



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. 23-40

DATE: August 16, 2023

RE: HOUSE BILL No. 23-39

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. 23-39:** "To establish a tax credit for monetary donations/contributions made to public hospitals and/or clinics."

begs leave to report as follows:

### I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. No. 23-39 be passed by the House in its current form.

HOUSE CLERK'S OFFICE  
RECEIVED BY *JMV*  
DATE 8/21/2023 TIME 8:27a

## II. ANALYSIS:

### A. Purpose:

The purpose of this Act is to establish a tax credit for monetary donations/contributions made to public hospitals and/or clinics.

### B. Committee Technical Amendments:

The Committee made the following technical amendments:

1) Page 2, Line 13:

Deleted: “and 1304”

Basis: 4 CMC § 1304 was repealed in its entirety by Public Law 16-2, Section 10.

2) Page 3, Line 5:

Deleted: “(c)” and Inserted “(b)”

Basis: The term “clinic” under this section has the same meaning as 3 CMC §2822(b).

“TITLE 3: HUMAN RESOURCES  
DIVISION 2: HEALTH

#### § 2822. Definitions.

(a) “Chief Executive Officer” means a professional person with education and experience in Healthcare Management hired by the Board of Trustees as the Chief Executive Officer (CEO) to manage the Commonwealth Healthcare Corporation in the Commonwealth.

(b) “Clinics” means the Tinian Health Center, Rota Health Center, the Women’s Clinic and the Children’s Clinic and other related public health facilities providing healthcare and medical services in the Commonwealth.

(c) “Corporation” means the Commonwealth Healthcare Corporation established pursuant to this Chapter....”

C. Committee Findings:

Your Committee finds that House Bill 23-39, will establish a tax credit for monetary donations/contributions made to public hospitals and/or clinics.

Your Committee further finds that any person may take cash contributions made during the tax year to public hospitals and/or clinics as a nonrefundable credit against the tax imposed by 4 CMC §§ 1301, 1302, and 1303 to the extent provided by this Act. No such credit shall be allowed for any amount deducted in determining taxable income under the NMTIT as shown on the taxpayer's return. The maximum credit available in any one year under this section shall be the lesser of the sum of the taxes imposed under 4 CMC §§ 1301 through 1303, or \$5,000.

Moreover, your Committee finds that in order to obtain the credit, the taxpayer must furnish to the Division of Revenue and Taxation a properly documented receipt issued by the recipient institution which must include, at a minimum, the name and tax identification number of the institution, the taxpayer's name and tax identification number, the date of payment and the amount paid, and the purpose of the donation; and a copy of the Letter of Determination with respect to the tax-exempt status of the recipient institution.

Your Committee finds that the CNMI government, including federal and state governments designs tax credits to encourage persons/businesses to make monetary donations/contributions to public hospitals and/or clinics that might otherwise have difficulty funding critical needs or improvements. Persons/businesses that make a concerted effort to make monetary donations/contributions to our public hospitals and/or clinics can reap the benefits. Effective partnerships are essential for community-based solutions for advancing health equity by making it a shared vision and value, increasing the community's capacity to shape outcomes and foster multi-sector collaboration.

In conclusion, your Committee finds that this Act has great potential to make a profound impact on our healthcare system, therefore your Committee agrees with the intent and purpose of House Bill No. 23-39 and recommends that the House pass the legislation in its current form.

C. Public Comments/Public Hearing:

The Committee solicited comments from the following entities:

- 1) Commonwealth Healthcare Corporation
- 2) CNMI Public School System
- 3) Saipan Chamber of Commerce

Comments were received from the following:

Esther L. Muna, PhD, MHA, FACHE, CEO, CHCC

“We are writing to express interest and provide feedback on the proposed bill concerning the establishment of a healthcare contribution tax credit. This legislation has great potential to make a profound impact on our healthcare system and we commend your efforts to improve access to quality healthcare.”

“Once again, we appreciated your commitment to improving our healthcare system and believe that the proposed bill, with the aforementioned modifications, could make a significant impact. We look forward to further discussion and deliberation on this matter.”

