

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

# HOUSE OF REPRESENTATIVES

## COMMITTEE ON WAYS AND MEANS

P.O. BOX 500586 SAIPAN, MP 96950

**RALPH N. YUMUL**

CHAIRMAN

*Adopted - 11/6/2023*

STANDING COMMITTEE REPORT NO. 29-50

DATE: October 24, 2023

RE: HOUSE BILL No. 23-78

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 Ways and Means to which was referred:

**House Bill No. 23-78:** "To increase the tax imposed on soft drink and alcoholic beverage containers."

begs leave to report as follows:

### **I. RECOMMENDATION:**

After considerable discussion, your Committee recommends that H. B. NO. 23-78 be passed by the House in the form of House Substitute 1.

HOUSE CLERK'S OFFICE  
RECEIVED BY *[Signature]*  
DATE *11/1/2023* TIME *8:04a*

## II. ANALYSIS:

### A. Purpose:

The purpose of this Act is to increase the tax imposed on soft drink and alcoholic beverage containers.

### B. Committee Substitute:

The Committee agreed to make insert a new Subsection 3 to read as follows and to renumber all subsequent sections accordingly:

**“Section 3. Amendment.** 4 CMC §1405 of the Commonwealth Code is hereby amended by adding a new subsection 1405 (c) to read as follows:

(c) Notwithstanding any laws, provisions, or laws to the contrary, all funds collected pursuant to 4 CMC §1405 (a) and (b) shall be deposited into separate accounts, separate from the General Fund, as follows:

(i) Ten percent (10%) to the CNMI Division of Customs Biosecurity for operations and the Director of the CNMI Division of Customs Biosecurity shall be the expenditure authority of these funds.”

The Committee is cognizant that the CNMI Division of Customs Biosecurity will have additional duties and responsibilities with respect to this Act and several other Acts proposing to increase tax rates, therefore a certain percentage of the taxes imposed in this Act will be deposited into a separate account specifically for the operations of the division. This will help ensure the enforcement and collection of taxes due.

C. Committee Findings:

Your Committee finds that during the FY24 Budget Conference Committee deliberations, in order to reach a consensus and avoid suspending more than 5 legal holidays, the Conferees agreed to jointly push forward with tax bills because at the time, there was no other source of revenue that could address the governments revenue shortfall except for tax hikes. Several tax bills that garnered the Conferees support included the tobacco tax increase; sugar sweetened beverage tax; container tax; betel nut tax; and pending further review of its language, the construction tax. The Conferees anticipated to pass most, if not all, to address the shortfall in Medicaid and GHLI and more importantly to prevent further reducing the work hours of our government employees.

Your Committee finds that Public Law 3-11, enacted on May 27, 1982, established a general system of revenue and taxation for the Government of the Northern Mariana Islands. At such time, the Beverage Container Excise Tax is reflected below:

*“( a ) Non-Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of soft drink and other nondairy beverage containers in the amount of **four cents (\$0.04)** per container upon the first seller.*

*( b ) Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of each container of beer, ale or other malt beverage in the amount of **four cents (\$0.04)** per container upon the first seller.”*

Your Committee further finds that Public Law 9-22, enacted on January 24, 1995, amended the Beverage Container Tax by increasing the excise tax by one cent as reflected below:

*“(a) Soft Drink Beverage Containers. There is imposed a tax upon all soft drink beverage containers in the amount of **five cents** per container.*

*(b) Alcoholic Beverage Containers. There is imposed a tax upon each container of any alcoholic beverage in the amount of **five cents** per container.”*

Since the beverage container tax was established, it has only been increased once, in the amount of one cent, almost 28 years ago.

The cost benefit analysis will compare current excise tax for soft drink beverage containers and alcoholic beverage containers in the amount of five cents per container and how much the CNMI has collected compared to the proposed excise tax of fifteen cents per container. A certain percentage of the tax collected will help fund the operations of the Division of Customs Biosecurity who will be responsible to assess, enforce and collect the tax.

