



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

**STANDING COMMITTEE REPORT NO. 23-108**  
**Date: September 6, 2024**  
**RE: House Bill No. 23-74, HD1**

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. 23-74, House Draft 1, entitled:

“To impose an additional 3% tax on the yearly gross revenue of constructions activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000)”,

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. 23-74, House Draft 1, Senate Substitute 1.

**II. ANALYSIS:**

A) Purpose:

The purpose of House Bill No. 23-74, HD1 is to impose an additional 3% tax on the yearly gross revenue of constructions activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000).

B) Committee Findings:

Your Committee finds that during deliberation of the FY 2024 Budget, both the Senate and House Conferees agreed to collaboratively consider legislative action on proposed tax legislation in an effort to address the limited source of revenue for the CNMI government.

Your Committee finds that House Bill No. 23-74, House Draft 1 proposes an additional tax of 3% on gross revenue directly derived from construction activities in excess of \$250,000 except for construction relative to residential housing.

Furthermore, in line with the request made to your Committee to conduct public hearings for all proposed tax bills referred to the Senate within all three senatorial districts of the Commonwealth, your Committee presented House Bill No. 23-74, HD1 to the general public and invited certain government and private entities in each senatorial district to provide testimony before the Committee. The comments received during the hearings are included in this report for record purposes.

Your Committee met on February 22, 2024, to formally discuss the legislation presented to the people. During deliberation, your Committee discussed the recommendation of increasing the threshold to \$350,000 in response to the testimonies received during the public hearings held on the proposed tax measures. With several reservations expressed regarding the assessed cost for construction within the First and Second Senatorial District and the potential impact of federally funded projects throughout the Commonwealth, your Committee agreed to table the proposed legislation pending further review.

Your Committee met on April 11, 2024 to discuss additional comments received on House Bill No. 23-74, HD1. It was shared that the Committee is in receipt of appraisals of construction activities among the three senatorial districts provided by the Northern Marianas Housing Corporation that show construction projects on Rota and Tinian cost an additional \$50,000-\$100,000 more than similar projects on Saipan. Understanding that this proposed legislation is a CNMI-wide tax proposal, the Committee was asked to consider alternative mechanisms for the implementation of a construction tax. The proposed legislation was tabled for further review by the Committee.

Your Committee held a subsequent Committee Meeting on August 29, 2024 to formally deliberate on House Bill No. 23-74, HD1. During the Committee Meeting, both Tracy B. Norita, Secretary of the Department of Finance, and Daniel Alvarez, Director of the Division of Revenue and Taxation under the Department of Finance, were present to provide clarification on the potential financial impact should the proposed legislation be enacted into law.

Director Alvarez provided an approximate estimation of potential revenue based on the implementation of a 3% tax on construction activities, as proposed, using historical data on business gross revenue collections of construction activities for calendar years 2021, 2022, and 2023 that indicated a three-year average of \$3.3 million. Director Alvarez further clarified that the calculated average does not include any U.S. Economic Development

Administration (EDA) or Community Development Block Grant-Disaster Relief (CDBG-DR) projects. Furthermore, for Fiscal Year 2025, Director Alvarez shared anticipated projections for EDA projects at \$1.5 million and Northern Marianas Housing Corporation CDBG-DR projects at \$2.2 million, not including any information relative to the military buildup on Tinian, Director Alvarez was unable to provide those projections to the Committee.

It was further clarified that Director Alvarez did not gather any additional data from projects approved by the Public Assistance Office and the Office of Grants Management and State Clearinghouse.

Based on the historical data of gross revenue from the referenced calendar years (\$3.3 million), in addition to the EDA (\$1.5 million) and CDBG-DR projects (\$2.2 million), Director Alvarez indicated a rough projection of \$7 million through the enactment of the additional 3% tax on construction activities.

Furthermore, during deliberation, concerns were raised with regard to the proposed provisions of the legislation as to what would be classified as commercial buildings and the double or multiple taxation between the main contractor and subcontractors. Secretary Norita clarified that in order to properly address the concerns raised that it would need to be clearly specified in the proposed legislation for proper implementation and enforcement by the Department of Finance. Furthermore, it was stated that in order to establish an actual basis of the potential revenue collections that it would require the passage and implementation of the proposed legislation.

Additionally, Secretary Norita acknowledged that she would look into the concern raised with respect to the exemption of "raw materials" as referenced under 4 CMC § 1402(c)(9), which states:

"(9) Raw material and other goods, except if they enter the CNMI Customs Territory, brought into a Commonwealth Free Trade Zone for incorporation into products produced or assembled within the Free Trade Zone(s), to the extent (amount, and duration, which shall not exceed 20 years) of an exemption duly granted by the Commonwealth Free Trade Zone Authority. This exemption shall not apply to consumable supplies used in the course of ordinary business operations or to construction materials."

In collaborative effort to address the concerns of the proposed legislation, Director Alvarez was requested to work with the Legal Counsel of the Department of Finance and the Committee's Legal Counsel to prepare a proposed draft for review and consideration by the Committee.

On September 6, 2024, your Committee met to review the proposed draft that incorporated the recommendations of Department of Finance's Legal Counsel and Director Alvarez. During the Committee Meeting, a motion was made and seconded to substitute the House's

proposed legislation with a Senate substitute version that proposes to, but is not limited to, the following:

1. Increasing the threshold from \$250,000 to \$350,000;
2. Provide clarification that a qualifying construction project is a single project with a total cost of \$350,000 or more including change orders, not cumulative small projects;
3. Provide clarification to ensure that no double taxation would be imposed to subcontractors;
4. Prohibit any impact on residential construction; and
5. Provide an earmark for the Division of Revenue and Taxation for the proper implementation and enforcement of the proposed legislation, as amended.

It is for these reasons that your Committee supports the intent of the proposed legislation, as amended, and recommends its passage in the form of House Bill No. 23-74, House Draft 1, Senate Substitute 1.

C) Legislative History:

House Bill No. 23-74 was formally introduced by Representative Ralph N. Yumul on September 7, 2023, and was subsequently referred to the House Standing Committee on Ways and Means (WM) for disposition. The House WM Committee reported their findings under House Standing Committee Report (SCR) No. 23-55 recommending passage in the form of House Bill No. 23-74, House Draft 1.

On January 12, 2024, during its First Day, Third Regular Session, the House of Representatives adopted House SCR 23-55 and passed the proposed legislation in the form of House Bill No. 23-74, House Draft 1. House Bill No. 23-74, House Draft 1 was transmitted to the Senate on January 16, 2024, and subsequently referred to the Senate Standing Committee on Fiscal Affairs for disposition.

D) Public Hearing and Comment:

1. Public Hearing. In conformance with your request filed under Senate Communication No. 23-303, your Senate Fiscal Affairs Committee conducted a public hearing on all three senatorial districts of the Commonwealth of the Northern Mariana Islands. Testimonies below may have been lightly edited to remove false starts, fillers, stutters, and repeated words; testimonies provided in the indigenous vernacular are italicized; and technical edits made for proper legislative citation. Oral testimonies received by invited public/private entities and the general public are as follows:

- a. Friday, January 19, 2024- Tinian Public Library, San Jose, Tinian

- i. Testimonies of Invited Public/Private Entities:

1. Honorable Edwin P. Aldan, Mayor of the Municipality of Tinian and Aguiguan- *testimony presented by Ana Marie C. San Nicolas, Vice Chairwoman of the 19<sup>th</sup> Tinian Municipal Council (Please see written copy of oral testimony attached to this report.)*
2. Honorable Joseph E. Santos, Chairperson, 19<sup>th</sup> Tinian Municipal Council- *No written or oral testimony was provided.*
3. Melissa Mendiola, Resident Department Head, Department of Finance- Tinian *(Please see written copy of oral testimony attached to this report.)*
4. Mary Susan Perez, Resident Department Head, Department of Commerce- Tinian *(Oral testimony provided on House Bill No. 23-7; House Bill No. 23-41, HD1; and House Bill No. 23-78, HS1 and will be reflected in the respective Committee Reports. No oral testimonies were provided on House Bill No. 23-68, HS1 and House Bill No. 23-74, HD1)*
5. Philip M. Long, President, Tinian Chamber of Commerce

*In lieu of participating in the public hearing, written comments were submitted and is reflected under Section II(D)(3) of this report.*

ii. Testimonies by the General Public

1. Lucia Blanco Maratita, personal testimony

“Good afternoon. My name is Lucia Blanco Maratita. I'm looking at these bills as a resident of Tinian and I've only reviewed it in the last few minutes. So, if I misspeak because there are some other provisions in the code or that may be affected, pardon me. But I'm just going to take it as I see it at first glance. [...]

And the last one here, the [House Bill] 23-74 imposing a 3% tax on gross revenue of construction activities. I'm concerned about this because I know that it says, well, it's going to be in excess of \$250,000—that's the revenue for those construction activities. One that concerns me is the apartments or similar activities are not exempt, right? And so, if we, are not exempting apartments, the increase in the tax would essentially also increase cost for apartment rentals and that such things. So right

now, we are probably going to see, of course, a rise in in the apartments. And again, this whole issue about land being limited and so one of the, you know, and homesteads being limited. So, we want to look at other housing options that being apartments building upward. I guess my concerns that it would increase the price of rental properties also for tenants. That's it. Thank you.”

*(NOTE: Additional statements provided on House Bill No. 23-7; House Bill No. 23-41, HD1; House Bill No. 23-68, HS1; and House Bill No. 23-78, HS1; will be reflected in the respective Standing Committee Reports of these proposed legislations by your Committee.)*

b. Monday, February 5, 2024- Rota Centron Hustisia, Sinapalo I, Rota

i. Testimonies of Invited Public/Private Entities:

1. Honorable Aubry Hocog, Mayor of the Municipality of Rota-  
*testimony presented by Dean Manglona, Chief of Staff, Office of the Mayor of Rota*

*“Hafa Adai yan Tirow.* For the record, my name is Dean Reynold A. Manglona, and I am currently the Chief of Staff for the Office of the Mayor for the Island of Rota. The good Mayor sends her apologies for not being present today and to communicate this herself. I just wanted to quickly thank Chairman Manglona and the distinguished members of this committee, and for giving us the opportunity to speak on these new proposals. [...]

