THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE HOUSE BILL NO. 144

FIRST SPECIAL SESSION, 1982

A BILL FOR AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

BE IT ENACTED BY THE THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Chapter I. Short Title, Purpose, Repealer, Definitions and Government Exemption.

Section 101. Short Title. This Act shall be known and may be cited as the "Revenue and Taxation Act of 1982".

Section 102. Purpose. It is the purpose of this Act:

(a) to compile, revise, amend, or repeal all general revenue and taxation laws in effect in the Commonwealth of the Northern Mariana Islands;

(b) pursuant to the authority of the Government of the Northern Mariana Islands as recognized by Sections 103, 203(c), 601, 602, 603, 604 and 605 of the Covenant To Establish A Commonwealth of the Northern Mariana Islands In Political Union With the United States of America, to establish a general system of revenue and taxation; and

(c) to provide necessary revenue to provide adequate funding for the ever-increasing needs for government services, programs and operations.

Section 103. Repealer:

(a) Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code are repealed in their entirety.

(b) Public Law 1-21 is repealed in its entirety.

(c) Public Law 1-30 is repealed in its entirety.

(d) Marianas District Law P.L. 5-51 is repealed in its entirety.

(e) Marianas District Laws P.L. 4-72 (Act No. 128-1974) and P.L. 4-206 are repealed in their entirety.

(f) Section 8 of Marianas District Law P.L. 4-145 is repealed in its entirety.

(g) Title 5 in its entirety and Title 6, Chapter 1 Section 1(1), Chapter 2 Section 13(2), Chapter 6, and Chapter 8 of the Saipan Municipal Code are repealed.

(h) Saipan Municipal Ordinance Nos. 25-6-1974, 25-28-1974, 25-33-1974, 25-3-1975 and 25-10-1976 are repealed in their entirety.

(i) Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended are repealed.

(j) Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 in their entirety and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code are repealed.

(k) All Municipal Ordinances, Code Provisions, or Marianas District Public Laws imposing general business license fees which are not specifically listed in this section are repealed.

Section 104. Definitions. In this Act, unless otherwise specifically expressed:

(a) "Amusement machines" mean any mechanical, electrical or other device, contrivance or machine which, upon insertion of a coin, token or similar object therein, or upon payment of any consideration whatsoever, is available to play or operate, the play or operation of

which, whether by reason of the skill of the operator or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, premiums, merchandise, tokens, extra games or use, or anything of value whatsoever, whether the payoff is made automatically from the machine or in any other manner whatsoever.

(b) "Basic service charge" means the costs, including personnel compensation and capital costs, associated with the purchase of fuel, operation, installation, and delivery of electricity or water to a person.

(c) "Business" includes all activities whether personal, professional or incorporated, carried on within the Commonwealth for either direct or indirect economic benefit, as determined by the Director; PROVIDED, however, one who qualifies as an employee under this section shall not be considered a business.

(d) "Commonwealth" means the Commonwealth of the Northern Mariana Islands, including the government thereof, which lies within the area north of 14 degrees north latitude, south of 21 degrees north latitude, west of 150 degrees east longitude and east of 144 degrees east longitude, as extended by the Marine Sovereignty Act of 1980, Public Law 2-7.

(e) "Covenant" means the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

(f) "Director" means the Director of ~~the Department of~~ Finance of the Northern Marianas Commonwealth Government.

(g) "Employee" means any individual in the service of one or more employers for compensation.

(h) "Employer" means any person who pays wages and salaries to another or to himself. Employer includes any individual, corporation, association, joint stock company, bank, insurance company, credit union, cooperative, or other equity or group employing any person, and also includes the Director, or any other officer or agent of the Commonwealth, charged with the disbursement of public monies as salaries or wages to employees of the Commonwealth Government, and any department, agency, and instrumentality thereof, as the case may be insofar as such disbursements are concerned. "Employer" also includes the Government of the Trust Territory of the Pacific Islands, the United States Government and its instrumentalities, and the governments of foreign nations and their instrumentalities.

(i) "Financial institution" means any savings and loan association, or any incorporated savings and loan company, trust company, mortgage banking company, consumer finance company or other financial corporation.

(j) "Firearms" means any device, by whatever name known, which is designed or may be converted to expel or hurl a projectile or projectiles by the action of an explosion, or release, or an expansion of gas, including but not limited to guns, except a device designed or redesigned for use solely as a signaling, limethrowing, spearfishing, or industrial device, or a device which hurls a projectile by means of the release or expansion of carbon dioxide or air.

(k) "Gross revenue" means the total amount of money or the value of other consideration received from selling real or personal property in the Commonwealth, from leasing property employed in the Commonwealth, or from performing services in the Commonwealth. Gross revenue includes the gross receipts, cash or accrued, of a person received as compensation for personal services not in the form of salaries or wages as defined in this section, and the gross receipts of a business derived from trade, business, commerce or sales and the value proceeding or accruing from the sale of tangible personal property, or service, or both, and all receipts, actual or accrued by reason of the capital of the business engaged in, including interest, discount, rentals, royalties, fees, or other emoluments however designated and without any deductions on account of the cost of property sold, the cost of materials used, labor cost, taxes, royalties, interest or discount paid or any other expenses whatsoever. Gross revenue shall not include the following:

(1) Refunds and cash discounts allowed and taken;

(2) Money received and held in a fiduciary capacity; or

(3) Wages and salaries which are taxed under Chapter Two of this Act.

(l) "Lease or rental" means any contract, oral, written or implied, by which a person gives the use and possession of personal or real property to another person and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(m) "Local territorial income tax" means the income tax laws in force in the United States which came into force in the Commonwealth pursuant to Section 601 of the Covenant as a local income tax of the Commonwealth.

(n) "Manufacturer" means any business engaged in combining or processing components or materials to increase their value for sale in the ordinary course of business.

(o) "Month" means calendar month.

(p) "Off-shore banking corporation" means an entity incorporated in the Commonwealth of the Northern Mariana Islands, whose principal purpose is:

(1) negotiating, making and extending loans to borrowers who are not residents or citizens of the Commonwealth of the Northern Mariana Islands ;or

(2) borrowing from lenders who are not residents or citizens of the Commonwealth of the Northern Mariana Islands.

An off-shore banking corporation shall not transact business as a retail bank within the Commonwealth of the Northern Mariana Islands.

(q) "Person" means:

(1) any individual, estate, firm, corporation, company, joint venture, association, partnership, trust, receiver, club, syndicate, cooperative association or any other entity; or

(2) a foreign government, the United States, the Trust Territory of the Pacific Islands, the Commonwealth, or any agency or instrumentality of these entities.

(r) "Public utility" means a person engaged in the sale of:

(1) electric energy, gas, water, garbage, or sewerage disposal services;

(2) public transportation services as a common carrier; or

(3) telephone, telegraph, or television services.

(s) "Rebate" means an adjustment, reduction, return, credit, nontaxable refund, or other nontaxable payment of all or part of any tax, as provided by the Commonwealth of such amount of the taxes paid by a person. The term "rebate" shall apply only to any tax imposed on income from sources within the Commonwealth. The term "rebate" shall not apply to any tax imposed on income exempted by subsection (aa)(1) of this section.

(t) "Sale" means the transferring, giving or exchanging of personal or real property or services of any kind for an agreed sum of money or other valuable consideration and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(u) "Sources within the Commonwealth" as it relates to income means:

(1) all wages and salaries paid by the Commonwealth Government to any employee or other individual rendering services to the Commonwealth Government, whether or not such services are performed within the Commonwealth; or

(2) all wages and salaries paid to any employee by the Government of the Trust Territory of the Pacific Islands, the Government of the United States of America, or a person incorporated, registered, or otherwise doing business in the Commonwealth; PROVIDED, that such employment is physically performed in the Commonwealth, except for any employment period less than 45 working days or 30 continuous working days per year.

(3) All funds received by a person other than an employee or other individual under any contract to which the person and the Commonwealth are parties; PROVIDED, that this subsection shall apply solely to contracts entered into on or after the effective date of this Act.

(v) "Taxpayer" means any person subject to tax under this Act.

(w) "Transient occupant of a room or rooms in a hotel, lodging house or similar facilities " means those persons who occupy such facilities in a specific location for less than thirty (30) consecutive days.

(x) "User fee" means the administrative costs associated with the delivery of a department's or agency's ministerial services.

(y) "Utility rate" means the total costs, including personnel compensation and capital costs, associated with the operation, installation, and delivery of public utility services to a person.

(z) "Wages" and "Salaries" means any compensation for services, such as commissions, fees, compensation, educational benefits, emoluments, bonuses, and every and all other kinds of

compensation paid for, credited, or attributable to personal services performed by an employee or other individual; PROVIDED, that wages and salaries shall not include the following:

(1) Wages and salaries received from the United States by members of the active Armed Forces of the United States.

(2) Reasonable per diem and travel allowances to the extent that they do not exceed any comparable Commonwealth Government rates.

(3) Rental value of a home furnished to any employee or a reasonable rental allowance paid to any employee to the extent the allowance is used by the employee to rent or provide a home.

(4) Any payment of medical or hospitalization expenses made by an employer or insurance company to or on behalf of an employee or insured.

(5) Payments made to or on behalf of an employee or to his beneficiary from a trust, annuity, or retirement program, to the extent of any contributions made by the employee; Provided, that the legislature will appropriate these taxes to the Retirement Fund as a part of the Commonwealth Government's contribution.

(6) Any payment in the form of a scholarship, fellowship, or stipend made to any employee while he is a full-time, bona fide student at an educational institution.

(aa) "Wholesaler" means any business engaged in the sale of tangible personal property to another for resale for direct or indirect economic benefit.

(bb) "Year" means calendar year.

Section 105. Other Definitions. In the event it is appropriate to further define the terms used in this Act, the Director may further define the terms by regulation, taking into account the definitions and use of the terms in the United States Internal Revenue Code of 1954, as amended, and the applicable regulations, thereto.

Section 106. Government Exemption. The United States and Commonwealth Governments, their departments, agencies and instrumentalities, are hereby specifically exempted from any liability to pay any tax imposed by Chapter Three of this Act.

Chapter II. Wage and Salary Tax.

Section 201. Wage and Salary Tax. (a) There is imposed an annual tax on all wages and salaries from sources within the Commonwealth received by an individual. The tax shall be determined in accordance with the following schedule:

If the gross annual wages and salaries of an employee or other individual are:	The tax on the gross annual wages and salaries is:
(a) $0 to 1,000	No Tax
(b) $1,001 to 5,000	2% of amount over $0
(c) $5,001 to 7,000	3%
(d) $7,001 to 15,000	4%
(e) $15,001 to 22,000	5%
(f) $22,001 to 30,000	6%
(g) $30,001 to 40,000	7%
(h) $40,001 to 50,000	8%
(i) $50,001 and over	9%

Chapter III. Gross Revenue Tax

Section 301. Tax on Gross Revenues. There is imposed an annual tax upon the gross revenues earned by every business, except as otherwise provided in this Chapter.

The tax shall be determined in accordance with the following schedule:

If the annual gross revenue earned ~~are~~ is between:	The tax on the total annual gross revenue earned is:
(a) $0 to 5,000	no tax
(b) $5,001 to 50,000	1.5% of amount over $0
(c) $50,001 to 100,000	2%
(d) $100,001 to 250,000	2.5%
(e) $250,001 to 500,000	3%
(f) $500,001 to 750,000	3.5%
(g) $750,001 and over	4%

Section 302. Tax on Agricultural Producers and Fisheries. The provisions of Section 301 and the taxes imposed thereunder shall not apply to businesses engaging in agricultural production and fisheries; PROVIDED, however, these businesses shall be taxed at the rate of one percent (1%) of gross revenues in excess of $20,000. All businesses claiming this exemption shall file the returns required by Section 805 of this Act whether a tax is due or not.

Section 303. Tax on Manufacturers and Wholesalers. The provisions of Section 301 and the taxes imposed thereunder shall apply to businesses which derive gross revenue from manufacturing and wholesaling; PROVIDED, however, the gross revenue derived from these activities shall be taxed at a maximum rate of two percent (2%). All persons claiming this exemption shall file the

returns required by Section 805 of this Act whether a tax is due or not and shall maintain separate records and accounts showing gross revenues derived from manufacturing, wholesaling, retailing and other business operations. All persons claiming this exemption shall disclose such records and accounts upon request for verification by the Director.

Section 304. Tax on Banks, Banking Institutions, Building and Loan Associations, and other Financial Institutions.

(a) Section 301 shall not apply to any bank, banking institution, building and loan association, or other financial institution; PROVIDED, however, these businesses shall be taxed at the greater of five percent (5%) of the net income received from such business or two percent (2%) of gross revenues.

(b) For the purpose of this Section, "net income" shall mean the gross income of such taxpayer received from all sources less the following deductions therefrom:

(1) Salaries or bonuses paid and other compensation from personal services;

(2) Interest or discount paid;

(3) Rents paid;

(4) Ordinary operating expenses such as supplies, utility services, insurance premiums other than for life insurance; PROVIDED, that any deductible insurance expense shall be allowable only to the extent that such a premium is applicable to the tax period against which it is claimed;

(5) Loans or obligations charged off the books of the bank as losses unless charged against reserves then in existence;

(6) Losses other than loan losses, such as those occasioned by fire or other casualty, theft, embezzlement, and the like, but only to the extent not covered by insurance proceeds collected;

(7) Transfers from earnings to reserve for bad debts or other contingencies provided for;

(8) Miscellaneous direct expenses such as legal, advertising, auditing, and the like; and

(9) Loss on property sold and depreciation on property owned.

(c) All deductions allowed pursuant to subsection (b) shall be limited to the portion attributable to the income earned within the Northern Mariana Islands.

(d) Off-shore banking corporations shall be exempt from any tax under this Section or Chapter.

Section 305. Exemption of Exporters. Any person who sells goods, fish or agricultural produce to be delivered outside the Commonwealth shall be exempt from any tax levied under this Chapter on gross revenues derived solely from such export transactions. Any person claiming this exemption shall maintain separate records and accounts of export sales, and shall disclose such records and accounts upon request for verification by the Director.

Chapter IV. Excise Taxes.

Section 401. Alcohol and Tobacco Excise Taxes.

(a) Commercial Use. For the privilege of the first sale or use of alcohol and tobacco imported into the Commonwealth, there is imposed

upon all such persons selling alcohol and tobacco, excise taxes as specified in Subsection (c) of this Section.

(b) Personal Use and Consumption. Any international passenger disembarking from a ship or an airplane may import for personal use and consumption exempt from the excise taxes imposed by this Section:

(1) an amount of cigarettes not to exceed thirty (30) packages of twenty (20) cigarettes per package;

(2) an amount of distilled alcoholic beverages not to exceed three-fifths (3/5) of a gallon;

(3) an amount of wine and sake not to exceed one gallon.

(c) Rates.

(1) Cigarettes, fifteen cents ($.15) per every twenty (20);

(2) Tobacco, other than cigarettes, fifty percent (50%) of the invoice price of the tobacco;

(3) Beer and malt beverages, ten cents ($.10) per can or bottle of twelve fluid ounces or fractional part thereof;

(4) Distilled alcoholic beverages, two dollars and eighty cents ($2.80) per fifth (1/5) of a wine gallon;

(5) Wine and sake, three dollars ($3.00) per gallon; Provided, that this tax shall not apply to any religious organization which is importing, receiving, or

purchasing in the Commonwealth sacramental wine for use in the religious rites of such organization. The Director shall provide by regulation for the reimbursement of wine taxes paid by any business selling sacramental wine to such an organization.

