



TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON COMMERCE AND TOURISM**

P.O. BOX 500586 SAIPAN, MP 96950

**JULIE MARIE A. OGO**

CHAIRWOMAN

STANDING COMMITTEE REPORT NO. 23-17

DATE: April 28, 2023

RE: House Bill No. 23-16

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 Commerce and Tourism to which was referred:

**House Bill No. 23-16:** "To reduce start-up costs for small businesses."

begs leave to report as follows:

**I. RECOMMENDATION:**

After considerable discussion, your committee recommends that House Bill No. 23-16 be passed by the House in the form of House Substitute (HS1).

HOUSE CLERK'S OFC  
RECEIVED BY   
5/18/2023  
DATE TIME 10:15 am

## II. ANALYSIS:

### A. Purpose:

The purpose of this Act is to reduce start-up costs for small businesses.

### B. Committee Substitute:

The Committee made the following substitute after considering the unintentional burden of charging daily late fees in addition to a late filing fee of reports enacted by Public Law 21-37. During the pandemic, many businesses either lost a considerable amount of money or closed down temporarily or permanently. The Committee forecasts a protracted recovery in the aftermath of the pandemic. The main changes are:

1. To remove daily penalty fees imposed on the late filing of annual reports.
2. Provide for a waiver of outstanding daily penalty fees.
3. Reimbursement, in the form of a credit, of daily penalty fees previously paid.

### C. Committee Findings:

Your Committee is cognizant that in addition to its impact on public health, the pandemic has caused a major economic shock. Many business in the CNMI that had to temporarily close was largely pointed to the reduction in demand and employee health concerns. This highlighted the financial fragility of many small businesses. This Act acknowledges the pandemics impact on many small businesses therefore providing relief and encourages the growth of new and existing small businesses by reducing start-up costs.

Your Committee also finds that Public Law No. 21-37, as codified under 4 CMC § 4205, was enacted to update the fee structure for the Office of the Registrar of Corporations under the Department of Commerce that has not been raised for many years. Since the inception of the Office of the Registrar of Corporations, there has been an increase in business operations and non-profit corporations with an interest to invest and enhance the livelihood of the Commonwealth. Furthermore, with the onset of the COVID-19 pandemic, businesses that are committed to serve our community have remained in operation despite the loss of revenue. Your Committee further finds that it was not the intent to cause undue burden of charging daily late fees in addition to a late filing fee of reports.

Accordingly, the purpose of this legislation is twofold. First, to provide relief and encourage the growth of new and existing small businesses. Second, to amend 4 CMC § 4205 to remove the daily penalty fees imposed on the late filing of annual reports and provide for a waiver of outstanding daily penalty fees and reimbursement, in the form of a credit, of daily penalty fees previously paid.

Therefore, your Committee agrees with the intent and purpose of House Bill 23-16 and recommends the House pass the legislation in the form of House Substitute 1.

C. Public Comments/Public Hearing:

Comments were solicited from the following agencies/entities:

1. Governor Arnold I. Palacios
2. Mayor of Saipan
3. Mayor of Tinian and Aguiguan
4. Mayor of Rota
5. Mayor of the Northern Islands
6. Saipan & NI Municipal Council
7. Tinian Municipal Council
8. Rota Municipal Council
9. Attorney General
10. Dept. of Finance
11. Dept. of Commerce
12. Dept. of Public Works
13. CEDA
14. Saipan Chamber of Commerce
15. Tinian Chamber of Commerce
16. Rota Chamber of Commerce

Comments were received from the following agencies/entities:

1. Hon. Marian Tudela, Chairwoman, 17<sup>th</sup> S&NI Municipal Council

“ONLY when HB 23-16, HS1 is amended making it truly fair for all “small businesses” on Saipan, Tinian and Rota would then the noble intent and purpose of the proposed legislation, when amended, incentivize and attract more “small businesses” to take risks especially in the present business climate and commercial environment the CNMI faces as businesses ride out the post pandemic economic doldrums.”

2. Manuel A. Sablan, Executive Director, CEDA

“On behalf of the management and the Board of Directors of the Commonwealth Economic Development Authority (CEDA), I write to reflect that CEDA is recommending to your Committee to support the enactment of the above mentioned proposed legislation.”

3. Hon. Edward Manibusan, CNMI Attorney General

“The bill is written constitutionally sufficient.”

4. Ms. Remedio C. Mafnas, Registrar of Corporations, Department of Commerce

“Commerce respectfully submits its recommendations with proposed floor amendments to House Bill No. 23-16, HS1 as follows:” (Pls. see comments)

Comments received have been attached as part of this Committee Report.