So now, moving onto House Bill 23-74[, HD1], which proposes to impose an additional 3% tax on the yearly gross revenue of construction activities in excess of \$250,000. For the record, the Office of the Mayor is opposed to this bill, simply because it discourages the development in our island. With development costs going up and I'm sure I have a professional contractor who's sitting right next to me, I'm pretty sure he will, he will attest, Mr. Dela Cruz is heavily involved in the construction industry and he would attest that the costs are definitely going up as a result of inflation and even just a 3% tax increase would definitely cost a major burden to the business and which is why we've chosen to be in opposition of this particular bill.

So, with that said, now that our positions have been made public and have been made clear, I also want to emphasize, should any of these bills pass, all I ask is that this committee put in

additional, protected funding for enforcement. So that's one of the major concerns that if it does pass, we just want to make sure that the agencies are adequately funded to help enforce this. So, that's one of the main ask that we were asking for. Other than that, that concludes my oral testimony.”

2. Honorable Jim Atalig, Chairperson, Rota Municipal Council

*(NOTE: Chairman Atalig was present and offered oral testimonies on House Bill No. 23-41, HD1; House Bill No. 23-68, HS1; and House Bill No. 23-78, HS1, which will be reflected in the respective Standing Committee Reports. No oral testimonies were provided on House Bill No. 23-7 and House Bill No. 23-74, HD1.)*

3. Avery H. Calvo, Resident Department Head, Department of Finance- Rota

“Good afternoon, everyone. Welcome to the island of Rota and welcome home to Senator Paul, Senator Donald, and Senator Dennis. Thank you for giving us the opportunity to make our comments for this public hearing. For the record, my name is Avery Calvo. I am the Resident Department Head for the Department of Finance. The bills that you have before us is very hard, and I have to take a look at it from the standpoint of the Department of Finance. And then as much as I understand the reasoning behind trying to have these revenue-generating bills, I would like to put everything on the air of caution because each and every one of these bills will affect the island of Rota much more disproportionately than the island of Saipan and Tinian. So, I would like for you guys to go back and maybe make adjustments to each and every one of these bills so that you guys can address that disproportion in economic impact for the island of Rota. [...]

For House Bill 23-74[, HD1], unfortunately, at this time being the language of the bill is not exactly too clear for me to make a decision. So, at this moment, I oppose this bill and only because of how it would negatively impact the island of Rota. I understand that it does not really affect residential buildings, but it will affect our ability here on Rota to have the infrastructure that we lack and for all other commercial built constructions that needs to happen. I know you guys have driven around Rota and you see that there are so many things that needs to be addressed. Shipping of materials is, the cost is something you can't even begin to understand how a cinder block has become \$7. So, you

can almost say that even building a residential home is so difficult. A one-bedroom home is nearly impossible for even somebody who has a combined household income of \$90,000 because of the cost of just the materials alone. And that's not even including the fact that we are very limited with our construction companies here. So, we have very little resources, and I ask that you guys take this bill back and revamp it to something that that will be more beneficial to everyone on all three islands. If you guys don't have any questions for me that's all I have for you guys. Thank you very much.”

4. Rodney Taisacan, Resident Department Head, Department of Commerce- Rota

*(NOTE: RDH Taisacan was present and offered oral testimonies on House Bill No. 23-7; House Bill No. 23-41, HD1; and House Bill No. 23-68, HSI which will be reflected in the respective Standing Committee Reports of these proposed legislations by your Committee. No oral testimonies were provided on House Bill No. 23-78, HSI and House Bill No. 23-74, HD1.)*

5. Steven McCoy, President, Rota Chamber of Commerce

*In lieu of participating in the public hearing, written comments were submitted and is reflected under Section II(D)(3) of this report.*

ii. Testimonies by the General Public

1. Nobert Mundo, personal testimony

“Good morning, I know I get your attention. My name is Norbert Mundo. I'm a retired living on social security. It's hell living here. With these taxes that we going to impose, I don't know. Are we going to keep our people or are we going to chase our people away? You know, because living on Rota, either you're crazy or you love it here. I make a lot of money living here. Because I didn't have to pay taxes when I left California. You know, in California they tax you on everything. So, this kind of tax, you know, the CNMI is broke. We don't even have a medical referral somewhere. So, the only thing here that I am against is the vehicle that's coming into the island. [...] *(continues with comment on HB 23-68, HSI)*



*(NOTE: Additional statement provided on House Bill No. 23-68 and will be reflected in the respective Standing Committee Reports of this proposed legislation by your Committee.)*

“[...] The rest, I support the... We need the money. I don't know where we're going to get our money, but only for the community. Thank you.”

2. Pedro Q. Dela Cruz, personal testimony

“Mr. Chairman, Members of the Committee, my name is Pedro Q. Dela Cruz. I'm a private citizen, and also, I am a general contractor. Actually, when I spoke with the Chairman earlier about this bill, I jokingly told him and said, ‘I oppose everything’. But then, you know, I have thought about these issues. And of course, the Commonwealth is in dire need of new revenue to survive. But however, some of these proposals that were brought up to hear, I don't think it's going to help the Commonwealth because of the fact that it seems like we're just recycling old tax, what do you call this... ideas. [...]”

And the last one here this is a doozy. To impose the 3% tax on the yearly gross revenue of construction activities. I'm a general contractor. And I think this legislation sucks. You know why? Because there are two things. Earlier, I was just talking with Senator Celina Babauta. I said, you know, the idea of imposing these taxes would only be good if you're doing construction contracts for the government with the CIP projects and federal grant. How is Custom or Finance going to enforce the law for construction contracts that were executed between the private sectors? Especially contractors that comes in, this is outside the Commonwealth, of which payments are made directly through their corporate office, okay? Are you going to go to that contractor and say, ‘hey, register your construction contract here?’ I don't think so. So, enforcement and collection and all this is going to be rather impossible. That means that this collection will only be limited to contracts that are engaged between the contractor with the CNMI government or even the federal government, okay? Other than that, it's going to be really, you know, enforcement is going to be really big problem. Secondly, that the cost per square foot here already is very high. And that means that for every contract that I would engage, because I already have to include, you know, the current taxes and various others, that means that I have to add another layer of tax, which is the 3% of the contract that I'm going to have to pass on to the owner. To me, this is not going to hurt me, but it's

going to hurt her and him and you. Because all I have to do is just pass it on. *Noh?* So, I'm not, I don't know what to say. Either the legislature, the only thing that they do this is just sit down and think about, 'Oh, how are we going to tax this?'

But my recommendation is that I recommend that the administration and the legislature engage and see and do an inventory of all the tax laws that they have passed and see what kind, you know, that will very good exercise. I know that I am rather negative up there, but I want to give you members of the legislature something to think about, which would be probably good. That I recommend the introduction of sales tax. Sales tax will be a continuing revenue and it will increase as the population increases and the sales of goods of volume. When you look at that there are visitors. The tourists and various others who come to the island and they buy goods and services, they're also contributing to the revenue, the tax purses, okay? So that means, right, that in the future, it means that if the population base is increased, that means that the demand for consumer goods will also increase. At the same time, too, the sales tax also increased. But of course, with the way the sales tax is going to be established, it's not just going to be just one rate. It's going to have to go to certain rates, okay? You know, goods and services, agriculture, and various others. Secondly, you know, okay, with the imports of goods and services like construction material just to be used directly with the contract that can be built under the excise taxes. Okay. But at the same time too, those taxes are the ones that you know you convert that that becomes a sales tax also. So that means there is a clear cost, that means there is a compounded cost. And I recommended this sales tax actually back in 1978 when the Commonwealth was just actually started. Because we were looking for some revenue. I was part of the study group that we were trying to find ways of how to do this, okay? That was when I brought this idea up, you know what was the reaction of the Department of Finance Customs? 'Oh, we cannot do that. We have no way of, you know, collecting, you know, and collection will be, will be very, very hard. Because you know, you got to have to do all your documentation and all that. You're going to have to go check them out'. We said, 'Okay, fine.' But now, when you have your system where your points of sales are already there in your computer system, every day when you do your sales, you separate that tax, okay? And it wouldn't be a hard... what do you call this, exercise anymore. That's my recommendation. Impose that. Create a commission or create somebody to study this. Secondly, the other recommendation I'd like to do is to impose real estate tax. We

are the only part of the United States where there's no real estate tax. There are a lot of developments, there are a lot of, you know, that people are just developing, outsiders are developing, but they're not paying taxes. That's another issue, rather than going through all this legislation and you keep passing all this, you know, miniature bills to collect taxes. This is not the answer. So, I leave you this with my testimony and I hope that I am not too imposing, but I try to be honest and forward. At the same time too, I give you some recommendations for how can we improve our economy. Thank you.”

*(NOTE: Additional statements provided on House Bill No. 23-7; House Bill No. 23-41, HD1; House Bill No. 23-68, HS1; and House Bill No. 23-78, HS1 will be reflected in the respective Standing Committee Reports of these proposed legislations by your Committee.)*

c. Thursday, February 15, 2024- Senate Chamber, Honorable Jesus P. Mafnas Memorial Building, Capitol Hill, Saipan

i. Testimonies of Invited Public/Private Entities:

1. Honorable Ramon Jose Blas Camacho, Mayor of the Municipality of Saipan

*In lieu of participating in the public hearing, written comments were submitted and is reflected under Section II(D)(3) of this report.*

2. Honorable Marian DLG. Tudela, Chairperson, Saipan & Northern Islands Municipal Council

*In lieu of participating in the public hearing, written comments were submitted and is reflected under Section II(D)(3) of this report.*

3. Tracy B. Norita, Secretary, Department of Finance- oral testimony presented on House Bill No. 23-7; House Bill No. 23-41, HD1; House Bill No. 23-68, HS1; House Bill No. 23-78, HS1 by Jose C. Mafnas, Director, Customs and Biosecurity Division. No oral testimony provided on House Bill No. 23-74, HD1.