Section 402. General Excise Tax. For the privilege of first selling, using, manufacturing, leasing or renting goods, merchandise, or commodities imported into the Commonwealth, there is imposed upon all such persons an excise tax as specified herein:

(a) Soft drinks and nonalcoholic beverages, five cents ($.05) on each twelve fluid ounces or fractional part thereof;

(b) Foodstuffs for human consumption, one percent (1%) ad valorem;

(c) Agricultural commodities, such as fertilizers, seed, animal feeds, pesticides and herbicides, one percent (1%) ad valorem;

(d) Perfumery, articles of perfumery including cologne and other fragrances whether in sachets or otherwise, twenty percent (20%) ad valorem;

(e) Cosmetics and toiletries, including all preparations used as applications to the hair or skin, lipsticks, eye shadows and mascara, pomades, powders, makeup and other toilet preparations not having medicinal properties, fifteen percent (15%) ad valorem;

(f) Educational materials purchased by a school or library, one percent (1%) ad valorem;

(g) Prescription drugs and medicines, one percent (1%) ad valorem;

(h) Construction materials, three percent (3%) ad valorem;

(i) All other property not otherwise provided for by law, five percent (5%) ad valorem.

Section 403. Liquid Fuel Taxes.

(a) Gasoline, Diesel, and Other Liquid Fuel Tax. For the privilege of first selling, using or distributing gasoline, oil, diesel, or other liquid fuel, other than aviation fuel, imported into the Commonwealth, there is imposed an excise tax at the rate of ten cents ($.10) per gallon.

(b) Aviation Fuel Tax. For the privilege of first selling, using or distributing aviation gas or other aviation fuel imported into the Commonwealth, there is hereby imposed an excise tax at the rate of three percent (3%) ad valorem. The Director of Finance may reduce or waive by regulation the aviation fuel tax upon an airline upon finding that the airline will increase its flight schedule into and within the Commonwealth to a level resulting in benefits to the Commonwealth in excess of the loss of revenue under this section.

Section 404. Beverage Container Excise Tax.

(a) Non-Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of soft drink and other nondairy beverage containers in the amount of four cents ($.04) per container upon the first seller.

(b) Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of each container of beer, ale or other malt beverage in the amount of four cents ($.04) per container upon the first seller.

Section 405. Exemption. Any product subject to tax under this chapter which is not received by or is certified by the person liable for tax as damaged may be exempted from such tax upon certification of damage or nonreceipt by the carrier or his agent.

Section 406. Payment of Taxes - Time - Release of Goods. All taxes required by this Chapter shall be paid within thirty calendar (30) days, after the entry of the goods, commodities or merchandise. Products covered by this chapter shall be released prior to the payment of tax. If the actual amount of the tax cannot be determined within thirty calendar (30) days after the entry, an estimated tax shall be paid subject to later adjustment.

Section 407. Refunds - Exports. Any person who imports goods, merchandise, or commodities into the Commonwealth for sale, lease or rental and exports them to a buyer outside of the Commonwealth shall be entitled to a refund of taxes actually paid on such upon application to the Director.

Section 408. Refunds - Limitations Period. Application for refund pursuant to Section 407 shall be filed with the Director within one year after the end of the calender year in which the amount to be refunded was withheld or paid.

Chapter V. Miscellaneous Taxes and License Fees.

Section 501. Bar Tax.

(a) There is imposed upon any person doing business in any establishment licensed to serve alcoholic beverages for consumption on the premises of the establishment, a tax in the amount of ~~five~~ three percent (~~5~~3%) of the total charges for any beverage sold or consumed at the establishment.

(b) Every person subject to the tax imposed by this section shall make a monthly return to the Director of all amounts received from the sale of beverages and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 502. Hotel Occupancy Tax.

(a) An occupancy tax is imposed upon transient occupants of a room or rooms in a hotel, lodging house, or similar facility of ten percent (10%) of the amount charged or paid for the accommodations. This tax applies and is collectible when the payment is made.

(b) Every person subject to collect the tax imposed by this Section shall make a monthly return to the Director of all amounts received from such charges for lodging and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 503. Business License Fees.

(a) Business License Required. Any person engaging in business as a condition precedent to engaging or continuing in such business, shall obtain from the Director of Commerce and Labor a license to engage in or conduct such business.

(b) In no event shall a business be required to purchase more than one general business license for the same line of business for any location or locations in the Commonwealth.

(c) Terms. Licenses issued under this Section shall not be transferable and shall be valid for one year.

(d) Fees. The following annual fees shall be paid to the Director of Commerce and Labor for the respective license at the time of issuance or renewal:

(1) Banks, five hundred dollars;

(2) Offshore banking corporations, one thousand dollars;

(3) Securities dealers, three hundred dollars;

(4) Insurance companies, three hundred dollars;

(5) Insurance brokers, one hundred dollars;

(6) Insurance agents, seventy-five dollars;

(7) Public utilities, three hundred dollars;

(8) Manufacturers, fifty dollars;

(9) Wholesalers, fifty dollars;

(10) Roadside vendors selling local agricultural and fishery products, five dollars; and

(11) General business license covering all other businesses unless provided otherwise by this Act, fifty dollars.

(e) Renewal. A licensee may renew his license upon the expiration thereof by the payment of the annual license fee.

(f) Conditions for Revocation or Suspension. (1) The Director of Commerce and Labor may revoke or suspend any license issued under this section, upon finding after two weeks public notice and a hearing conducted pursuant to the provisions of Sections 8, 9, 10, and 11 of Title 17 of the Trust Territory Code that:

(A) The application of the licensee contains false or fraudulent information;

(B) The licensee bribed or otherwise unlawfully influenced any person to issue the permit other than on the merits of the application;

(C) The licensee presented false or fraudulent information to any person in support of his application; or

(D) The licensee violates any of the provisions of the Commonwealth of the Northern Mariana Islands' laws or any of the rules and regulations issued thereunder.

(2) Any person aggrieved by a license suspension or revocation shall be entitled to a review of the same by the Commonwealth Trial Court upon written appeal made within thirty days from the date the license suspension or revocation decision is issued. Such review shall be brought pursuant to the provisions of Sections 12 and 13 of Title 17 of the Trust Territory Code.

(g) Upon request the Director of Commerce and Labor shall transmit a listing, and monthly update, of all business licenses issued to the Department of Finance.

(h) Unless the Director of Commerce and Labor provides otherwise, this section shall not affect public health or alcoholic beverage control licensing.

Section 504. Admiralty and Maritime Fees. Section 5 of Title 19 of the Trust Territory Code is amended to read as follows:

"§5. Fees. There shall be paid to the Director for original registration of a vessel the sum of twenty dollars and for each re-registration the sum of ten dollars. All such fees collected shall be remitted to the Director."

Section 505. Motor Vehicles and Operator's Fees.

(a) Section 54 of Title 83 of the Trust Territory Code is amended to read as follows:

"§54. Registration Fees. There shall be paid to the Director of Finance for the registration of vehicles the following fees:

(a) bicycles, one dollar and fifty cents;

(b) mopeds and motorcycles up to 100cc, five dollars;

(c) motorcycle over 100cc, ten dollars;

(d) jeeps, sedans, automobiles, and other motor vehicles not exceeding 6 passengers or ½ ton capacity and weighing less than 2,000 pounds, twenty-five dollars;

(e) pickups, trucks, buses and self-propelled equipment and machinery by gross vehicle weight. Gross vehicle weight in pounds as specified by the manufacturer at the time of the original sale or entry into the Commonwealth; whichever is greater:

(i) under two thousand nine-hundred ninety-nine pounds or fraction thereof, twenty-five dollars;

(ii) three thousand to four thousand nine-hundred ninety-nine pounds or fraction thereof, fifty dollars;

(iii) five thousand to seven thousand four-hundred ninety-nine pounds or fraction thereof, one-hundred dollars;

(iv) seven thousand five-hundred pounds and over, two-hundred dollars.

(f) low boys, twenty-five dollars.

(g) all other self-propelled vehicles, fifty dollars.

(h) for duplicate or substitute registration cards and plates: subsections (b) and (c), two dollars and fifty cents; subsections (d), (e), and (f) five dollars; and subsection (g), ten dollars."

(b) Section 151 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"§151. Operator's license - Fees. No person except those expressly exempted in the Chapter shall drive any motor vehicle upon a highway in the Commonwealth unless such person has been licensed as an operator under this Chapter. A fee of fifteen dollars shall be paid to the Director of the Department of Finance for each such license issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute license issued."

(c) Subsection (4) of Section 155 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"(4) A fee of five dollars shall be paid to the Director of the Department of Finance for each learner's permit issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute permit issued."

Section 506. Corporation Fees. Section 3 of Title 37 of the Trust Territory Code is hereby amended by adding a new subsection (3) as follows:

"(3). Fees. There is hereby levied and imposed the following filing fees, which shall be paid to the Director of the Department of Finance prior to issuance of a Charter and deposited in the General Fund:

(a) Domestic Corporation, one hundred ($100.00) dollars.

(b) Registration of a Foreign Corporation, one hundred ($100.00) dollars.

(c) Non-Profit Corporation, ten ($10.00) dollars.

Section 507. Weapons Fees. Section 580 of Title 63 of the Trust Territory Code is amended to read as follows:

"§580. Fees for licenses and identification cards. The fees for issuance and renewal of annual licenses and identification cards as required by this Chapter shall be as follows:

(1) For an identification card, twenty-five ($25.00) dollars.

(2) For a dealer's license, three hundred ($300.00) dollars.

(3) For a manufacturer's license, one thousand ($1,000.00) dollars.

(4) For a wholesaler's license, one thousand ($1,000.00) dollars.

(5) For replacement of lost, destroyed or defaced identification card, ten ($10.00) dollars.

Fees collected pursuant to this section shall be paid to the Director of the Department of Finance and deposited in the General Fund."

Section 508. Amusement Machines. (a) There is imposed the following annual license fees for the commercial operation of amusement machines as follows:

(1) For amusement machines (other than poker or similar amusement machines) whose major element is skill and whose only reward or prize is limited to additional games or other use of the machine (e.g., Space Invaders, pinball machines, pool tables, etc.), one hundred fifty dollars ($150.00) per machine.

(2) For amusement machines whose major element is chance which provides a reward or prize of value or for poker or similar amusement machines, two thousand five hundred ($2,500.00) dollars per machine.

(3) For all coin-activated phonographs or other coin-activated music producing machines, one hundred fifty ($150.00) dollars per machine.

(4) For all coin-activated kiddie ride machines, designed for children under the age of sixteen, twenty-five ($25.00) dollars per machine.

(b) The tax imposed by this Section shall be the liability of any owner or lessee, or any officer, manager, or representative of any owner or lessee, of the amusement device, or any person operating or managing any business at which such amusement machine is offered for patronage.

Chapter VI. User Fees

Section 601. User Fees - In General. The directors of the principal executive branch departments and independent agencies may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose user fees upon a person to recover the administrative costs associated with the delivery of the department's or agency's ministerial services to that person, unless such regulation is disapproved within sixty days from the date of its submission to the Legislature by affirmative vote of either house of the Legislature.

Section 602. Utility Rate Fees - In General. The Commonwealth Utility Rate Commission or its successor may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose and change the utility rate charges established by Sections 603 and 604 of this Act. Such charges may be established at levels sufficient to recover the costs associated with the operation and delivery of public utility services to that person.

Section 603. Electrical Power Charges. There is hereby imposed a basic service charge on consumers of electricity at the following rates:

If the Monthly Kilowatt Hour Consumption is:	The Cost of the Total Kilowatt Hours Consumed is:
0 to 800	.05 per kwh

801 to 2,000	.06
2,001 to 25,000	.07
25.001 to 35,000	.08
35,001 and over	.10

The Commonwealth Utility Rate Commission or its successor may increase the charges in this schedule by regulation.

Section 604. Water Charges. There is hereby imposed a basic service charge of $.50 per one thousand gallons or any fraction thereof on consumers of water.

Section 605. Collection. The Director of the Department of Finance shall administer the collection of all utility rate fees.

Section 606. Energy Assistance. This Chapter shall not affect the financial assistance for utility services provided under Public Law 1-22.

Chapter VII. United States Net Income Tax

Section 701. Tax Relief. Every person subject to the local territorial income tax shall be entitled to a rebate of one hundred percent (100%) of such tax for each taxable year beginning before the effective date of Sections 601 through 603 of the Covenant, except that only the amounts of such tax imposed on income derived from sources within the Commonwealth shall be rebated.

Section 702. Tax on Overpayments. There is imposed on every person who is subject to the local territorial income tax for any taxable year beginning before the effective date of Sections 601 through 603 of the Covenant and who has an overpayment arising from any excessive credit, other than the credit relating to taxes withheld on wages, a separate, additional tax for such taxable year equal to the amount of such overpayment.

Section 703. Local Territorial Income Tax Returns.

(a) Persons filing with the Commonwealth:

(1) Any person required to file a return with the Commonwealth for a taxable year who claims a rebate from the

Commonwealth for such year shall attach to the return in respect of which such rebate is claimed, its computations relating to the determination of the amount to be rebated.

(2) No person otherwise required to file a return with the Commonwealth for a taxable year need file such return if such requirement arises solely by virtue of such person's status as a citizen or resident of the Commonwealth for such taxable year and if such person derives no income from sources without the Commonwealth for such taxable year; PROVIDED, however, that such person shall be required to file an informational return in the form and manner to be prescribed by the Director.

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

(b) Persons filing with the United States:

(1) Any person required to file a return with the United States for a taxable year who claims a rebate from the Commonwealth for such year shall file with the Director, on or before the date required to file such return with the United States, the computations specified in paragraph (1) of subsection (a) of this Section and a copy of the return required to be filed with the United States for the taxable year.

(c) The Director shall cause the claim for rebate to be reviewed and audited and, if the rebate is found in order, shall cause the rebate to be paid to such person within one hundred eighty (180) days of the payment by the United States into the Treasury of the Commonwealth of such amount of the taxes paid by such person as relates to income derived from sources within the Commonwealth.

(d) The determination of whether or not a person must file under this Section with the Commonwealth or with the United States shall be made in accordance with the provisions of this Act and the rules and regulations of the United States Internal Revenue Code of 1954 as amended.

Section 704. Adjustments. If any change or correction is made in a person's taxable income by Commonwealth or United States tax authorities, appropriate adjustments to the corresponding rebate pursuant to Section 702 or the corresponding tax pursuant to Section 703 will be made under a procedure to be specified in regulations prescribed under Section 818 of this Act.

Chapter VIII. Administrative Provisions

Section 801. Legal Tender. The legal tender of the Commonwealth shall be that of the United States.

Section 802. General Fund. There is created a General Fund into which all revenues raised pursuant to the tax laws and other revenue laws, and all monies received by the Commonwealth, its departments, agencies and instrumentalities shall be deposited, unless otherwise provided by law. The Director may make such disbursements from the General Fund as may be authorized by appropriation. No money shall be paid out of the General Fund except on appropriation enacted by law, or by the operation of subsection (a) of Section 9 of Article III of the Constitution of the Northern Mariana Islands.

Section 803. Distribution of Revenues.

(a) Except as provided by this Section, all revenues raised pursuant to this Act shall be deposited into the General Fund.

(b) The Marianas Visitors Bureau shall receive twenty-five percent of the taxes collected under Section 404(b) and seventy percent of the taxes collected under Section 502.

Section 804. Wage and Salary Taxes.

(a) Withholding by the employer. The tax imposed by Chapter Two of this Act shall be collected by the employer of the employee, based on a Schedule of Withholdings adopted by the Director, as and when paid or credited to the employee. Every employer required to deduct and withhold the tax hereby imposed shall be liable for the payment and shall pay such tax to the Director. Any employer who violates any of the provisions of this Section shall be subject to the penalties prescribed in this Chapter.