D. Legislative History:

House Bill No. 23-16 was introduced by Representative Manny Gregory T. Castro on February 3, 2023 and was subsequently referred to the House Standing Committee on Commerce and Tourism for disposition.


E. Cost Benefit:


The enactment of House Bill No. 23-16, House Substitute 1 will result in a loss and minimal costs to the CNMI Government. First, by reducing the start-up costs for small businesses; and Second, removing daily penalty fees imposed on late filing of annual reports and reimbursing entities, in the form of a credit, that have already paid. However, the proposed legislation’s purpose is to provide relief and encourage the growth of new and existing small businesses and to rectify the unintentional burden placed on businesses and non-profit corporations that are already required to pay a penalty for filing late.

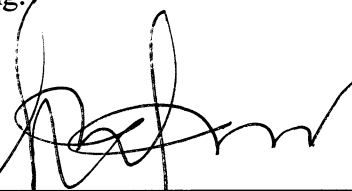
**III. CONCLUSION:**


The committee is in accord with the intent and purpose of House Bill No. 23-16, House Substitute 1 and recommends its passage on First and Final Reading.

Respectfully submitted,

  
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Rep. Julie Marie A. Ogo, Chairwoman

  
\_\_\_\_\_  
Rep. Roman C. Benavente, Member

  
\_\_\_\_\_  
Rep. Marissa R. Flores, Vice Chair

  
\_\_\_\_\_  
Rep. Diego Vincent F. Camacho, Member



Rep. Vicente C. Camacho, Member

Rep. Manny Gregory T. Castro, Member



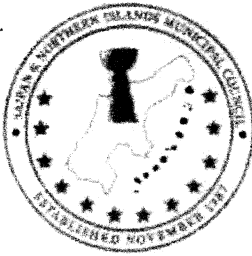
Rep. Denita Kaipat Yangetmai, Member

Reviewed by:



House Legal Counsel

Attachment: Hon. Marian DLG. Tudela, Chairwoman, 17<sup>th</sup> Spn & NI MC, April 17, 2023  
Manuel A. Sablan, Executive Director, CEDA, April 21, 2023  
Hon. Edward Manibusan, CNMI AG, April 24, 2023  
Remedio C. Mafnas, Registrar of Corporation, Dept. of Commerce, April 27, 2023



Hon. Julie A. Ogo  
copy

# 17<sup>th</sup> SAIPAN AND NORTHERN ISLANDS MUNICIPAL COUNCIL

P.O. Box 500309 ck, Saipan, MP. 96950-0309  
Telephone # (670) 664-2700/2701 • email: [spnmunicipalcouncil@gmail.com](mailto:spnmunicipalcouncil@gmail.com)

*Marian Deleon Guerrero Tudela*  
Chairwoman

*Antonia Manibusan Tudela*  
Vice Chairwoman

*Carmen Cabrera Pangelinan*  
Secretary

April 17, 2023

Hon. Julie A. Ogo  
Chairwoman  
23<sup>rd</sup> House Comm. on Commerce & Tourism  
23<sup>rd</sup> House of Representatives  
CNMI Legislature  
Capital Hill  
Saipan, MP 96950

Re. Comment on House Bill 23-16 HS1

Dear Ms. Ogo:

**House Bill 23-16 HS1** should be improved by removing what appears on its face a **disparity** effected against “small businesses”, whose members **do not** have a combined net income greater than or equal to **\$100,000.00** that the Legislation as presently written makes it **inherently inequitable, unfair, and dis-incentivizes** in applying different standards to “small businesses” on Saipan that are indeed “small”. Imagine all the “small businesses” in Tinian and Rota (no less in Gani Island, north of Saipan), which barely survived three natural disasters and / or even weathered the Covid pandemic for the past 2-3 years, which did not have greater than or equal to \$100,000.00 *net income* and are truly small businesses.

ONLY when HB 23-16 HS1 is **AMENDED** making it truly equitable and fair for **all** “small businesses” on Saipan, Tinian and Rota would then the noble intent and purpose of the proposed legislation, when amended, incentivize and attract more “small businesses” to take risks especially in the present business climate and commercial environment the CNMI faces as businesses ride out the post pandemic economic doldrums.

