

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
HOUSE OF REPRESENTATIVES**

P.O. BOX 500586
SAIPAN, MP 96950
cnmileg.net

December 18, 2024

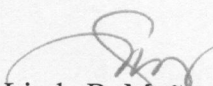
HOUSE
FILE

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

Dear Senate President DeLeon Guerrero:

I have the honor of transmitting herewith for Senate *action* **H. B. No. 23-93, HD1**, entitled: **“To amend Title 4, Division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes.”**, which was passed by the House of Representatives on First and Final Reading, with the affirmative vote of three-fourths of the members voting, a quorum being present, during its Sixth Day, Fourth Regular Session on December 18, 2024.

Sincerely yours,


Linda B. Muña, MPA
House Clerk

Attachment

Transmittal to the SENATE

Received by: 

Date: 12/18/24

Time: 3:44pm

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 27, 2023

Second Regular Session, 2023

H. B. 23-93 HD1

A BILL FOR AN ACT

To amend Title 4, Division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes.

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

1 **Section 1. Findings and Purposes.** The legislature found that according to
2 legislative history, the purpose of establishing a hotel occupancy tax was to
3 alleviate the burden on the CNMI infrastructure impacted by the increase of
4 population attributed to increasing tourist visitors. At the time that the Occupancy
5 Tax was enacted the CNMI was experiencing difficulties with meeting power and
6 water demands as well as the massive increase of waste without developing a waste
7 management system including landfill and sewage.

8 Much has changed over the years and the CNMI made a giant leap towards
9 infrastructure improvements. However, in recent years short-term rentals of
10 untraditional rentals have rapidly increased in response to the increase in demand
11 from various types of travelers needing various types of accommodation ranging
12 from hotel rooms, apartments, and condominiums to a whole house or just a room

1 in someone's residence. This demand encouraged certain operators' practices to
2 inconsistencies with residentially zoned areas, often not properly licensed, and
3 evading tax liabilities which gives them an unfair advantage over traditional
4 lodging operators or other compliant non-traditional operators.

5 Due to the tourism industry's diverse lodging needs of diverse visitors and
6 internet connection providing online platforms to reserve and pay, directly or
7 indirectly, for the lodgings, it has become difficult to monitor and control without
8 a mechanism to register and regulate these activities and thus the legislature finds
9 that operators offering temporary lodgings in hotels, condominiums, and houses-
10 whether the whole house or by room- shall be required to first register as Transient
11 Accommodation Operators and pay an annual registration fee at the Department of
12 Finance, Licensing Division

13 Therefore, the purpose of this Act is to

14 (1) Repeal the Hotel Occupancy Tax and establish a Transient
15 Accommodation Tax;

16 (2) Require persons to register their properties, either owned or leased, as
17 a Transient Accommodation facility before operation and offer temporary
18 accommodations for a fee;

19 (3) Make any violators of this Chapter subject to citations, penalties, and
20 license suspension or revocation depending on the violation and the number of
21 violations.

1 **Section 2. Amendment.** Subject to codification by the CNMI Law Revision
2 Commission, Title 4, Division 1 of the Commonwealth Code is hereby amended by
3 adding a new Chapter 13 to read as follows:

4 **“CHAPTER 13. TRANSIENT ACCOMMODATION TAX**

5 **Section 101. Short Title.** This Act may be cited as the “Transient
6 Accommodation Tax Act of 2023”.

7 **Section 102. Definitions.** As used in this Chapter

8 (a) “CNMI Residents” means any person with a valid CNMI
9 Driver’s License or Municipal Identification Card, for the purpose of this
10 Chapter.

11 (b) “Collection Agent” means any person or entity that collects fees
12 and taxes on behalf of an operator(s).

13 (c) “Director” means the head of a division in the department.

14 (d) “Division” means the department unit that is responsible for the
15 prescribed tasks and duties in this Chapter.

16 (e) “Gross Rent” means the total amount of the set daily, nightly,
17 weekly or monthly rate multiplied by the number of days, nights, weeks, or
18 months that the guest(s) stayed that is charged to and paid for by the guest(s)
19 that does not include tax.

20 (f) “Guest(s)” means the person(s) renting and occupying the
21 transient accommodation or lodging.

1 (g) "Hosting Platforms" means any entity or person(s) within or
2 outside the CNMI, providing advertisement space and accommodation
3 booking services for a fee, commission or share of the accommodation sales
4 and sometimes collects payments on behalf of operators for a fee,
5 commission or share of the accommodation sales.

6 (h) "Online Hosting Platforms" means any internet page and social
7 media page where the Transient Accommodation operators post
8 advertisements and booking and payment services are offered on the page
9 on behalf of the Transient Accommodation operators for a set fee, a set
10 commission, or a share of the accommodation sales.

11 (i) "Operator(s)" means any person or entity that owns or leases
12 facilities or properties and rents out to guest(s) for s set fee a hotel room(s),
13 motel room(s), apartel room(s), apartment or condominium units, and a
14 house or room(s) in a house.

15 (j) "Short-term accommodations/lodgings" means any hotel, motel,
16 house, and apartel (apartment hotels) facility or owners of hotels, motels,
17 apartels (apartment hotels), houses - the whole house or a room in a house,
18 condominium and apartment units or a room within, or property that offers
19 temporary accommodation or lodgings for a set fee and the length of stay
20 of a guest(s) that does not exceed 30 days.

1 (k) “Transient Accommodation” means a short-term
2 accommodation, lodging, or living accommodation of any kind, for a set
3 daily, nightly, weekly, or monthly fee multiplied by the length of stay, not
4 exceeding 30 days, that a guest(s) rents in the Commonwealth.

5 **Section 103. Imposition of Tax and Rates.**

6 (a) There is levied and shall be assessed a 15% tax rate on all guests
7 for gross rental payments received from a guest(s) occupying a Transient
8 accommodation or lodging as defined in this Chapter.

9 (1) Exemptions.

10 (aa) Foreign diplomats with valid US Department of State
11 cards or authorization granting exemptions from state taxes.

12 (bb) CNMI residents only during a declared state of
13 emergency.

14 (b) All receipts and invoices shall clearly and separately show the
15 gross rental fees and the tax imposed on the gross rent and collected from
16 the guest(s).

17 (1) Accommodation gross rental discounts and/or refunds
18 shall be subtracted from the gross rental amount before imposing the
19 15% tax.