(b) Employer to file return covering tax on compensation.

(1) The employer shall, on or before the last day of the month following the close of each quarter, to wit: on or before April 30, July 31, October 31, and January 31, pay the tax withheld, and make a full, true and correct return showing all wages and salaries paid by him during the preceding quarter, and showing the tax due and withheld thereon, which return shall be filed for payment of the tax and shall include such other information as shall be required or prescribed by the Director. Withholding returns filed by employers without remitting to the Director the required amount to be deducted

and withheld shall be accepted by the Director; PROVIDED, that such returns submitted shall not be considered filed until the actual remittance of the amount due is paid to the Director. With respect to salaries and wages paid out of public monies, the Director at his discretion may prescribe special forms for, and different procedures and times for, the filing of such returns by employers paying such compensation, or may, upon such conditions and subject to such rules as he may prescribe from time to time, waive the filing of any such returns. The Director may require more frequent returns and payments as he in his discretion feels are advisable, but in no case shall an employer be required to make returns and payments more frequently than monthly. The Director, for good cause, may extend the time for making returns and payments but not beyond the last day of the first month next succeeding the regular due date thereof.

(2) Every employer required to deduct and withhold any tax on the salaries and wages of any employee shall furnish to each such employee on or before January 31 of the succeeding year (or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of compensation is made) a written statement, showing the wages or salaries paid by the employer to such employee during the year, and the amount of the tax deducted and withheld or paid with respect to such compensation. Such employer shall include with his final return for the calendar year, or shall file on or before January 31, a duplicate copy of each such statement with the Director. Any employer required to furnish such statement

who failed to file on the date prescribed thereof, except with regard to any extension of time for filing, shall be subject to a five dollar penalty for each such statement not so filed, in addition to other penalties prescribed in this Chapter. The Director may grant to any employer a reasonable extension of time, not in excess of sixty days, with respect to any statement required by this subsection to be furnished to any employee or to be filed, and may by regulation provide for the furnishing or filing of statements at such other times and containing such other information as may be required for the administration of this Act. The Director shall prescribe the form of statement required by this subsection.

(3) Any employer who violates any of the provisions of this Section shall be subject to penalties prescribed in this Chapter.

(c) Taxes withheld by employer held in trust-Employer's liability. All taxes withheld by any employer under Chapter II shall be held in trust by such employer for the Commonwealth and for payment to the Director in the manner and at the time required by this Act. If any employer shall fail, neglect, or refuse to deduct and withhold from the compensation paid to an employee, or to pay over, the amount of the tax imposed, such employer shall be liable to pay to the Commonwealth the amount of the tax, which amount shall (whether or not tax withholdings constituting trust funds have been comingled with said employer's assets) form a lien on the employer's entire assets, having priority over all other claims and liens. Any employer may recover from an employee any amount which he should have withheld but did not withhold from such

employee's wages and salaries, if he has been required to pay and has paid the amount to the Commonwealth out of his own funds pursuant to this Section.

(d) No cause of action against employer for withholding. No employee shall have any right of action against his employer with respect to any monies deducted from such employee's salaries and wages in compliance or intended compliance with this Act and paid to the Director.

(e) Individual to file return of earned income. Any individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth and does not have an agent within the Commonwealth responsible for making the returns, withholdings, and payments of taxes on compensation required by this Act, shall file a return with and pay the tax due under this Act to the Director. Any individual who is paid or credited wages from the United States or an instrumentality thereof shall be under the same duty as an individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth.

(f) The Commonwealth Retirement Board and all other persons administering trust, annuity, or retirement programs shall be treated as employers for the purposes of this Section.

Section 805. Returns, withholdings, and payment of tax on gross revenue from business.

(a) Every business, on or before the last day of the month following the close of each quarter, to wit: on or before April 30,

July 31, October 31, January 31, shall pay, based on its gross revenue of the preceding quarter, the amount of tax imposed by Chapter III of this Act to the Director. Each business shall, on or before the date provided for payment of tax under this subsection, make a full, true, and correct return showing all such gross revenue received, accrued, or earned, and the amounts deducted and set aside on account thereof during the preceding quarter, which return shall be filed with the Director and shall include such other information as shall be required or prescribed by the Director. The Director, for good cause, may extend the time for making payments and returns, but not beyond the last day of the first month succeeding the regular due date thereof.

(b) Every business shall be liable for the payment of the tax required to be deducted and paid by it to the Commonwealth.

(c) Failure to comply with the provisions of this Section shall be punishable under the penalties prescribed by this Chapter.

(d) If any business earns or derives its gross revenue from business activities or undertakings both within and without the Commonwealth during the taxable year, then the whole of its gross revenue shall be presumed to have been derived from sources within the Commonwealth; PROVIDED, however, that the business may file for an apportionment of the tax on a form prescribed by the Director and the tax shall be levied only on that portion which is earned in, or derived from sources or transactions or parts of transactions within the Commonwealth.

Section 806. Tax forms. The Director shall prescribe the forms of all returns required to be furnished under the provisions of this Act or provide

for other methods of filing returns and may provide in such forms for the giving of such information as he may deem necessary or advisable. All information required by the form of any return must be included in the return by the person, employer, company, or business responsible for making the return. No return shall be complete unless and until it is signed by or for the employer, business or other person liable to make the return, or by someone authorized to do so on behalf of such employer, business or other person. Every return shall be signed by a natural person. The Director may require that, if any person or persons actually prepare or sign a return for another employer, business or other person, a form stating such facts and authorizing such person to sign such return be signed by the person so preparing or signing the return, and the employer, business or other person in whose name the return is filed. The Director may by regulations define the classes of persons to whom this provision shall apply.

Section 807. Transaction to be Recorded - Penalties for Violations. Every person, engaging in any transaction subject to a tax, fee or charge imposed under this Act shall keep a complete and accurate record of each transaction and such record shall be available for inspection, examination and audit by the Director or his delegate at any time for at least three (3) years after the date of such transaction. Any person willfully failing to keep or make available for examination such records, in addition to the sanctions provided in this Chapter, shall be subject to revocation of any relevant existing license to do business within the Commonwealth.

Section 808. Assessment by Director. Upon the failure of any person, business, or employer to make and file a return required by this Act within

the time and in the manner and form prescribed, or upon failure to pay any amount due, the Director may notify such person, business or employer of such failure and demand that a return be made and filed and the tax paid as required by this Act. If such person, business or employer upon notice and demand by the Director, fails or refuses within thirty days after receipt of the notice and demand to make and file a return and pay the tax required by this Act, the Director may make a return for such person, business or employer from any information and records obtainable, and may levy and assess the appropriate amount of tax. Such assessment shall be presumed to be correct unless and until it is proved incorrect by the person, business or employer disputing the amount of the assessment.

Section 809. Refunds.

(a) If it shall be shown, upon application of an employee, that there has been withheld from his wages or salaries any tax not due thereon, or more than the amount of tax due thereon, or that he has paid from his wages and salaries any tax not due thereon or more than the amount of tax thereon, or if it is shown upon application of the business that it has paid an amount not due as tax under this Act or greater than the tax levied under this Act, then the Director shall refund the amount found to have been overpaid or otherwise not due and shall pay such refund out of current collections of the tax. Prior to granting any refund, the Director shall determine within ninety days after an application for refund is submitted that:

(1) the amount so overpaid or otherwise not due has been paid to the Commonwealth;

(2) the amount of refund claimed has not been used as a credit or deduction against any tax or taxes due and payable to the Commonwealth from such employee; and

(3) application for such refund was filed within one year after the end of the calendar year in which the amount to be refunded was withheld or paid.

(b) The Director may withhold any refund owing to a taxpayer under this Act in order to secure the collection of any tax imposed by this Act or any other monetary obligation owing to the Government of the Commonwealth or its agencies and instrumentalities.

Section 810. Judicial Review.

(a) If a decision of the Director is adverse to the taxpayer, in whole or in part, the taxpayer shall have the right within one year from the date of such decision to institute an action for review, irrespective of the amount, in the Commonwealth Trial Court. Such action shall be commenced by filing a complaint setting forth assignments of all errors alleged to have been committed by the Director in his determination of the assessment, the facts relied upon to sustain such assignments of errors, and a prayer for appropriate relief. The Director or his successor in office shall be the defendant in such proceedings.

(b) When the decision of the Court or an appeal therefrom becomes final, the Director shall, upon presentation of a certified copy of the decree, make such adjustments as are necessary to correct, amend or abate the assessment, and to determine whether any additional amount should be assessed.

(c) When the assessment is paid, in whole or in part, after the filing of the complaint, the Court shall not thereby be deprived of jurisdiction.

Section 811. Tax Liens-Levy of Executive Authorized. All taxes imposed or authorized under this Act shall be a lien upon any property of the person or business obligated to pay said taxes and may be collected by levy upon such property in the manner to be prescribed by the Director pursuant to Section 818 of this Act.

Section 812. Privileged information.

(a) Secrecy Required:

(1) All reports and returns required by this Act shall be preserved for three years and thereafter until the Director orders them to be destroyed.

(2) The Director and every employee of the Division of Revenue and Taxation of the Department of Finance shall maintain the secrecy of all matters relating to this Act which come to their knowledge and shall not communicate such matters to any person except for the purpose of carrying into effect this Act or any other enactment imposing taxes or duties payable to the Commonwealth.

(b) The Chief and every employee of the Division of Revenue and Taxation, while in such employment, shall not engage in the business or profession of tax accounting or accept employment with compensation, from any person, firm, or corporation for the purpose, directly or indirectly, of preparing the tax returns required by the Commonwealth.

Nor shall such person accept any employment for the purpose of advising or preparing materials or data, or the auditing of books or records to be used as an effort to defeat or cancel any tax or part thereof that has been assessed by the Commonwealth.

(c) No employee of the Division of Revenue and Taxation shall be required to produce in any court any matter or thing relating to the taxes imposed by this Act coming under his notice in the performance of his duties as an employee of the Division of Revenue and Taxation except when it is necessary to do so for the purpose of carrying into effect any provision of this Act or any other enactment imposing duties or taxes payable to the Commonwealth.

(d) Statistical or other general information as to the amounts of income or particulars set forth or disclosed in reports or returns required under this Act may, upon request of a committee appointed by the Legislature, be furnished to the committee.

(e) The Attorney General or his delegate may inspect the report or return and all relevant records of any taxpayer who brings an action to set aside or review the tax based thereon, or against whom an action or proceeding has been instituted to recover any tax or any penalty imposed by this Act.

(f) Nothing herein shall prohibit the Director or his delegate from compiling and publishing statistics or information generally on the returns filed so long as there is no reference to a particular return and the statistics and the information do not in effect divulge the contents of any one return. The Director shall annually disclose to the public

the numbers of all persons who pay taxes at the rates set forth in Sections 201(f), (g), and (h), 301, 302, 303, and 304, 502, and other Sections as the Director may by regulation prescribe.

(g) Any violation of this Section shall be a misdemeanor and shall be punishable by a fine of not more than $500 or imprisonment for not more than six months, or both.

Section 813. Civil Action of Enforcement. Any taxes imposed or authorized under this Act may also be collected by a civil suit brought by the Attorney General either in the name of the Commonwealth or in the name of the Director. In such civil suit a written statement by the Director or his delegate as to the amount of tax due, the fact that it is unpaid, and who is authorized to collect it, shall be sufficient evidence of these matters unless it is expressly shown to the contrary.

Section 814. Penalties for Willful Violations.

(a) Willful failure to collect or pay over tax. Any person, required under this Act to collect, account for, and pay over any tax imposed by this Act, who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than Ten Thousand Dollars ($10,000.00), or imprisoned not more than two (2) years, or both, together with the cost of prosecution. Evidence of personal use of any such tax so collected by the person charged with collection, either in his business or otherwise, shall constitute prima facie evidence for willful failure to truthfully account for and pay over such tax in violation of this Act.

(b) Any person who shall willfully fail or refuse to make or retain any record or return required by this Act or shall make any false or fraudulent return with intent to evade any tax, or shall refuse to permit the Director to examine any books, paper, record or memorandum bearing, directly or indirectly, on the transactions subject to tax hereunder, shall be guilty of a misdemeanor punishable by a fine of not more than One Thousand Dollars ($1,000) or imprisonment for not more than one (1) year, or both.

(c) In addition to the foregoing penalties, any person who knowingly shall swear to or verify under oath any false or fraudulent statement with intent to evade any tax imposed by this Chapter, shall be guilty of perjury and, on conviction thereof, shall be guilty of a felony, punishable by a fine of not more than Ten Thousand Dollars ($10,000) or imprisonment for not more than two (2) years, or both.

Section 815. Monthly Penalty Upon Taxes. In case of failure to pay any tax levied or imposed under this Act when due, there shall be added to the amount due, ten percent (10%) of the amount of such tax if the period of nonpayment is not more than one month, with an additional ten percent (10%) for each additional month or fraction thereof during which nonpayment continues, not exceeding one hundred percent (100%) in the aggregate.

Section 816. Failure to File Return on Time. Except as may be permitted by the Director if any employer or taxpayer fails to make and file a return required under this Act on or before the date set, unless prior to that date such taxpayer applied for and received an extension for reasonable cause, one percent (1%) of the tax shall be added for each thirty (30) days or fraction

thereof elapsing between the due date of the return and the date on which it is actually filed; PROVIDED, however, that the minimum penalty under this Section shall be five dollars.

Section 817. Interest. In addition to the penalty imposed by Section 815 of this Act, interest of fifteen percent (15%) per annum shall be imposed on all unpaid taxes, penalties, fees and charges imposed by this Act.

Section 818. Rules and Regulations. The Director upon approval of the Governor shall have broad authority to prescribe all necessary rules and regulations not in conflict with this Act for the assessment and collection of taxes, penalties, fees and charges and for the proper administration of this Act.

Section 819. Severability. If any provision of this Act or any rule, regulation, or order promulgated hereunder, or the application of any such provision, rule, regulation or order to any person or circumstances shall be held invalid, by a court of competent jurisdiction, the remainder of this Act or any rules, regulations or order promulgated pursuant thereto or the application of such provisions, regulations, rules or orders to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 820. Effective Date. This Act shall take effect on June 1, 1982; PROVIDED,

(a) Section 303 shall be effective on October 1, 1982;

(b) Section 501 shall be effective on July 1, 1982; and

(c) The ten percent (10%) occupancy tax of Section 502(a) shall remain at seven percent (7%) until October 1, 1982.

Section 821. Termination Date. Chapters Two and Three of this Act shall terminate upon midnight, December 31, 1983; PROVIDED, that the Commonwealth has adopted a local income tax and sales tax system for individuals and businesses by that date.

Date: _____

Introduced by: _____
Rep. Benigno R. Fitial

_____
Rep. Francisco T. Cabrera

_____
Rep. Luis M. Cepeda

_____
Rep. Martin M. Taisacan

_____
Rep. Misael H. Ogo

_____
Rep. Juan B. Camacho

_____
Rep. Jesus A. Sonoda

_____
Rep. Jose M. Taitano

HOUSE OF REPRESENTATIVES
NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. Box 586
Saipan, Mariana Islands 96950

Phone 6195/5284/6618

BUCK SLIP

RECEIVED FROM THE HOUSE CLERK'S OFFICE
THE FOLLOWING:

TRANSMITTING H.B. 144, HD1

SENATE:

Received by: [signature]

Date: 5/6/82

Time: 9:25 a.m.

