

APP

## A BILL FOR AN ACT

To provide tax relief for citizens and residents of the Commonwealth of the Northern Mariana Islands, and for other purposes.

BE IT ENACTED BY THE FIRST NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1           Section 1. Short Title. This Act may be cited as the  
2 Northern Mariana Islands Tax Relief Act of 1978."

3           Section 2. Tax Relief. Every person subject to the local  
4 territorial income tax shall be entitled to a rebate of one hundred  
5 percent (100%) of such tax for each taxable year beginning before  
6 the effective date of Sections 301 through 303 of the Covenant,  
7 except that no amounts of such tax imposed on income derived from  
8 sources without the Marianas shall be rebated.

9           Section 3. Tax on Overpayments. There is imposed on every  
10 person who is subject to the local territorial income tax for any  
11 taxable year beginning before the effective date of Section 301  
11 through 303 of the Covenant and who has on overpayment arising from  
12 any excessive credit, other than the credit relating to the tax  
13 withheld on wages, a separate, additional tax for such taxable  
14 year equal to the amount of such overpayment.

15           Section 4. Local Territorial Income Tax Returns.

16           (a) Persons Filing with the Marianas -

17                   (1) Any person required to file a return with the  
18 Marianas for a taxable year who claims a rebate from the Marianas  
19 for such year shall attach to the return in respect of which such  
20 rebate is claimed its computations relating to the determination  
21 of the amount to be rebated.

1                   (2) No person otherwise required to file a return  
2 with the Marianas for a taxable year need file such return if such  
3 requirement arises solely by virtue of such person's status as a  
4 citizen or resident of the Marianas for such taxable year and if  
5 such person derives no income from sources without the Marianas  
6 for such taxable year.

7           If the return filed with the Marianas is accompanied by the  
8 computations required by paragraph (1) of this subsection, or if,  
9 pursuant to paragraph (2) of this subsection, no return is required  
10 to be filed with the Marianas, then the actual payment of the  
11 rebated tax to the Marianas shall not be required.

12           (b) Persons Filing with the United States - Any  
13 person required to file a return with the United States for a  
14 taxable year who claims a rebate from the Marianas for such year  
15 shall file with the Marianas Director of Finance, on or before  
16 the date it is required to file such return with the United States,  
17 the computations specified in paragraph (1) of this subsection (a)  
18 of this section and a copy of the return required to be filed with  
19 the United States for the taxable year. The Marianas Director of  
20 Finance shall cause the claim for rebate to be reviewed and audited  
21 and, if the rebate is found in order, shall cause the rebate to  
22 be paid to such person within one hundred eighty days of the payment  
23 by the United States into the Treasury of the Marianas of such  
24 amount of the taxes paid by such person as relates to income derived  
25 from sources within the Marianas.

1 Section 5. Adjustments. If any change or correction is made  
2 in a person's taxable income by Marianas or United States tax  
3 authorities, appropriate adjustments to the corresponding rebate  
4 pursuant to Section 2 or the corresponding tax pursuant to  
5 Section 3 will be made under a procedure to be specified in  
6 regulations prescribed under Section 7 of this Act.

7 Section 6. Definitions.

8 (a) General Definitions - When used in this Act, where  
9 not otherwise distinctly expressed or manifestly incompatible  
10 with the intent thereof,

11 (1) Covenant - The term "Covenant" means the  
12 Covenant to Establish a Commonwealth of the Northern Mariana  
13 Islands in Political Union with the United States of America.

14 (2) Local territorial income tax - The term  
15 "local territorial income tax" means the income tax laws in force  
16 in the United States which come into force in the Marianas  
17 pursuant to Section 601 of the Covenant.

18 (3) Marianas - The term "Marianas" means the  
19 Commonwealth of the Northern Mariana Islands.

20 (4) Rebate - The term "rebate" means an abatement,  
✓ 21 credit, nontaxable refund, or other nontaxable payment of all or  
22 part of the local territorial income tax, as provided for by  
23 Section 602 of the Covenant, to the extent due on income derived  
24 from sources within the Marianas, in an amount not in excess of  
25 the tax otherwise due.

1 (b) Undefined Terms - The other terms used in this Act,  
2 unless otherwise provided, shall have the same meaning that they  
3 have for purposes of the local territorial income tax and  
4 regulations promulgated under it.

5 Section 7. Rules and Regulations. The Director of Finance  
6 shall prescribe all needful rules and regulations to implement  
7 the provisions of this Act, including all rules and regulations as  
8 may be necessary or appropriate by reason of any alteration of  
9 law in relation to internal revenue which affects the operation  
10 of this Act. Rules and regulations prescribed under this section  
11 shall have the force and effect of law.

12 Section 8. Severability. If any provision of this Act or  
13 any rule, regulation, or order promulgated hereunder, or the  
14 application of any such provision, rule, regulation or order to  
15 any person or circumstances shall be held invalid, by a court  
16 of competent jurisdiction, the remainder of this Act or any rules,  
17 regulations or orders promulgated pursuant thereto or the  
18 application of such provisions, regulations, rules or orders to  
19 persons or circumstances other than those to which it is held  
20 invalid, shall not be affected thereby.

21 Section 9. Effective Date. This Act shall be effective upon  
22 its approval by the Governor or upon its becoming law without  
23 such approval.

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Date: 10/12/78

Introduced by: Oscar C. Rasa  
Rep. Oscar C. Rasa