1 **Section 104. Certificate of Registration.**

2 (a) Each operator as a condition precedent to engaging or continuing
3 in the business of furnishing transient accommodations services shall
4 register, and renew every year, with the Director of the Division of
5 Licensing, at the Department of Finance, the name, and location of each
6 place of business within the Commonwealth subject to this chapter.

7 The operators shall make a annual payment as follows:

8 (1) \$5 for each registration for transient accommodations
9 consisting of one to five units; and

10 (2) \$15 for each registration for transient accommodations
11 consisting of 6 to 20 units; and

12 (3) \$20 for more than 20 units; and

13 (4) upon receipt, the Director shall issue a certificate of
14 registration in such form as the Director determines, attesting that
15 the registration has been made.

16 (5) The registration shall not be transferable and shall be
17 valid only for the operator in whose name it is issued and for the
18 transaction of business at the place designated therein. Acquisition
19 of additional transient accommodation units after payment of the
20 one-time fee shall not result in additional fees.

21 (b) The registration, or in lieu thereof a notice stating where the
22 registration may be inspected and examined, shall at all times be

1 conspicuously displayed at the place for which it is issued. The name, phone
2 number, and electronic mail address of the local contact shall at all times be
3 conspicuously displayed in the same place as the registration or the same
4 place as the notice stating where the registration may be inspected and
5 examined. Failure to meet the requirements of this subsection shall be
6 unlawful. The Division may issue citations to any person who fails to
7 conspicuously display the registration or notice, or the local contact's name,
8 phone number, or electronic mail address as required by this subsection.
9 A citation issued pursuant to this subsection for each transient
10 accommodation in violation of this subsection shall include a monetary fine
11 of not less than:

12 (1) \$500 per day, for the first violation for which a citation
13 is issued capped at a maximum of \$2,500;

14 (2) \$1,000 per day, for a second violation for which a
15 citation is issued capped at a maximum of \$5,000; and

16 (3) \$5,000 per day, for a third and any subsequent violation
17 for which a citation is issued capped at a maximum of \$25,000.

18 (c) Any advertisement for any transient accommodation shall
19 conspicuously provide:

20 (1) The registration identification number or an electronic
21 link to the registration identification number of the operator issued
22 pursuant to this section; and

1 (2) The local contact's name, phone number, and electronic
2 mail address provided that this paragraph shall be considered
3 satisfied if this information is provided to the transient prior to the
4 furnishing of the transient accommodations.

5 (d) Failure to meet the requirements of subsection (c) shall be
6 unlawful. The Division may issue citations to any person, operator, hosting
7 platform, and online platform:

8 (1) \$500 per day, for the first violation for which a citation
9 is issued capped at a maximum of \$2,500;

10 (2) \$1,000 per day, for a second violation for which a
11 citation is issued capped at a maximum of \$5,000; and

12 (3) \$5,000 per day, for a third and any subsequent violation
13 for which a citation is issued capped at a maximum of \$25,000.

14 (e) The registration provided for by this section shall be effective
15 until canceled in writing. Any application for the issuance of a previously
16 canceled registration identification number shall be regarded as a new
17 registration application and shall be subject to the payment of the one-time
18 registration fee. The Director may revoke or cancel any license issued under
19 this chapter for cause as provided by rule under the Administrative
20 Procedures Act.

1 (f) If the license fee is paid, the Division shall not refuse to issue a
2 registration or revoke or cancel a registration for the exercise of a privilege
3 protected by the First Amendment of the Constitution of the United States,
4 or for the carrying on of interstate or foreign commerce, or for any privilege
5 the exercise of which, under the Constitution and laws of the United States,
6 cannot be restrained on account of nonpayment of taxes, nor shall section
7 110 be invoked to restrain the exercise of such a privilege, or the carrying
8 on of such commerce.

9 (g) Any monetary fine assessed under this section shall be due and
10 payable thirty days after issuance of the citation, subject to appeal rights
11 provided under this subsection. Citations may be appealed to the Director
12 or the Director's designee.

13 (h) Any person who is required by this section to register as a
14 condition precedent to engaging or continuing in the business of furnishing
15 transient accommodations subject to taxation under this chapter, who
16 engages or continues in the business without registering in conformity with
17 this section, shall be subject to the citation process and monetary fines under
18 subsection (d).

19 (i) For purposes of this section, "engaging or continuing in the
20 business of furnishing transient accommodations" includes posting any
21 advertisement for the furnishing of a transient accommodation and

1 contracting with a hosting platform entity or person to provide booking and
2 payment collections on behalf of the operator.

3 (j) Only one citation under subsection (b) may be issued to the
4 person in any thirty-day period for any failure to display per transient
5 accommodation. The same person may be issued additional citations under
6 subsection (b) during the thirty-day period for any failure to display in other
7 transient accommodations the person operates. Following the expiration of
8 the thirty-day period, a citation may be issued for failure to display in
9 connection with the same transient accommodation if it continues to be in
10 violation. Citations issued for second violations shall not include fines for
11 days of violation for which a fine was issued in the citation for the first
12 violation for the same transient accommodation. Citations issued for third
13 violations shall not include fines for days of violation for which fines were
14 issued in the citations for the first and second violations for the same
15 transient accommodation.

16 (k) Only one citation under subsection (c) may be issued to the
17 person in any thirty-day period for any failure to display per transient
18 accommodation. The same person may be issued additional citations under
19 subsection (c) during the thirty-day period for any failure to display related
20 to other transient accommodations. Following the expiration of the thirty-
21 day period, a citation may be issued for failure to display in connection with

1 the same transient accommodation or for any other transient
2 accommodation. Citations issued for second violations shall not include
3 fines for days of violation for which a fine was issued in the citation for the
4 first violation for the same transient accommodation. Citations issued for
5 third violations shall not include fines for days of violation for which fines
6 were issued in the citations for first and second violations for the same
7 transient accommodations. Similarly, all citations issued for subsequent
8 violations shall not include fines for days of violation for which fines were
9 issued in prior citations for the same transient accommodation.

10 (l) In lieu of issuing a person a first citation and fine for failure to
11 display information on any advertisement required under subsection (c), the
12 Division shall issue the violator a written warning if the person has never
13 before received a written warning for any violation for any transient
14 accommodation. The written warning shall grant the violator fifteen days
15 to cure the violation. If, during the fifteen-day period, the Division
16 discovers another transient accommodation operated by the violator for
17 which a citation for a first violation may be issued, the Division shall not
18 issue such citation until the fifteen-day period has elapsed; provided that if
19 the violator does not cure all of its violations during the fifteen-day period
20 provided by the written warning, the Division shall issue citations for all
21 transient accommodations in violation after the expiration for all days

1 during which they were in violation. Only one written warning in lieu of a
2 first violation of subsection (c) may be issued per person. For any
3 subsequent first violations the person may commit under subsection (c), the
4 Division shall issue a citation with a fine.