House of Representatives
THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P. O. Box 586
Saipan, Mariana Islands 96950

Phone: 6195/6284/6618

SPEAKER
Benigno R. Fitial
VICE SPEAKER
Francisco T. Cabrera
FLOOR LEADER
Luis M. Cepeda
SAIPAN & ISLANDS NORTH
Juan B. Camacho
Luis M. Cepeda
Benigno R. Fitial
Vicente C. Guerrero
Jose R. Lifoifoi
Gregorio C. Sablan
Miguel M. Sablan
Vicente M. Sablan
Jesus A. Sonoda
Martin M. Taisacan
Jose M. Taitano
Juan B. Tudela
TINIAN & AGUIGUAN
Francisco T. Cabrera
ROTA
Misael H. Ogo

RECEIVED FROM THE HOUSE CLERK'S OFFICE, THE FOLLOWING HOUSE BILLS AND HOUSE JOINT RESOLUTION:

H.B. 126, H.D.1, S.D.2, C.D.1

H.B. 129, H.D.2, S.D.2

H.B. 133, H.D.2, S.D.2

H.B. 135, S.D.1

H.B. 142

H.B. 144, H.D.1, S.D.2

H.J.RES. 8

RECEIVED BY: Gloria M. Hunter

DATE: 5/7/85

TIME: 11:20 a.m

which, whether by reason of the skill of the operator or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, premiums, merchandise, tokens, extra games or use, or anything of value whatsoever, whether the payoff is made automatically from the machine or in any other manner whatsoever.

(b) "Basic service charge" means the costs, including personnel compensation and capital costs, associated with the purchase of fuel, operation, installation, and delivery of electricity or water to a person.

(c) "Business" includes all activities whether personal, professional or incorporated, carried on within the Commonwealth for either direct or indirect economic benefit, as determined by the Director; PROVIDED, however, one who qualifies as an employee under this section shall not be considered a business.

(d) "Commonwealth" means the Commonwealth of the Northern Mariana Islands, including the government thereof, which lies within the area north of 14 degrees north latitude, south of 21 degrees north latitude, west of 150 degrees east longitude and east of 144 degrees east longitude, as extended by the Marine Sovereignty Act of 1980, Public Law 2-7.

(e) "Covenant" means the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

(f) "Director" means the Director of ~~the Department of~~ Finance of the Northern Marianas Commonwealth Government.

compensation paid for, credited, or attributable to personal services performed by an employee or other individual; PROVIDED, that wages and salaries shall not include the following:

(1) Wages and salaries received from the United States by members of the active Armed Forces of the United States.

(2) Reasonable per diem and travel allowances to the extent that they do not exceed any comparable Commonwealth Government rates.

(3) Rental value of a home furnished to any employee or a reasonable rental allowance paid to any employee to the extent the allowance is used by the employee to rent or provide a home.

(4) Any payment of medical or hospitalization expenses made by an employer or insurance company to or on behalf of an employee or insured.

(5) Payments made to or on behalf of an employee or to his beneficiary from a trust, annuity, or retirement program, to the extent of any contributions made by the employee; Provided, that the legislature will appropriate these taxes to the Retirement Fund as a part of the Commonwealth Government's contribution.

(6) Any payment in the form of a scholarship, fellowship, or stipend made to any employee while he is a full-time, bona fide student at an educational institution.

(aa) "Wholesaler" means any business engaged in the sale of tangible personal property to another for resale for direct or indirect economic benefit.

(bb) "Year" means calendar year.

Section 105. Other Definitions. In the event it is appropriate to further define the terms used in this Act, the Director may further define the terms by regulation, taking into account the definitions and use of the terms in the United States Internal Revenue Code of 1954, as amended, and the applicable regulations, thereto.

Section 106. Government Exemption. The United States and Commonwealth Governments, their departments, agencies and instrumentalities, are hereby specifically exempted from any liability to pay any tax imposed by Chapter Three of this Act.

Chapter II. Wage and Salary Tax.

Section 201. Wage and Salary Tax. (a) There is imposed an annual tax on all wages and salaries from sources within the Commonwealth received by an individual. The tax shall be determined in accordance with the following schedule:

If the gross annual wages and salaries of an employee or other individual are:	The tax on the gross annual wages and salaries is:
(a) $0 to 1,000	No Tax
(b) $1,001 to 5,000	2% of amount over $0
(c) $5,001 to 7,000	3%
(d) $7,001 to 15,000	4%
(e) $15,001 to 22,000	5%
(f) $22,001 to 30,000	6%
(g) $30,001 to 40,000	7%
(h) $40,001 to 50,000	8%
(i) $50,001 and over	9%

Chapter III. Gross Revenue Tax

Section 301. Tax on Gross Revenues. There is imposed an annual tax upon the gross revenues earned by every business, except as otherwise provided in this Chapter.

The tax shall be determined in accordance with the following schedule:

If the annual gross revenue earned ~~/is/~~ is between:	The tax on the total annual gross revenue earned is:
(a) $0 to 5,000	no tax
(b) $5,001 to 50,000	1.5% of amount over $0
(c) $50,001 to 100,000	2%
(d) $100,001 to 250,000	2.5%
(e) $250,001 to 500,000	3%
(f) $500,001 to 750,000	3.5%
(g) $750,001 and over	4%

Section 302. Tax on Agricultural Producers and Fisheries. The provisions of Section 301 and the taxes imposed thereunder shall not apply to businesses engaging in agricultural production and fisheries; PROVIDED, however, these businesses shall be taxed at the rate of one percent (1%) of gross revenues in excess of $20,000. All businesses claiming this exemption shall file the returns required by Section 805 of this Act whether a tax is due or not.

Section 303. Tax on Manufacturers and Wholesalers. The provisions of Section 301 and the taxes imposed thereunder shall apply to businesses which derive gross revenue from manufacturing and wholesaling; PROVIDED, however, the gross revenue derived from these activities shall be taxed at a maximum rate of two percent (2%). All persons claiming this exemption shall file the

(6) Losses other than loan losses, such as those occasioned by fire or other casualty, theft, embezzlement, and the like, but only to the extent not covered by insurance proceeds collected;

(7) Transfers from earnings to reserve for bad debts or other contingencies provided for;

(8) Miscellaneous direct expenses such as legal, advertising, auditing, and the like; and

(9) Loss on property sold and depreciation on property owned.

(c) All deductions allowed pursuant to subsection (b) shall be limited to the portion attributable to the income earned within the Northern Mariana Islands.

(d) Off-shore banking corporations shall be exempt from any tax under this Section or Chapter.

Section 303. Exemption of Exporters. Any person who sells goods, fish or agricultural produce to be delivered outside the Commonwealth shall be exempt from any tax levied under this Chapter on gross revenues derived solely from such export transactions. Any person claiming this exemption shall maintain separate records and accounts of export sales, and shall disclose such records and accounts upon request for verification by the Director.

Chapter IV. Excise Taxes.

Section 401. Alcohol and Tobacco Excise Taxes.

(a) Commercial Use. For the privilege of the first sale or use of alcohol and tobacco imported into the Commonwealth, there is imposed

purchasing in the Commonwealth sacramental wine for use in the religious rites of such organization. The Director shall provide by regulation for the reimbursement of wine taxes paid by any business selling sacramental wine to such an organization.

Section 402. General Excise Tax. For the privilege of first selling, using, manufacturing, leasing or renting goods, merchandise, or commodities imported into the Commonwealth, there is imposed upon all such persons an excise tax as specified herein:

(a) Soft drinks and nonalcoholic beverages, five cents ($.05) on each twelve fluid ounces or fractional part thereof;

(b) Foodstuffs for human consumption, one percent (1%) ad valorem;

(c) Agricultural commodities, such as fertilizers, seed, animal feeds, pesticides and herbicides, one percent (1%) ad valorem;

(d) Perfumery, articles of perfumery including cologne and other fragrances whether in sachets or otherwise, twenty percent (20%) ad valorem;

(e) Cosmetics and toiletries, including all preparations used as applications to the hair or skin, lipsticks, eye shadows and mascara, pomades, powders, makeup and other toilet preparations not having medicinal properties, fifteen percent (15%) ad valorem;

(f) Educational materials purchased by a school or library, one percent (1%) ad valorem;

(g) Prescription drugs and medicines, one percent (1%) ad valorem;

(h) Construction materials, three percent (3%) ad valorem;

(i) All other property not otherwise provided for by law, five percent (5%) ad valorem.

Section 406. Payment of Taxes - Time - Release of Goods. All taxes required by this Chapter shall be paid within thirty calendar (30) days, after the entry of the goods, commodities or merchandise. Products covered by this chapter shall be released prior to the payment of tax. If the actual amount of the tax cannot be determined within thirty calendar (30) days after the entry, an estimated tax shall be paid subject to later adjustment.

Section 407. Refunds - Exports. Any person who imports goods, merchandise, or commodities into the Commonwealth for sale, lease or rental and exports them to a buyer outside of the Commonwealth shall be entitled to a refund of taxes actually paid on such upon application to the Director.

Section 408. Refunds - Limitations Period. Application for refund pursuant to Section 407 shall be filed with the Director within one year after the end of the calender year in which the amount to be refunded was withheld or paid.

Chapter V. Miscellaneous Taxes and License Fees.

Section 501. Bar Tax.

(a) There is imposed upon any person doing business in any establishment licensed to serve alcoholic beverages for consumption on the premises of the establishment, a tax in the amount of ~~five~~ three percent (~~5~~3%) of the total charges for any beverage sold or consumed at the establishment.

(b) Every person subject to the tax imposed by this section shall make a monthly return to the Director of all amounts received from the sale of beverages and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

801 to 10,000	.07
10,000 and over	.12
801 to 2,000	.06
2,001 to 25,000	.07
25.001 to 35,000	.08
35,001 and over	.10

The Commonwealth Utility Rate Commission or its successor may increase the charges in this schedule by regulation.

Section 604. Water Charges. There is hereby imposed a basic service charge of $.50 per one thousand gallons or any fraction thereof on consumers of water.

Section 605. Collection. The Director of the Department of Finance shall administer the collection of all utility rate fees.

Section 606. Energy Assistance. This Chapter shall not affect the financial assistance for utility services provided under Public Law 1-22.

Chapter VII. United States Net Income Tax

Section 701. Tax Relief. Every person subject to the local territorial income tax shall be entitled to a rebate of one hundred percent (100%) of such tax for each taxable year beginning before the effective date of Sections 601 through 603 of the Covenant, except that only the amounts of such tax imposed on income derived from sources within the Commonwealth shall be rebated.

Section 702. Tax on Overpayments. There is imposed on every person who is subject to the local territorial income tax for any taxable year beginning before the effective date of Sections 601 through 603 of the Covenant and who has an overpayment arising from any excessive credit, other than the credit relating to taxes withheld on wages, a separate, additional tax for such taxable year equal to the amount of such overpayment.

Section 703. Local Territorial Income Tax Returns.

(a) Persons filing with the Commonwealth:

(1) Any person required to file a return with the Commonwealth for a taxable year who claims a rebate from the

(c) The Director shall cause the claim for rebate to be reviewed and audited and, if the rebate is found in order, shall cause the rebate to be paid to such person within one hundred eighty (180) days of the payment by the United States into the Treasury of the Commonwealth of such amount of the taxes paid by such person as relates to income derived from sources within the Commonwealth.

(d) The determination of whether or not a person must file under this Section with the Commonwealth or with the United States shall be made in accordance with the provisions of this Act and the rules and regulations of the United States Internal Revenue Code of 1954 as amended.

Section 704. Adjustments. If any change or correction is made in a person's taxable income by Commonwealth or United States tax authorities, appropriate adjustments to the corresponding rebate pursuant to Section 702 or the corresponding tax pursuant to Section 703 will be made under a procedure to be specified in regulations prescribed under Section 818 of this Act.

Chapter VIII. Administrative Provisions

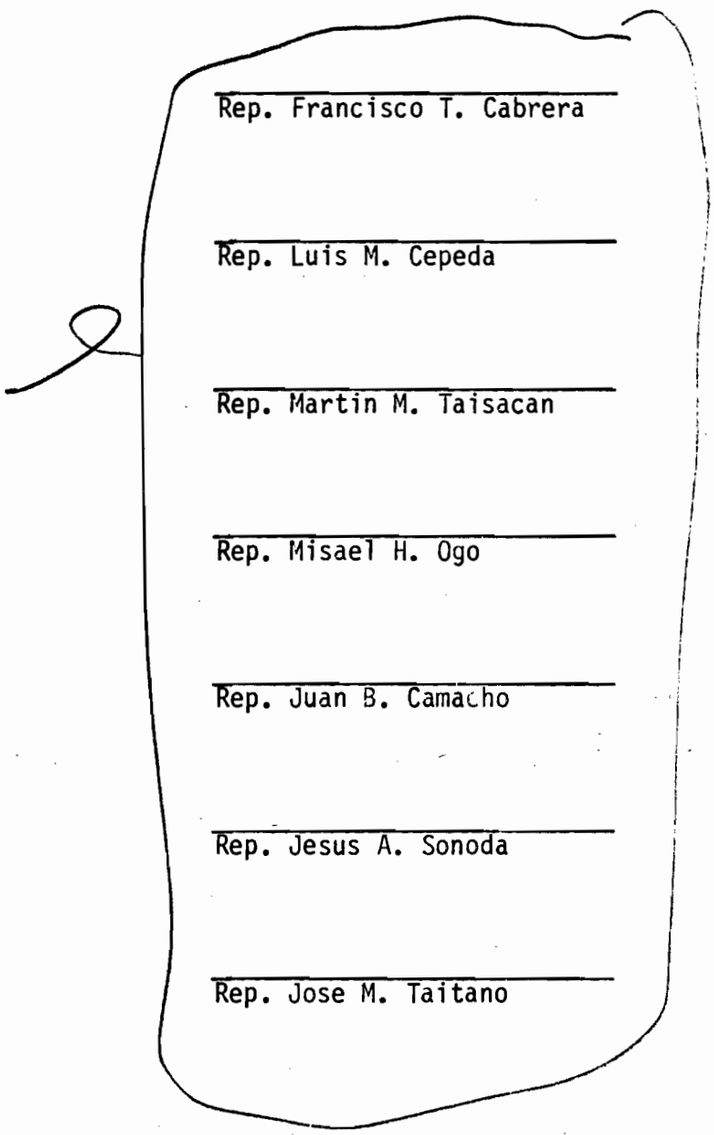
Section 801. Legal Tender. The legal tender of the Commonwealth shall be that of the United States.

Section 802. General Fund. There is created a General Fund into which all revenues raised pursuant to the tax laws and other revenue laws, and all monies received by the Commonwealth, its departments, agencies and instrumentalities shall be deposited, unless otherwise provided by law. The Director may make such disbursements from the General Fund as may be authorized by appropriation. No money shall be paid out of the General Fund except on appropriation enacted by law, or by the operation of subsection (a) of Section 9 of Article III of the Constitution of the Northern Mariana Islands.

Section 821. Termination Date. Chapters Two and Three of this Act shall terminate upon midnight, December 31, 1983; PROVIDED, that the Commonwealth has adopted a local income tax and sales tax system for individuals and businesses by that date.

Date: _____

Introduced by: _____
Rep. Benigno R. Fitial



Rep. Francisco T. Cabrera

Rep. Luis M. Cepeda

Rep. Martin M. Taisacan

Rep. Misael H. Ogo

Rep. Juan B. Camacho

Rep. Jesus A. Sonoda

Rep. Jose M. Taitano

(37)

Duty Free Shoppers

March 29, 1982

MISC. COMM. NO. 47
(House of Rep.)

Mr. Ernie Jeppeson
President
Saipan Chamber of Commerce
Saipan, CM 96950

Dear Ernie:

There appears to be much confusion from recent correspondence sent by you to the Commonwealth Legislature regarding myself. I believe this correspondence was caused by a misunderstanding of the reason I sent the attached letter.