Therefore, the 17<sup>th</sup> Council leadership seriously recommends certain specific perfecting amendment to the present HB 23 16 HS1 and to:

1. **Eliminate preference on eligibility** to only LLCs and corporations for reduced filing fee for articles of organization and corporation from \$150 to \$30 only to those “small businesses” with net income greater than or equal to the \$100,000 threshold to be eligible for a reduced start-up costs articles of organization for LLC and corporation on “small businesses” and include **all** small businesses that are domiciled and licensed in the CNMI, except foreign corporations, or shell companies.
2. **Eliminate preference on eligibility** to only LLCs and corporations for reduced penalty for late filing on annual reports, minutes, reports, etc. from \$150 late filing plus \$10 daily thereafter only to those “small businesses” with net income greater than or equal to the \$100,000, and include **all** small businesses domiciled and licensed in the CNMI, except foreign corporations, or shell companies.
3. Make the law **effective February 1, 2023** upon becoming law, and write into the law to apply retroactively from February 1, 2023 to February 2, 2028, or for five years thereafter as a **sunset clause** provision.

4. Insert a sunset provision as recommended in No. 3 above that allows for impact evaluation on the extent to which the proposed law as amended directly impacts growth in business development and indirectly in determining its spin off effect on related service industries, such as accounting, bookkeeping, etc. In other words, the bill should have a sunset clause inserted which would trigger an evaluation by the Department of Finance Revenue and Tax and the Registrar Division at the Department of Commerce.

Taking the Council leadership's four (4) recommendations to make perfecting amendments to HB 23-16 HS1 would make the proposed legislation truly equitable, fair, and serve to incentivize not only new small businesses in the CNMI, but also provide the needed lift or boost on **all** existing "small businesses" not making greater than or equal to \$100,000.00 net income to be sustainable by not limiting this favored status "small businesses" to LLCs and corporations making greater than \$100,000 net income, but to also extent this opportunity to other small businesses involving partnerships and sole proprietor, or self-employed small businesses.

At this juncture, therefore, the 17<sup>th</sup> would encourage the author to refocus the aim of this bill away from "small businesses" making net income greater than or equal to \$100,000.00 LLCs and corporations, and to include partnerships, sole proprietorships, LLCs and corporations that are NOT making net income greater than or equal to \$100,000.00 on its" most recent tax returns".

With that said, the council leadership congratulates the author of this proposed policy for crafting the underlying intent and purpose in HB 23-16 HS1, by making perfecting amendments that the 17<sup>th</sup> Council highly recommends in order to make the proposed legislation **equitable, fair, and attractive** to more small businesses on Saipan, Tinian and Rota to enter as small businesses and be more sustainable and invest in the long term economic growth by being domiciled and licensed to engage in small businesses and invest throughout the Commonwealth as small businesses as opposed to shell companies, for example.

Best,



Marian DLG. Tudela

xc. Gov. Palacios  
House Speaker Edmund Villagomez  
Senate President Edith DL Guerrero  
SNILD Chairman JP Sablan



**CEDA**  
COMMONWEALTH ECONOMIC  
DEVELOPMENT AUTHORITY



P.O. Box 502149 Saipan, MP 96950 | Tel No.: (670) 234-6245 / 6293 / 7145 / 7146 | Fax No. 235-7147 | www.developcnmi.com

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April 21, 2023

The Honorable Julie A. Ogo  
Chairwoman, Standing Committee on Commerce  
& Tourism  
23<sup>rd</sup> Northern Marianas Commonwealth Legislature  
Capitol Hill  
Saipan, MP 96950

**Re: H.B. No. 23-16 HS1: "To reduce start-up costs for small businesses and to remove**

Dear Chairwoman Ogo:

On behalf of the management and the Board of Directors of the Commonwealth Economic Development Authority (CEDA), I write to reflect that CEDA is recommending to your Committee to support the enactment of the above-mentioned proposed legislation.

The proposed legislation, in its present form, if enacted into law, will help lower the startup costs of existing corporations and limited liability companies, and other existing business entities mentioned in the legislation. Many of the existing businesses covered under the current statute are still recovering from the economic disruptions caused by the typhoons that hit Saipan, Tinian, and Rota over the last several years and were also affected by the economic disruptions caused by the COVID-19 pandemic.

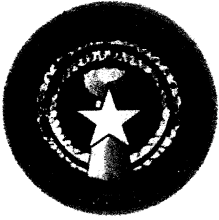
Thank you for the opportunity to comment on this important economic legislation.

