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 - 10/12/2023 rv
STANDING COMMITTEE REPORT NO. 23-42
DATE: September 6, 2023
RE: HOUSE BILL No. 23-41

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. 23-41: "To establish an excise tax for betelnut/areca nut and lime mix/*afok*/or *bweesch*."

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. NO. 23-41 be passed by the House in the form of House Draft 1.

HOUSE CLERK'S OFC
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DATE 10/3/2023 TIME 2:32pm

II. ANALYSIS:

A. Purpose:

The purpose of this Act is to establish an excise tax for beletnut/areca nut and lime mix/afok/or bweesch.

B. Committee Amendments:

The Committee agreed to make the following amendments:

1. Page 3, Lines 9 through 12: Subsections (22) and (23) are amended to read as follows:

"(22) Betelnut/Areca Nut, five dollars per pound ~~twenty pieces of betelnut/areca nut or fractional equivalent thereof~~;

(23) Lime Mix/Afok/Bweesch, ~~five~~ ten cents per ounce or fractional equivalent thereof;"

2. Page 3, Lines 19 through 2: Subsection (I) is amended to read as follows:

"(I) ~~Eighty~~ Fifty percent (~~8~~50%) to the ~~Medical Referral Services Office~~ Health Network Program specifically for oral cancer patients stipends. The ~~Director of the Medical Referral Services Office, in consultation with the~~ Chief Executive Officer of the Commonwealth Healthcare Corporation~~,~~ shall be the expenditure authority of these funds."

3. Page 4, Lines 3 through 7: Subsection (II) is amended to read as follows:

"(II) ~~Twenty~~ Ten percent (~~2~~10%) to the CNMI Division of Customs Biosecurity for operations ~~Commonwealth Cancer Association~~. The ~~Executive~~ Director of the ~~Commonwealth Cancer Association~~ CNMI Division of Customs Biosecurity shall be the expenditure authority of these funds."

C. Committee Findings:

Your Committee finds that House Bill 23-41, House Draft 1, amends 4 CMC §1402.Excise Tax, specifically subsection (a) by adding new subsections (22) and (23). The following will be imposed an excise tax as follows:

" (22) Betelnut/Areca Nut, five dollars per pound;

(23) Lime Mix/Afok/Bweesch, ten cents per ounce or fractional equivalent thereof;"

The cost benefit analysis will compare current excise tax for betelnut at 5% ad valorem and the beauty tax at 0.42% ad valorem and how much the CNMI has collected compared to the proposed excise tax of $5.00 per pound. The analysis will also reflect the proposed excise tax of 10 cents per ounce on lime.

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

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

Moreover, your Committee finds that all the funds collected pursuant to 4 CMC §1402(a)(22) and 4 CMC §1402(a)(23) shall be deposited into separate accounts, separate from the General Fund and that fifty percent (50%) of the funds shall go to the Health Network Program specifically for oral cancer patients stipends; ten percent (10%) to the CNMI Division of Customs Biosecurity for operations; and the remaining to the general fund.

In conclusion, your Committee agrees with the intent and purpose of House Bill No. 23-41 and recommends that the House pass the legislation in the form of House Draft 1.

C. Public Comments/Public Hearing:

The Committee solicited comments from the following:

1). The Secretary of the Department of Finance
2). Director, Division of Customs Biosecurity

The Committee received comments from the following:

1). Mr. Jose C. Mafnas, Director, Division of Customs Biosecurity

"I am writing to address an important. Matter of impartiality concerning House Bill 23-41, which proposes increasing tax rates for imported betel nuts. As an agency that imposes an excise tax on imported goods for sale, we believe it is crucial to remain impartial in our approach to this issues. However, if the bill is enacted into law, our Division will ensure the enforcement and collection of the taxes due."

Comments have been attached as part of this committee report.

D. Legislative History:

House Bill No. 23-41 was introduced by Representative Marissa R. Flores on March 31, 2023 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.

E. Cost-Benefit Analysis:

The House Fiscal Analyst prepared a cost-benefit analysis for House Bill No. 23-41, House Draft 1. It has been attached as part of this committee report.

III. CONCLUSION:

The Committee is in accord with the intent and purpose of H. B. NO. 23-41 and recommends its passage in the form of House Draft 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

Rep. Denita Kaipat Yangetmai, Member

Reviewed by:

House Legal Counsel

Attachment: CBL23-030
Cost-Benefit Analysis

Depicted in the first data set of calculated amounts represents the revenue that was collected beginning October 1st, 2022, to September 6th, 2023 for the excise tax on betelnut imported into the CNMI. Within this period of time the CNMI collected $12,884 from 257,680 pounds of betelnut that was imported. If the excise tax rate is changed to reflect the proposed amendments in HB 23-41, HD1 it would cause a $5 excise tax to be assessed on every pound of betelnut that is imported into the CNMI.

For the purposes of assessing the potential revenue that may be generated from the excise tax of imported betelnut if changes are made to reflect the amendments in HB 23-41, HD1 using the data that was collected from the same period of time that is mentioned above with a total weight of 257,680 pounds of betelnut imported at $5 per pound, the CNMI would see a very significant change in excise tax collections. The CNMI would see a total collection of revenue generated from betelnut imports of over $1.27M which is an increase of approximately 9,900% in potential excise tax collections for betelnut imported into the CNMI. Please refer to the second data set for more details of this analysis.

