentives is not clear and needs to be clarified. Further, Your Committee also finds that other states, such as Hawaii, California, Washington, and so forth, have their own version of state tax whistleblower laws.¹ Cognizant of the good deed that the individual is committing in reporting the misuse of public funds, it is imperative that they be rewarded with a decent amount if such information will lead to recovering such funds.

Therefore, your Committee agrees with the intent and purpose of House Bill No. 23-29 and recommends its passage in its current form.

¹ <https://www.phillipsandcohen.com/state-false-claims-statutes/>

C. Public Comments/Public Hearing:

The Committee received comments from the following:

- Honorable Edward Manibusan, CNMI Attorney General (Written)

The Attorney General recommends amendments.

D. Legislative History:

House Bill No. 23-29 was introduced by Representative Edwin K. Propst on March 09, 2023 to the full body of the House and was referred to the House Standing Committee on Judiciary and Governmental Operations for disposition.

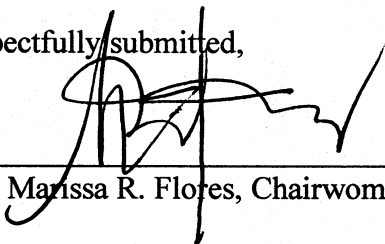
E. Cost Benefit:

The enactment of House Bill No. 23-29 will result in minimal additional costs to the CNMI government in the form rewards that are given to those who provide information that leads to successful action and/or recovering lost public funds. However, the benefits of ensuring reporting violations of our tax laws and recovering lost public funds heavily outweigh the costs.

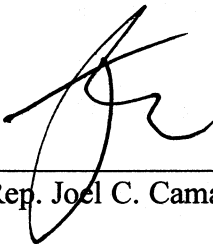
III. CONCLUSION:

The Committee is in accord with the intent and purpose of H. B. No. 23-29, and recommends its passage in its current form.

Respectfully submitted,




Rep. Marissa R. Flores, Chairwoman




Rep. Joel C. Camacho, Vice Chair


Rep. Vincent R.S. Aldan, Member



Rep. Blas Jonathan "BJ" T. Attao, Member





Rep. Vicente C. Camacho, Member



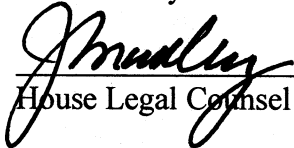
Rep. Manny G.T. Castro, Member

Rep. Malcolm J. Omar, Member


Rep. Edwin K. Propst, Member

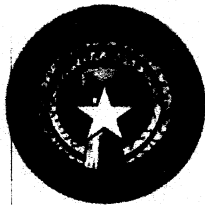

Rep. John Paul P. Sablan, Member

Reviewed by:

 4-11-23
House Legal Counsel

Attachment:

- Letter dated March 23, 2023 from the Attorney General.



Commonwealth of the Northern Mariana Islands
Office of the Attorney General

2nd Floor Hon. Juan A. Sablan Memorial Bldg.
Caller Box 10007, Capitol Hill
Saipan, MP 96950

EDWARD MANIBUSAN
Attorney General

LILLIAN A. TENORIO
Deputy Attorney General

VIA EMAIL: rep.floresm@cnmileg.net

March 23, 2023

OAGHOR: 2023-18
LSR No. 23-135

Hon. Marissa Flores
Chairperson, House Committee on Judicial
and Governmental Operations
House of Representatives
23rd Northern Mariana Islands Legislature
Saipan, MP 96950

Re: House Bill No. 23-29: "To establish a reward for the recovery of public funds and a mechanism for the payment of rewards for disclosures leading to the recovery of public funds; and for other purposes."

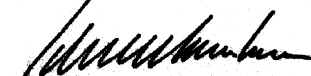
Dear Chairperson Flores:

Thank you for requesting the comments of the Office of the Attorney General on House Bill No. 23-29. The bill proposes to reward whistleblowers for their aid in recovering funds.

The bill as written is constitutionally sufficient. I also recommend that the Committee exclude from collecting on the reward any government employee whose duty is to oversee the custody of government funds; such employees would include any principal executives or heads of any Commonwealth government entity, executive branch department or agency, or any municipal government or any subdivision; or a person who directly or indirectly caused the loss of funds.

I am available to discuss further the issues raised in House Bill No. 23-29. Please feel free to contact me at (670) 237-7500 or email at attorney_general@cnmioag.org.