Respectfully,

Manuel A. Sablan  
Executive Director

xc: Members, House Committee on Commerce & Tourism  
CEDA Board of Directors  
CEDA Economic Development Manager  
CEDA Loan Manager  
CEDA Executive Assistant





Commonwealth of the Northern Mariana Islands  
**Office of the Attorney General**

2<sup>nd</sup> 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.ogoj@cnmileg.net](mailto:rep.ogoj@cnmileg.net)**

April 24, 2023

OAGHOR: 2023-26  
LSR No. 23-195

Hon. Julie A. Ogo  
Chairperson, House Committee on Commerce & Tourism  
House of Representatives  
23rd Northern Mariana Islands Legislature  
Saipan, MP 96950

**Re: House Bill No. 23-16, HS1: "To reduce start-up costs for small businesses and to remove daily penalty fees imposed on late filing of annual reports."**


Dear Chairperson Ogo:

Thank you for requesting the comments of the Office of the Attorney General on House Bill 23-16, HS1. The bill proposes to reduce start-up costs for businesses by lowering some fees and to remove the daily late penalty fees associated with late filings. The bill also provides a waiver of outstanding late daily late penalty fees in the form of a reimbursement of future fees owed.

The bill as written is constitutionally sufficient.

I am available to discuss further the issues raised in HB 23-16, HS1. Please feel free to contact me at (670) 237-7500 or email at [attorney\\_general@cnmioag.org](mailto: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



*Department of Commerce*  
*Office of the Secretary*

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
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Arnold I. Palacios, Governor • David M. Apatang, Lt. Governor • Joseph S. Rios, Acting Secretary

April 27, 2023

The Honorable Julie A. Ogo  
Chair, House Standing Committee on Commerce and Tourism  
House of Representatives  
23<sup>rd</sup> Northern Marianas Commonwealth Legislature  
Honorable Jesus M. Mafnas Building Capitol Hill  
Saipan, MP 96950

Re: Solicitation for Comments – House Bill 23-16, HS1

Hafa Adai yan Tirow Madam Chair Ogo:

Thank you for giving the Department of Commerce the opportunity to submit comments on House Bill 23-16, HS1: To amend 4CMC §4205 to lower the filing fees and to remove the daily penalty fees imposed on late filing of annual corporation reports; and for other purposes.

The Department of Commerce acknowledges the intent of the bill and respectfully submits its comments.

COMMENTS:

Hence, for the same purpose, Commerce respectfully submits its recommendations with proposed floor amendments to House Bill 23-16, HS1 as follows:

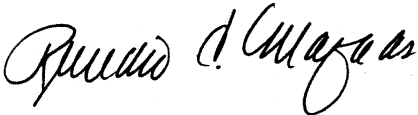
1. Page 2 of HB 23-16, HS1 Section 2 to strike out lines 11 to 15 and to revert back to Public Law 21-37. On May 15, 1990 the Attorney General's Office promulgated the rules and regulations for the corporation regulations which included the fees and was adopted July 15, 1990. Since then, the fee for Articles of Incorporation and Articles of Organization was \$100.00 for 31 years until the passage of PL 21-37 on May 1<sup>st</sup>, 2021 which increased it by \$50, making it \$150; and \$25 for the operating agreement and bylaws, making it \$50.00; and the registered agent consent form \$10.00 from to \$50.00. In less than two years we are reducing these fees to \$30.00 all-inclusive. This will hinder the operation as the Registrar of Corporations does not have an operational budget;
2. Page 2 strike out lines 17 to 21 and leave as is under PL 21-37;

3. Page 3 strike line 6 should read: (33) \$50 penalty for late filing on the Non-Profit Annual Corporation Report. Strike out lines 14-21. It should read all \$10 and \$5 per day penalties shall be terminated and **shall NOT be retroactive**.
4. Page 4 strike out line 1 and lines 15-16 Section
5. Effective Date: This Act shall take effect upon its approval by the Governor, or by it becoming law without such approval.

To address and mitigate the daily late filing penalties, I recommend instead of removing penalties in its entirety, Commerce proposes for the legislature to grant the Secretary of Commerce the authority to reduce or waive the late filing penalty as well as the daily penalties during the time of calamity and or worldwide health pandemic. Possibility also to consider setting a sunset provision for one- or two-years period.

The Secretary of Commerce also proposes to include in the law the retention period of all corporate records/files to five (5) years as we are currently working on the digitizing of all records/files.

Respectfully,



**Remedio C. Mafnas**  
Registrar of Corporations

RECEIVED  
DATE/BY 04/20/23  
29:15 Am. King

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**FEBRUARY 3, 2023**

**First Regular Session, 2023**

**H. B. 23-16, HS1**

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**A BILL FOR AN ACT**

To reduce start-up costs for small businesses and to remove daily penalty fees imposed on late filing of annual reports; and for other purposes.

**BE IT ENACTED BY THE 23<sup>RD</sup> NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:**

1           **Section 1. Findings and Purpose.** The Legislature acknowledges that  
2 COVID-19 has impacted many small businesses' bottom line, therefore the purpose  
3 of this Act is to provide relief and encourage the growth of new and existing small  
4 businesses by reducing start-up cost.