Your Committee is cognizant that excise taxes generally result in higher prices for consumers, reducing demand for taxed products. The size of the reduction and whom prices most affect depend on consumers' price elasticity of demand (the percentage change in the quantity demanded resulting from the proposed increase). Price elasticity is a function of whether consumers treat the good as a necessity or a luxury item, how much of a consumer's income is spent on that good, and the availability of substitutes.

Your Committee further finds that excessive alcohol consumption, consumption of sugar-sweetened beverages, betelnut/lime use and tobacco use are significant contributors to the islands epidemic of noncommunicable diseases. As a consequence, they contribute, as well, to excess health care costs and productivity losses. A large and growing body of research documents that taxes specific to such products, reduce consumption of these products and thereby reduce their adverse health consequences. Although such taxation has historically been motivated primarily by revenue generation, governments are increasingly using these taxes to discourage unhealthy consumption, as the health, economic and social consequences of these products have become clearer.

Moreover, your Committee finds that ninety percent (90%) of the funds collected pursuant to this Act shall be deposited into the General Fund account to help cover the shortfall in GHFI, Medicaid and government operations while the remaining ten percent (10%) to the CNMI Division of Customs Biosecurity for the implementation and enforcement of this Act and other sin taxes and its operations.

In conclusion, your Committee agrees with the intent and purpose of House Bill No. 23-78 and recommends that the House pass the legislation in the form of House Substitute 1.

C. Public Comments/Public Hearing:

The Committee did not solicit public comments or conduct a public hearing.

D. Legislative History:

House Bill No. 23-78 was introduced by Representative Marissa R. Flores on October 5, 2023 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.


E. Cost-Benefit Analysis:

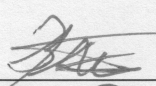
The House Fiscal Analyst prepared a cost-benefit analysis for House Bill No. 23-78, House Substitute 1. It has been attached as part of this committee report.

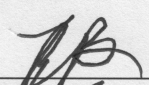
**III. CONCLUSION:**

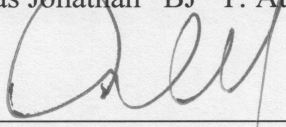
The Committee is in accord with the intent and purpose of H. B. NO. 23-78 and recommends its passage in the form of House Substitute 1.

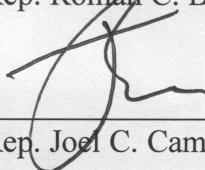
Respectfully submitted,

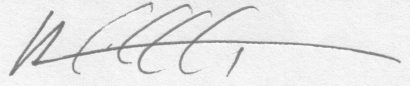
  
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Rep. Ralph N. Yumul, Chairman

  
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Rep. Blas Jonathan "BJ" T. Attao, Vice Chair

  
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Rep. Roman C. Benavente, Member

  
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Rep. Angelo A. Camacho, Member

  
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Rep. Joel C. Camacho, Member

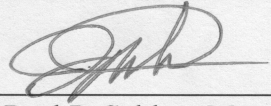
  
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Rep. Vicente C. Camacho, Member

  
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Rep. Manny Gregory T. Castro, Member

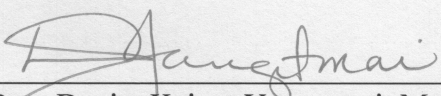
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Rep. Joseph A. Flores, Member

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Rep. Thomas John DLC. Manglona, Member

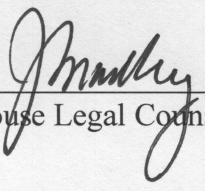
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Rep. Julie Marie A. Ogo, Member

  
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Rep. John Paul P. Sablan, Member

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Rep. Patrick H. San Nicolas, Member

  
\_\_\_\_\_  
Rep. Denita Kaipat Yangetmai, Member

Reviewed by:

 10-26-23  
\_\_\_\_\_  
House Legal Counsel

Attachment: Cost-Benefit Analysis

**Cost Benefit Analysis for HB 23-79, HS1**

Depicted in the first data set of calculated amounts represents the revenue that was collected beginning October 1st, 2021, to September 30th, 2022 for excise taxes on beverage containers imported into the CNMI. Within this period of time the CNMI collected \$1,433,458.10 from 28,669,162 beverage containers that was imported at an excise tax rate of \$0.05 per container. If the excise tax rate is changed to reflect the proposed amendments in HB 23-78, this would increase the excise tax rate, which is currently at \$0.05 per beverage container by \$0.10, thus causing a \$0.15 total in excise tax that shall be assessed for each container that is imported into the CNMI.