5 **Section 105. Certificate of registration for transient**
6 **accommodations broker, travel agency, tour packager, and any**
7 **hosting platform, including an agent.**

8 Each transient accommodations broker, travel agency, tour
9 packager, agent, or any hosting platform as a condition precedent to entering
10 into an arrangement to furnish transient accommodations at
11 noncommissioned negotiated contract rates, shall register with the Director.
12 The transient accommodations broker, travel agency, or tour packager shall
13 make an annual payment of \$15 for each registration, upon receipt of which
14 the Director shall issue a certificate of registration in a form as the Director
15 determines, attesting that the registration has been made. The registration
16 shall not be transferable and shall be valid only for the transient
17 accommodations broker, travel agency, tour packager, agent and any
18 hosting platform in whose name it is issued.

19 The registration shall be effective until canceled in writing. Any
20 application for the issuance of a previously canceled registration
21 identification number shall be regarded as a new application for registration

1 and shall be subject to the payment of the one-time registration fee. The
2 Director may revoke or cancel any registration issued under this section for
3 cause as provided by rule under the Administrative Procedures Act.

4 Any person who enters into an agreement to furnish transient
5 accommodations without registering in conformity with this section shall
6 be subject to the citation process and monetary fines under section 106(d).

7 **Section 106. Return and Payments; penalties.**

8 (a) Every person or entity that is an operator shall file a return and
9 pay the 15% tax, if any, on a monthly basis.

10 (b) The monthly return and payments under subsection (a) of this
11 section shall be filed and the tax paid, if any, on or before the last business
12 day of the month following the close of each month.

13 (1) To facilitate effective auditing, all returns shall be
14 accompanied by a recording of the issued invoice or receipt
15 sequence run from the beginning to the end of each month or from
16 the beginning to the end of a filing period, including voided invoices
17 and receipts.

18 (aa) If invoices and receipts, including refund invoices and
19 receipts, are manually written on generic invoice and receipt
20 booklets, the booklets must be numbered in sequence and each

1 invoice and receipt must contain the booklet number from which the
2 invoice or receipt was issued, including voided and receipts.

3 (bb) If invoices and receipts, including refund invoices and
4 receipts, are computer generated, they must contain the numerical
5 sequence generated by the computer, including voided invoices and
6 receipts.

7 (c) Failure to comply with the provisions of this section shall be
8 punishable under the penalties prescribed by the Department of Finance,
9 Division of Revenue and Taxation.

10 (d) Hosting platforms, agents, or entities, in the Commonwealth or
11 online, are not required to file a return and pay the 15% tax, but if they
12 collect the payment of the accommodation fees and taxes they shall submit
13 a report Taxation Report how much was remitted to the operator(s) for
14 inclusion in the operator(s) Tax Return filing to the Department of Finance,
15 Division of Revenue and Taxation.

16 (1) Reports shall contain the hosting platform's name,
17 business address, and Transient Accommodation Certificate
18 registration number; the names, addresses, locations, and Transient
19 Accommodation Certificate registration numbers of the operator(s)
20 they collect for, and the gross amount of fees and taxes collected and
21 remitted to its operators.

1 **Section 107. Hosting Platform as fee and tax collection agents;**
2 **operator.**

3 (a) A hosting platform that collects fees and taxes on behalf of its
4 operators for booking services shall register as a collection agent on behalf
5 of operators.

6 (b) A collection agent shall apply and be issued a separate Transient
7 Accommodation Certificate of registration under this chapter with respect
8 to the fees and taxes they collect on behalf of its operators and, if applicable,
9 with respect to any taxes payable under this chapter for its business
10 activities.

11 (c) In addition to its responsibilities under this chapter, a fee
12 collection agent or hosting platform, shall submit a report of the fees and
13 taxes collected on behalf of its operators to the Division of Revenue and
14 Taxation. The report shall be produced and submitted as prescribed in
15 Section 107 (d) (1).

16 (d) Failure to submit a report as required under subsection (c) shall
17 be unlawful and shall be punishable under the penalties prescribed by the
18 Department of Finance, Division of Revenue and Taxation.

19 (e) All reports provided by the hosting platform acting as a
20 collection agent shall be confidential and disclosure thereof shall be
21 prohibited as provided in 4 CMC §18161-18163.

1 (f) For auditing purposes, a hosting platform acting as a fee and tax
2 collection agent of its operators shall file its collection report on the date set
3 by the Division of Revenue and Taxation prior to the date the Transient
4 Accommodation Tax Return is due from operators.

5 (g) Before collecting any fee for booking services, a hosting
6 platform acting as a collection agent shall notify each of its operators that it
7 is registered as a collection agent for Transient Accommodation fees and
8 taxes and it has submitted or will submit Transient Accommodation
9 Collection Taxation Report to the Division pursuant to this chapter, and that
10 the fees and taxes it collected is to be included in the operator's monthly
11 Business Gross Revenue and Transient Accommodation Tax Return. It shall
12 be the operator's responsibility to file an accurate Tax Return that shall
13 include the total amount of fees and taxes shown in the collection reports
14 submitted by the hosting platforms it engages or contracts with.

15 (h) The Division may require any form or document required to be
16 submitted under this section to be filed electronically.

17 **Section 108. Unregistered hosting platforms, collection agents;**
18 **penalties.**

19 (a) If an operator and hosting platform is not registered as required
20 by Section 108 of this chapter and the collection agent or operator fails to
21 report, file a return and pay the tax as required under this chapter, the tax

1 collection agent and operator shall be jointly liable for paying to the
2 Commonwealth any unpaid portion of the amount of tax required to be paid
3 under this chapter.

4 (b) The Division may issue citations to any person who offers
5 transient accommodation through a hosting platform that is not registered
6 as required by Section 108 of this chapter. A citation issued pursuant to this
7 subsection for each transient accommodation in violation of this subsection
8 shall include a monetary fine of not less than:

9 (1) \$500 per day, for the first violation for which a citation
10 is issued capped at a maximum of \$2,500;

11 (2) \$1,000 per day, for a second violation for which a
12 citation is issued capped at a maximum of \$5,000; and

13 (3) \$5,000 per day, for a third and any subsequent violation
14 for which a citation is issued capped at a maximum of \$25,000.