5           The Legislature finds that Public Law No. 21-37, as codified under 4 CMC  
6 § 4205, was enacted to update the fee structure for the Office of the Registrar of  
7 Corporations under the Department of Commerce that has not been raised for many  
8 years. The Legislature further finds that it was not the intent to cause undue burden  
9 of charging daily late fees in addition to a late filing fee of reports. Accordingly,  
10 the purpose of this legislation is to amend 4 CMC § 4205 to reduce start-up costs  
11 for small businesses and to remove the daily penalty fees imposed on the late filing

1 of annual reports and provide for a waiver of outstanding daily penalty fees and  
2 reimbursement, in the form of a credit, of daily penalty fees previously paid.

3 **Section 2. Amendment.** Title 4, Division 4, Section 4205 shall be amended  
4 to read as follows:

5 **“§ 4205. Filing, Service, and Copying Fees.**

6 (a) The following fees are imposed and, shall be paid to the  
7 Department of Finance and proof of payment delivered to the Registrar of  
8 Corporations when the documents described in this subsection are delivered  
9 for filing:

10 (1) \$150 Articles of Organization (LLC)

11 (a) Notwithstanding §(18) for a LLC whose member(s) have a  
12 combined annual net income greater than or equal to \$100,000 as reflected  
13 in their most income recent tax return(s), the filing fee for Articles of  
14 Organization, Operating Agreement, and Registered Agent Form shall be  
15 \$30.00 inclusive of all documents;

16 (2) \$150 Articles of Incorporation

17 (b) Notwithstanding §(18) for a Corporation whose member(s) have  
18 a combined net income greater than or equal to \$100,000 as reflected in  
19 their most income recent tax return(s) the filing fee for Articles of  
20 Incorporation, By-Laws, and Registered Agent Form shall be \$30.00  
21 inclusive of all documents;

1                    ~~(3) – (31)~~ [Unchanged]

2                    (32) \$150 Penalty for documents received after March 1st, i.e.,  
3                    Initial Reports, Annual Reports;

4                    ~~(33) \$10 Per day for Annual Reports received after March 2nd (in~~  
5                    ~~addition to \$150 Penalty for late filing);~~

6                    ~~(34) (33) \$25~~ \$75 Penalty for late filing on Non-Profit Corporation  
7                    Report, Annual & Minutes; and

8                    ~~(35) \$5 Per day for Non-Profit Annual Reports received after March~~  
9                    ~~2nd (In addition to \$25 Penalty for late filing).~~

10                    (b) The Secretary of Finance shall establish a separate account, Commerce  
11                    Registrar of Corporation Account, and shall deposit 75% of the fees collected  
12                    pursuant to 4 CMC § 4205 without fiscal year limitation. The Secretary of  
13                    Commerce shall be the expenditure authority.

14                    (c) The Registrar of Corporations shall waive all outstanding daily  
15                    penalties, imposed at a rate of \$10 per day, for failure to file Annual Reports by  
16                    March 1<sup>st</sup> and all outstanding daily penalties, imposed at a rate of \$5 per day, for  
17                    failure to file Non-Profit Annual Reports by March 1<sup>st</sup>.

18                    (d) Upon submitting an application for reimbursement of daily penalties,  
19                    along with documentation substantiating proof of payment, the Secretary of  
20                    Finance shall reimburse, in the form of a credit, business entities for daily penalties  
21                    paid for failure to file Annual Reports by March 1<sup>st</sup> and Non-Profit Corporations

1 for daily penalties paid for failure to file Non-Profit Annual Reports by March 1<sup>st</sup>.

2 ”

3       **Section 3. Severability.** If any provisions of this Act or the application of  
4 any such provision to any person or circumstance should be held invalid by a court  
5 of competent jurisdiction, the remainder of this Act or the application of its  
6 provisions to persons or circumstances other than those to which it is held invalid  
7 shall not be affected thereby.

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

15       **Section 5. Effective Date.** This Act shall take effect upon its approval by  
16 the Governor, or its becoming law without such approval.

HOUSE BILL 23-16, HS1

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Prefiled: 2/3/2023

Date: 2/3/2023

Introduced by: /s/ Rep. Manny Gregory T. Castro  
/s/ Rep. Vincent R. S. Aldan  
/s/ Rep. Roman C. Benavente  
/s/ Rep. John Paul P. Sablan  
/s/ Rep. Edmund S. Villagomez  
/s/ Rep. Ralph N. Yumul

Reviewed for Legal Sufficiency by:

/s/ Joseph L.G. Tajeron, Jr.  
House Legal Counsel