4. Daniel Alvarez, Director, Division of Revenue and Taxation, Department of Finance

“Good afternoon, everybody. Daniel Alvarez, the Director for Revenue and Taxation. Just following through with what Director Mafnas was saying about the cost for implementing this, if passed, and I'm referring to House Bill 23-74[, HD1]. So, for example, we just went live with our new tax system and we developed the 3105 BGR. And there was a cost for that. And to implement this for the tax administration, we would have to develop a whole other tax form and also have our programmers develop it in the tax system. So, there is going to be a cost for that. Now, my comments, I guess I have some requests for clarification on line 17 and 18 of House Bill 23-74[, HD1], where it talks about change orders occurring after the effective date of this Act. Does that include or is that only for the change order cost or for the entire contract? Right? So that's a question on how I would interpret that. And then my other question was for line 4, where it says ‘a yearly tax of 3% shall be imposed’, was it ever considered to be monthly, following 4 CMC §1307? And those are just the questions I had on this House Bill. Thank you.

5. Francisco D. Cabrera, Acting Secretary, Department of Commerce

“Good afternoon, Chairman Donald Manglona, Chair of Committee on Fiscal Affairs, members of this august body, and all the senators. My name is Francisco Cabrera, I'm the Acting Secretary of Commerce, and definitely my term expires at 4:30 today. So, I'll make my due time in a short version. Thank you. *Hafa Adai* and *Tirow* everyone. Thank you for giving the Department of Commerce the opportunity to provide testimony or comments regarding the reference bills: House Bill 23-07; 23-41, HD1; 23-68, HS1; 23-78, HS1; and 23-74, HD1. I just consolidated my version on this matter. Thank you that you were able to send me the email on Monday, Chairman. Unfortunately, due to family matters, I was not able to partake in any business. So, I had the benefit of having it taken care of on Tuesday and, you know, it took me time to review the bills because four of these bills are pretty much new to me other than the [House Bill No.] 23-74[, HD1] that we did submit a comment on to the House sometimes mid part last year. [...]

Pursuant to [House Bill No.] 23-74, HD1, overall, I believe our comment was well taken back at the House and we fully support the intent of the bill that, you know, this will be a general additional revenue. And it's admirable by the author of the bill

and as it's passed by the House, definitely. That's my presentation.”

*(NOTE: Additional statements provided on House Bill No. 23-7; House Bill No. 23-41, HD1; House Bill No. 23-68, HS1; and House Bill No. 23-78, HS1 will be reflected in the respective Standing Committee Reports of these proposed legislations by your Committee.)*

6. Joe C. Guerrero, President, Saipan Chamber of Commerce—*testimony presented by Dr. Joshua Wise, Vice President, Saipan Chamber of Commerce*

“Good afternoon, Chairman and Members of this body. Thank you for having us today. My name is Dr. Joshua Wise. I'm the Vice President for the Saipan Chamber of Commerce. So, I am here just to comment on four of the bills today. [...]

And lastly, for [House Bill No.] 23-74[, HD1]. For this bill, we don't necessarily oppose the intent of the bill. We just feel that this would be the wrong time for the bill. You know we're in a place where, you know, our tourism and what our product that we're selling to other places is, it needs a lot of work. I'm sure you guys all know that. There's a lot of work that needs to be done from Garapan to buildings. And, you know, we feel that imposing this tax would only further create, you know, other contractors from wanting to bid here if there's going to be additional taxes. And we just feel that we need as many contractors as we can get. They're hard enough to get here. So, we're just, you know, worried that that's going to deter potential contractors. And that was sort of the key point of why at this time we respectfully oppose that bill. But would certainly be, you know, something to consider in the future once we've got things rolling. And that's pretty much all the comments I have.”

*(NOTE: Additional statements provided on House Bill No. 23-7; House Bill No. 23-68, HS1; and House Bill No. 23-78, HS1 will be reflected in the respective Standing Committee Reports of these proposed legislations by your Committee.)*

7. Esther L. Muna, Chief Executive Officer, Commonwealth Healthcare Corporation

*In lieu of participating in the public hearing, a written testimony was provided only for House Bill No. 23-7 and will be reflected*

*in the respective Senate Standing Committee Report by your Committee)*

ii. Testimonies by the General Public

I. Richard U. Hofschneider, personal testimony

“Mr. Chairman, good afternoon and *Mogethin* once again. This is not MPLT, thank God. It's totally different. And, I'm here, of course, haven't lunched because, you know, I've been here kind of monitoring a lot of the activities of this committee this body. And you guys are doing a superb job trying to figure out how to, you know, address all parties and thank you for your time and [patience] Chairman Manglona, sub-committee chairwoman and members of this body. I'm here actually, you know, I'm happy very much that I'm here. [...]

And lastly on this House Bill 23-74, House Draft 1, about this 3% tax on yearly gross business of construction activities, \$250,000. Mr. Chairman and members of this committee, we've just been hearing almost all day and almost last week and two weeks about \$15 million for the EDA and hundreds of millions, close to \$100 million from EDA and \$15 million on MPLT and so forth. I think this 3% is too low. I support this bill, but we should increase it because the government needs a lot of money. And this is, we need the contribution from the construction companies to contribute to the economy because at this moment, our minimum wage is low. So, I support this [House Bill] 23-74, House Draft 1, but make it higher than 3%—5 %, 10%. So, we can have millions of dollars coming in from this, money coming in from the United States and other investment. *Si Yu'us ma'ase* and thank you very much for allowing me to speak on this. Thank you. Bye.”

2. Committee Meeting.

The proposed legislation made its first appearance during the scheduled committee meeting convened on February 22, 2024. The Committee Meeting notices and agenda were officially posted on February 19, 2024, 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. Public comment was received in support of the proposed legislation, as amended, by the following:

- a. Richard U. Hofschneider, Part Time Advisor, Matua Council for Native Chamorro Advancement

The proposed legislation made its second appearance during the scheduled committee meeting convened on April 11, 2024. The Committee Meeting notices and agenda were officially posted on April 5, 2024, 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. However, no oral testimony in support or in opposition were stated before your Committee.

The proposed legislation made its third appearance during the scheduled committee meeting convened on August 29, 2024. The Committee Meeting notices and agenda were officially posted on August 26, 2024, 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. However, no oral testimony in support or in opposition were stated before your Committee.

The proposed legislation made its fourth appearance during the scheduled committee meeting convened on September 6, 2024. The Committee Meeting notices and agenda were officially posted on September 3, 2024, 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. However, no oral testimony in support or in opposition were stated before your Committee.

3. Written Comment. Your Committee is in receipt of written comments submitted by certain government and private entities in response to an invitation to participate in the respective public hearings, as follows:
  - a. Philip M. Long, President, Tinian Chamber of Commerce, email dated January 19, 2024
  - b. Anita F. Pagulayan, Vice President, GPPC, Inc., letter dated January 29, 2024
  - c. Ruel R. Villacrusis, General Manager, RNV Construction & Affiliates, email dated January 30, 2024
  - d. Steven McCoy, President, Rota Chamber of Commerce, letter dated February 5, 2024
  - e. Tony Muna, on behalf of Mr. Guocao (Steve) Qian, USA Fanter Corporation, email dated February 9, 2024
  - f. Honorable Marian DLG. Tudela, Chairperson, 17<sup>th</sup> Saipan & Northern Islands Municipal Council, letter dated February 15, 2024
  - g. Joe C. Guerrero, President, Saipan Chamber of Commerce, letter dated February 21, 2024
  - h. Northern Marianas Housing Corporation- construction appraisal, email dated March 26, 2024

E) Estimated Fiscal Cost:

Attached to this report is a revenue estimate on House Bill No. 23-74, HD1 prepared by Danial Alvarez, Director of the Division of Revenue and Taxation under the Department

of Finance and submitted to the Committee during its Committee Meeting on August 29, 2024. The estimate provided is based on the House proposal of an additional 3% tax with the exemption of a \$250,000 threshold using historical data of business gross revenue collection on construction activities from calendar years 2021, 2022, and 2023. As indicated on the file, a 3-year average on the historical data projected \$3.3 million.

Director Alvarez clarified that the historical data does not include any construction activities approved or funded by the U.S. Economic Development Administration (EDA), the Northern Marianas Housing Corporation Community Development Block Grant-Disaster Relief (CDBG-DR) Program, Public Assistance Office (PAO), the Office of Grants Management and State Clearinghouse (OGM-SC), or the military buildup on Tinian.

For Fiscal Year 2025, maintaining the proposed \$250,000 threshold and absent the financial information from the military build-up on Tinian, PAO, OGM-SC projects, Director Alvarez stated a total projection of \$7 million based on the \$3.3 million average of historical data, an anticipated projection of EDA projects at \$1.5 million, CDBG-DR projects at \$2.2 million.

No financial impact was prepared on House Bill No. 23-74, HD1, Senate Substitute 1, that includes amendments to increase the threshold from \$250,000 to \$350,000 and impose a 3% tax on certain construction activities as opposed to an additional tax on top of the current 5% tax. The adopted amendments by your Committee may change the proposed projection previously shared by the Director of Revenue and Taxation. However, Department of Finance Secretary Norita indicated that in order to get a true projection of revenue from the proposed 3% construction tax that it would be dependent on the final provisions enacted for the Department of Finance to implement and enforce.

F) Summary of Committee Amendments:

Your Committee agreed to the following amendments:

1. Title. Amendments made to reflect amendments incorporated into the proposed legislation, which clarifies the removal of an “additional tax” on gross revenue of construction activities to a 3% tax on certain construction activities.
2. Section 1. Legislative Findings and Purpose. Amendments were made to prevent the argument of a discriminatory tax in violation of the Equal Protection Clause by ensuring a plausible policy reason for imposing a 3% tax on certain construction activities and to clarify the misconception that contractors are not subjected to the tax for qualifying revenues, beginning on page 1, line 1 through page 3, line 2.
3. Section 2. Amendment. Was amended in its entirety to establish a new Chapter 14 under Title 4, Division 1 of the Commonwealth Code entitled, Construction Activities Tax.