15 (c) Only one citation under subsection (b) may be issued to a person
16 in a thirty-day period per transient accommodation. The same person may
17 be issued additional citations under subsection (b) during the thirty-day
18 period for offering other transient accommodations the person operates
19 through an unregistered hosting platform. Following the expiration of the
20 thirty-day, a citation may be issued under subsection (b) in connection with
21 the same transient accommodation if continues to be in violation. Citations

1 issued for second violations shall not include fines for days of violation for
2 which a fine was issued in the citation for the first violation for the same
3 transient accommodation. Citations issued for third violations shall not
4 include fines for days of violations for which fines were issued in the
5 citations for the first and second violations for the same transient
6 accommodation.

7 **Section 109. Collection by suit; injunction.**

8 The Division may collect unpaid taxes, together with all accrued
9 penalties and monetary fines under this chapter by initiating proceedings
10 with the Superior Court. If any person lawfully required to obtain a
11 certificate under this chapter fails to apply for and secure a certificate as
12 provided by the chapter for a period of sixty days after the first date when
13 the person was required under the chapter to secure a certificate, the
14 Division may proceed in the Superior Court to obtain an injunction
15 restraining the further furnishing of transient accommodations until such
16 certificate is secured.

17 **Section 110. Application of Tax.**

18 (a) The tax imposed by this chapter shall be in addition to any other
19 taxes imposed by any other laws of the Commonwealth, except as otherwise
20 specifically provided in this chapter; provided that if it is held by any court
21 of competent jurisdiction that the tax imposed by this chapter may not be

1 legally imposed in addition to any other tax or taxes imposed by any other
2 law or laws with respect to the same property and the use thereof under the
3 specific circumstances, but the other laws shall be given full effect with
4 respect to such property and use.

5 (b) In order to determine if the tax under this chapter is to be levied,
6 assessed, and collected upon transient accommodations the following
7 presumptions shall control.

8 (1) If a person lets a transient accommodation for more than
9 360 days on a daily, weekly, or monthly rate, there is no presumption
10 one way or another as to the purpose for which the accommodation
11 is furnished. The operator shall have the burden of proving to the
12 Division whether an accommodation is not furnished for a transient
13 purpose. If the Division is satisfied that an accommodation is not
14 furnished for transient accommodation, then the Division shall not
15 levy any tax under this Chapter.

16 (2) Except as otherwise provided, this chapter shall apply to
17 a transient accommodations broker, travel agency, tour packager,
18 agent or any hosting platform that enters into an agreement to
19 furnish transient accommodations in the same manner as it applies
20 to operators.

1 **Section 111. Regulations.**

2 The Secretary of the Department of Finance may adopt rules
3 necessary to effectuate the purpose of this section.”

4 **Section 3. Repeal.** Section 1502 of Title 4, Division 1, Chapter 5 of the
5 Commonwealth Code is hereby repealed.

6 **Section 4. Amendment.** All references to Section 1502 of Title 4, Division
7 1, Chapter 5 of the Commonwealth Code or the “Hotel Occupancy Tax,” within
8 CNMI law are hereby amended to reflect the global substitution of the language:
9 “the Transient Accommodation Tax Act,” in place of “4 CMC § 1502” or the “Hotel
10 Occupancy Tax” or “HOT” including but not limited to the amendment to Section
11 1803 of Title 4, Division 1, Chapter 8 of the Commonwealth Code that shall read
12 as follows”

13 **“§ 1803. Distribution of Revenues Marianas Visitor Authority and the**
14 **Retirement Fund.** The Marianas Visitors Authority shall receive twenty percent
15 of the taxes collected under 4 CMC § 1405(b) and eighty percent of the taxes
16 collected under the Transient Accommodation Tax Act. Twenty percent of the taxes
17 collected under the Transient Accommodation Tax Act and thirty percent of the
18 taxes collected under 4 CMC § 1405(b) shall be allotted and paid to the Northern
19 Mariana Islands Retirement Fund. Notwithstanding 1 CMC § 7401, the Secretary
20 of Finance may expend tax revenues allotted and paid to the Northern Mariana
21 Islands Retirement Fund without appropriation to fund the operations and

1 obligations of the fund, and/or the 25% pension payments to retirees, without regard
2 to whether or not they are members of the Settlement Fund.”

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

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

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

Prefiled: 12/22/2023

Date: _____ Introduced by: /s/ Rep. Julie M. A. Ogo
/s/ Rep. Vincent R. S. Aldan
/s/ Rep. Roman C. Benavente
/s/ Rep. Diego V. F. Camacho
/s/ Rep. Marissa R. Flores

Reviewed for Legal Sufficiency by:
/s/ Joseph L.G. Taijeron, Jr.
House Legal Counsel



TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
P.O. BOX 500586 SAIPAN, MP 96950

RALPH N. YUMUL
CHAIRMAN

Adopted - 12/18/2024
STANDING COMMITTEE REPORT NO. 23-95
DATE: October 15, 2024
RE: HOUSE BILL No. 23-93

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

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred:

House Bill No. 23-93: “To amend Title 4, Division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes.”

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. NO. 23-93 be passed by the House in the form of House Draft 1.

HOUSE CLERK'S OFFICE
RECEIVED BY *[Signature]*
DATE *11/29/2024* TIME *9:11p*

II. ANALYSIS:

A. Purpose:

The purpose of this Act is: To repeal the Hotel Occupancy Tax and establish a Transient Accommodation Tax; Require persons to register their properties, either owned or leased, as a Transient Accommodation facility before operation and offer temporary accommodations for a fee; and Make any violators of this Chapter subject to citations, penalties, and license suspension or revocation depending on the violation and the number of violations.

