



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

STANDING COMMITTEE REPORT NO. 23-22

DATE: May 11, 2023

RE: HOUSE BILL No. 23-35

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. 23-35: “To enact a provision to provide tax incentives for employers who hire individuals with special needs.”

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. NO. 23-35 be passed by the House in the form of House Substitute 1.

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II. ANALYSIS:

A. Purpose:

The purpose of this Act is to enact a provision to provide tax incentives for employers who hire individuals with special needs.

B. Committee Substitute:

After working closely with the Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI) and the Department of Labor (DOL), the Committee adopted House Substitute 1, which included the following amendments:

1. Any employer who hires an individual with a disability, as defined at ~~3 CMC § 3003(i)~~ by the Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101 et seq.), may qualify for a nonrefundable tax credit of 40% of the wages paid to such worker against the tax imposed on total gross revenue by 4 CMC §§ 1301–1311.
2. In order to qualify for the tax credit provided for in § xxx(a), the individual must be continuously employed by the employer for ~~a minimum of one tax year~~ nine (9) months.
3. ~~(c) The employer shall take affirmative steps to ensure that the employment does not detrimentally affect a worker's eligibility for public assistance programs such as the Nutrition Assistance Program. This may include structuring the employment relationship such that hours are limited to not exceed eligibility caps for benefits.~~
4. (d) The Secretary of Labor, in collaboration with the Division of Revenue and Taxation under the Department of Finance, shall have the authority to certify all qualified employers in accordance with subsection (b).

C. Committee Findings:

Your Committee finds that House Bill 23-35, House Substitute 1, will enact the Long-Term Disability Employment Tax Credit. Any employer who hires an individual with a disability, as defined by the Americans with Disabilities Act of 1990, as amended (42 U.S.C. § 12101 et seq.), may qualify for a nonrefundable tax credit of 40% of the wages paid to such worker against the tax imposed on total gross revenue by 4 CMC §§ 1301–1311.

Your Committee further finds that in order to qualify for the tax credit, the individual must be continuously employed by the employer for nine (9) months. The individual may be employed part-time or full-time and the tax credit shall be capped at \$4,000 for the tax year it is claimed, inclusive of all employees who are eligible. This cap shall increase by \$1,000 for each tax year thereafter, to a maximum of \$10,000.

Moreover, your Committee finds that in order to acquire the nonrefundable tax credit, the employer must furnish to the Division of Revenue and Taxation a properly documented compliance letter for each individual issued by any medically acceptable clinic and/or laboratory and that the employer shall annually certify compliance with all provisions of this Act to the Secretary of Labor. Furthermore, the Secretary of Labor, in collaboration with the Division of Revenue and Taxation, shall have the authority to certify all qualified employers in accordance with this Act.

Your Committee finds that the CNMI government, including federal and state governments designs tax credits to encourage employers to hire disadvantaged individuals who might otherwise have difficulty finding a good job. Businesses that make a concerted effort to identify and hire qualifying workers can reap the benefits.

Your Committee finds that everyday, individuals with disabilities contribute their skills and talents to our workplaces. They perform all types of jobs at all levels, in businesses of all sizes. They are business owners, innovators, and civic leaders. Yet, people with disabilities have lower rates of employment than the general population.

In conclusion, your Committee finds that people with disabilities often struggle to find employment, or are underemployed, not because they lack talent, but because they lack opportunities. This Act will provide an incentive for employers to hire individuals with disabilities to bring awareness to the competitive advantage of disability inclusion, therefore your Committee agrees with the intent and purpose of House Bill No. 23-35 and recommends that the House pass the legislation in the form of House Substitute 1.

C. Public Comments/Public Hearing:

The Committee did not solicit comments for House Bill 23-35, however, actively collaborated with NMPASI, a private non-profit organization, that was established in 1993, "To protect the Human, Civil, and Legal Rights of Individuals with Disabilities" and the CNMI Department of Labor whose mission is to enforce the CNMI Labor and Federal Law and ensure that all employees and employers are provided equal and fair treatment.

D. Legislative History:

House Bill No. 23-35 was introduced by Representative Thomas DLC. Manglona on March 31, 2023 and was subsequently referred to the House Standing Committee's on Ways and Means and Health and Welfare for disposition.


E. Cost-Benefit Analysis:

Please see attached Cost-Benefit Analysis for H.B. No. 23-35, House Substitute 1.


III. CONCLUSION:

The Committee is in accord with the intent and purpose of H. B. NO. 23-35 and recommends its passage in the form of House Substitute 1.