Comments have been attached as part of this committee report.

D. Legislative History:

House Bill No. 23-39 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:

The maximum credit available in one year under this section shall be the lesser of the sum of the taxes imposed under 4CMC §§ 1301 through 1303, or \$5,000. If we use the maximum amount that will be allowed which is \$5,000 with an example of 100 companies/businesses that adhere to this tax incentive, the CNMI will see a tax collection in the amount of \$500,000 less each year.

**III. CONCLUSION:**

The Committee is in accord with the intent and purpose of H. B. NO. 23-39 and recommends its passage in its current form.

Respectfully submitted,


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Rep. Ralph N. Yumul, Chairman

  
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Rep. Roman C. Benavente, Member

  
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Rep. Joel C. Camacho, Member

  
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Rep. Manny Gregory T. Castro, Member

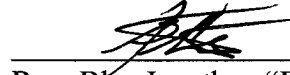
  
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Rep. Thomas John D.L.C. Manglona, Member

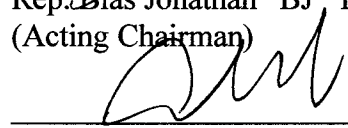
  
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Rep. John Paul P. Sablan, Member

  
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Rep. Denita K. Yangetmai, Member

Reviewed by:

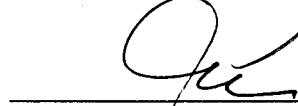
  
\_\_\_\_\_  
House Legal Counsel

  
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Rep. Blas Jonathan "BJ" T. Attao, Vice Chair  
(Acting Chairman)

  
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Rep. Angelo A. Camacho, Member

  
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Rep. Vicente C. Camacho, Member

  
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Rep. Joseph A. Flores, Member

  
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Rep. Julie Marie A. Ogo, Member

  
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Rep. Patrick H. San Nicolas, Member

Attachment: CEO, CHCC comments dated May 30, 2023 (CEO-L23-753)



**Commonwealth Healthcare Corporation**  
Commonwealth of the Northern Mariana Islands  
1178 Hinemlu' St. Garapan, Saipan, MP 96950



May 30, 2023

**CEO-L23-753**

Honorable Chairman Ralph N. Yumul  
Standing Committee on Ways and Means  
House of Representatives  
23<sup>rd</sup> Northern Marianas Commonwealth Legislature

Re: HB 23-39 "To establish a tax credit for monetary donations made to public hospitals and/or clinics"

Dear Chairman Yumul,

We are writing to express interest and provide feedback on the proposed bill concerning the establishment of a healthcare contribution tax credit. This legislation has great potential to make a profound impact on our healthcare system and we commend your efforts to improve access to quality healthcare.

Upon reviewing the draft, we noticed certain aspects that could benefit from further reflection and refinement. Primarily, it seems that the inclusion of tuition payments and reference to educational institutions in the draft may inadvertently complicate the bill's objective and dilute the tax credit's impact on healthcare contributions. Removing references to education from this bill, as there is already a well-established education tax credit law might make this proposed policy clearer in its intent and execution.

Furthermore, we would like to propose additional language to address potential issues regarding donor-dictated funding. To maintain the integrity and effectiveness of this bill, it would be beneficial to ensure that the contributions used to qualify for the Healthcare Contribution Tax Credit are unrestricted. That is, the donor does not impose specific terms, conditions, or directions regarding the use of the donation. This would prevent any undue influence and ensure that funds are allocated to the most urgent healthcare needs. The inclusion of language such as this could address this concern, "To qualify for the Healthcare Contribution Tax Credit, a cash contribution must be unrestricted. This means the donor does not impose specific terms, conditions, or directions regarding the use of the donation".

In the draft of the bill, we did not find specific details about how the maximum credit of \$5,000 was established. Could you kindly shed some light on this matter? It is important to understand how these values were determined, as this will significantly impact the effectiveness and fairness of the tax credit.