B. Committee Amendment:

The Committee agreed to make the following amendments:

- 1) Page 4, Line 20: Deleted "360" and Inserted "30"
- 2) Page 5, Line 4: Deleted "360" and Inserted "30"
- 3) Page 6, Line 7: Deleted "one-time" and Inserted "annual"
- 4) Page 7, Line 12: After the word "issued", Insert "capped at a maximum of \$2,500"
- 5) Page 7, Line 14: After the word "issued", Insert "capped at a maximum of \$5,000"
- 6) Page 7, Line 16: After the word "issued", Insert "capped at a maximum of \$25,000"
- 7) Page 8, Line 9: After the word "issued", Insert "capped at a maximum of \$2,500"
- 8) Page 8, Line 11: After the word "issued", Insert "capped at a maximum of \$5,000"
- 9) Page 8, Line 13: After the word "issued", Insert "capped at a maximum of \$25,000"
- 10) Page 12, Line 13: Deleted "a one-time" and Inserted "an annual"
- 11) Page ~~12~~¹³, Line 10-14: Section 106 (b) is amended to read as follows:

"(b) The monthly return and payments under subsection (a) of this section shall be filed and the tax paid, if any, on or before the last business day of the month following the close of each month, ~~to wit on or before February 28, March 31, June 30, July 31, September 30, October 31, November 30, December 31, and January 31.~~"

- 12) Page 17, Line 13: After the word “issued”, Insert “capped at a maximum of \$2,500”
- 13) Page 17, Line 15: After the word “issued”, Insert “capped at a maximum of \$5,000”
- 14) Page 17, Line 17: After the word “issued”, Insert “capped at a maximum of \$25,000”
- 15) Page 20, Line 11: Added a new Section 4 to read as follows:

“**Section 4. Amendment.** All references to Section 1502 of Title 4, Division 1, Chapter 5 of the Commonwealth Code or the “Hotel Occupancy Tax,” within CNMI law are hereby amended to reflect the global substitution of the language: “the Transient Accommodation Tax Act,” in place of “4 CMC § 1502” or the “Hotel Occupancy Tax” or “HOT” including but not limited to the amendment to Section 1803 of Title 4, Division 1, Chapter 8 of the Commonwealth Code that shall read as follows”

§ 1803. Distribution of Revenues Marianas Visitor Authority and the Retirement Fund. The Marianas Visitors Authority shall receive twenty percent of the taxes collected under 4 CMC § 1405(b) and eighty percent of the taxes collected under ~~4 CMC § 1502~~ the Transient Accommodation Tax Act. Twenty percent of the taxes collected under ~~4 CMC § 1502~~ the Transient Accommodation Tax Act and thirty percent of the taxes collected under 4 CMC § 1405(b) shall be allotted and paid to the Northern Mariana Islands Retirement Fund. Notwithstanding 1 CMC § 7401, the Secretary of Finance may expend tax revenues allotted and paid to the Northern Mariana Islands Retirement Fund without appropriation to fund the operations and obligations of the fund, and/or the 25% pension payments to retirees, without regard to whether or not they are members of the Settlement Fund.”

C. Committee Findings:

Your Committee finds that tourism is a dynamic industry that constantly evolves in response to changing tourist preferences and behaviors. These changes lead to emerging trends that the tourism industry must adapt to in order to remain competitive and sustainable.

Your Committee further finds that tourist can stay in a variety of places, including hotels, hostels, cabins, apartment rentals, and agritourism properties: Hotels: A common choice for tourists; Hostels: A budget-friendly option; Cabins: A type of lodging for tourists; Apartment rentals: A good option for travelers who want to feel at home; Agritourism: A unique option that allows tourists to experience farm life; Airbnb: A platform that offers a range of accommodation options, from budget-friendly shared apartments to luxurious vacation rentals; Resorts: Offer pools, service, cuisine, and beaches; Paradores and small inns: Offer local gems and friendly service; and Bed and breakfasts: Managed by families who make guests feel at home.

Your Committee finds that the CNMI needs to amend current laws to capture emerging trends to ensure that all operators of transient accommodations pay their taxes accordingly.

Your Committee finds that this Act defines an “operator” as any person or entity that owns or leases facilities or properties and rents out to guest(s) for a set fee a hotel room(s), motel room(s), apartel room(s), apartment or condominium units, and a house or room(s) in a house. “Transient Accommodation” means a short-term accommodation, lodging, or living accommodation of any kind, for a set daily, nightly, weekly, or monthly fee multiplied by the length of stay, not exceeding 30 days, that a guest(s) rents in the Commonwealth. Your Committee finds that a 15% tax rate is levied and will be assessed on all guests for gross rental payments received from a guest(s) occupying a Transient accommodation or lodging as defined in this Act. In addition, each operator as a condition precedent to engaging or continuing in the business of furnishing transient accommodations services shall register, and renew every year, with the Director of the Division of Licensing, at the Department of Finance, the name, and location of each place of business within the Commonwealth subject to this chapter. The operators shall make a one-time annual payment as follows: (1) \$5 for each registration for transient accommodations consisting of one to five units; and (2) \$15 for each registration for transient accommodations consisting of 6 to 20 units; and (3) \$20 for more than 20 units. The Division may issue citations to any person who fails to conspicuously display the registration or notice, or the local contact's name, phone number, or electronic mail address as required by this subsection. A citation issued pursuant to Section 104 of this Act for each transient accommodation in violation shall include a monetary fine of not less than: (1) \$500 per day, for the first violation for which a citation is issued capped at a maximum of \$2,500; (2) \$1,000 per day, for a second violation for which a citation is issued capped at a maximum of \$5,000; and (3) \$5,000 per day, for a third and any subsequent violation for which a citation is issued capped at a maximum of \$25,000. Moreover, if an operator and hosting platform is not registered as required by Section 108 of this Act and the collection agent or operator fails to report, file a return and pay the tax as required under section, the tax collection agent and operator shall be jointly liable for paying to the Commonwealth any unpaid portion of the amount of tax required to be paid under this chapter. The Division may issue citations to any person who offers transient accommodation through a hosting platform that is not registered as required by Section 108 of this Act. A citation issued pursuant to this section for each transient accommodation in violation shall include a monetary fine of not less than: (1) \$500 per day, for the first violation for which a citation is issued capped at a maximum of \$2,500; (2) \$1,000 per day, for a second violation for which a citation is issued capped at a maximum of \$5,000; and (3) \$5,000 per day, for a third and any subsequent violation for which a citation is issued capped at a maximum of \$25,000.

Your Committee finds that the distribution of the Transient Accommodation Tax shall remain identical to the distribution of the Hotel Occupancy Tax and shall read as follows:

“§ 1803. Distribution of Revenues Marianas Visitor Authority and the Retirement Fund. The Marianas Visitors Authority shall receive twenty percent of the taxes collected under 4 CMC § 1405(b) and eighty percent of the taxes collected under ~~4 CMC § 1502~~ the Transient Accommodation Tax Act. Twenty percent of the taxes collected under ~~4 CMC § 1502~~ the Transient Accommodation Tax Act and thirty percent of the taxes collected under 4 CMC § 1405(b) shall be allotted and paid to the Northern Mariana Islands Retirement Fund. Notwithstanding 1 CMC § 7401, the Secretary of Finance may expend tax revenues allotted and paid to the Northern Mariana Islands Retirement Fund without appropriation to fund the operations and obligations of the fund, and/or the 25% pension payments to retirees, without regard to whether or not they are members of the Settlement Fund.”