There never was an intent on my part to reflect unfavorably on the character or integrity of any member of the Chamber, nor on the recent testimony for H.B. 107. On the contrary, I have a lot of respect for the Chamber, its members, and its policies and opinions. My primary concern was the point brought out in the attached letter where I simply recommended that policy statements and positions on major issues such as H.B. 107, receive as much input as possible from Chamber members who could be most affected. If anyone has given my letter a different interpretation, I apologize to that person.

It has always been my belief that honest differences of opinion on any issue have to be healthy. It is only by comparing and debating differences that we can arrive at reasonable and satisfactory conclusions.

Sincerely,

DUTY FREE SHOPPERS LIMITED

P. Thomas Picarro

P. Thomas Picarro
VP-General Manager

xc: Honorable Benigno Fitial
Speaker, House of Representative
Honorable Olympio T. Borja
President, Senate

Duty Free Shoppers Limited
Mid Pacific Division, Saipan Branch
P. O. Box 528, Chalan Kanoa, Saipan, CM 96950
R.C.A. Telex: 783-635 Cable: DUTYFREE SPN PHONE: 6570/6615/7114/7115

House of Representatives
THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P. O. Box 586
Saipan, Mariana Islands 96950
Phone: 6195/6284/6618

EAKER
Benigno R. Fitial
ICE SPEAKER
Francisco T. Cabrera
LOOR LEADER
Luis M. Cepeda
AIPAN & ISLANDS NORTH
Juan B. Camacho
Luis M. Cepeda
Benigno R. Fitial
Vicente C. Guerrero
Jose R. Lifoifoi
Gregorio C. Sablan
Miguel M. Sablan
Vicente M. Sablan
Jesus A. Sonoda
Martin M. Taisacan
Jose M. Taitano
Juan B. Tudela
NIAN & AGUIGUAN
Francisco T. Cabrera
OTA
Misael H. Ogo

STANDING COMMITTEE REPORT NO. 3-38
May 5, 1982
RE: H.B. NO. 144

The Committee is in accord with the intent and purpose of H.B. No. 144 as attached herein, and recommends its passage on First and Final Reading in the form proposed by the Committee.

Respectfully submitted,

Rep. Martin M. Taisacan
Chairman

Rep. Juan B. Camacho
Vice Chairman

Rep. Francisco T. Cabrera
Member

Rep. Misael H. Ogo
Member

Rep. Vicente M. Sablan
Member

Rep. Luis M. Cepeda
Member

Rep. Miguel M. Sablan

FIRST SPECIAL SESSION, 1982

A BILL FOR AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

BE IT ENACTED BY THE THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Chapter I. Short Title, Purpose, Repealer, Definitions and Government Exemption.

Section 101. Short Title. This Act shall be known and may be cited as the "Revenue and Taxation Act of 1982".

Section 102. Purpose. It is the purpose of this Act:

(a) to compile, revise, amend, or repeal all general revenue and taxation laws in effect in the Commonwealth of the Northern Mariana Islands;

(b) pursuant to the authority of the Government of the Northern Mariana Islands as recognized by Sections 103, 203(c), 601, 602, 603, 604 and 605 of the Covenant To Establish A Commonwealth of the Northern Mariana Islands In Political Union With the United States of America, to establish a general system of revenue and taxation; and

(c) to provide necessary revenue to provide adequate funding for the ever-increasing needs for government services, programs and operations.

Section 103. Repealer:

(a) Sections I through 202 of Title 33 and all of Title 77 of the Trust Territory Code are repealed in their entirety.

(b) Public Law 1-21 is repealed in its entirety.

(c) Public Law 1-30 is repealed in its entirety.

(d) Marianas District Law P.L. 5-51 is repealed in its entirety.

(e) Marianas District Laws P.L. 4-72 (Act No. 128-1974) and P.L. 4-206 are repealed in their entirety.

(f) Section 8 of Marianas District Law P.L. 4-145 is repealed in its entirety.

(g) Title 5 in its entirety and Title 6, Chapter 1 Section 1(1), Chapter 2 Section 13(2), Chapter 6, and Chapter 8 of the Saipan Municipal Code are repealed.

(h) Saipan Municipal Ordinance Nos. 25-6-1974, 25-28-1974, 25-33-1974, 25-3-1975 and 25-10-1976 are repealed in their entirety.

(i) Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended are repealed.

(j) Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 in their entirety and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code are repealed.

(k) All Municipal Ordinances, Code Provisions, or Marianas District Public Laws imposing general business license fees which are not specifically listed in this section are repealed.

Section 104. Definitions. In this Act, unless otherwise specifically expressed:

(a) "Amusement machines" mean any mechanical, electrical or other device, contrivance or machine which, upon insertion of a coin, token or similar object therein, or upon payment of any consideration whatsoever, is available to play or operate, the play or operation of

which, whether by reason of the skill of the operator or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, premiums, merchandise, tokens, extra games or use, or anything of value whatsoever, whether the payoff is made automatically from the machine or in any other manner whatsoever.

(b) "Basic service charge" means the costs, including personnel compensation and capital costs, associated with the purchase of fuel, operation, installation, and delivery of electricity or water to a person.

(c) "Business" includes all activities whether personal, professional or incorporated, carried on within the Commonwealth for either direct or indirect economic benefit, as determined by the Director; PROVIDED, however, one who qualifies as an employee under this section shall not be considered a business.

(d) "Commonwealth" means the Commonwealth of the Northern Mariana Islands, including the government thereof, which lies within the area north of 14 degrees north latitude, south of 21 degrees north latitude, west of 150 degrees east longitude and east of 144 degrees east longitude, as extended by the Marine Sovereignty Act of 1980, Public Law 2-7.

(e) "Covenant" means the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

(f) "Director" means the Director of ~~the Department of~~ Finance of the Northern Marianas Commonwealth Government.

(g) "Employee" means any individual in the service of one or more employers for compensation.

(h) "Employer" means any person who pays wages and salaries to another or to himself. Employer includes any individual, corporation, association, joint stock company, bank, insurance company, credit union, cooperative, or other equity or group employing any person, and also includes the Director, or any other officer or agent of the Commonwealth, charged with the disbursement of public monies as salaries or wages to employees of the Commonwealth Government, and any department, agency, and instrumentality thereof, as the case may be insofar as such disbursements are concerned. "Employer" also includes the Government of the Trust Territory of the Pacific Islands, the United States Government and its instrumentalities, and the governments of foreign nations and their instrumentalities.

(i) "Financial institution" means any savings and loan association, or any incorporated savings and loan company, trust company, mortgage banking company, consumer finance company or other financial corporation.

(j) "Firearms" means any device, by whatever name known, which is designed or may be converted to expel or hurl a projectile or projectiles by the action of an explosion, or release, or an expansion of gas, including but not limited to guns, except a device designed or redesigned for use solely as a signaling, limethrowing, spearfishing, or industrial device, or a device which hurls a projectile by means of the release or expansion of carbon dioxide or air.

(k) "Gross revenue" means the total amount of money or the value of other consideration received from selling real or personal property in the Commonwealth, from leasing property employed in the Commonwealth, or from performing services in the Commonwealth. Gross revenue includes the gross receipts, cash or accrued, of a person received as compensation for personal services not in the form of salaries or wages as defined in this section, and the gross receipts of a business derived from trade, business, commerce or sales and the value proceeding or accruing from the sale of tangible personal property, or service, or both, and all receipts, actual or accrued by reason of the capital of the business engaged in, including interest, discount, rentals, royalties, fees, or other emoluments however designated and without any deductions on account of the cost of property sold, the cost of materials used, labor cost, taxes, royalties, interest or discount paid or any other expenses whatsoever. Gross revenue shall not include the following:

(1) Refunds and cash discounts allowed and taken;

(2) Money received and held in a fiduciary capacity; or

(3) Wages and salaries which are taxed under Chapter Two of this Act.

(l) "Lease or rental" means any contract, oral, written or implied, by which a person gives the use and possession of personal or real property to another person and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(m) "Local territorial income tax" means the income tax laws in force in the United States which came into force in the Commonwealth pursuant to Section 601 of the Covenant as a local income tax of the Commonwealth.

(n) "Manufacturer" means any business engaged in combining or processing components or materials to increase their value for sale in the ordinary course of business.

(o) "Month" means calendar month.

(p) "Off-shore banking corporation" means an entity incorporated in the Commonwealth of the Northern Mariana Islands, whose principal purpose is:

(1) negotiating, making and extending loans to borrowers who are not residents or citizens of the Commonwealth of the Northern Mariana Islands ;or

(2) borrowing from lenders who are not residents or citizens of the Commonwealth of the Northern Mariana Islands.

An off-shore banking corporation shall not transact business as a retail bank within the Commonwealth of the Northern Mariana Islands.

(q) "Person" means:

(1) any individual, estate, firm, corporation, company, joint venture, association, partnership, trust, receiver, club, syndicate, cooperative association or any other entity; or

(2) a foreign government, the United States, the Trust Territory of the Pacific Islands, the Commonwealth, or any agency or instrumentality of these entities.

(r) "Public utility" means a person engaged in the sale of

(1) electric energy, gas, water, garbage, or sewerage disposal services;

(2) public transportation services as a common carrier; or

(3) telephone, telegraph, or television service

(s) "Rebate" means an adjustment, reduction, return, credit, nontaxable refund, or other nontaxable payment of all or part of any tax, as provided by the Commonwealth of such amount of the taxes paid by a person. The term "rebate" shall apply only to any tax imposed on income from sources within the Commonwealth. The term "rebate" shall not apply to any tax imposed on income exempted by subsection (e) of this section.

(t) "Sale" means the transferring, giving or exchanging of personal or real property or services of any kind for an agreed sum of money or other valuable consideration and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(u) "Sources within the Commonwealth" as it relates to income means:

(1) all wages and salaries paid by the Commonwealth Government to any employee or other individual rendering services to the Commonwealth Government, whether or not such services are performed within the Commonwealth;

(2) all wages and salaries paid to any employee by the Government of the Trust Territory of the Pacific Islands, the Government of the United States of America, or a person incorporated, registered, or otherwise doing business in the Commonwealth; PROVIDED, that such employment is physically performed in the Commonwealth, except for any employment period less than 45 working days or 30 continuous working days per year.

(3) All funds received by a person other than an employee or other individual under any contract to which the person and the Commonwealth are parties; PROVIDED, that this subsection shall apply solely to contracts entered into on or after the effective date of this Act.

(v) "Taxpayer" means any person subject to tax under this Act.

(w) "Transient occupant of a room or rooms in a hotel, lodging house or similar facilities " means those persons who occupy such facilities in a specific location for less than thirty (30) consecutive days.

(x) "User fee" means the administrative costs associated with the delivery of a department's or agency's ministerial services.

(y) "Utility rate" means the total costs, including personnel compensation and capital costs, associated with the operation, installation, and delivery of public utility services to a person.

(z) "Wages" and "Salaries" means any compensation for services, such as commissions, fees, compensation, educational benefits, emoluments, bonuses, and every and all other kinds of

compensation paid for, credited, or attributable to personal services performed by an employee or other individual; PROVIDED, that wages and salaries shall not include the following:

(1) Wages and salaries received from the United States by members of the active Armed Forces of the United States.

(2) Reasonable per diem and travel allowances to the extent that they do not exceed any comparable Commonwealth Government rates.

(3) Rental value of a home furnished to any employee or a reasonable rental allowance paid to any employee to the extent the allowance is used by the employee to rent or provide a home.

(4) Any payment of medical or hospitalization expenses made by an employer or insurance company to or on behalf of an employee or insured.

(5) Payments made to or on behalf of an employee or to his beneficiary from a trust, annuity, or retirement program, to the extent of any contributions made by the employee; Provided, that the legislature will appropriate these taxes to the Retirement Fund as a part of the Commonwealth Government's contribution.

(6) Any payment in the form of a scholarship, fellowship, or stipend made to any employee while he is a full-time, bona fide student at an educational institution.

(aa) "Wholesaler" means any business engaged in the sale of tangible personal property to another for resale for direct or indirect economic benefit.

(bb) "Year" means calendar year.

Section 105. Other Definitions. In the event it is appropriate to further define the terms used in this Act, the Director may further define the terms by regulation, taking into account the definitions and use of the terms in the United States Internal Revenue Code of 1954, as amended, and the applicable regulations, thereto.

Section 106. Government Exemption. The United States and Commonwealth Governments, their departments, agencies and instrumentalities, are hereby specifically exempted from any liability to pay any tax imposed by Chapter Three of this Act.

Chapter II. Wage and Salary Tax.

Section 201. Wage and Salary Tax. (a) There is imposed an annual tax on all wages and salaries from sources within the Commonwealth received by an individual. The tax shall be determined in accordance with the following schedule:

If the gross annual wages and salaries of an employee or other individual are:	The tax on the gross annual wages and salaries is:
(a) $0 to 1,000	No Tax
(b) $1,001 to 5,000	2% of amount over $0
(c) $5,001 to 7,000	3%
(d) $7,001 to 15,000	4%
(e) $15,001 to 22,000	5%
(f) $22,001 to 30,000	6%
(g) $30,001 to 40,000	7%
(h) $40,001 to 50,000	8%
(i) $50,001 and over	9%

Chapter III. Gross Revenue Tax

Section 301. Tax on Gross Revenues. There is imposed an annual tax upon the gross revenues earned by every business, except as otherwise provided in this Chapter.

The tax shall be determined in accordance with the following schedule:

If the annual gross revenue earned ~~during~~ is between:	The tax on the total annual gross revenue earned is:
(a) $0 to 5,000	no tax
(b) $5,001 to 50,000	1.5% of amount over $0
(c) $50,001 to 100,000	2%
(d) $100,001 to 250,000	2.5%
(e) $250,001 to 500,000	3%
(f) $500,001 to 750,000	3.5%
(g) $750,001 and over	4%

Section 302. Tax on Agricultural Producers and Fisheries. The provisions of Section 301 and the taxes imposed thereunder shall not apply to businesses engaging in agricultural production and fisheries; PROVIDED, however, these businesses shall be taxed at the rate of one percent (1%) of gross revenues in excess of $20,000. All businesses claiming this exemption shall file the returns required by Section 805 of this Act whether a tax is due or not.

Section 303. Tax on Manufacturers and Wholesalers. The provisions of Section 301 and the taxes imposed thereunder shall apply to businesses which derive gross revenue from manufacturing and wholesaling; PROVIDED, however, the gross revenue derived from these activities shall be taxed at a maximum rate of two percent (2%). All persons claiming this exemption shall file the

returns required by Section 805 of this Act whether a tax is due or not and shall maintain separate records and accounts showing gross revenues derived from manufacturing, wholesaling, retailing and other business operations. All persons claiming this exemption shall disclose such records and accounts upon request for verification by the Director.

Section 304. Tax on Banks, Banking Institutions, Building and Loan Associations, and other Financial Institutions.

(a) Section 301 shall not apply to any bank, banking institution, building and loan association, or other financial institution; PROVIDED, however, these businesses shall be taxed at the greater of five percent (5%) of the net income received from such business or two percent (2%) of gross revenues.

(b) For the purpose of this Section, "net income" shall mean the gross income of such taxpayer received from all sources less the following deductions therefrom:

(1) Salaries or bonuses paid and other compensation from personal services;

(2) Interest or discount paid;

(3) Rents paid;

(4) Ordinary operating expenses such as supplies, utility services, insurance premiums other than for life insurance; PROVIDED, that any deductible insurance expense shall be allowable only to the extent that such a premium is applicable to the tax period against which it is claimed;

(5) Loans or obligations charged off the books of the bank as losses unless charged against reserves then in existence;

(6) Losses other than loan losses, such as those occasioned by fire or other casualty, theft, embezzlement, and the like, but only to the extent not covered by insurance proceeds collected;

(7) Transfers from earnings to reserve for bad debts or other contingencies provided for;

(8) Miscellaneous direct expenses such as legal, advertising, auditing, and the like; and

(9) Loss on property sold and depreciation on property owned.