For the purposes of assessing what future excise tax collections may potentially be if the excise tax for imported beverage containers if changes are made to reflect the amendments in HB 23-78 using the data that was collected from the same period of time that is mentioned above with a total 28,699,162 beverage containers imported into the CNMI at \$0.10 per container, the CNMI would see a significant change in excise tax collections. This would amount to a total of over \$4.3M that may potentially be generated and collected which is an increase of over \$2.86M more in comparison to the same number of containers that were imported into the CNMI at \$0.05 per container. After ten percent of the collected taxes (\$430,037.43) are provided to the CNMI Division of Customs & Biosecurity, the CNM would realize over \$2.4M in tax revenue. Please refer to the data sets for more details of this analysis.

### Excise tax collections @ \$0.05 per container

Year	Month	No. of containers imported into the CNMI	Excise Tax @ \$0.05 per container	Beautification Tax @ 0.42%	Total tax assessed
2021	October	2,659,312	\$132,965.60	\$558.46	\$133,524.06
2021	November	2,412,419	\$120,620.95	\$506.61	\$121,127.56
2021	December	2,693,978	\$134,698.90	\$565.74	\$135,264.64
2022	January	2,440,761	\$122,038.05	\$512.56	\$122,550.61
2022	February	1,437,580	\$71,879.00	\$301.89	\$72,180.89
2022	March	2,536,825	\$126,841.25	\$532.73	\$127,373.98
2022	April	2,342,502	\$117,125.10	\$491.93	\$117,617.03
2022	May	1,811,056	\$90,552.80	\$380.32	\$90,933.12
2022	June	2,079,441	\$103,972.05	\$436.68	\$104,408.73
2022	July	2,337,426	\$116,871.30	\$490.86	\$117,362.16
2022	August	3,466,794	\$173,339.70	\$728.03	\$174,067.73
2022	September	2,451,068	\$122,553.40	\$514.72	\$123,068.12
<b>Total</b>		<b>28,669,162</b>	<b>\$1,433,458.10</b>	<b>\$6,020.52</b>	<b>\$1,439,478.62</b>

### Potential excise tax collections @ \$0.15 per container

Year	Month	No. of containers imported into the CNMI	Excise tax @ \$0.15 per container	Beautification Tax @ 0.42%	Total tax assessed	Customs & Bio Operations @ 10%	Variance of collection
20XX	October	2,659,312	\$398,896.80	\$1,675.37	\$400,572.17	\$39,889.68	\$226,041.52
20XX	November	2,412,419	\$361,862.85	\$1,519.82	\$363,382.67	\$36,186.29	\$205,055.62
20XX	December	2,693,978	\$404,096.70	\$1,697.21	\$405,793.91	\$40,409.67	\$228,988.13
20XX	January	2,440,761	\$366,114.15	\$1,537.68	\$367,651.83	\$36,611.42	\$207,464.69
20XX	February	1,437,580	\$215,637.00	\$905.68	\$216,542.68	\$21,563.70	\$122,194.30
20XX	March	2,536,825	\$380,523.75	\$1,598.20	\$382,121.95	\$38,052.38	\$215,630.13
20XX	April	2,342,502	\$351,375.30	\$1,475.78	\$352,851.08	\$35,137.53	\$199,112.67
20XX	May	1,811,056	\$271,658.40	\$1,140.97	\$272,799.37	\$27,165.84	\$153,939.76
20XX	June	2,079,441	\$311,916.15	\$1,310.05	\$313,226.20	\$31,191.62	\$176,752.49
20XX	July	2,337,426	\$350,613.90	\$1,472.58	\$352,086.48	\$35,061.39	\$198,681.21
20XX	August	3,466,794	\$520,019.10	\$2,184.08	\$522,203.18	\$52,001.91	\$294,677.49
20XX	September	2,451,068	\$367,660.20	\$1,544.17	\$369,204.37	\$36,766.02	\$208,340.78
<b>Total</b>		<b>28,669,162</b>	<b>\$4,300,374.30</b>	<b>\$18,061.57</b>	<b>\$4,318,435.87</b>	<b>\$430,037.43</b>	<b>\$2,436,878.77</b>