Your Committee acknowledges that the travel and tourism industry continues to be a vital economic driver, fostering cultural exchange, job creation, and regional development. By embracing innovative technologies, promoting sustainable practices, and catering to evolving consumer preferences, the industry can ensure its continued success in the years to come.

Your Committee finds that this Act will repeal the Hotel Occupancy Tax and establish a Transient Accommodation Tax; Require persons to register their properties, either owned or leased, as a Transient Accommodation facility before operation and offer temporary accommodations for a fee; and Make any violators of this Act subject to citations, penalties, and license suspension or revocation depending on the violation and the number of violations. Therefore, your Committee agrees with the intent and purpose of House Bill No. 23-93 and recommends its passage in the form of House Draft 1.

C. Public Comments/Public Hearing:

Comments were received from the following agencies/entities:

1. Joe C. Guerrero, President, Saipan Chamber of Commerce

“On behalf of the Saipan Chamber of Commerce and its Board of Directors, I write to express our full support of House Bill 23-93 which aims to amend title 4, division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purpose.”

2. Christopher A. Concepcion, Managing Director, Marianas Visitors Authority

“In general, the MVA supports HB23-93. Per my discussion with the Secretary of Finance, this legislation is needed for the Dept. of Finance to effectively enforce the collection of hotel occupancy tax (HOT). Therefore, we support the intent of this bill in line with the Administration’s goal of closing any loopholes related to the HOT.”

3. Jose P. Mafnas Jr., Corporate Counsel, Triple J Saipan, Inc.

“In conclusion, though Triple J appreciates and supports the intent of the bill, we urge additional, thorough examination and refinement of the bill’s provisions, and alternatively, recommend mandatory promulgation of regulations for the Transient Accommodation Tax to avoid the same problems that arose from the lack of regulations for the Hotel Occupancy Tax. Triple J believes that, with careful consideration and collaboration, the legislature can create an improved to bill to ensure proper enforcement and administration of the proposed Transient Accommodation Tax.”

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

D. Legislative History:

House Bill No. 23-93 was introduced by Representative Julie Marie A. Ogo on December 27, 2023 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.

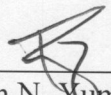
E. Cost-Benefit Analysis:

The enactment of House Bill No. 23-93 in the form of House Draft 1 will result in additional cost to the CNMI Government to implement the intent and objectives of this Act and to staff the Division of Licensing under the Department of Finance. However, the passage of this Act has the potential to generate revenue through licensing fees and taxes paid by operators of transient accommodations.

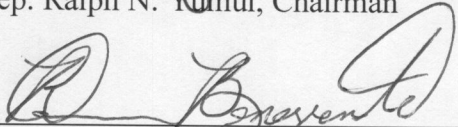
III. CONCLUSION:

The Committee is in accord with the intent and purpose of HOUSE BILL NO. 23-93 and recommends its passage in the form of House Draft 1.


Respectfully submitted,



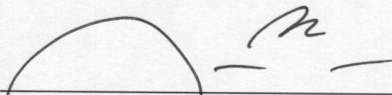
Rep. Ralph N. Yumul, Chairman



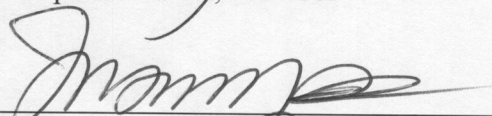
Rep. Roman C. Benavente, Member



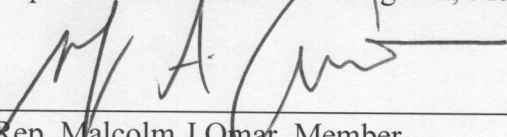
Rep. Vicente C. Camacho, Member



Rep. Joseph A. Flores, Member




Rep. Thomas John D.L.C. Manglona, Member

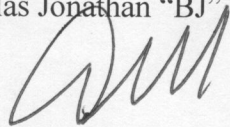


Rep. Malcolm J. Omar, Member


Rep. Patrick H. San Nicolas, Member




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



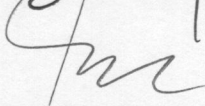
Rep. Angelo A. Camacho, Member



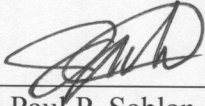
Rep. Manny Gregory T. Castro, Member



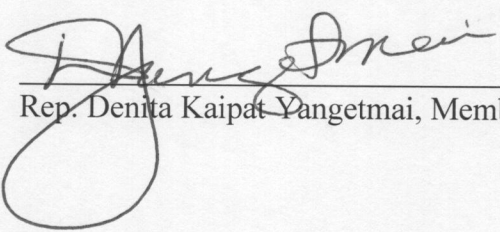
Rep. Marissa R. Flores, Member



Rep. Julie Marie A. Ogo, Member

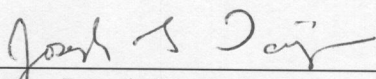


Rep. John Paul P. Sablan, Member



Rep. Denita Kaipat Yangetmai, Member

Reviewed by:



House Legal Counsel

Attachment: Joe C. Guerrero, President, Saipan Chamber of Commerce
Christopher A. Concepcion, Managing Director, Marianas Visiting Authority
Jose P. Mafnas, Jr., Corporate Counsel, Triple J Saipan, Inc.



Board of Directors

President

Joe C. Guerrero

Vice President

Joshua Wise

Treasurer

Janice Tenorio

Secretary

Ron Smith

Directors

Alex A. Sablan

John Arroyo

Velma Palacios

Brad Ruzala

Kevin McCale

Executive Director

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March 20, 2024

Julie A. Ogo

Representative, 1st Senatorial District

Chair, Standing Committee on Commerce & Tourism

23rd Commonwealth Legislature

PO Box 500586

Saipan MP 96950

Re: H.B. No. 23-93: To amend Title 4, Division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes

Hâfa adai yan tirow Chair Ogo,

On behalf of the Saipan Chamber of Commerce and its Board of Directors, I write express our full support of House Bill 23-93 which aims to amend title 4, division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes. As an organization dedicated to the prosperity of all businesses within our community, we see this legislation as a significant step forward in addressing the evolving dynamics of the tourism and hospitality industry of the CNMI.