**RECEIVED**  
DATE BY 5/31/23  
Andrea T.

Once again, we appreciate your commitment to improving our healthcare system and believe that the proposed bill, with the aforementioned modifications, could make a significant impact. We look forward to further discussion and deliberation on this matter.

Thank you for your attention to these issues.

Sincerely,



Esther Lizama Muña, PhD, MHA, FACHE  
Chief Executive Officer  
State/Territorial Health Official  
Commonwealth Healthcare Corporation, the Territorial  
Hospital & Health System

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**MARCH 31, 2023**

**First Regular Session, 2023**

**H. B. 23-39**

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**A BILL FOR AN ACT**

To establish a tax credit for monetary donations/contributions made to public hospitals and/or clinics.

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

1           **Section 1. Findings and Purpose.** The Legislature finds that public  
2 hospitals and clinics are two excruciatingly important components of the  
3 Commonwealth's healthcare system. On a daily basis, the management and staff of  
4 these facilities go above and beyond to provide the necessary medical services that  
5 their respective patients require. The Legislature also finds that throughout the  
6 years, businesses in the Commonwealth have been able and are willing to make  
7 generous donations to causes that would significantly benefit our communities. As  
8 facilities that are compassionately dedicated to serving the community, it would be  
9 exceptionally imperative to provide incentives for businesses to make monetary  
10 donations/contributions to such facilities. Such incentive would include a tax credit  
11 for such gracious monetary donations/contributions. With these generous  
12 endowments, the recipient hospitals and/or clinics can use such funds to improve



1 their facilities and services for the betterment of future patients to come. As a result  
2 of these tax credits, both the business donors and the hospital/clinic facilities will  
3 mutually benefit from each other further yielding great medical benefit for future  
4 generations to come.

5 Therefore, the purpose of this Act is to establish a tax credit for monetary  
6 donations/contributions made to public hospitals and/or clinics.

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

10 **“§101. Healthcare Contribution Tax Credit.**

11 (a) Any person may take cash contributions made during the tax year  
12 to public hospitals and/or clinics as a nonrefundable credit against the tax  
13 imposed by 4 CMC §§ 1301, 1302, and 1303, ~~and 1304~~ to the extent  
14 provided by this section. No such credit shall be allowed for any amount  
15 deducted in determining taxable income under the NMTIT as shown on the  
16 taxpayer's return. Amounts paid for tuition or fees charged by an educational  
17 institution are not cash contributions eligible for a credit within the meaning  
18 of this section. The “tax imposed” for purposes of computing the credit  
19 under 4 CMC § 1308 is the tax net of any credit taken pursuant to this  
20 section.

1 (b) The maximum credit available in any one year under this section  
2 shall be the lesser of the sum of the taxes imposed under 4 CMC §§ 1301  
3 through 1303 ~~1304~~, or \$5,000.

4 (c) The terms “hospital” and “clinic” under this section has the same  
5 meaning as 3 CMC §2822(f) and 3 CMC §2822(~~be~~), respectively.

6 (d) To obtain the credit, the taxpayer must furnish the following to  
7 the Division of Revenue and Taxation:

8 (1) A properly documented receipt issued by the recipient  
9 institution which must include, at a minimum, the name and tax  
10 identification number of the institution, the taxpayer’s name and tax  
11 identification number, the date of payment and the amount paid, and  
12 the purpose of the donation; and

13 (2) A copy of the Letter of Determination with respect to the  
14 tax-exempt status of the recipient institution.”

15 **Section 3. 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 4. Savings Clause.** This Act and any repealer contained herein  
21 shall not be construed as affecting any existing right acquired under contract or

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

Prefiled: 3/30/2023

Date: \_\_\_\_\_ Introduced by: /s/ Rep. Thomas J. DIC. Manglona  
/s/ Rep. Roy C.A. Ada  
/s/ Rep. Blas Jonathan "BJ" T. Attao  
/s/ Rep. Diego V. F. Camacho  
/s/ Rep. Joseph A. Flores  
/s/ Rep. Malcom J. Omar

Reviewed for Legal Sufficiency by:

/s/ John M. Bradley  
House Legal Counsel