(c) All deductions allowed pursuant to subsection (b) shall be limited to the portion attributable to the income earned within the Northern Mariana Islands.

(d) Off-shore banking corporations shall be exempt from any tax under this Section or Chapter.

Section 208. Exemption of Exporters. Any person who sells goods, fish or agricultural product to be delivered outside the Commonwealth shall be exempt from any tax levied under this Chapter on gross revenues derived solely from such export transactions. Any person claiming this exemption shall maintain separate records and accounts of export sales, and shall disclose such records and accounts upon request for verification by the Director.

Chapter IV. Excise Taxes.

Section 401. Alcohol and Tobacco Excise Taxes.

(a) Commercial Use. For the privilege of the first sale or use of alcohol and tobacco imported into the Commonwealth, there is imposed

upon all such persons selling alcohol and tobacco, excise taxes as specified in Subsection (c) of this Section.

(b) Personal Use and Consumption. Any international passenger disembarking from a ship or an airplane may import for personal use and consumption exempt from the excise taxes imposed by this Section:

(1) an amount of cigarettes not to exceed thirty (30) packages of twenty (20) cigarettes per package;

(2) an amount of distilled alcoholic beverages not to exceed three-fifths (3/5) of a gallon;

(3) an amount of wine and sake not to exceed one gallon.

(c) Rates.

(1) Cigarettes, fifteen cents ($.15) per every twenty (20);

(2) Tobacco, other than cigarettes, fifty percent (50%) of the invoice price of the tobacco;

(3) Beer and malt beverages, ten cents ($.10) per can or bottle of twelve fluid ounces or fractional part thereof;

(4) Distilled alcoholic beverages, two dollars and eighty cents ($2.80) per fifth (1/5) of a wine gallon;

(5) Wine and sake, three dollars ($3.00) per gallon; Provided, that this tax shall not apply to any religious organization which is importing, receiving, or

purchasing in the Commonwealth sacramental wine for use in the religious rites of such organization. The Director shall provide by regulation for the reimbursement of wine taxes paid by any business selling sacramental wine to such an organization.

Section 402. General Excise Tax. For the privilege of first selling, using, manufacturing, leasing or renting goods, merchandise, or commodities imported into the Commonwealth, there is imposed upon all such persons an excise tax as specified herein:

(a) Soft drinks and nonalcoholic beverages, five cents ($.05) on each twelve fluid ounces or fractional part thereof;

(b) Foodstuffs for human consumption, one percent (1%) ad valorem;

(c) Agricultural commodities, such as fertilizers, seed, animal feeds, pesticides and herbicides, one percent (1%) ad valorem;

(d) Perfumery, articles of perfumery including cologne and other fragrances whether in sachets or otherwise, twenty percent (20%) ad valorem;

(e) Cosmetics and toiletries, including all preparations used as applications to the hair or skin, lipsticks, eye shadows and mascara, pomades, powders, makeup and other toilet preparations not having medicinal properties, fifteen percent (15%) ad valorem;

(f) Educational materials purchased by a school or library, one percent (1%) ad valorem;

(g) Prescription drugs and medicines, one percent (1%) ad valorem;

(h) Construction materials, three percent (3%) ad valorem;

(i) All other property not otherwise provided for by law, five percent (5%) ad valorem.

Section 403. Liquid Fuel Taxes.

(a) Gasoline, Diesel, and Other Liquid Fuel Tax. For the privilege of first selling, using or distributing gasoline, oil, diesel, or other liquid fuel, other than aviation fuel, imported into the Commonwealth, there is imposed an excise tax at the rate of ten cents ($.10) per gallon.

(b) Aviation Fuel Tax. For the privilege of first selling, using or distributing aviation gas or other aviation fuel imported into the Commonwealth, there is hereby imposed an excise tax at the rate of three percent (3%) ad valorem. The Director of Finance may reduce or waive by regulation the aviation fuel tax upon an airline upon finding that the airline will increase its flight schedule into and within the Commonwealth to a level resulting in benefits to the Commonwealth in excess of the loss of revenue under this section.

Section 404. Beverage Container Excise Tax.

(a) Non-Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of soft drink and other nondairy beverage containers in the amount of four cents ($.04) per container upon the first seller.

(b) Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of each container of beer, ale or other malt beverage in the amount of four cents ($.04) per container upon the first seller.

Section 405. Exemption. Any product subject to tax under this chapter which is not received by or is certified by the person liable for tax as damaged may be exempted from such tax upon certification of damage or nonreceipt by the carrier or his agent.

Section 406. Payment of Taxes - Time - Release of Goods. All taxes required by this Chapter shall be paid within thirty calendar (30) days, after the entry of the goods, commodities or merchandise. Products covered by this chapter shall be released prior to the payment of tax. If the actual amount of the tax cannot be determined within thirty calendar (30) days after the entry, an estimated tax shall be paid subject to later adjustment.

Section 407. Refunds - Exports. Any person who imports goods, merchandise, or commodities into the Commonwealth for sale, lease or rental and exports them to a buyer outside of the Commonwealth shall be entitled to a refund of taxes actually paid on such upon application to the Director.

Section 408. Refunds - Limitations Period. Application for refund pursuant to Section 407 shall be filed with the Director within one year after the end of the calender year in which the amount to be refunded was withheld or paid.

Chapter V. Miscellaneous Taxes and License Fees.

Section 501. Bar Tax.

(a) There is imposed upon any person doing business in any establishment licensed to serve alcoholic beverages for consumption on the premises of the establishment, a tax in the amount of ~~five~~ three percent (~~5~~3%) of the total charges for any beverage sold or consumed at the establishment.

(b) Every person subject to the tax imposed by this section shall make a monthly return to the Director of all amounts received from the sale of beverages and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 502. Hotel Occupancy Tax.

(a) An occupancy tax is imposed upon transient occupants of a room or rooms in a hotel, lodging house, or similar facility of ten percent (10%) of the amount charged or paid for the accommodations. This tax applies and is collectible when the payment is made.

(b) Every person subject to collect the tax imposed by this Section shall make a monthly return to the Director of all amounts received from such charges for lodging and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 503. Business License Fees.

(a) Business License Required. Any person engaging in business as a condition precedent to engaging or continuing in such business, shall obtain from the Director of Commerce and Labor a license to engage in or conduct such business.

(b) In no event shall a business be required to purchase more than one general business license for the same line of business for any location or locations in the Commonwealth.

(c) Terms. Licenses issued under this Section shall not be transferable and shall be valid for one year.

(d) Fees. The following annual fees shall be paid to the Director of Commerce and Labor for the respective license at the time of issuance or renewal:

(1) Banks, five hundred dollars;

(2) Offshore banking corporations, one thousand dollars;

(3) Securities dealers, three hundred dollars;

(4) Insurance companies, three hundred dollars;

(5) Insurance brokers, one hundred dollars;

(6) Insurance agents, seventy-five dollars;

(7) Public utilities, three hundred dollars;

(8) Manufacturers, fifty dollars;

(9) Wholesalers, fifty dollars;

(10) Roadside vendors selling local agricultural and fishery products, five dollars; and

(11) General business license covering all other businesses unless provided otherwise by this Act, fifty dollars.

(e) Renewal. A licensee may renew his license upon the expiration thereof by the payment of the annual license fee.

(f) Conditions for Revocation or Suspension. (1) The Director of Commerce and Labor may revoke or suspend any license issued under this section, upon finding after two weeks public notice and a hearing conducted pursuant to the provisions of Sections 8, 9, 10, and 11 of Title 17 of the Trust Territory Code that:

(A) The application of the licensee contains false or fraudulent information;

(B) The licensee bribed or otherwise unlawfully influenced any person to issue the permit other than on the merits of the application;

(C) The licensee presented false or fraudulent information to any person in support of his application; or

(D) The licensee violates any of the provisions of the Commonwealth of the Northern Mariana Islands' laws or any of the rules and regulations issued thereunder.

(2) Any person aggrieved by a license suspension or revocation shall be entitled to a review of the same by the Commonwealth Trial Court upon written appeal made within thirty days from the date the license suspension or revocation decision is issued. Such review shall be brought pursuant to the provisions of Sections 12 and 13 of Title 17 of the Trust Territory Code.

(g) Upon request the Director of Commerce and Labor shall transmit a listing, and monthly update, of all business licenses issued to the Department of Finance.

(h) Unless the Director of Commerce and Labor provides otherwise, this section shall not affect public health or alcoholic beverage control licensing.

Section 504. Admiralty and Maritime Fees. Section 5 of Title 19 of the Trust Territory Code is amended to read as follows:

"§5. Fees. There shall be paid to the Director for original registration of a vessel the sum of twenty dollars and for each re-registration the sum of ten dollars. All such fees collected shall be remitted to the Director."

Section 505. Motor Vehicles and Operator's Fees.

(a) Section 54 of Title 83 of the Trust Territory Code is amended to read as follows:

"§54. Registration Fees. There shall be paid to the Director of Finance for the registration of vehicles the following fees:

(a) bicycles, one dollar and fifty cents;

(b) mopeds and motorcycles up to 100cc, five dollars;

(c) motorcycle over 100cc, ten dollars;

(d) jeeps, sedans, automobiles, and other motor vehicles not exceeding 6 passengers or ½ ton capacity and weighing less than 2,000 pounds, twenty-five dollars;

(e) pickups, trucks, buses and self-propelled equipment and machinery by gross vehicle weight. Gross vehicle weight in pounds as specified by the manufacturer at the time of the original sale or entry into the Commonwealth; whichever is greater:

(i) under two thousand nine-hundred ninety-nine pounds or fraction thereof, twenty-five dollars;

(ii) three thousand to four thousand nine-hundred ninety-nine pounds or fraction thereof, fifty dollars;

(iii) five thousand to seven thousand four-hundred ninety-nine pounds or fraction thereof, one-hundred dollars;

(iv) seven thousand five-hundred pounds and over, two-hundred dollars.

(f) low boys, twenty-five dollars.

(g) all other self-propelled vehicles, fifty dollars.

(h) for duplicate or substitute registration cards and plates: subsections (b) and (c), two dollars and fifty cents; subsections (d), (e), and (f) five dollars; and subsection (g), ten dollars."

(b) Section 151 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"§151. Operator's license - Fees. No person except those expressly exempted in the Chapter shall drive any motor vehicle upon a highway in the Commonwealth unless such person has been licensed as an operator under this Chapter. A fee of fifteen dollars shall be paid to the Director of the Department of Finance for each such license issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute license issued."

(c) Subsection (4) of Section 155 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"(4) A fee of five dollars shall be paid to the Director of the Department of Finance for each learner's permit issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute permit issued."

Section 506. Corporation Fees. Section 3 of Title 37 of the Trust Territory Code is hereby amended by adding a new subsection (3) as follows:

"(3). Fees. There is hereby levied and imposed the following filing fees, which shall be paid to the Director of the Department of Finance prior to issuance of a Charter and deposited in the General Fund:

(a) Domestic Corporation, one hundred ($100.00) dollars.

(b) Registration of a Foreign Corporation, one hundred ($100.00) dollars.

(c) Non-Profit Corporation, ten ($10.00) dollars.

Section 507. Weapons Fees. Section 580 of Title 63 of the Trust Territory Code is amended to read as follows:

"§580. Fees for licenses and identification cards. The fees for issuance and renewal of annual licenses and identification cards as required by this Chapter shall be as follows:

(1) For an identification card, twenty-five ($25.00) dollars.

(2) For a dealer's license, three hundred ($300.00) dollars.

(3) For a manufacturer's license, one thousand ($1,000.00) dollars.

(4) For a wholesaler's license, one thousand ($1,000.00) dollars.

(5) For replacement of lost, destroyed or defaced identification card, ten ($10.00) dollars.

Fees collected pursuant to this section shall be paid to the Director of the Department of Finance and deposited in the General Fund."

Section 508. Amusement Machines. (a) There is imposed the following annual license fees for the commercial operation of amusement machines as follows:

(1) For amusement machines (other than poker or similar amusement machines) whose major element is skill and whose only reward or prize is limited to additional games or other use of the machine (e.g., Space Invaders, pinball machines, pool tables, etc.), one hundred fifty dollars ($150.00) per machine.

(2) For amusement machines whose major element is chance which provides a reward or prize of value or for poker or similar amusement machines, two thousand five hundred ($2,500.00) dollars per machine.

(3) For all coin-activated phonographs or other coin-activated music producing machines, one hundred fifty ($150.00) dollars per machine.

(4) For all coin-activated kiddie ride machines, designed for children under the age of sixteen, twenty-five ($25.00) dollars per machine.

(b) The tax imposed by this Section shall be the liability of any owner or lessee, or any officer, manager, or representative of any owner or lessee, of the amusement device, or any person operating or managing any business at which such amusement machine is offered for patronage.

Chapter VI. User Fees

Section 601. User Fees - In General. The directors of the principal executive branch departments and independent agencies may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose user fees upon a person to recover the administrative costs associated with the delivery of the department's or agency's ministerial services to that person, unless such regulation is disapproved within sixty days from the date of its submission to the Legislature by affirmative vote of either house of the Legislature.

Section 602. Utility Rate Fees - In General. The Commonwealth Utility Rate Commission or its successor may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose and change the utility rate charges established by Sections 603 and 604 of this Act. Such charges may be established at levels sufficient to recover the costs associated with the operation and delivery of public utility services to that person.

Section 603. Electrical Power Charges. There is hereby imposed a basic service charge on consumers of electricity at the following rates:

If the Monthly Kilowatt Hour Consumption is:	The Cost of the Total Kilowatt Hours Consumed is:
0 to 800	.05 per kwh

801 to 10,000	.07
10,000 and over	.12
801 to 2,000	.06
2,001 to 25,000	.07
25.001 to 35,000	.08
35,001 and over	.10

The Commonwealth Utility Rate Commission or its successor may increase the charges in this schedule by regulation.

Section 604. Water Charges. There is hereby imposed a basic service charge of $.50 per one thousand gallons or any fraction thereof on consumers of water.

Section 605. Collection. The Director of the Department of Finance shall administer the collection of all utility rate fees.

Section 606. Energy Assistance. This Chapter shall not affect the financial assistance for utility services provided under Public Law 1-22.

Chapter VII. United States Net Income Tax

Section 701. Tax Relief. Every person subject to the local territorial income tax shall be entitled to a rebate of one hundred percent (100%) of such tax for each taxable year beginning before the effective date of Sections 601 through 603 of the Covenant, except that only the amounts of such tax imposed on income derived from sources within the Commonwealth shall be rebated.

Section 702. Tax on Overpayments. There is imposed on every person who is subject to the local territorial income tax for any taxable year beginning before the effective date of Sections 601 through 603 of the Covenant and who has an overpayment arising from any excessive credit, other than the credit relating to taxes withheld on wages, a separate, additional tax for such taxable year equal to the amount of such overpayment.

Section 703. Local Territorial Income Tax Returns.

(a) Persons filing with the Commonwealth:

(1) Any person required to file a return with the Commonwealth for a taxable year who claims a rebate from the

Commonwealth for such year shall attach to the return in respect of which such rebate is claimed, its computations relating to the determination of the amount to be rebated.

(2) No person otherwise required to file a return with the Commonwealth for a taxable year need file such return if such requirement arises solely by virtue of such person's status as a citizen or resident of the Commonwealth for such taxable year and if such person derives no income from sources without the Commonwealth for such taxable year; PROVIDED, however, that such person shall be required to file an informational return in the form and manner to be prescribed by the Director.