Average number of containers imported per month:	<b>2,389,097</b>
Average collection of excise tax per month @ \$0.05:	<b>\$119,454.84</b>
Average collection of excise tax per month @ \$0.15:	<b>\$358,364.53</b>
Average collections of increased revenue per month:	<b>\$238,909.68</b>

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**OCTOBER 5, 2023**

**Second Regular Session, 2023**

**H. B. 23-78, HS1**

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**A BILL FOR AN ACT**

To increase the tax imposed on soft drink and alcoholic beverage containers.

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

1           **Section 1. Findings and Purpose.** The Legislature finds that soft drinks  
2   and alcoholic beverages are known factors that causes serious health concerns if  
3   consumed excessively. In the aspect of excessive soft drink consumption, the  
4   consumer will develop deposits of fats in the liver and increase risk of fatty liver  
5   disease, increased weight gain, increased heart health issues, and so forth.  
6   Furthermore, in consuming excessive amounts of alcohol, such consumption can  
7   lead to slower activity in the nervous system, cirrhosis in the liver, inhibit functions  
8   of the kidney and pancreas, ulcers in the stomach and so forth. Cognizant of such  
9   health risks, the Legislature finds that it would be imperative to implement  
10   necessary measures that would minimize immoderate consumptions of such  
11   beverages. Further, it is not the intent of the proposed legislation to prohibit  
12   consumption of these beverages, but to provide a deterrence to prevent associated



1 health risks from occurring at a faster rate. The Legislature finds that increasing  
2 taxes imposed on soft drink and alcoholic beverage containers would be a decent  
3 form of deterrence.

4 Therefore, the purpose of this Act is to increase the tax imposed on soft  
5 drink and alcoholic beverage containers.

6 **Section 2. Amendment.** 4 CMC §1405 of the Commonwealth Code is  
7 hereby amended to read as follows:

8 **“§1405. Beverage Container Tax.**

9 (a) Soft Drink Beverage Containers. There is imposed a tax upon all  
10 soft drink beverage containers in the amount of ~~five~~ fifteen cents per  
11 container.

12 (b) Alcoholic Beverage Containers. There is imposed a tax upon  
13 each container of any alcoholic beverage in the amount of ~~five~~ fifteen cents  
14 per container.

15 **Section 3. Amendment.** 4 CMC §1405 of the Commonwealth Code is  
16 hereby amended by adding a new subsection 1405 (c) to read as follows:

17 “(c) Notwithstanding any laws, provisions, or laws to the contrary,  
18 all funds collected pursuant to 4 CMC §1405 (a) and (b) shall be deposited  
19 into separate accounts, separate from the General Fund, as follows:

1 (i) Ten percent (10%) to the CNMI Division of Customs Biosecurity  
2 for operations and the Director of the CNMI Division of Customs  
3 Biosecurity shall be the expenditure authority of these funds.”

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

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

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

Prefiled: 9/21/2023

Date: \_\_\_\_\_ Introduced by: /s/ Rep. Marissa R. Flores \_\_\_\_\_

HOUSE BILL 23-78, HS1

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/s/ Rep. Vincent R. S. Aldan

/s/ Rep. Roman C. Benavente

/s/ Rep. Angelo A. Camacho

/s/ Rep. Diego V. F. Camacho

/s/ Rep. Vicente C. Camacho

/s/ Rep. Manny G. T. Castro

/s/ Rep. Julie M. A. Ogo

/s/ Rep. Malcolm J. Omar

/s/ Rep. John Paul P. Sablan

/s/ Rep. Edmund S. Villagomez

/s/ Rep. Ralph N. Yumul

Reviewed for Legal Sufficiency by:

/s/ John M. Bradley

House Legal Counsel