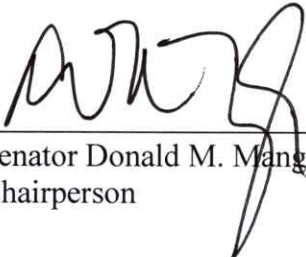


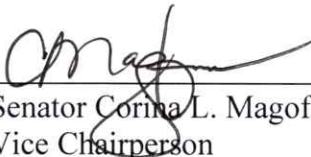
4. Section 2. Amendment. §101. Definitions. Your Committee agreed to insert a new §101 to provide proper definition of terms for clarification purposes, beginning on page 3, line 6 through page 4, line 2.
5. Section 2. Amendment. §102. Tax Imposition on Gross Revenues from Certain Construction Activities. Amendments made to address the concern of double taxation between the general contractor and subcontractors by (1) imposing a 3% tax on the gross revenues of a general contractor that is directly attributed to or derived from Qualifying Construction Projects and (2) exempting subcontractors from the tax if they were contracted by a general contractor, beginning on page 4, lines 3-18.
6. Section 2. Amendment. §103. Non-Refundable Tax Credit. Your Committee agreed to amend the House proposal of §102 to a new §103 that is consistent with the non-refundable credit for gross revenue tax as codified under 4 CMC § 1308, beginning on page 4, line 19 through page 5, line 17.
7. Section 2. Amendment. §104. Returns and Payment of Tax. Your Committee agreed to a new §104 that is consistent with the returns and payment of tax on gross revenue as codified under 4 CMC § 1307, beginning on page 5, line 18 through page 7, line 5.
8. Section 2. Amendment. §105. Enforcement. Your Committee recognized that in order to see the potential collection of this proposed construction tax that the Division of Revenue and Taxation should be provided a percentage of funds derived from the total taxes collected, beginning on page 7, lines 6-11.
9. Section 3. Regulations. Your Committee agreed to maintain this provision without any amendments.
10. Typographical and technical amendments were made throughout the proposed legislation.

**III. CONCLUSION:**

Your Committee agrees with the intent and purpose of the proposed legislation and recommends its passage in the form of House Bill No. 23-74, House Draft 1, Senate Substitute 1.

Respectfully submitted,

  
\_\_\_\_\_  
Senator Donald M. Mangiona  
Chairperson

  
\_\_\_\_\_  
Senator Corina L. Magofna  
Vice Chairperson

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Senator Celina R. Babauta  
Member

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Senator Jude U. Hofschneider  
Member



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Senator Karl R. King-Nabors  
Member

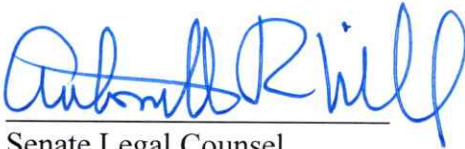
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Senator Paul A. Manglona  
Member

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Senator Dennis C. Mendiola  
Member

Reviewed by:



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Senate Legal Counsel

*Attachments:*

- 1. Public Hearing Attendance: Senate FA Committee and General Public*
- 2. Copies of Oral Testimonies Stated During the Scheduled Public Hearings*
- 3. Written Comments Officially Received by the Committee*
- 4. Revenue Estimate on HB 23-74, HD1 - Submitted by Daniel Alvarez, Director of the Division of Revenue and Taxation, Department of Finance.*

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**SEPTEMBER 7, 2023**

**Second Regular Session, 2023**

**H. B. 23-74, HD1, SS1**

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**A BILL FOR AN ACT**

To impose a 3% tax on certain constructions activities; and for other purposes.

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

1           **Section 1. Findings and Purpose.** While construction activity is generally  
2 associated with progress and development — with attendant direct and indirect  
3 benefits – inevitably, there are also costs associated with certain construction  
4 activities. The Legislature finds that the Commonwealth should impose a 3% tax  
5 on gross revenues directly derived from non-residential construction projects that  
6 cost three hundred fifty thousand dollars (\$350,000.00) or more. This tax shall  
7 mitigate the myriad costs to the Commonwealth that are attributable to large scale  
8 construction activities, which include waste generation, pollution and emissions  
9 from heavy equipment, damage and stress on roads and infrastructure, erosion and  
10 pollution control, and the added costs at the ports of entry associated with increased

1 customs activities to ensure that materials and supplies are not co-mingled with  
2 contraband.

3         The legislature acknowledges that an additional tax may increase the costs  
4 of construction for commercial and government projects as contractors attempt to  
5 pass on the increased costs to consumers. Similarly, the legislature is also aware  
6 that general contractors often hire subcontractors. As a result, there are legitimate  
7 issues with respect to double taxation. There is also a valid concern that this  
8 legislation may increase the final costs that are charged to consumers. These  
9 concerns, raised by the CNMI Department of Finance and the CNMI Office of the  
10 Attorney General, that call attention to these potential adverse impacts, are valid,  
11 and have been addressed in this bill.

12         Accordingly, as set forth in section 102, this tax applies specifically to the  
13 revenues derived from construction activities from projects with a total cost of three  
14 hundred fifty thousand dollars (\$350,000.00) or more. Construction projects below  
15 this threshold are not subject to the tax. Moreover, this tax does not apply to  
16 revenues attributable to residential construction.

17         In addition, in order to mitigate any adverse effects on the end prices that  
18 may be passed along to the consumers, construction contractors subject to this tax  
19 are entitled to a non-refundable credit in the same manner as 4 CMC section 1308  
20 (a) provides for the Business Gross Revenue Tax. Furthermore, to avoid double  
21 taxation, the tax shall be imposed on the total project cost and paid by the general

1 contractor. Thus, if a general contractor utilizes subcontractors, the subcontractors  
2 are not required to pay the tax.

3 **Section 2. Amendment.** Title 4, Division 1 of the Commonwealth Code is  
4 hereby amended to add a new Chapter 14 to read as follows:

5 **“Chapter 14. Construction Activities Tax.**

6 **“§101. Definitions.**

7 For the purposes of this chapter:

8 (a) “General Contractor” means a person who contracts for the  
9 completion of an entire project, including purchasing all materials, hiring  
10 and paying subcontractors, and coordinating all the work.

11 (b) “Qualifying Construction Project” means any construction  
12 project, other than construction of Residential Housing, with a total cost of  
13 three hundred fifty thousand dollars (\$350,000.00) or more, including  
14 change orders, amendments, or modifications resulting in an addition to the  
15 total project cost. A construction project is a Qualifying Construction  
16 Project if any additions or modifications resulting in changes to the total  
17 project cost cause the total cost to meet or exceed the threshold of three  
18 hundred fifty thousand dollars (\$350,000.00).

19 (c) “Residential Housing” shall mean construction of individual  
20 homes and not apartments, condominium complexes, or commercial  
21 residential developments.

1 (d) "Subcontractor" means a person who is awarded a portion of an  
2 existing contract by General Contractor.

3 **§102. Tax Imposition on Gross Revenues from Certain**  
4 **Construction Activities.**

5 (a) Unless expressly exempted herein, a tax of 3% shall be imposed  
6 on the gross revenues of a General Contractor that are directly attributed to  
7 or derived from Qualifying Construction Projects.

8 (b) For the purpose of subsection (a), the gross revenue tax shall  
9 exclude revenues generated by or derived from construction of Residential  
10 Housing.

11 (c) Revenues of a Subcontractor that are derived from construction  
12 activities performed on a Qualifying Construction Project are exempted  
13 from this tax, if the person was contracted by a General Contractor.

14 (c) Revenues from construction activities derived from Qualifying  
15 Construction Products that were received on or before December 31, 2024  
16 are exempt from the tax imposed in subsection 102. Provided however, that  
17 any amounts previously paid shall be included in determining the total  
18 project cost.

19 **§103. Non-Refundable Tax Credit.**

20 (a) A person subject to the tax in Section 102 may take the tax  
21 imposed on gross revenues in such section as a non-refundable tax credit

1           against any taxes imposed on Commonwealth source income under Subtitle  
2           A of the NMTIT pursuant to Chapter 7 of this division (4 CMC sections  
3           1701 et. seq.). No such credit shall be allowed for any amount deducted in  
4           determining taxable income under the NMTIT as shown on the taxpayer's  
5           return.

6                   (b) Partners and S corporation shareholders may take their  
7           respective share of taxes imposed on gross revenues reported and paid by  
8           their respective partnerships and S corporations under Section 102 as a  
9           nonrefundable credit against the tax imposed on Commonwealth source  
10          income under Subtitle A of the NMTIT pursuant to chapter 7 of this division  
11          (4 CMC §§ 1701 et seq.); provided, that the total of all such credits shall not  
12          exceed the total taxes paid. No credit shall be allowed under this subsection  
13          (b) for the amount of any taxes taken as a credit under subsection (a) of this  
14          section.

15                   (c) No such credit shall be allowed for any amount deducted in  
16          determining taxable income under the NMTIT as shown on the taxpayer's  
17          return.

18                   **§ 104. Returns and Payment of Tax.**

19                   (a) *In General.* Every person subject to this chapter shall file a  
20          return and pay the tax, if any, on a monthly basis. The secretary shall by

1 regulation prescribe monthly rates as necessary to carry out the intent and  
2 purpose of this section.

3 (b) *Filing Returns and Payment.* The monthly returns and tax  
4 payments under subsection (a) of this section shall be filed and the tax paid,  
5 if any, on or before the last day of the month following the close of each  
6 month, to wit: on or before February 28, March 31, April 30, May 31, June  
7 30, July 31, Aug 31, September 30, October 31, November 30, December  
8 31 and January 31. The payment shall be based on the payors gross revenue  
9 derived from Qualifying Projects in the preceding month, and the amount  
10 of tax imposed by this chapter shall be paid to the Commonwealth  
11 government through the secretary or his appointee or appointees. Each  
12 business shall, on or before the date provided for payment of tax under this  
13 section, make a full, true, and correct return showing all such gross revenue  
14 received, accrued, or earned, whichever is earlier, and the amounts deducted  
15 and set aside on account during the preceding month. This return shall be  
16 filed with the secretary and include such other information as may be  
17 required or prescribed by the secretary. The secretary for good cause, may  
18 extend the time for making payments and returns, but not beyond the last  
19 day of the first month succeeding the regular due date.