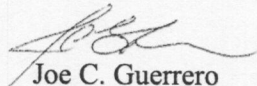
Over the years, the Commonwealth of the Northern Mariana Islands (CNMI) has experienced substantial changes in its infrastructure and the demands of its growing tourism industry. The advent of short-term, non-traditional rental accommodations has introduced complexities not foreseen when the original Hotel Occupancy Tax was enacted. In particular:

- This new landscape presents challenges in consistency, licensing, and tax compliance, leading to an unfair advantage for certain operators over others who adhere to regulations.
- This proposed legislation offers a comprehensive solution by requiring all applicable businesses to register as Transient Accommodation Operators ensuring a level playing field among service providers.
- This bill ensures that no segment of the market is unfairly taxed or exempted, providing a fair and transparent framework for all.
- We advocate for the explicit inclusion of provisions to ensure adequate funding for the Marianas Visitors Authority (MVA). The MVA plays a crucial role in promoting tourism, enhancing destination appeal, and implementing beautification projects. Ensuring a clear directive for the continued support of the MVA through this act is essential for sustaining and growing our tourism industry.
- We recommend that revenue from accommodations of persons who stay more than 30 days be exempted from the proposed legislation. Typically, tourists do not stay beyond 30 days and those that do are primarily medical professionals and other professionals on short-term contracts less than a year.

Representative Julie A. Ogo
March 20, 2024
Page 2 of 2

SCC appreciates the opportunity to have been involved in the initial development of this proposed legislation. By addressing the current disparities in tax compliance and licensing, we are not only promoting quality and safety for our visitors but also safeguarding the interest of compliant businesses. Thank you for this opportunity to share our comments. We are available to meet with you to discuss this bill and work with your committee on this and other proposed legislation to improve our community.

Si Yu'us ma'âsi' yan ghilisow,



Joe C. Guerrero
President
Saipan Chamber of Commerce



MARIANAS
VISITORS AUTHORITY

P.O. BOX 500861 CK
SAIPAN, MP 96950
TEL: (670) 664-3200/1
FAX: (670) 664-3237



February 6, 2024

The Honorable Julie A. Ogo
Representative
Chairperson, Commerce & Tourism
23rd Northern Marianas Commonwealth Legislature
Commonwealth of the Northern Mariana Islands
Capitol Hill
Saipan, MP 96950

Subject: MVA Comments for HB 23-93

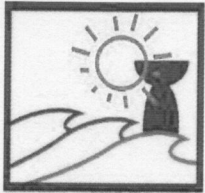
Hafa adai and Tirow, Chairperson Ogo:

On behalf of the Marianas Visitors Authority (MVA), thank you for the opportunity to comment on H.B. 23-93, "To amend Title 4, Division 1, by adding a new Chapter 13 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes."

In general, the MVA supports HB 23-93. Per my discussion with the Secretary of Finance, this legislation is needed for the Dept. of Finance to effectively enforce the collection of hotel occupancy tax (HOT). Therefore, we support the intent of this bill in line with the Administration's goal of closing any loopholes related to the HOT. In particular:

- Section 1(1) repeals the Hotel Occupancy Tax and renames it the Transient Accommodation Tax. We have no objection to changing the name of the tax since some might assume that the term "hotel" applies to only traditional "hotels." However, it is intended that the tax also be applied to BnBs, guest houses, motels, apartments, apartels, condos, etc., so "transient accommodation tax" is appropriate.
- Section 102(j) defines "short-term accommodations/lodgings" as any "hotel, motel, house...that offers temporary accommodation...for a set fee and the length of stay of a guest(s) that does not exceed 360 days." The purpose of the 360-day requirement should be affirmed before passage. For example, perhaps the requirement is meant to protect legitimate persons who rent a place to stay for 365 days. The same 360-day wording is used in Section 102(k).
- Section 104(f) should state "...under the Constitution and laws of the Commonwealth and of the United States...." As written, it mentions only the United States.
- Section 106(b) mentions payments are due monthly and proceeds to state the exact dates of each month. We recommend that the months of April, May, and August – which are omitted in the current version – be added.





MARIANAS
VISITORS AUTHORITY

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- Section 109, line 12 should state “may” instead of “my.”

Of particular importance for the MVA, HB 23-93 does not make any reference to the “Marianas Visitors Authority.” As the current hotel occupancy tax law clearly includes the MVA, we recommend on page 2 after “Therefore, the purpose of this Act is to...”, that they add a Section 1(4) to the effect of “Ensure the Marianas Visitors Authority receives adequate funding to implement tourism promotional programs, destination enhancement activities, beautification projects, and other tourism-related functions in accordance with its mission and responsibilities.” This will clarify the continued use of HOT collections will be to fund the MVA, as currently legislated.

Lastly, we recommend that the committee seek the position statements of the Hotel Association of the Northern Mariana Islands and the Saipan Chamber of Commerce. As frontline operators of transient accommodations, they may have valuable or differing perspectives, particularly as this legislation is much more detailed than the current hotel occupancy tax law and may be overly burdensome to legitimate businesses already contributing to our economic tax base.

Should you have any questions or require any additional information, please do not hesitate to contact me at 1.670.664.3200 or email at cconcepcion@mymarianas.com.

Sincerely,

CHRISTOPHER A. CONCEPCION
Managing Director



February 6, 2024

23rd CNMI Legislature
Honorable Jesus P. Mafnas Memorial Bldg.
Capitol Hill, Saipan MP 96950

Attention: Office of the Speaker of the House of Representatives
Representative Edmund Villagomez, Speaker of the House

House Committee on Commerce and Tourism
Representative Julie Ogo, Chairwoman

RE: Comments on H.B. 23-93: "To amend Title 4 Division 1, by adding a new Chapter 14 and repealing Chapter 5, § 1502, Hotel Occupancy Tax, and for other purposes."

Dear Speaker Villagomez & Chairwoman Ogo:

Thank you for the opportunity to submit comments on the important piece of legislation designated as House Bill 23-93. I am pleased to submit these comments on behalf of Triple J Saipan, Inc. and all its affiliates ("Triple J"). We commend the 23rd Legislature's initiative to ensure consistency amongst lodging vendors in the CNMI. We believe that all operators must pay their fair share of taxes and support this bill so long as it ensures proper enforcement and compliance amongst all operators.