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

(b) Persons filing with the United States:

(1) Any person required to file a return with the United States for a taxable year who claims a rebate from the Commonwealth for such year shall file with the Director, on or before the date required to file such return with the United States, the computations specified in paragraph (1) of subsection (a) of this Section and a copy of the return required to be filed with the United States for the taxable year.

(c) The Director shall cause the claim for rebate to be reviewed and audited and, if the rebate is found in order, shall cause the rebate to be paid to such person within one hundred eighty (180) days of the payment by the United States into the Treasury of the Commonwealth of such amount of the taxes paid by such person as relates to income derived from sources within the Commonwealth.

(d) The determination of whether or not a person must file under this Section with the Commonwealth or with the United States shall be made in accordance with the provisions of this Act and the rules and regulations of the United States Internal Revenue Code of 1954 as amended.

Section 704. Adjustments. If any change or correction is made in a person's taxable income by Commonwealth or United States tax authorities, appropriate adjustments to the corresponding rebate pursuant to Section 702 or the corresponding tax pursuant to Section 703 will be made under a procedure to be specified in regulations prescribed under Section 818 of this Act.

Chapter VIII. Administrative Provisions

Section 801. Legal Tender. The legal tender of the Commonwealth shall be that of the United States.

Section 802. General Fund. There is created a General Fund into which all revenues raised pursuant to the tax laws and other revenue laws, and all monies received by the Commonwealth, its departments, agencies and instrumentalities shall be deposited, unless otherwise provided by law. The Director may make such disbursements from the General Fund as may be authorized by appropriation. No money shall be paid out of the General Fund except on appropriation enacted by law, or by the operation of subsection (a) of Section 9 of Article III of the Constitution of the Northern Mariana Islands.

Section 803. Distribution of Revenues.

(a) Except as provided by this Section, all revenues raised pursuant to this Act shall be deposited into the General Fund.

(b) The Marianas Visitors Bureau shall receive twenty-five percent of the taxes collected under Section 404(b) and seventy percent of the taxes collected under Section 502.

Section 804. Wage and Salary Taxes.

(a) Withholding by the employer. The tax imposed by Chapter Two of this Act shall be collected by the employer of the employee, based on a Schedule of Withholdings adopted by the Director, as and when paid or credited to the employee. Every employer required to deduct and withhold the tax hereby imposed shall be liable for the payment and shall pay such tax to the Director. Any employer who violates any of the provisions of this Section shall be subject to the penalties prescribed in this Chapter.

(b) Employer to file return covering tax on compensation.

(1) The employer shall, on or before the last day of the month following the close of each quarter, to wit: on or before April 30, July 31, October 31, and January 31, pay the tax withheld, and make a full, true and correct return showing all wages and salaries paid by him during the preceding quarter, and showing the tax due and withheld thereon, which return shall be filed for payment of the tax and shall include such other information as shall be required or prescribed by the Director. Withholding returns filed by employers without remitting to the Director the required amount to be deducted

and withheld shall be accepted by the Director; PROVIDED, that such returns submitted shall not be considered filed until the actual remittance of the amount due is paid to the Director. With respect to salaries and wages paid out of public monies, the Director at his discretion may prescribe special forms for, and different procedures and times for, the filing of such returns by employers paying such compensation, or may, upon such conditions and subject to such rules as he may prescribe from time to time, waive the filing of any such returns. The Director may require more frequent returns and payments as he in his discretion feels are advisable, but in no case shall an employer be required to make returns and payments more frequently than monthly. The Director, for good cause, may extend the time for making returns and payments but not beyond the last day of the first month next succeeding the regular due date thereof.

(2) Every employer required to deduct and withhold any tax on the salaries and wages of any employee shall furnish to each such employee on or before January 31 of the succeeding year (or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of compensation is made) a written statement, showing the wages or salaries paid by the employer to such employee during the year, and the amount of the tax deducted and withheld or paid with respect to such compensation. Such employer shall include with his final return for the calendar year, or shall file on or before January 31, a duplicate copy of each such statement with the Director. Any employer required to furnish such statement

who failed to file on the date prescribed thereof, except with regard to any extension of time for filing, shall be subject to a five dollar penalty for each such statement not so filed, in addition to other penalties prescribed in this Chapter. The Director may grant to any employer a reasonable extension of time, not in excess of sixty days, with respect to any statement required by this subsection to be furnished to any employee or to be filed, and may by regulation provide for the furnishing or filing of statements at such other times and containing such other information as may be required for the administration of this Act. The Director shall prescribe the form of statement required by this subsection.

(3) Any employer who violates any of the provisions of this Section shall be subject to penalties prescribed in this Chapter.

(c) Taxes withheld by employer held in trust-Employer's liability. All taxes withheld by any employer under Chapter II shall be held in trust by such employer for the Commonwealth and for payment to the Director in the manner and at the time required by this Act. If any employer shall fail, neglect, or refuse to deduct and withhold from the compensation paid to an employee, or to pay over, the amount of the tax imposed, such employer shall be liable to pay to the Commonwealth the amount of the tax, which amount shall (whether or not tax withholdings constituting trust funds have been comingled with said employer's assets) form a lien on the employer's entire assets, having priority over all other claims and liens. Any employer may recover from an employee any amount which he should have withheld but did not withhold from such

employee's wages and salaries, if he has been required to pay and has paid the amount to the Commonwealth out of his own funds pursuant to this Section.

(d) No cause of action against employer for withholding. No employee shall have any right of action against his employer with respect to any monies deducted from such employee's salaries and wages in compliance or intended compliance with this Act and paid to the Director.

(e) Individual to file return of earned income. Any individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth and does not have an agent within the Commonwealth responsible for making the returns, withholdings, and payments of taxes on compensation required by this Act, shall file a return with and pay the tax due under this Act to the Director. Any individual who is paid or credited wages from the United States or an instrumentality thereof shall be under the same duty as an individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth.

(f) The Commonwealth Retirement Board and all other persons administering trust, annuity, or retirement programs shall be treated as employers for the purposes of this Section.

Section 805. Returns, withholdings, and payment of tax on gross revenue from business.

(a) Every business, on or before the last day of the month following the close of each quarter, to wit: on or before April 30,

July 31, October 31, January 31, shall pay, based on its gross revenue of the preceding quarter, the amount of tax imposed by Chapter III of this Act to the Director. Each business shall, on or before the date provided for payment of tax under this subsection, make a full, true, and correct return showing all such gross revenue received, accrued, or earned, and the amounts deducted and set aside on account thereof during the preceding quarter, which return shall be filed with the Director and shall include such other information as shall be required or prescribed by the Director. The Director, for good cause, may extend the time for making payments and returns, but not beyond the last day of the first month succeeding the regular due date thereof.

(b) Every business shall be liable for the payment of the tax required to be deducted and paid by it to the Commonwealth.

(c) Failure to comply with the provisions of this Section shall be punishable under the penalties prescribed by this Chapter.

(d) If any business earns or derives its gross revenue from business activities or undertakings both within and without the Commonwealth during the taxable year, then the whole of its gross revenue shall be presumed to have been derived from sources within the Commonwealth; PROVIDED, however, that the business may file for an apportionment of the tax on a form prescribed by the Director and the tax shall be levied only on that portion which is earned in, or derived from sources or transactions or parts of transactions within the Commonwealth.

Section 806. Tax forms. The Director shall prescribe the forms of all returns required to be furnished under the provisions of this Act or provide

for other methods of filing returns and may provide in such forms for the giving of such information as he may deem necessary or advisable. All information required by the form of any return must be included in the return by the person, employer, company, or business responsible for making the return. No return shall be complete unless and until it is signed by or for the employer, business or other person liable to make the return, or by someone authorized to do so on behalf of such employer, business or other person. Every return shall be signed by a natural person. The Director may require that, if any person or persons actually prepare or sign a return for another employer, business or other person, a form stating such facts and authorizing such person to sign such return be signed by the person so preparing or signing the return, and the employer, business or other person in whose name the return is filed. The Director may by regulations define the classes of persons to whom this provision shall apply.

Section 807. Transaction to be Recorded - Penalties for Violations. Every person, engaging in any transaction subject to a tax, fee or charge imposed under this Act shall keep a complete and accurate record of each transaction and such record shall be available for inspection, examination and audit by the Director or his delegate at any time for at least three (3) years after the date of such transaction. Any person willfully failing to keep or make available for examination such records, in addition to the sanctions provided in this Chapter, shall be subject to revocation of any relevant existing license to do business within the Commonwealth.

Section 808. Assessment by Director. Upon the failure of any person, business, or employer to make and file a return required by this Act within

the time and in the manner and form prescribed, or upon failure to pay any amount due, the Director may notify such person, business or employer of such failure and demand that a return be made and filed and the tax paid as required by this Act. If such person, business or employer upon notice and demand by the Director, fails or refuses within thirty days after receipt of the notice and demand to make and file a return and pay the tax required by this Act, the Director may make a return for such person, business or employer from any information and records obtainable, and may levy and assess the appropriate amount of tax. Such assessment shall be presumed to be correct unless and until it is proved incorrect by the person, business or employer disputing the amount of the assessment.

Section 809. Refunds.

(a) If it shall be shown, upon application of an employee, that there has been withheld from his wages or salaries any tax not due thereon, or more than the amount of tax due thereon, or that he has paid from his wages and salaries any tax not due thereon or more than the amount of tax thereon, or if it is shown upon application of the business that it has paid an amount not due as tax under this Act or greater than the tax levied under this Act, then the Director shall refund the amount found to have been overpaid or otherwise not due and shall pay such refund out of current collections of the tax. Prior to granting any refund, the Director shall determine within ninety days after an application for refund is submitted that:

(1) the amount so overpaid or otherwise not due has been paid to the Commonwealth;

(2) the amount of refund claimed has not been used as a credit or deduction against any tax or taxes due and payable to the Commonwealth from such employee; and

(3) application for such refund was filed within one year after the end of the calendar year in which the amount to be refunded was withheld or paid.

(b) The Director may withhold any refund owing to a taxpayer under this Act in order to secure the collection of any tax imposed by this Act or any other monetary obligation owing to the Government of the Commonwealth or its agencies and instrumentalities.

Section 810. Judicial Review.

(a) If a decision of the Director is adverse to the taxpayer, in whole or in part, the taxpayer shall have the right within one year from the date of such decision to institute an action for review, irrespective of the amount, in the Commonwealth Trial Court. Such action shall be commenced by filing a complaint setting forth assignments of all errors alleged to have been committed by the Director in his determination of the assessment, the facts relied upon to sustain such assignments of errors, and a prayer for appropriate relief. The Director or his successor in office shall be the defendant in such proceedings.

(b) When the decision of the Court or an appeal therefrom becomes final, the Director shall, upon presentation of a certified copy of the decree, make such adjustments as are necessary to correct, amend or abate the assessment, and to determine whether any additional amount should be assessed.

(c) When the assessment is paid, in whole or in part, after the filing of the complaint, the Court shall not thereby be deprived of jurisdiction.

Section 811. Tax Liens-Levy of Executive Authorized. All taxes imposed or authorized under this Act shall be a lien upon any property of the person or business obligated to pay said taxes and may be collected by levy upon such property in the manner to be prescribed by the Director pursuant to Section 818 of this Act.

Section 812. Privileged information.

(a) Secrecy Required:

(1) All reports and returns required by this Act shall be preserved for three years and thereafter until the Director orders them to be destroyed.

(2) The Director and every employee of the Division of Revenue and Taxation of the Department of Finance shall maintain the secrecy of all matters relating to this Act which come to their knowledge and shall not communicate such matters to any person except for the purpose of carrying into effect this Act or any other enactment imposing taxes or duties payable to the Commonwealth.

(b) The Chief and every employee of the Division of Revenue and Taxation, while in such employment, shall not engage in the business or profession of tax accounting or accept employment with compensation, from any person, firm, or corporation for the purpose, directly or indirectly, of preparing the tax returns required by the Commonwealth.

Nor shall such person accept any employment for the purpose of advising or preparing materials or data, or the auditing of books or records to be used as an effort to defeat or cancel any tax or part thereof that has been assessed by the Commonwealth.

(c) No employee of the Division of Revenue and Taxation shall be required to produce in any court any matter or thing relating to the taxes imposed by this Act coming under his notice in the performance of his duties as an employee of the Division of Revenue and Taxation except when it is necessary to do so for the purpose of carrying into effect any provision of this Act or any other enactment imposing duties or taxes payable to the Commonwealth.

(d) Statistical or other general information as to the amounts of income or particulars set forth or disclosed in reports or returns required under this Act may, upon request of a committee appointed by the Legislature, be furnished to the committee.

(e) The Attorney General or his delegate may inspect the report or return and all relevant records of any taxpayer who brings an action to set aside or review the tax based thereon, or against whom an action or proceeding has been instituted to recover any tax or any penalty imposed by this Act.

(f) Nothing herein shall prohibit the Director or his delegate from compiling and publishing statistics or information generally on the returns filed so long as there is no reference to a particular return and the statistics and the information do not in effect divulge the contents of any one return. The Director shall annually disclose to the public

the numbers of all persons who pay taxes at the rates set forth in Sections 201(f), (g), and (h), 301, 302, 303, and 304, 502, and other Sections as the Director may by regulation prescribe.

(g) Any violation of this Section shall be a misdemeanor and shall be punishable by a fine of not more than $500 or imprisonment for not more than six months, or both.

Section 813. Civil Action of Enforcement. Any taxes imposed or authorized under this Act may also be collected by a civil suit brought by the Attorney General either in the name of the Commonwealth or in the name of the Director. In such civil suit a written statement by the Director or his delegate as to the amount of tax due, the fact that it is unpaid, and who is authorized to collect it, shall be sufficient evidence of these matters unless it is expressly shown to the contrary.

Section 814. Penalties for Willful Violations.

(a) Willful failure to collect or pay over tax. Any person, required under this Act to collect, account for, and pay over any tax imposed by this Act, who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than Ten Thousand Dollars ($10,000.00), or imprisoned not more than two (2) years, or both, together with the cost of prosecution. Evidence of personal use of any such tax so collected by the person charged with collection, either in his business or otherwise, shall constitute prima facie evidence for willful failure to truthfully account for and pay over such tax in violation of this Act.

(b) Any person who shall willfully fail or refuse to make or retain any record or return required by this Act or shall make any false or fraudulent return with intent to evade any tax, or shall refuse to permit the Director to examine any books, paper, record or memorandum bearing, directly or indirectly, on the transactions subject to tax hereunder, shall be guilty of a misdemeanor punishable by a fine of not more than One Thousand Dollars ($1,000) or imprisonment for not more than one (1) year, or both.

(c) In addition to the foregoing penalties, any person who knowingly shall swear to or verify under oath any false or fraudulent statement with intent to evade any tax imposed by this Chapter, shall be guilty of perjury and, on conviction thereof, shall be guilty of a felony, punishable by a fine of not more than Ten Thousand Dollars ($10,000) or imprisonment for not more than two (2) years, or both.

Section 815. Monthly Penalty Upon Taxes. In case of failure to pay any tax levied or imposed under this Act when due, there shall be added to the amount due, ten percent (10%) of the amount of such tax if the period of nonpayment is not more than one month, with an additional ten percent (10%) for each additional month or fraction thereof during which nonpayment continues, not exceeding one hundred percent (100%) in the aggregate.