1           (c) Tax Returns of Transferor. The requirement to deduct, withhold  
2           and pay over tax for the account of the transferor shall not relieve the  
3           transferor from the duty to file any tax returns required by law.

4           (d) Penalty. Failure to comply with the provisions of this section  
5           shall be punishable under the penalties prescribed by this division.

6           **§ 105. Enforcement.**

7           Two percent or \$300,000, whichever is less, of the taxes collected  
8           pursuant to this chapter shall be earmarked annually to the Division of  
9           Revenue & Taxation for the implementation and enforcement of this  
10          chapter. The earmarked funds in this section shall not be subject to fiscal  
11          year limitations.”

12          **Section 3. Regulations.** The Secretary of Finance is hereby authorized to  
13          promulgate rules and regulations including but not limited to providing definitions,  
14          and other matters necessary for the proper implementation of this Act.

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

20          **Section 5. Savings Clause.** This Act and any repealer contained herein  
21          shall not be construed as affecting any existing right acquired under contract or

HOUSE BILL 23-74, HD1, SS1

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1 acquired under statutes repealed or under any rule, regulation, or order adopted  
2 under the statutes. Repealers contained in this Act shall not affect any proceeding  
3 instituted under or pursuant to prior law. The enactment of the Act shall not have  
4 the effect of terminating, or in any way modifying, any liability, civil or criminal,  
5 which shall already be in existence on the date this Act becomes effective.

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

Prefiled: 9/7/2023

Date: \_\_\_\_\_

Introduced by: /s/ Rep. Ralph N. Yumul  
/s/ Rep. Blas Jonathan "BJ" T. Attao  
/s/ Rep. Roman C. Benavente  
/s/ Rep. Angelo A. Camacho  
/s/ Rep. Diego V. F. Camacho  
/s/ Rep. Joel C. Camacho  
/s/ Rep. Manny G. T. Castro  
/s/ Rep. Marissa R. Flores  
/s/ Rep. Malcolm J. Omar  
/s/ Rep. Edwin K. Propst  
/s/ Rep. Patrick H. San Nicolas  
/s/ Rep. Denita Kaipat Yangetmai

Reviewed for Legal Sufficiency by:

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

# **Attachment 1:**

## ***Public Hearing Attendance- FA Committee & General Public***



**OFFICE OF SENATOR DONALD M MANGLONA**  
**TWENTY-THIRD NORTHERN MARIANA COMMONWEALTH LEGISLATURE**  
**FIRST SENATORIAL DISTRICT**

**SENATE STANDING COMMITTEE ON FISCAL AFFAIRS**

**SUBJECT:** Public Hearing on Referred Legislation  
*(HB 23-07, Proposed SS; HB 23-41, HD1; HB 23-68, HSI; HB 23-78, HSI; HB 23-74, HD1)*

**DATE:** Thursday, February 15, 2024

**TIME:** 4:00 PM

**LOCATION:** Senate Chamber, Honorable Jesus P. Mafnas Memorial Building  
 Capitol Hill, Saipan

**Roll Call- Attendance. Committee Members**


NAME	PRESENT	ABSENT	EXCUSED
Senator Celina R. Babauta Member	✓		
Senator Karl R. King-Nabors Member	✓		
Senator Corina L. Magofna Vice Chairperson	✓		
Senator Donald M. Manglona Chairperson	✓		
Senator Paul A. Manglona Member	✓		
Senator Dennis C. Mendiola Member		✓	

<b>TOTAL</b>	<u>5</u>	<u>1</u>	<u>          </u>
	<b>Present</b>	<b>Absent</b>	<b>Excused</b>

**Attendance. Legislative Bureau Support Staff**

- Jose A. Bermudes, Legal Counsel
- Jolyn B. Duenas-Tagabuel, Legislative Assistant
- Benjamin S. Terlaje, Sergeant-at-Arms
- Brendon Manglona, Assistant Sergeant-at-Arms
- Delbert Camacho, IT Assistant

**CERTIFIED TRUE AND CORRECT**

  
 \_\_\_\_\_  
 Jolyn B. Duenas-Tagabuel  
 Legislative Assistant



**OFFICE OF SENATOR DONALD M MANGLONA**  
**TWENTY-THIRD NORTHERN MARIANA COMMONWEALTH LEGISLATURE**  
**FIRST SENATORIAL DISTRICT**

**SENATE STANDING COMMITTEE ON FISCAL AFFAIRS**

**Date:** Thursday, February 15, 2024

**Time:** 4:00 PM

**Location:** Senate Chamber

**Subject:** Public Hearing on Referred Legislation

- House Bill No. 23-07, PROPOSED Senate Substitute:** To update the definition of tobacco products in the CNMI's excise tax laws; bring tobacco tax rates to the recommended level; set tobacco tax rates to increase with inflation; and invest tobacco tax revenues in health promotion and disease prevention and control programs in the CNMI; and for other purposes.
- House Bill No. 23-41, HDI:** To establish an excise tax for betelnut/areca nut and lime mix/afok/or bweesch.
- House Bill No. 23-68, HSI:** To impose a ten (10) percent ad valorem tax on private individuals purchasing vehicles from dealerships or private parties outside the CNMI, excluding businesses or commercial entities; and for other purposes.
- House Bill No. 23-78, HSI:** To increase the tax imposed on soft drink and alcoholic beverage containers.
- House Bill No. 23-74, HDI:** To impose an additional 3% tax on the yearly gross revenue of constructions activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00).

*Participation in this public sign-in sheet is not mandatory and is voluntary. Please provide the information below at your discretion.*

	Contact Information	House Bill No. 23-07 Proposed SS	House Bill No. 23-41, HDI	House Bill No. 23-68, HSI	House Bill No. 23-78, HSI	House Bill No. 23-74, HDI
1	Name: <u>Jose Xrafree</u> Contact No.: <u>664-1610</u> Email: _____ Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
2	Name: <u>YOLAUDA RABAULIMAN</u> Contact No.: <u>664-1606</u> Email: <u>y.kajado@doj.gov.mp</u> Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
3	Name: <u>Doniel Alvarez</u> Contact No.: <u>664-1099</u> Email: <u>d.alvarez@det.gov.mp</u> Organization: <u>DRS</u>	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided
4	Name: <u>Joshua Wise, Pharm.D.</u> Contact No.: <u>796-6698</u> Email: <u>jkwise922@msm.com</u> Organization: <u>SLL</u>	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided
5	Name: <u>Crispin M. Sablan</u> Contact No.: <u>670 287 1267</u> Email: <u>crism.sablan@gmail.com</u> Organization: <u>SBD</u>	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided
6	Name: <u>Richard Hofschail</u> Contact No.: _____ Email: <u>ruhofschail@gmail.com</u> Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
7	Name: <u>Linnet M. S. Hofschail</u> Contact No.: _____ Email: <u>LhanoroCouncil@gmail.com</u> Organization: <u>MATUA Council</u>	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input checked="" type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
8	Name: <u>Mercilia Teigita</u> Contact No.: _____ Email: <u>mteigita.cca@gmail.com</u> Organization: _____	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input checked="" type="checkbox"/> Undecided
9	Name: <u>Zozzie Remari</u> Contact No.: _____ Email: <u>RemariZozzie@crnmpss.org</u> Organization: _____	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
10	Name: <u>Soomaitah Ferdous</u> Contact No.: _____ Email: <u>ferdous.soomaitah@mycnnmpss.org</u> Organization: _____	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided



**OFFICE OF SENATOR DONALD M MANGLONA**  
**TWENTY-THIRD NORTHERN MARIANA COMMONWEALTH LEGISLATURE**  
**FIRST SENATORIAL DISTRICT**

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1	Name: <u>Grace Mitch Carron</u> Contact No.: <u>(670)788-8428</u> Email: <u>gmpcarrcon@gmail.com</u> Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
2	Name: <u>Aniciete, Jetric</u> Contact No.: <u>(670)287-828</u> Email: <u>anicietejetric@gmail.com</u> Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
3	Name: <u>Niveka Castor</u> Contact No.: <u>285-4484</u> Email: <u>vivekarose@gmail.com</u> Organization: <u>CCA</u>	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
4	Name: <u>Lynn Tenorio</u> Contact No.: <u>287-0048</u> Email: <u>Ltenorio.ca@gmail.com</u> Organization: <u>CCA</u>	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input checked="" type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided
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10	Name: _____ Contact No.: _____ Email: _____ Organization: _____	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided	<input type="checkbox"/> In Favor <input type="checkbox"/> Oppose <input type="checkbox"/> Undecided

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**Attachment 2:**  
*Copies of Oral Testimonies Stated  
During the Scheduled Public  
Hearings*

**Senate Fiscal Affairs Committee – Proposed Tax Increases**  
***Friday, January 19, 2024***

Hafa adai, Tirow, and welcome Chairman Manglona and Senate Fiscal Affairs Committee members to our beautiful island of Tinian!

For the record, my name is Ana Marie C. San Nicolas, the Vice Chairwoman of the 19th Tinian Municipal Council. I am present today to provide Mayor Aldan's testimony, as he is unable to join us for this public hearing.

I want to express my concerns regarding the proposed tax bills before the Senate. As the Mayor, I must ensure that the best interests of our community are taken into account when making decisions regarding taxation and budget allocations.

I understand that the proposed bills to increase taxes are intended to raise revenue for the CNMI general fund to supplement the shortfall in operational funding for the FY2024 budget and possibly FY2025. I find it troubling with the lack of provisions in these bills, specifying that the Legislature shall appropriate the funds generated from the tax increases to be allocated to the CNMI general fund account, which is precisely where the funding shortfall lies.

