

TWENTY-SECOND NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Session, 2022

H. B. 22- 120

A BILL FOR AN ACT

To amend 4 CMC § 1202, to exclude local stimulus payments from taxation.

**BE IT ENACTED BY THE 22ND NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings and Purpose.** The Legislature finds that the Governor
2 has established several plans to issue stimulus payments. The purpose of each
3 stimulus plan was to provide assistance to households impacted by the negative
4 economic effects of the COVID-19 pandemic.

5 The Legislature finds that payments under any stimulus plan would be
6 subject to the earnings tax, unless the applicable law is amended to exclude these
7 payments. The Legislature finds that taxing these payments is inconsistent with the
8 underlying purpose of any stimulus plan and would only create yet another burden
9 on recipients. Therefore, it is the intent of the Legislature to exclude from earnings
10 tax, any stimulus payments received from the Commonwealth.

11 **Section 2. Amendment.** 4 CMC § 1202 is hereby amended to read as
12 follows:

1 “(a) There is imposed on every person a yearly tax on such person’s
2 total earnings.

3 (b) For purposes of this chapter, “earnings” shall mean:

4 (1) A gain as determined under NMTIT Section 1001
5 received from the sale of personal property, tangible or intangible,
6 by a resident that was not in the course of carrying on a business.

7 (2) One half of the gain as determined under NMTIT section
8 1001 received from the sale of real property located in the
9 Commonwealth that was not in the course of carrying on a business.
10 Provided, however, that the sale of private real property to the
11 Commonwealth government for a public purpose shall not be
12 deemed a sale of real property for the purposes of this subsection.

13 (3) One half of the net income received from leasing of real
14 property located in the Commonwealth, including the assignment of
15 any lease that was not in the course of carrying on a business. For
16 purposes of this subsection, “net income from leasing real property
17 including the assignment of any lease,” means the income less
18 expenses from the rental of real property as determined under the
19 NMTIT.

20 (4) [Repealed.]

1 (5) Gross winnings received from any gaming, lottery, raffle
2 or other gambling activity in the Commonwealth.

3 (6) All other types of income that a resident individual must
4 report in determining his NMTIT, except:

5 (i) Payments received by an employee or his
6 beneficiary from a retirement plan, including the
7 Commonwealth retirement plan, or as unemployment
8 compensation. For purposes of this subsection, the term
9 “retirement plan,” other than the Commonwealth retirement
10 plan means a plan that qualifies under Subchapter D, Subtitle
11 A of the NMTIT.

12 (ii) Amounts received as alimony or separate
13 maintenance payments as defined under Section 71 of
14 NMTIT.

15 (iii) Unemployment compensation as defined under
16 Section 85 of NMTIT.

17 (iv) Social security benefits as defined under Section
18 86 of NMTIT.

19 (v) Distributive shares of partnerships and S
20 corporations to respective partners and shareholders.

1 In addition to the items included within subsections (i)-(v)
2 of this subsection, the secretary by ruling or regulation may exempt
3 other income when the secretary determines that imposing the
4 earnings tax would result in excessive taxation.

5 (c) The tax imposed under this section shall not apply to earnings
6 from a de minimis transaction. The secretary shall prescribe regulations to
7 determine whether a transaction is de minimis.

8 (d) In determining the total earnings, a person shall not reduce any
9 earnings by any loss.

10 (e) Stimulus payments received from the Commonwealth pursuant
11 to the 2021 and 2022 ARPA Local Stimulus Plan, and any subsequent
12 stimulus payments, are not subject to the tax imposed under this section.”

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

18 **Section 4. Savings Clause.** This Act and any repealer contained herein shall
19 not be construed as affecting any existing right acquired under contract or acquired
20 under statutes repealed or under any rule, regulation or order adopted under the
21 statutes. Repealers contained in this Act shall not affect any proceeding instituted

1 under or pursuant to prior law. The enactment of this Act shall not have the effect
2 of terminating, or in any way modifying, any liability civil or criminal, which shall
3 already be in existence at the date this Act becomes effective.

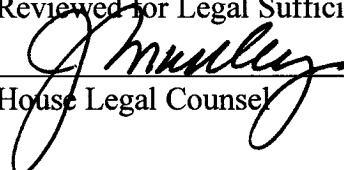
4 **Section 5. Effective Date.** This Act shall take effect upon its approval by
5 the Governor or upon its becoming law without such approval.

Prefiled: 12/19/2022

Date: 12/19/2022

Introduced by: 
Rep. Christina M.E. Sablan

Reviewed for Legal Sufficiency by:

 12/13/22
House Legal Counsel