However, though Triple J supports the intent of the bill, we respectfully request that the Standing Committee on Commerce and Tourism ("Standing Committee") not move the bill forward in its current form and with its current language. Based on a cursory review of the bill as presently written, Triple J respectfully offers the following suggestions in hopes for the committee's consideration and incorporation:

1. Promulgate Regulations for administration and enforcement of the Transient Accommodation Tax: A previous audit report issued by the Office of the Public Auditor in September 2020 related to this subject and, among several findings and recommendations, concluded that there were no regulations in place for the Hotel Occupancy Tax ("HOT"). Triple J recommends that should this bill move forward, it must require the promulgation of comprehensive regulations for the proper administration and enforcement of the intended Transient Accommodation Tax ("TAT") to avoid the same shortfalls caused by the lack of regulations for the HOT. Alternatively, mandating regulations are promulgated for the HOT may cure the HOT's taxation shortfalls rather than another piece of legislation that would repeal the HOT to introduce another tax in the form of TAT. Triple J further recommends that the Standing Committee consult with the Public Auditor regarding the September 2020 audit report to determine whether any of the audit findings and recommendations contained in the report should be incorporated into the bill.

TRIPLE J SAIPAN, INC.
P.O. BOX 500487 • SAIPAN, MP 96950 • TEL: (670) 234-1795 • FAX: (670) 234-7347

2. Require compliance with all applicable regulations, not just registration as Transient Accommodation Operators: Page 2, line 10-11 states that vendors “shall be required to first register as Transient Accommodation Operators (“TAO”) and pay an annual registration fee at the Department of Finance, Licensing Division.” Page 8, line 15 states that “if the license fee is paid, the Division shall not refuse to issue a registration or revoke or cancel a registration for the exercise of a privilege....” These sections demonstrate the proposed bill’s silence on requiring TAOs to comply with other regulatory requirements that must apply to all lodging vendors, such as, but not limited to, zoning requirements, health and safety requirements, fire code requirements, building code requirements, business license requirements, etc. Therefore, Triple J recommends that Section 104(f), found on page 8, line 15, be amended to state that “If the license fee is paid *and compliance with all applicable regulatory and legal requirements are met*, the Division shall not refuse....” This language would avoid the argument that a potential TAO should be issued a license for simply paying the license fee, notwithstanding its lack of compliance with other legislative and regulatory requirements for accommodating transient guests.

3. Levy on Operator: Section 103(a) (page 5, line 6), states that “There is levied and shall be assessed a 15% tax on all guests” but it does not specify that the levy applies to the TAO. Therefore, Triple J recommends that the language is amended to state that “There is levied *on the Transient Accommodation Operator* and shall be assessed a 15% tax rate on all guests....”

4. Additional Fee for Additional Units Added: Section 103(a)(5) (page 6, line 15-17) states that the “acquisition of additional transient accommodation units after payment of the one-time fee shall not result in additional fees.” The company believes that additional fees must be assessed for each new unit added at a similar tiered level as outlined in Section 104(a). For example, \$30 for more than 25 units, \$40 for more than 35 units, etc. with the TAO being credited for its previous payment. This allows the government to capture more revenue at a reasonable cost without TAOs avoiding extra costs by, as an example, only registering one 1 unit, paying for the single unit, then adding 20 more units thereafter. Under the proposed approach, a TAO would register 20 units for \$20, and should 20 more units be added, the TAO would be credited for the previous \$20 payment, and then pay the outstanding remainder of the fee applicable for the additional 20 units. Also, not requiring an additional fee for each unit added may result in a loophole where TAOs accommodate guests in unregistered units to avoid paying applicable fees and taxes.

5. Cancellation of Registration for Nonpayment of Fee: Section 103(e) (page 8, line 9) states that “The registration provided for by this section shall be effective until cancelled in writing.” Triple J recommends that registration should be cancelled as a consequence of non-payment of applicable fees or taxes.

6. Conflicting Language about Fees: Page 6, line 3, and 15-17’s language states that the fee is a “one-time fee” which conflicts with Section 104(a)’s language (page 4, line 21 to page 5, line 1) stating that the registration fee is paid “every year”. Triple J recommends that the page 5, line 3-4 states that “operators shall make a one-time *annual* payment, as follows...”

7. Remove Thirty Day Grace Period for Citations: Section 108(c) (page 16, lines 20-21) states that “only one citation under subsection (b) may be issued to a person in a thirty-day period per transient

accommodation.” This language does not appear to align with the penalties in subsection (b) for non-compliance, and Triple J recommends that the language in section (c) is removed to allow for additional citations within a 30-day period to ensure proper enforcement and compliance.

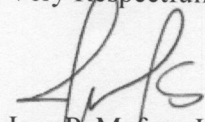
8. Definition of Person: To capture all applicable entities who desire to register as a TAO and avoid ambiguity, Triple J recommends that “person” be defined in Section 102 to mean “an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).”

9. The penalties for non-compliance can be less than the taxes due: For many TAOs, the monetary fines proposed in Section 104(b), (page 7, lines 7-11), Section 104(d) (page 8, lines 4-8), and Section 108(b) (page 16, lines 15-19) that can be imposed for non-compliance with the requirements associated with registration of TAOs could be less than the 15% TAT proposed in Section 103(a) (page 5). As an example, a TAO with 25 occupied rooms that charges a \$150 daily rate would generate daily gross room revenues of \$3,750. The 15% TAT on this revenue amount would be \$562.50, which is lower than the \$500 daily fine if the operator does not comply with the registration requirements. In this scenario and others similar to it, it is possible that some operators may intentionally choose not to comply with the registration requirements, not pay the applicable tax amount, and opt instead to pay the daily monetary fine of \$500. Triple J recommends that the Standing Committee review the penalty provisions to ensure that the proposed monetary fines to be imposed on noncompliant TAOs are set at amounts to be effective deterrents to intentional noncompliance and that the fines imposed are in addition to any applicable TAT.

In conclusion, though Triple J appreciates and supports the intent of the bill, we urge additional, thorough examination and refinement of the bill’s provisions, and alternatively, recommend mandatory promulgation of regulations for the Transient Accommodation Tax to avoid the same problems that arose from the lack of regulations for the Hotel Occupancy Tax. Triple J believes that, with careful consideration and collaboration, the legislature can create an improved bill to ensure proper enforcement and administration of the proposed Transient Accommodation Tax.

Thank you for seeking comments from Triple J. We appreciate your consideration and are happy to participate in the legislative process.

Very Respectfully,



Jose P. Mafnas Jr.
Corporate Counsel

cc: Michael Sablan, Vice President