Betelnut excise tax collections for FY 2023 as of Sept. 6, 2023

Date	Weight (Lbs)	Invoice Amt	Excise Tax @ 5% Ad Valorem	Beautification Tax @ 0.42%	Total tax assessed
Oct-22	17,816	$17,816	$890.82	$74.83	$965.65
Nov-22	17,251	$17,251	$862.55	$72.43	$934.98
Dec-22	16,720	$16,720	$836.01	$70.24	$906.25
Jan-23	17,167	$17,167	$858.35	$72.12	$930.47
Feb-23	14,491	$14,492	$724.59	$60.91	$785.50
Mar-23	24,658	$24,658	$1,232.92	$103.53	$1,336.45
Apr-23	29,214	$29,214	$1,460.71	$122.71	$1,583.42
May-23	24,212	$24,212	$1,210.61	$101.70	$1,312.31
Jun-23	39,860	$39,860	$1,993.02	$167.43	$2,160.45
Jul-23	28,249	$28,249	$1,412.46	$118.66	$1,531.12
Aug-23	22,710	$22,710	$1,135.51	$95.39	$1,230.90
Sept 2023 ***as of Sept. 06, 2023***	5,332	$5,333	$266.63	$22.41	$289.04
Total	**257,680**	**$257,683**	**$12,884.18**	**$1,082.36**	**$13,966.54**

Potential excise tax collections @ $5 per pound of betelnut imported

Date	Weight (Lbs)	Invoice Amt	Excise Tax @ $5 per lb	Beautification Tax @ 0.42%	Total tax assessed	Variance of collection
October, 20XX	17,816	N/A	$89,080.00	$374.14	$89,454.14	$88,189.18
November, 20XX	17,251	N/A	$86,255.00	$362.27	$86,617.27	$85,392.45
December, 20XX	16,720	N/A	$83,600.00	$351.12	$83,951.12	$82,763.99
January, 20XX	17,167	N/A	$85,835.00	$360.51	$86,195.51	$84,976.65
February, 20XX	14,491	N/A	$72,455.00	$304.31	$72,759.31	$71,730.41
March, 20XX	24,658	N/A	$123,290.00	$517.82	$123,807.82	$122,057.08
April, 20XX	29,214	N/A	$146,070.00	$613.49	$146,683.49	$144,609.29
May, 20XX	24,212	N/A	$121,060.00	$508.45	$121,568.45	$119,849.39
June, 20XX	39,860	N/A	$199,300.00	$837.06	$200,137.06	$197,306.98
July, 20XX	28,249	N/A	$141,245.00	$593.23	$141,838.23	$139,832.54
August, 20XX	22,710	N/A	$113,550.00	$476.91	$114,026.91	$112,414.49
September 20XX ***as of Sept. 06, 20XX***	5,332	N/A	$26,660.00	$111.97	$26,771.97	$26,393.37
Total	**257,680**	**N/A**	**$1,288,400.00**	**$5,411.28**	**$1,293,811.28**	**$1,275,515.82**

Depicted in the first data set of calculated amounts represents the revenue that was collected beginning October, 2022, to September, 2023 for excise taxes on afok imported into the CNMI. Within this period of time, the CNMI collected $63 from 642 items of afok that was imported at the current rate of 5 percent ad valorem. If the excise tax rate is changed to reflect the proposed amendments in HB 23-41, HD1 it would cause a $0.10 excise tax to be assessed on every ounce of afok that is imported into the CNMI.

For the purposes of assessing the potential revenue that may be generated from the excise tax of imported afok items if changes are made to reflect the amendments in HB 23-41, HD1 using the data that was collected from the same period of time that is mentioned above with each item of afok having a weight 10 ounces, the CNMI would see a little over a 1,000% increase in excise tax collections. In total the CNMI would garner $642 from the potential revenue generated. Please refer to the second data set for more details of this analysis.

Afok excise tax collected from Sept. 2022 - Oct. 2023

Description	Invoice Amt	Quantity	Weight per item	Excise tax @ 5% ad valorem	Beauty tax @ 0.42%	Total tax assessed
Lime (afok) for chewing	$1,260.00	642	N/A	$63.00	$5.28	$68.28

Potential excise tax collections @ $0.10 per ounce of afok

Description	Invoice Amt	Quantity	Weight per item	Excise tax @ $0.10 per ounce	Beauty tax @ 0.42%	Total tax assessed
Lime (afok) for chewing	N/A	642	10 Ounces	$642.00	$2.70	$644.70

Division of Customs Biosecurity

Department of Finance

P O BOX 5234 CHRB SAIPAN, MP 96950

TEL: 670.664.1610 FAX: 670.664.1615 EMAIL: cnmicustoms@dof.gov.mp

CBL23-030

May 16, 2023

Congressman Ralph N. Yumul
Chairman, Committee on Ways & Means
P.O. Box 500586
Saipan MP 96950

Re: House Bill 23-41 – To Raise The Tax Rate on Imported Betel Nut

Dear Chairman Yumul:

I hope this letter finds you in good health and high spirits. I am writing to address an important matter of impartiality concerning House Bill 23-41, which proposes increasing tax rates for imported betel nuts. As an agency that imposes an excise tax on imported goods for sale, we believe it is crucial to remain impartial in our approach to this issue. However, if the bill is enacted into law, our Division will ensure the enforcement and collection of the taxes due.