Respectfully submitted,



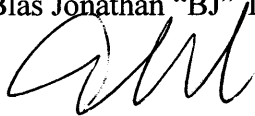
Rep. Ralph N. Yumul, Chairman



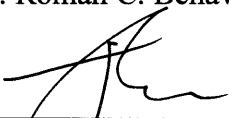
Rep. Blas Jonathan "BJ" T. Attao, Vice Chair



Rep. Roman C. Benavente, Member



Rep. Angelo A. Camacho, Member

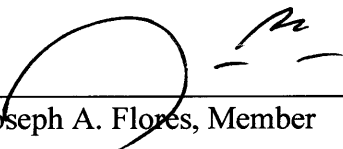


Rep. Joel C. Camacho, Member

Rep. Vicente C. Camacho, Member



Rep. Manny Gregory T. Castro, Member



Rep. Joseph A. Flores, Member

Rep. Thomas John DLC. Manglona, Member

Rep. Julie Marie A. Ogo, Member

Rep. John Paul P. Sablan, Member

Rep. Patrick H. San Nicolas, Member

Reviewed by:

House Legal Counsel

Attachment: Cost-Benefit Analysis for H.B. No. 23-35, House Substitute 1

Cost Benefit Analysis for HB 23-35

The CNMI Government shall see no benefit with the implementation of HB 23-35 as the tax incentive offered to businesses can and may potentially lessen revenue collections for the CNMI Government thus decreasing fiscal year appropriations. A detailed analysis is not shown as the affects on government collections can only be assumed as both the business hiring the individual as well as the employee are afforded tax break in which both the business as well as the employee can apply towards their lessening the amount in taxes that is owed to the government.

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 2023

First Regular Session, 2023

H. B. 23-35, HS1

A BILL FOR AN ACT

To enact a provision to provide tax incentives for employers who hire individuals with special needs.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that many
2 individuals with disabilities in our Commonwealth are faced with difficulties in
3 accessing employment, restrooms, transportation, and other essential public
4 services. The Legislature also finds that the Americans with Disabilities Act (ADA)
5 of 1990 was enacted as the nation's first comprehensive civil rights law addressing
6 the needs of people with disabilities. This legislation addressed issues regarding
7 discrimination in employment, public services, public accommodations, and
8 telecommunications for people with disabilities. It afforded similar protections
9 against discrimination to Americans with disabilities as the Civil Rights Act of
10 1964, which prohibits discrimination based on race, religion, sex, national origin,
11 and other characteristics. As a U.S. jurisdiction, it is essential to ensure that our

1 citizens with special needs are protected and enabled to enjoy the rights that are
2 afforded to them by the Americans with Disabilities Act of 1990.

3 The Legislature further finds that many individuals with disabilities in the
4 CNMI are eager and determined to be part of the workforce. Many of these
5 individuals are not only highly educated, but also highly capable to establish
6 themselves and be positive contributors to our society. The Legislature also finds
7 that it would be appropriate to provide incentives for employers to hire these
8 individuals. A nonrefundable tax credit will give these businesses an incentive to
9 provide a suitable platform for this special group of individuals to showcase their
10 skills and feel empowered to be positive contributors to our society.

11 Therefore, the purpose of this Act is to enact a provision to provide tax
12 incentives for employers who hire individuals with disabilities.

13 **Section 2. Enactment.** Subject to codification by the CNMI Law Revision
14 Commission, the following new section is added to Title 4, Division 1, Chapter 3
15 of the Commonwealth Code as follows:

16 **“§ xxx. Long-Term Disability Employment Tax Credit.**

17 (a) Any employer who hires an individual with a disability, as
18 defined by the Americans with Disabilities Act of 1990, as amended (42
19 U.S.C. § 12101 et seq.), may qualify for a nonrefundable tax credit of 40%
20 of the wages paid to such worker against the tax imposed on total gross
21 revenue by 4 CMC §§ 1301–1311.

1 (b) In order to qualify for the tax credit provided for in § xxx(a), the
2 individual must be continuously employed by the employer for nine (9)
3 months. The individual may be employed part-time or full-time. The tax
4 credit shall be capped at \$4,000 for the tax year it is claimed, inclusive of
5 all employees who are eligible. This cap shall increase by \$1,000 for each
6 tax year thereafter, to a maximum of \$10,000.

7 (c) To obtain the nonrefundable tax credit, the employer must
8 furnish to the Division of Revenue and Taxation a properly documented
9 compliance letter for each individual issued by any medically acceptable
10 clinic and/or laboratory. Further, the employer shall annually certify
11 compliance with all provisions of this section to the Secretary of Labor.

12 (d) The Secretary of Labor, in collaboration with the Division of
13 Revenue and Taxation under the Department of Finance, shall have the
14 authority to certify all qualified employers in accordance with subsection
15 (b).”

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

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

8 **Section 5. Effective Date.** This Act shall take effect upon its approval by
9 the Governor or upon it becoming law without such approval.

Prefiled: 3/28/2023

Date: _____ Introduced by: /s/ Rep. Thomas J. DLC. Manglona
/s/ Rep. Diego V.F. Camacho
/s/ Rep. Roy C.A. Ada
/s/ Rep. Blas Jonathan “BJ” T. Attao
/s/ Rep. Joel C. Camacho
/s/ Rep. Joseph A. Flores
/s/ Rep. Marissa R. Flores
/s/ Rep. Malcom J. Omar
/s/ Rep. John Paul P. Sablan

Reviewed for Legal Sufficiency by:
/s/ John M. Bradley
House Legal Counsel