Sincerely,


EDWARD MANIBUSAN
Attorney General

cc: All Members, House of Representatives

Civil Division
Telephone: (670) 237-7500
Facsimile: (670) 664-2349

Criminal Division
Telephone: (670) 237-7600
Facsimile: (670) 234-7016

Attorney General Investigation Division
Telephone: (670) 237-7628
Facsimile: (670) 234-7016

Victim Witness Advocacy Unit
Telephone: (670) 237-7602
Facsimile: (670) 234-7016

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Session, 2023

H. B. 23- **29**

A BILL FOR AN ACT

To establish a reward for recovery of public funds and a mechanism for the payment of rewards for disclosures leading to the recovery of public funds; and for other purposes.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that there is a need
2 to encourage persons to report the violation of tax laws, thereby leading to the
3 recovery of unpaid taxes. This bill authorizes the Secretary of Finance to pay a
4 reward to such a whistleblower upon written approval of the Director of Division
5 of Tax and Revenue and from the successful recovery of funds.

6 A similar reward has already been authorized for reports of fraud, waste or
7 abuse of public funds to the Office of Public Auditor. CNMI Public Law 14-60
8 established a monetary incentive for individuals who provide information leading

1 to the recovery of public funds. The mechanism for paying out such rewards,
2 however, needs to be clarified.

3 Therefore, the purpose of this Act is to add a whistleblower reward for
4 reporting tax violations and clarify the mechanism by which whistleblower rewards
5 may be paid by OPA, and for other purposes.

6 **Section 2. Amendment.** In Title 1, Div. 2, Chapter 11, Article 3, Division
7 of Revenue and Taxation, add a new section 2573:

8 **“§ 2573. Reward For Reporting Underpayment of Taxes.**

9 (a) The Director of the Division of Revenue and Taxation, upon
10 successfully completing an administrative or judicial action against anyone
11 for violating the tax laws enacted in the Commonwealth, may approve a
12 reward to any individual, who is not an employee of the Division or a person
13 who participated in the violation of the tax laws, for providing information
14 that led to the successful action. A reward, if approved, shall be in the
15 amount of \$500 or five percent of the total recovery, whichever is greater,
16 but not more than \$10,000.

17 (b) The Secretary of Finance, if notified in writing by the Director of
18 Division of Revenue and Taxation of the approval of a reward, is authorized
19 to pay a reward from the proceeds of any funds collected through the
20 successful administrative or judicial action. The written notification shall
21 detail the facts justifying a reward.”

1 **Section 3. Amendment.** 1 CMC § 7841 shall be amended to reflect the
2 following amendments to subsection (d) as follows.

3 "~~(d) If the person comes forward with information leading to the~~
4 ~~recovery of public funds, that person shall receive a \$500.00 reward or five~~
5 ~~percent of the total recovery, whichever is greater.~~

6 The Office of Public Auditor may approve a reward to any person, who is
7 not an employee of OPA or a person who caused the loss of funds, that
8 makes a complaint or discloses information that leads to the recovery of
9 public funds lost through fraud, waste or abuse. The reward, if approved,
10 shall be in the amount of \$500 or five percent of the total recovery,
11 whichever is greater, but not more than \$10,000. The Department of
12 Finance, if notified in writing by the Public Auditor of an approved reward,
13 is authorized to pay the reward only from any proceeds collected from the
14 recovery of public funds. The written notification shall detail the facts
15 justifying a reward."

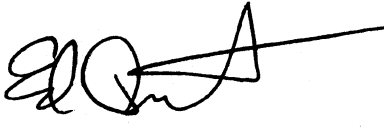
16 **Section 4. Severability.** If any provisions of this Act or the application of
17 any such provision to any person or circumstance should be held invalid by a court
18 of competent jurisdiction, the remainder of this Act or the application of its
19 provisions to persons or circumstances other than those to which it is held invalid
20 shall not be affected thereby.

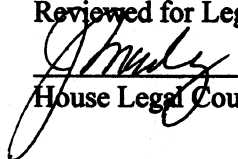
1 **Section 5. Savings Clause.** This Act and any repealer contained herein
2 shall not be construed as affecting any existing right acquired under contract or
3 acquired under statutes repealed or under any rule, regulation, or order adopted
4 under the statutes. Repealers contained in this Act shall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

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

Prefiled: 3/8/2023

Date: 3-8-23

Introduced by: 
Rep. Edwin K. Propst

Reviewed for Legal Sufficiency by:
 3-8-23
House Legal Counsel