Given the need for more financial support to fund basic operating needs such as utilities to provide services to the general public, all three municipalities are in a precarious position. During the initial deliberations for the FY2024





budget between the House of Representatives and the administration, they clearly stated that the increase of taxes would assist the shortfall of revenue in the CNMI general fund; however, with the bills before us today for public comment, it lacks the provision of assuring that these revenues will supplement the shortfall. Furthermore, language must be included in the proposed bills, allowing all three municipalities to acquire some revenues to augment the lack of funding for operations and utilities within our municipalities.

It is also disconcerting that the bills' authors have not provided a precise estimation or projection of the total revenue the CNMI will receive from the proposed taxes. Thorough research and revenue projections must be conducted to ensure the tax increases align with the CNMI's current circumstances and revenue shortfall.

I urge the Senate Fiscal Affairs Committee to carefully consider these points as you deliberate on the proposed tax bills. Our community relies on the prudent allocation of funds, and any tax changes must be thoroughly vetted with the well-being of our citizens in mind.

Thank you, yan Si yu's ma'ase, for allowing me the opportunity to provide my testimony today.

I hope you have a great rest of your afternoon!

1-19-24

Oral testimony of Melissa Mendiola, DOF, Tinian, Resident Dept. Head

**As the Resident Department Head of the DOF on Tinian, my primary responsibility to these proposed legislations if passed, is to ensure that the department adheres with enforcing its mandated duties with the proper collection of taxes.**

**Yes, it would be a decent financial opportunity for additional revenue to our government and as the Resident Director, my concern would be, if these legislation passes and becomes law, will there be a portion of funds or a percentage of amount allotted specifically for Tinian on the proposed funds to be established?**

**As an enforcement agency on Tinian, we collect such revenues as well. The revenue collection from such legislation would be a great funding source the department could avail from for operational expenses since the department was not budgeted for operations at present fiscal year.**

**It is difficult at times when the enforcement section is faced with needs that involves funding the department lacks. Having adequate funding sources prepares for the necessities in carrying out the duties and responsibilities and not hamper services they are mandated to provide.**

**If given the support to avail such funds from the proposed increase of tax collection, it would enhance the support the department needs in assuring the deliverance of services are provided to the people and businesses in our community.**



# **Attachment 3:**

## ***Written Comments Officially Received by the Committee***



Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>

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## Fiscal Affairs Public Hearing Invitation

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phil@shermanpacific.com <phil@shermanpacific.com>

Fri, Jan 19, 2024 at 6:09  
PM

To: Donald Manglona <sen.dmanglona@gmail.com>

Cc: tiqmbc@gmail.com, Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>

Hello Senator,

I apologize for not attending your session today as I was stuck in meetings all day. However, to be honest, even if I were available, I would not be able to speak on behalf of the Chamber as the BOD had not reviewed these bills or provided comments on them for a vote by the BOD for an official position of the Chamber of Commerce.

I hope you understand. We look forward to participating in the future.

Should you want to reach out to me in my personal capacity, I can and will always be able to assist and provide my opinion.

Phil

[Quoted text hidden]



**GPPC Inc.**  
General Contractor

*Building with Innovative Solutions*

January 29, 2024

Senate Vice President Donald M. Manglona  
Senate Fiscal Affairs Chairman  
23<sup>rd</sup> Northern Marianas Commonwealth Legislature  
Saipan, MP 96950

**Subject: GPPC Response**

**H.B 23-74, HD1 "To impose an additional 3% tax on the yearly gross revenue of construction activities in excess Two Hundred Fifty Thousand Dollars (\$250,000.00)."**

Dear Chairman Manglona,

I am writing on behalf of GPPC, Inc. to express our concerns and provide feedback regarding the proposed Bill for an Act to impose an additional 3% tax on the yearly gross revenue of construction activities in excess of two hundred fifty thousand dollars (\$250,000).

While we understand the importance of generating revenue for public services and infrastructure development, we believe it is crucial to carefully consider the potential impact of such a tax on the construction industry. As a key stakeholder in this sector, we would like to highlight some potential consequences that may arise from the implementation of this proposed tax.

- 1. Financial Strain on Businesses:** The additional 3% tax on gross revenue may impose a significant financial burden on construction companies, especially those operating on thin profit margins. This could potentially lead to increased costs for projects and, in turn, impact the overall competitiveness of the industry.
- 2. Financial Burden on Small and Medium Enterprises (SMEs):** The proposed tax could disproportionately affect smaller construction firms, hindering their ability to remain competitive and invest in growth. This may inadvertently stifle innovation and job creation within the SME sector.
- 3. Reduction in Investments:** The construction industry relies heavily on investments for growth and innovation. The proposed tax may discourage potential investors and hinder the industry's ability to modernize and adopt new technologies, ultimately affecting its long-term sustainability.
- 4. Reduced Economic Activity:** The construction industry plays a vital role in driving economic growth by generating employment and contributing to infrastructure development. Imposing an additional tax may lead to decreased investments in construction projects, ultimately slowing down economic activity.
- 5. Job Market Concerns:** Higher taxes could potentially lead to a reduction in construction activities, affecting job creation within the sector. This, in turn, may have broader implications for the economy, as the construction industry is a significant contributor to employment.
- 6. Cost Transfer to Consumers:** Construction firms are likely to pass on the increased tax burden to clients, leading to higher project costs. This, in turn, may have a cascading effect on rental housing affordability, infrastructure projects, and overall consumer spending.



**GPPC Inc.**  
**General Contractor**

*Building with Innovative Solutions*

6. Potential for Tax Evasion: There is a risk that businesses may seek ways to minimize the impact of the tax by engaging in tax evasion practices. This could undermine the intended revenue generation goals of the proposed legislation.

We would appreciate the opportunity to engage in a constructive dialogue to explore alternative solutions that achieve the government's revenue objectives while minimizing adverse effects on the construction industry. Our company is committed to working collaboratively with policymakers to ensure the sustainability and growth of the sector.

Thank you for considering our perspective on this matter. We look forward to the opportunity for further discussion and collaboration to address the concerns raised.

Should you have any questions or concerns, please contact the signed below.

Sincerely,

Anita F. Pagulayan  
GPPC, Inc. Vice President



Donald Manglona <sen.dmanglona@gmail.com>

## Seeking Comments

Ruel Villacrusis <ruel@rnvconstruction.com>

To: Donald Manglona <sen.dmanglona@gmail.com>

Cc: rnvsaipan <rnvsaipan@gmail.com>

Tue, Jan 30, 2024 at 3:18 PM

Good afternoon Sen. Manglona,

Appreciate reaching-out for our comments relative to this bill. Since I arrived here in Saipan in the year 1987, I've seen first hand the ups-and-downs of the economy. Tourism, as the backbone of the economy, is quite hard to rely solely because of so many factors, particularly the U.S. immigration policies for tourists.

Finding another source of revenue is paramount to sustain government operations. The Retirement Fund must be stable enough for the retirees and future retirees benefits. The bill's intention is commendable. But the question lingers, is the additional 3% tax for construction business enough to sustain the present and future budget of the government? Why single-out construction business only? It will have a domino effect for the construction industry; i.e. suppliers, subcontractors, equipment rental, manpower labor rate and insurance bonding. The government matching fund for federally funded projects will likewise be increased. While residential projects are exempted to this 3% additional tax, however the present 5% BGRT is computed as total gross revenue. Does it mean that a Contractor will have to pay taxes for residential buildings (5% only), while for other projects it is 8% (5% +3%)?

Our suggestion, even though **unpopular**, is to make the tax increase across the board. With the help of an economist, accountant, and financial consultant, a 0.5% or 1% increase to all businesses will create more revenues, than the 3% increase for construction business only. All businesses must understand and cooperate with the government. Not only the construction industry who will take the bullet, but all the stakeholders within the community.

As this is all about revenue generating measures, hereunder are some suggestions, to wit:

1. Aggressive tax collection by efficient business monitoring and enforcement. Size of the company must be checked as to tax payment. If it is not proportional, then a thorough review is necessary. If RNV & Affiliates can pay a BGRT of \$1.9M (+/-) in a year, then bigger companies must be paying more than us in the realm of proportionality.
2. The operational expenses of the company define its profitability. A private company that will have a 75% or more salary expense will become bankrupt. Again, **this is very unpopular**, but I think it is time now to run the government as a private entity. Reduce the operational expenses at all costs. Redundant departments and agencies must be merged. It will not only save on salaries, but car and gas expenses as well. Evaluation of all personnel must be mandatory so productivity not connection will be the basis of work retention.
3. The backbone of the US economy relies on small and medium size companies. Creation of an economic advisory board composed by real owners, may help promulgate some sound economic advice.
4. Lastly, this is the hardest and most controversial, as this is against the CNMI constitution that may need a referendum: Property tax needs to be implemented, if the economy becomes worse. This is based on other countries as CNMI is one of the few places not paying property taxes.

As a long-time CNMI resident, I just want to be of help. This place has been very gracious and helpful financially to me, my family and to my coworkers. Hope you will find this in order and meet your requirements..

Mabuhay ang Pilipinas, Biba Marianas, and God bless the USA!!!

Kind regards,



**Ruel R. Villacrusis**

General Manager | RNV Construction & Affiliates

📞 (670)235.8778/234.7688 Fax: (670) 235.8774

✉️ ruel@rnvconstruction.com

📍 P.O. Box 504974, Saipan, MP 96950

[www.rnvconstruction.com](http://www.rnvconstruction.com)

*"When you get what you want, that's God's direction; when you don't get what you want, that's God's protection."*

[Quoted text hidden]



Steven McCoy  
President



ROTA  
CHAMBER OF  
COMMERCE

Dana Calvo  
Secretary

Juan Pan Guerrero  
Vice-President

www.RotaChamber.com  
PO Box 1525, Rota, MP 96951

Jackie Manglona  
Treasurer

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February 5, 2024

To: Senator Donald M. Manglona, Chairman  
Senate Standing Committee on Fiscal Affairs  
23<sup>rd</sup> Northern Mariana Commonwealth Legislature  
First Senatorial District  
PO BOX 500129  
SAIPAN MP 96951  
T: (670) 644-8803  
E: [SEN.DMANGLONA@GMAIL.COM](mailto:SEN.DMANGLONA@GMAIL.COM)

RE: RCC POSITION ON HB 23-74

Dear Chairman Donald M. Manglona,

The Rota Chamber of Commerce is writing to you to express our opposition to House Bill No. 23-74, HD1: "To impose an additional 3% tax on the yearly gross revenue of constructions activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00)"

While we understand the need for revenue generation and the importance of funding essential services and infrastructure projects, we believe that the proposed tax would have detrimental effects on the construction industry, economic growth, and job creation in the CNMI.