Thank you for your attention to this matter.

Yours sincerely,

Jose C. Mafnas, Director

Cc: Ms. Tracy Norita, Secretary,
Department of Finance

RECEIVED
DATE/BY 5/18/23
Andrea T.

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 2023

First Regular Session, 2023 **H. B. 23-41, HD1**

A BILL FOR AN ACT

To establish an excise tax for betelnut/areca nut and lime mix/*afok*/or *bweesch*.

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

Section 1. Findings and Purpose. The Legislature finds that betelnut/areca nut chewing is a common traditional activity that is practiced in different countries within the Pacific Islands. Such activity involves the actual betelnut/areca nut and other different additives, especially lime mix/*afok*/*bweesch*. Despite being seen as a normal practice within the CNMI, the Legislature finds that such acts contribute to higher risk of developing oral cancer. To minimize the development of such a malignant illness, the Legislature finds that it would be appropriate to establish a tax for purchasing both the betelnut/areca nut and the lime mix/*afok*/*bweesch*. In doing so, the Legislature finds that it will be the proper deterrence mechanism that would force betelnut/ areca nut chewers to make fiscally sound decisions in hope that it would mitigate the development of oral cancer as well as other possible illnesses associated with chewing betelnut/areca nut.

The Legislature further finds that betelnut/areca nut and other chewing additives, specifically lime mix/*afok*/*bweesch*, can be purchased at various stores throughout the CNMI. Such products are either purchased locally or imported from different nearby islands. Despite how these businesses purchase these products, several betelnut chewing customers continue to flood such stores on a daily basis to purchase such item, further contributing to a business' Business Gross Revenue Tax (BGRT). The Legislature also finds that this would be a great financial opportunity for our Commonwealth to exploit such avenue to gain much needed additional revenues. Despite being a possible deterrence mechanism, the Legislature finds that it would be appropriate to tax such products to establish a health benefit if sales decrease and a financial benefit if sales increase. The CNMI would gain a significant benefit from either scenario. Furthermore, it is not the intent of the proposed legislation to impose a tax on locally grown betelnut/areca nut and locally made lime mix/*afok*/ or *bweesch*. The intent is to impose a tax on imported betelnut/areca nut and lime mix/*afok*/*bweesch*.

Therefore, the purpose of this Act is to establish an excise tax for betelnut/areca nut and lime mix/*afok*/or *bweesch*.

Section 2. Amendment. 4 CMC §1401 of the Commonwealth Code is hereby amended by adding subsections (r) and (s) to read as follows:

"(r) "Betelnut" and/or "Areca Nut" shall have the same meaning as stated in 4 CMC §51902.

(s) "Lime Mix", "*Afok*" or "*Bweesch*" shall mean the substance produced by burning limestone, coral, or seashells, and transformed into powder form OR the powdered form is mixed with water, both of which are manufactured, used and/or sold as a betelnut chewing additive."

Section 3. Amendment. 4 CMC §1402(a) of the Commonwealth Code is hereby amended by adding new subsections (22) and (23) to read as follows and the CNMI Law Revision Commission shall renumber remaining subsections accordingly:

"(22) Betelnut/Areca Nut, five dollars per pound ~~twenty pieces of betelnut/areca nut or fractional equivalent thereof~~;

(23) Lime Mix/Afok/Bweesch, ~~five~~ ten cents per ounce or fractional equivalent thereof;"

Section 4. Amendment. 4 CMC §1402(g) of the Commonwealth is hereby amended by adding a new subsection (4) to read as follows:

"(4) Notwithstanding any laws, provisions, or laws to the contrary, all funds collected pursuant to 4 CMC §1402(a)(22) and 4 CMC §1402(a)(23) shall be deposited into separate accounts, separate from the General Fund, as follows:

(I) ~~Eighty~~ Fifty percent (~~8~~50%) to the ~~Medical Referral Services Office~~ Health Network Program specifically for oral cancer patients stipends. The ~~Director of the Medical Referral Services Office, in~~

~~consultation with the~~ Chief Executive Officer of the Commonwealth Healthcare Corporation~~,~~ shall be the expenditure authority of these funds.

(II) ~~Twenty~~ Ten percent (~~2~~10%) to the CNMI Division of Customs Biosecurity for operations ~~Commonwealth Cancer Association~~. The ~~Executive~~ Director of the ~~Commonwealth Cancer Association~~ CNMI Division of Customs Biosecurity shall be the expenditure authority of these funds."

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

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

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

Prefiled: 3/31/2023

Date: 3/31/2023 Introduced by: /s/ Rep. Marissa R. Flores

Reviewed for Legal Sufficiency by:

/s/ John M. Bradley
House Legal Counsel