Our opposition to House Bill No. 23-74, HD1, is based on the following key concerns:

1. **Impact on Small and Medium-Sized Enterprises:** The proposed tax would disproportionately burden small and medium-sized construction businesses that may already be operating on narrow profit margins. Imposing an additional tax on their gross revenue could hinder their ability to remain competitive and sustain their operations, potentially leading to job losses and business closures.
2. **Inhibiting Economic Growth:** The construction industry plays a vital role in driving economic growth and development in the CNMI. By imposing a tax on construction activities, we risk stifling investment, deterring new construction projects, and hindering efforts to improve infrastructure and expand economic opportunities for our community.
3. **Unintended Consequences:** There is a concern that the proposed tax could inadvertently discourage construction activity and investment in the CNMI, leading to a slowdown in economic activity and exacerbating existing challenges related to infrastructure development and housing affordability.

**Steven McCoy**  
President



**Dana Calvo**  
Secretary

**Juan Pan Guerrero**  
Vice-President

[www.RotaChamber.com](http://www.RotaChamber.com)  
PO Box 1525, Rota, MP 96951

**Jackie Manglona**  
Treasurer

- 
4. **Alternatives to Taxation:** Rather than relying solely on taxation to address revenue needs, we encourage exploring alternative measures such as improving tax compliance, streamlining government processes, and fostering an environment conducive to business growth and investment.

In light of these concerns, we urge you to reconsider House Bill No. 23-74, HD1, and explore alternative strategies for revenue generation that do not disproportionately burden the construction industry or hinder economic growth in the CNMI.

Thank you for considering our perspective on this matter. We are committed to constructive dialogue and collaboration to achieve mutually beneficial outcomes for our community.

Please do not hesitate to contact us if you require any further information or if we can be of assistance in any way.

Sincerely,

The Rota Chamber of Commerce

cc: Senator Paul Manglona  
Senator Dennis Mendiola  
Representative Julie Ogo



Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>

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## Fwd: USA Fanter Corporation Ltd Comments on HB 23-74 HD1

---

Donald Manglona <sen.dmanglona@gmail.com>

Fri, Feb 9, 2024 at 2:08 PM

To: Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>, jabbermudes@gmail.com

----- Forwarded message -----

From: **USA Fanter** <usafanter.operations@gmail.com>

Date: Fri, Feb 9, 2024 at 2:05 PM

Subject: USA Fanter Corporation Ltd Comments on HB 23-74 HD1

To: <sen.dmanglona@gmail.com>

Senator Manglona,

On behalf of Mr. Guocao (Steve) Qian, I am forwarding official USA Fanter Corporation Ltd Comments on HB 23-74 HD1.

1) Require Clarification as to meaning of "Construction Activities in Excess of \$250,000.00"

Is that "Construction Activities" on a per Project Basis or Cumulative? For example, if bidding on a nonresidential housing project to cost \$50,000.00, price to include/add a 3% additional BGR tax in costing the project?

2) Again on "Construction Activities", if the meaning is based on accumulated revenues of all nonresidential Construction Activities exceeding \$250,000.00 then it would appear that a contractor will include the 3% additional BGR Tax in the costing of its very first nonresidential project of the year.

3) Does the meaning of Construction activity itself include costs for A&E Plans, Mechanical Works, Electrical works, Small repairs or Rehabilitation Jobs, AC Installation.....?

4) Meaning of Yearly Tax ? To be assessed only in December in the final filing of the BGR Tax? or in the filing of the monthly BGR Tax, once nonresidential construction activities exceed revenues of \$250,000.00 then the additional BGR Tax is to be computed and paid?

5) Nonrefundable Tax Credit treatment of BGR Tax paid may not provide relief to a Contractor if the Contractor had a loss of the year (then no Ch7 tax to offset) or if BGR

Tax Paid computed at current level (not taking into account the additional BGR tax) exceeds Ch 7 tax due.

6) Meaning of "residential housing" / "individual homes"? Will a Duplex / Quadplex meant to be built for an immediate family and extended family (married sons and daughters and their families) will that project qualify as "individual homes". Residential Rental "individual homes" qualify for exemption? A subdivision / housing development of "individual homes" qualify for exemption?

Thank you for the opportunity to comment on this House Bill.

Sincerely,

Tony Muna



# 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

**February 15, 2024**

SNIMC2024-137

Donald M. Manglona  
Chairman  
23<sup>rd</sup> Senate Comm. on Fiscal Affairs  
23<sup>rd</sup> Senate  
CNMI Legislature  
P.O. 500586, Saipan, MP 96950



Re. Views on sin taxes in **HB 23-7** (tobacco tax), **23-41** ((imported betel nut tax), and **HB 23-78** (sweet and high tax—soft drink and alcoholic beverage taxes) and the construction tax in **HB 23-74** along with the vehicle tax in **HB 23-68**

Dear Chairman Donald Manglona:

The overriding question that should come to mind when deliberating on the proposed tax hikes is what are the potential effects of taxes on the economy in the short run and long run?

The 23<sup>rd</sup> CNMI Legislature's approach to revenue production via increased taxation measures in the context of a reduced work-hour environment is hardly synonymous with the creation of wealth through attracting new investment activities or for that matter retaining existing investments if not also existing businesses engaging in community reinvestments thereby generating increased tax revenues and other spin off effects on the economy, including increased disposable income on consumers in a near-capacity work environment and business climate and investment.

The most obvious and immediate impact is a takedown on the propensity to spend based on robust consumer demand having less than capacity on expected revenue production due to diminished supply in the short and long run, to the extent that workers remain on reduced work hours, thus squeezed out of necessary disposable income on a thin income margin as long as the current work reduction scenario continues.

On the other hand, the opposite or reverse would be the case on consumer demand through *tax cuts* which immediately translate into increased disposable income impacting on consumer demand as well as encourage businesses to hire tax paying workers and invest more on increased profits, thus generating more revenues through a combination of additional tax collections on increased work hours, increased consumer demands via increased disposable income for spending, and business revenues from robust business activities and expanded investments driven by increased profit margins generated by increased business activities, workers' income taxes, business gross revenue tax collections driven by increased consumer demand, among others.

The above scenario therefore calls for moderation on the marginal rates of the proposed tax measures through a combination of sin taxes, vehicle taxes, and construction taxes as proposed.

That is, the sin taxes in HB 23-7 (tobacco tax), 23-41 ((imported betel nut tax), and HB 23-78 (sweet and high tax—soft drink and alcoholic beverage taxes) and the construction tax in HB 23-74 along with the vehicle tax in HB 23-68 must be spread out in equal increments over a period of 2-4 years.

For example, HB 23-74 should be implemented gradually at 1% to 1.5% on the effective date of the policy, including HB 23-7 at 1.67% spread in increments over a 2-4 years period. HB 23-41 should, however, be implemented at 100% right off the bat, except for HB 23-68 spread over a 3-year period at 3.33% each year together with HB 23-78 at \$0.05 per year.

For commercial construction activities, the levy should remain as is at \$250,000 but increased for residential construction activities to \$500,000. In this way, the tax burden on residential construction is on middle to higher income brackets and not on section 8 and affordable housing clients, for instance.

In addition, each of the five (5) tax measures must include a provision for built-in expiration or sunset within 5-6 years thereafter, or sooner when a comprehensive policy impact evaluation shows a clear and convincing adverse impact or a regressive effect which contravenes the intended effect of the policy proposals on revenue generation to begin with.

There should also be a proviso for intermittent pause period when the intended effect of revenue production is not being realized, or in the alternative, immediate outcome shows unintended regressive consequences on the overall business climate or revenue production based off verifiable fiscal data from revenue and tax division.

Obviously, it is highly recommended that in the alternative, this legislature should explore other investment friendly options in *attracting* new business entries to the Commonwealth.

Perhaps, the Legislature needs to pay more attention to examining existing statutes in order to provide for alternate revenue enhancements internally, such as those recommended in the 2020 economic summit by the past administration.

At this juncture, the 17<sup>th</sup> council encourages greater focus and efforts by the legislature in allowing each senatorial district to calibrate its own rules and make an independent assessment on the feasibility and advisability in crafting senatorial-driven policies to attract new businesses to their shores. That is, Tinian and Rota should be allowed to provide a mix of incentive that should serve as business havens for U.S. businesses, including anchor businesses for investments to Asia.

Alternatives to tax hikes include revisiting the following *existing* public policies:

1. Education Tax Credit
2. Tax Rebates
3. Luxury Taxes
4. Real Estate Transfer Tax
5. Tax on BOOST grants recipients
6. Fuel Exemption Tax
7. Etc.

For instance, Rota could offer paradise living for neighboring residents of Guam in high rise condominiums.

Elderly care center may be an option for Rota's tranquil environment, or for that matter, re-designate the Wedding Cake Rock Island of Rota for a special district investment and an opportunity for investors to stay longer in Rota.

Tinian, on the other hand, ought to consider converting Tinian Dynasty into condominium housing for the military.

Other options could be to convert Aguiguan into an exclusive Las Vegas or Macau of the Marianas as a special economic and business district.

The post-covid legislature needs to think outside of the box in crafting public policies that is unique and effective in small business environment.

The above list is by no means exhaustive and may be improved with others not mentioned. In other words, it behooves on the 23<sup>rd</sup> Legislature to revisit some of the existing revenue generating policies (e.g. ETC), or lack of policy (e.g. BOOST tax)

All the Best,



Marian DLG. Tudela

xc. Speaker Edmund Villagomez  
Senate President Edith DL Guerrero  
Saipan Chamber of Commerce  
Saipan Hotel Association



**Board of Directors**

February 21, 2024

President

Joe C. Guerrero

Ralph M. Yumul

Representative

Vice President

Joshua Wise

23<sup>rd</sup> Commonwealth Legislature

PO Box 500129

Treasurer

Janice Tenorio

Saipan, MP 96950

Secretary

Ron Smith

**Re: H.B. NO. 23-74 – To impose an additional 3% tax on the yearly gross revenue of construction activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00).**

Directors

Alex A. Sablan

John Arroyo

Velma Palacios

Brad Ruzsala

Kevin McCale

Hãfa Adai yan Tirow Representative Yumul,

On behalf of the Saipan Chamber of Commerce (SCC), I submit this letter in response to your request for comments on House Bill No. 23-30. While the SCC understands the need to increase revenue for the CNMI government, we also think that measures intended to address said needs should balance the exigencies of the economy and level the playing field for CNMI businesses.

**Executive Director**

Kimberly Camacho

We thank you for addressing the suggestions made in our initial position submitted on October 27, 2023 which are identified below:

- A yearly tax of 3% shall be imposed on the gross revenue directly attributed to or derived from construction activities in excess of \$250,000
- The yearly gross revenue tax shall exclude construction activity gross revenue generated by or derived from residential housing construction activities that is intended primarily for living purposes.
- A person subject to the tax in Section 101 may take the tax imposed on gross revenues in such sections as a non-refundable tax credit against the tax imposed on the Commonwealth source income under Subtitle A of the NMTIT pursuant to Chapter 7 of this division.
- Revenues from construction activities for construction projects contracted prior to the effective date of this Act are exempt from the tax imposed in subsection 101.

Due to the potential for harm this legislation could pose for contractors in the CNMI and for a net reduction of revenue to the CNMI government, we respectfully oppose this legislation in its current form. Thank you for the opportunity to comment.

Si Yu'us Ma'ãse yan Ghilisow,

Joe C. Guerrero

President, Saipan Chamber of Commerce

Marianas Business Plaza  
2nd Floor, Suite 201-A  
Susupe  
PO Box 500806  
Saipan, MP 96950

Tel 1(670)234-7150  
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Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>

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## Fwd: FW: Request of Information

1 message

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**Donald Manglona** <sen.dmanglona@gmail.com>  
To: Jolyn Duenas-Tagabuel <tagabuelj.la@gmail.com>

Thu, Sep 12, 2024 at 11:58 AM

----- Forwarded message -----  
From: <demapand@cnmileg.net>  
Date: Thu, Sep 12, 2024 at 11:37 AM  
Subject: FW: Request of Information  
To: Donald Manglona <sen.dmanglona@gmail.com>

Buenas Honorable Chairman Don,

Below is the information obtained from CEO NMHC.

Thank you,

David

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**From:** demapand@cnmileg.net <demapand@cnmileg.net>  
**Sent:** Tuesday, March 26, 2024 8:29 AM  
**To:** 'Jesse Palacios' <jspalacios@nmhcgov.net>  
**Subject:** RE: Request of Information

Good Morning Jesse (CEO),

A big support and assistance with appreciation. We are currently working on a revenue generating bill on construction and the information that you provided to us will enable us to establish an index on cost of construction in the CNMI.

Thank you,

David

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**From:** Jesse Palacios <jspalacios@nmhcgov.net>  
**Sent:** Thursday, March 21, 2024 11:43 AM  
**To:** demapand@cnmileg.net

Cc: Donald Manglona <sen.dmanglona@gmail.com>; sen.magofnac@cnmileg.net; sen.babautac@cnmileg.net; Karl King-Nabors <kkingnabors@gmail.com>; Paul Manglona <sen.manglona@gmail.com>; sen.mendiolad@cnmileg.net  
**Subject:** Re: Request of Information

Buenas and good afternoon, Mr. Demapan. The information below is what we use as a guide for our home construction projects:

**Saipan**

Residential Building	Total Cost (w/ overhead, profit, etc.)			Building Area (sf)	Cost/sf
	Building	Septic/Leaching	CUC Sewer		
1br,1ba	\$ 188,509.16	\$ 18,855.33	\$ 7,203.63	988	\$ 190.80
2br,1ba	\$ 216,946.52	\$ 18,855.33	\$ 7,203.63	1253	\$ 173.14
2br,2ba ada	\$ 251,250.39	\$ 18,855.33	\$ 7,203.63	1457	\$ 172.44
3br,1ba	\$ 270,816.75	\$ 18,855.33	\$ 7,203.63	1446	\$ 187.29
3br,2ba	\$ 253,870.26	\$ 18,855.33	\$ 7,203.63	1318	\$ 192.62
3br,2ba ada	\$ 280,192.14	\$ 18,855.33	\$ 7,203.63	1592	\$ 176.00
4br,2ba	\$ 307,713.38	\$ 18,855.33	\$ 7,203.63	1662	\$ 185.15

**Tinian**

1. One Bedroom, One Bathroom (Non-ADA Building).  
 -Total Floor Area = 988 S.F  
 -Total Construction Cost = \$ 240,901.31
2. Two Bedroom, One Bathroom (Non-ADA Building).  
 -Total Floor Area = 1,253 S.F.  
 - Total Construction Cost = \$ 275,165.38
3. -Two Bedroom, Two Bathroom (ADA Building).  
 -Total Floor Area = 1,457 S.F  
 -Total Construction Cost = \$ 312,548.74
4. Three Bedroom, One Bathroom (Non-ADA Building).  
 -Total Floor Area = 1,446 S.F  
 -Total Construction Cost = \$ 334,671.97
5. Three Bedroom, Two Bathroom (ADA Building).  
 -Total Floor Area = 1,592 S.F  
 -Total Construction Cost = \$ 350,833.63
6. Three Bedroom, Two Bathroom ( Non-ADA Building).  
 -Total Floor Area = 1,318 S.F  
 -Total Construction Cost = \$ 312,441.37
7. Four Bedroom, Two Bathroom ( Non-ADA Building).  
 -Total Floor Area = 1,662 S.F  
 -Total Construction Cost = \$ 376,323.43

## **Rota**

1. One Bedroom, One Bathroom (Non-ADA Building).  
-Total Floor Area = 988 S.F  
-Total Construction Cost = \$ 251, 882.19
2. Two Bedroom, One Bathroom (Non-ADA Building).  
-Total Floor Area = 1,253 S.F.  
-/Total Construction Cost = \$ 287,295.18
3. -Two Bedroom, Two Bathroom (ADA Building).  
-Total Floor Area = 1,457 S.F  
-Total Construction Cost = \$ 326,340.48
4. Three Bedroom, One Bathroom (Non-ADA Building).  
-Total Floor Area = 1,446 S.F  
-Total Construction Cost = \$ 351,879.72
5. Three Bedroom, Two Bathroom (ADA Building).  
-Total Floor Area = 1,592 S.F  
-Total Construction Cost = \$ 361,497.19
6. Three Bedroom, Two Bathroom ( Non-ADA Building).  
-Total Floor Area = 1,318 S.F  
-Total Construction Cost = \$ 329,113.84
7. Four Bedroom, Two Bathroom ( Non-ADA Building).  
-Total Floor Area = 1,662 S.F  
-Total Construction Cost = \$ 394,773.2

Please let me know if you have any questions.

Jesse S. Palacios

Corporate Director

On Wed, Mar 20, 2024 at 4:04 PM <[demapand@cnmileg.net](mailto:demapand@cnmileg.net)> wrote:

Buenas and good evening CEO Palacios (Jesse),

Please provide us the contract price and cost per square foot for the following types of house structure:

- Saipan, Rota, and Tinian indicate total square foot:
  - One bedroom
  - Two-bedroom
  - Three-bedroom
  - Four-bedroom

Thank you,

David S. Demapan

Fiscal Analyst, MSA



**Donald M. Manglona**

Senate Vice-President

23rd Northern Marianas Commonwealth Legislature

P.O. Box 500586, Saipan, MP 96950

(w): (670) 664-8803 (c): (670) 287-3750

## **Attachment 4:**

*Revenue Estimate on HB 23-74,  
HD1 – Submitted by Daniel Alvarez,  
Director of the Division of Revenue  
and Taxation, Department of  
Finance*

Construction Tax Proposal – H.B. 23-30 HS1

Revenue Estimate Updated – 8/29/24

Construction Projects - New Tax @ 3%

Total Construction BGR – Code 6300

Methodology.

Get historical construction revenues reported under Code 6300 - construction activities for CY 2021, 2022 and 2023. These are construction activity revenues from all construction projects.

1. Total BGR – Exclude annual BGR of less than \$250,000.
2. Residential Revenue – Estimated that 20% of the revenue in item 1 is attributable to residential construction projects.
3. \$250,000 Base Exclusion – BGR amount not subject to tax.
4. Taxable Amount – BGR amount of \$250,000 and over.
5. Tax – 3% tax on taxable amount.

	<u>Total BGR</u>	<u>Residential (20%)</u>	<u>Balance</u>	<u>\$250,000 Exemption</u>	<u>Taxable Amount</u>	<u>Tax (3%)</u>
CY2021	138,472,126	27,694,425	110,777,701	12,750,000	98,276,476	2,948,294
CY2022	159,928,221	31,985,644	127,942,577	12,750,000	115,192,577	3,455,777
CY2023	169,440,399	33,888,080	135,552,319	12,750,000	122,802,319	3,684,070
					Total	10,088,141
					3-Yr Average	\$3,362,714

Total Projected Construction Drawdown for FY 25 projects is \$53,120,748.81 times 3% tax is \$1,593,622.46

CDBG Projects that will impact FY25 totals at \$76,005,582.66 times 3% tax is \$2,280,167.48

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This does not factor in the tax that subcontractors will also get. How many subcontractors a general contractor will utilize in each construction project is unknown.

The military buildup in Tinian is not included in this.