Section 816. Failure to File Return on Time. Except as may be permitted by the Director if any employer or taxpayer fails to make and file a return required under this Act on or before the date set, unless prior to that date such taxpayer applied for and received an extension for reasonable cause, one percent (1%) of the tax shall be added for each thirty (30) days or fraction

thereof elapsing between the due date of the return and the date on which it is actually filed; PROVIDED, however, that the minimum penalty under this Section shall be five dollars.

Section 817. Interest. In addition to the penalty imposed by Section 815 of this Act, interest of fifteen percent (15%) per annum shall be imposed on all unpaid taxes, penalties, fees and charges imposed by this Act.

Section 818. Rules and Regulations. The Director upon approval of the Governor shall have broad authority to prescribe all necessary rules and regulations not in conflict with this Act for the assessment and collection of taxes, penalties, fees and charges and for the proper administration of this Act.

Section 819. Severability. If any provision of this Act or any rule, regulation, or order promulgated hereunder, or the application of any such provision, rule, regulation or order to any person or circumstances shall be held invalid, by a court of competent jurisdiction, the remainder of this Act or any rules, regulations or order promulgated pursuant thereto or the application of such provisions, regulations, rules or orders to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 820. Effective Date. This Act shall take effect on June 1, 1982; PROVIDED,

(a) Section 303 shall be effective on October 1, 1982;

(b) Section 501 shall be effective on July 1, 1982; and

(c) The ten percent (10%) occupancy tax of Section 502(a) shall remain at seven percent (7%) until October 1, 1982.

Section 821. Termination Date. Chapters Two and Three of this Act shall terminate upon midnight, December 31, 1983; PROVIDED, that the Commonwealth has adopted a local income tax and sales tax system for individuals and businesses by that date.

Date: 5/5/82

Introduced by: /s/
Rep. Benigno R. Fitial

PASSED BY THE HOUSE OF REPRESENTATIVES ON MAY 5, 1982

ATTEST:

Herbert S. Del Rosario
Chief Clerk

7 MAY 1982

The Honorable Pedro P. Tenorio
Governor
Office of the Governor
Commonwealth of the Northern
Mariana Islands
Saipan, CM 96950

Dear Governor Tenorio:

I have the honor to transmit herewith for your action House Bill No. 144, H.D.1, S.D.2, "An Act to establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.", passed by the Third Northern Marianas Commonwealth Legislature, First Regular Session and First Special Session, 1982.

Hafa Adai,

Herbert S. Del Rosario
Chief Clerk
House of Representatives

House of Representatives
THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P. O. Box 586
Saipan, Mariana Islands 96950
Phone: 6155/6284/6618

May 7, 1982

The Honorable Olympio T. Borja
President of the Senate
Third Northern Marianas Commonwealth
Legislature
Saipan, CM 96950

Dear Mr. President:

This is to inform you that the House of Representatives has agreed to the Senate amendments on the following bills.

H.B. 129, S.D. 2
H.B. 133, S.D. 1
H.B. 135, S.D. 1
H.B. 144, S.D. 2

Hafa Adai,

Herbert S. Del Rosario
Chief Clerk

H.B. NO. 144, H.D.1, S.D.2

THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

FIRST SPECIAL SESSION, 1982

AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 o Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

Offered by Representative Benigno R. Fitial

Date: May 5, 1982

House Action

Referred to: Committee on Appropriations

Standing Committee Report No. 3-38

First Reading: May 5, 1982

Final Reading: May 6, 1982

Senate Action

Referred to: Committee on Fiscal Affairs

Conference Committee Report No. 3-44

First Reading: May 6, 1982

Herbert S. Del Rosario
Chief Clerk
House of Representatives

THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

HOUSE BILL NO. 144, H.D.1, S.D.2

FIRST SPECIAL SESSION, 1982

AN ACT

To establish a general system of revenue and taxation for the Government of the Northern Mariana Islands; to repeal Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code, Public Law 1-21, Public Law 1-30, Marianas District Law P.L. 5-51, Marianas District Law P.L. 4-72 (Act No. 128-1974), Section 8 of Marianas District Law P.L. 4-145, Marianas District Law P.L. 4-206, Title 5 in its entirety and Section 1(1) of Chapter 1 of Title 6, Section 13 (2) of Chapter 2 of Title 6, Chapter 6 and Chapter 8 of Title 6 of the Saipan Municipal Code, Saipan Municipal Ordinance No. 25-6-1974, Saipan Municipal Ordinance No. 25-28-1974, Saipan Municipal Ordinance No. 25-33-1974, Saipan Municipal Ordinance No. 25-3-1975, Saipan Municipal Ordinance No. 25-10-1976, Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended, and Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code; to repeal all other Municipal Ordinance or Code Provisions or Marianas District Public Laws imposing general business license fees; to amend paragraph 1 of Section 6 of Title 33, Section 3 of Title 37, Section 580 of Title 63, and Sections 54, 151 and 155(4) of Title 83 of the Trust Territory Code; to amend Section 5 of Title 19 of the Trust Territory Code; and for other purposes.

BE IT ENACTED BY THE NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

Chapter I. Short Title, Purpose, Repealer, Definitions and Government Exemption.

Section 101. Short Title. This Act shall be known and may be cited as the "Revenue and Taxation Act of 1982".

Section 102. Purpose. It is the purpose of this Act:

(a) to compile, revise, amend, or repeal all general revenue and taxation laws in effect in the Commonwealth of the Northern Mariana Islands;

(b) pursuant to the authority of the Government of the Northern Mariana Islands as recognized by Sections 103, 203(c), 601, 602, 603, 604 and 605 of the Covenant To Establish A Commonwealth of the Northern Mariana Islands In Political Union With the United States of America, to establish a general system of revenue and taxation; and

(c) to provide necessary revenue to provide adequate funding for the ever-increasing needs for government services, programs and operations.

Section 103. Repealer:

(a) Sections 1 through 202 of Title 33 and all of Title 77 of the Trust Territory Code are repealed in their entirety.

(b) Public Law 1-21 is repealed in its entirety.

(c) Public Law 1-30 is repealed in its entirety.

(d) Marianas District Law P.L. 5-51 is repealed in its entirety.

(e) Marianas District Laws P.L. 4-72 (Act No. 128-1974) and P.L. 4-206 are repealed in their entirety.

(f) Section 8 of Marianas District Law P.L. 4-145 is repealed in its entirety.

(g) Title 5 in its entirety and Title 6, Chapter 1 Section 1(1), Chapter 2 Section 13(2), Chapter 6, and Chapter 8 of the Saipan Municipal Code are repealed.

(h) Saipan Municipal Ordinance Nos. 25-6-1974, 25-28-1974, 25-33-1974, 25-3-1975 and 25-10-1976 are repealed in their entirety.

(i) Tinian Municipal Ordinance Nos. 6, 7, 4-67, as amended are repealed.

(j) Chapters 3.20, 5.10, 5.12, 5.20, 6.10, 6.11 in their entirety and Section 11.20.03 of Chapter 11.20 of the Rota Municipal Code are repealed.

(k) All Municipal Ordinances, Code Provisions, or Marianas District Public Laws imposing general business license fees which are not specifically listed in this section are repealed.

Section 104. Definitions. In this Act, unless otherwise specifically expressed:

(a) "Amusement machines" mean any mechanical, electrical or other device, contrivance or machine which, upon insertion of a coin, token or similar object therein, or upon payment of any consideration whatsoever, is available to play or operate, the play or operation of which, whether by reason of the skill of the operator or application of the element of chance, or both, may deliver or entitle the person playing or operating the machine to receive cash, premiums, merchandise, tokens, extra games or use, or anything of value whatsoever, whether the payoff is made automatically from the machine or in any other manner whatsoever.

(b) "Basic service charge" means the costs, including personnel compensation and capital costs, associated with the purchase of fuel, operation, installation, and delivery of electricity or water to a person.

(c) "Business" includes all activities whether personal, professional or incorporated, carried on within the Commonwealth for either direct or indirect economic benefit, as determined by the Director; PROVIDED, however, one who qualifies as an employee under this section shall not be considered a business.

(d) "Commonwealth" means the Commonwealth of the

Northern Mariana Islands, including the government thereof, which lies within the area north of 14 degrees north latitude, south of 21 degrees north latitude, west of 150 degrees east longitude and east of 144 degrees east longitude, as extended by the Marine Sovereignty Act of 1980, Public Law 2-7.

(e) "Covenant" means the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America.

(f) "Director" means the Director of Finance of the Northern Marianas Commonwealth Government.

(g) "Employee" means any individual in the service of one or more employers for compensation.

(h) "Employer" means any person who pays wages and salaries to another or to himself. Employer includes any individual, corporation, association, joint stock company, bank, insurance company, credit union, cooperative, or other equity or group employing any person, and also includes the Director, or any other officer or agent of the Commonwealth, charged with the disbursement of public monies as salaries or wages to employees of the Commonwealth Government, and any department, agency, and instrumentality thereof, as the case may be insofar as such disbursements are concerned. "Employer" also includes the Government of the Trust Territory of the Pacific Islands, the United States Government and its instrumentalities, and the governments of foreign nations and their instrumentalities.

(i) "Financial institution" means any savings and loan association, or any incorporated savings and loan company, trust company, mortgage banking company, consumer finance company or other financial corporation.

(j) "Firearms" means any device, by whatever name known, which is designed or may be converted to expel or hurl a projectile or projectiles by the action of an explosion, or release, or an expansion of gas, including but not limited to guns, except a device designed or redesigned for use solely as a signaling, limethrowing, spearfishing, or industrial device, or a device which hurls a projectile by means of the release or expansion of carbon dioxide or air.

(k) "Gross revenue" means the total amount of money or the value of other consideration received from selling real or personal property in the Commonwealth, from leasing property employed in the Commonwealth, or from performing services in the Commonwealth. Gross revenue includes the gross receipts, cash or accrued, of a person received as compensation for personal services not in the form of salaries or wages as defined in this section, and the gross receipts of a business derived from trade, business, commerce or sales and the value proceeding or accruing from the sale of tangible personal property, or service, or both, and all receipts, actual or accrued by reason of the capital of the business engaged in, including interest, discount, rentals, royalties, fees, or other emoluments however designated and without any deductions on

account of the cost of property sold, the cost of materials used, labor cost, taxes, royalties, interest or discount paid or any other expenses whatsoever. Gross revenue shall not include the following:

(1) Refunds and cash discounts allowed and taken;

(2) Money received and held in a fiduciary capacity; or

(3) Wages and salaries which are taxed under Chapter Two of this Act.

(l) "Lease or rental" means any contract, oral, written or implied, by which a person gives the use and possession of personal or real property to another person and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(m) "Local territorial income tax" means the income tax laws in force in the United States which came into force in the Commonwealth pursuant to Section 601 of the Covenant as a local income tax of the Commonwealth.

(n) "Manufacturer" means any business engaged in combining or processing components or materials to increase their value for sale in the ordinary course of business.

(o) "Month" means calendar month.

(p) "Off-shore banking corporation" means an entity incorporated in the Commonwealth of the Northern Mariana Islands,

whose principal purpose is:

(1) negotiating, making and extending loans to borrowers who are not residents or citizens of the Commonwealth of the Northern Mariana Islands ;or

(2) borrowing from lenders who are not residents or citizens of the Commonwealth of the Northern Mariana Islands.

An off-shore banking corporation shall not transact business as a retail bank within the Commonwealth of the Northern Mariana Islands.

(q) "Person" means:

(1) any individual, estate, firm, corporation, company, joint venture, association, partnership, trust, receiver, club, syndicate, cooperative association or any other entity; or

(2) a foreign government, the United States, the Trust Territory of the Pacific Islands, the Commonwealth, or any agency or instrumentality of these entities.

(r) "Public utility" means a person engaged in the sale of:

(1) electric energy, gas, water, garbage, or sewerage disposal services;

(2) public transportation services as a common carrier; or

(3) telephone, telegraph, or television services.

(s) "Rebate" means an adjustment, reduction, return, credit, nontaxable refund, or other nontaxable payment of all or part of any tax, as provided by the Commonwealth of such amount of the taxes paid by a person. The term "rebate" shall apply only to any tax imposed on income from sources within the Commonwealth. The term "rebate" shall not apply to any tax imposed on income exempted by subsection (aa)(1) of this section.

(t) "Sale" means the transferring, giving or exchanging of personal or real property or services of any kind for an agreed sum of money or other valuable consideration and includes the use of any of the goods, merchandise or commodities specified in Section 402 of this Act.

(u) "Sources within the Commonwealth" as it relates to income means:

(1) all wages and salaries paid by the Commonwealth Government to any employee or other individual rendering services to the Commonwealth Government, whether or not such services are performed within the Commonwealth; or

(2) all wages and salaries paid to any employee by the Government of the Trust Territory of the Pacific Islands, the Government of the United States of America, or a person incorporated, registered, or otherwise doing business in the Commonwealth; PROVIDED, that such employment is physically performed in the Commonwealth, except for any employment period less than 45 working days or 30 continuous working days per year.

(3) All funds received by a person other than an employee or other individual under any contract to which the person and the Commonwealth are parties; PROVIDED, that this subsection shall apply solely to contracts entered into on or after the effective date of this Act.

(v) "Taxpayer" means any person subject to tax under this Act.

(w) "Transient occupant of a room or rooms in a hotel, lodging house or similar facilities " means those persons who occupy such facilities in a specific location for less than thirty (30) consecutive days.

(x) "User fee" means the administrative costs associated with the delivery of a department's or agency's ministerial services.

(y) "Utility rate" means the total costs, including personnel compensation and capital costs, associated with the operation, installation, and delivery of public utility services to a person.

(z) "Wages" and "Salaries" means any compensation for services, such as commissions, fees, compensation, educational benefits, emoluments, bonuses, and every and all other kinds of compensation paid for, credited, or attributable to personal services performed by an employee or other individual; PROVIDED, that wages and salaries shall not include the following:

(1) Wages and salaries received from the United States by members of the active Armed Forces of the United States.

(2) Reasonable per diem and travel allowances to the extent that they do not exceed any comparable Commonwealth Government rates.

(3) Rental value of a home furnished to any employee or a reasonable rental allowance paid to any employee to the extent the allowance is used by the employee to rent or provide a home.

(4) Any payment of medical or hospitalization expenses made by an employer or insurance company to or on behalf of an employee or insured.

(5) Payments made to or on behalf of an employee or to his beneficiary from a trust, annuity, or retirement program, to the extent of any contributions made by the employee; Provided, that the legislature will appropriate these taxes to the Retirement Fund as a part of the Commonwealth Government's contribution.

(6) Any payment in the form of a scholarship, fellowship, or stipend made to any employee while he is a full-time, bona fide student at an educational institution.

(aa) "Wholesaler" means any business engaged in the sale of tangible personal property to another for resale for direct or indirect economic benefit.

(bb) "Year" means calendar year.

Section 105. Other Definitions. In the event it is appropriate to further define the terms used in this Act, the Director may further

define the terms by regulation, taking into account the definitions and use of the terms in the United States Internal Revenue Code of 1954, as amended, and the applicable regulations, thereto.

Section 106. Government Exemption. The United States and Commonwealth Governments, their departments, agencies and instrumentalities, are hereby specifically exempted from any liability to pay any tax imposed by Chapter Three of this Act.

Chapter II. Wage and Salary Tax.

Section 201. Wage and Salary Tax. (a) There is imposed an annual tax on all wages and salaries from sources within the Commonwealth received by an individual. The tax shall be determined in accordance with the following schedule:

If the gross annual wages and salaries of an employee or other individual are:	The tax on the gross annual wages and salaries
(a) $0 to 1,000	No Tax
(b) $1,001 to 5,000	2% of amount over $0
(c) $5,001 to 7,000	3%
(d) $7,001 to 15,000	4%
(e) $15,001 to 22,000	5%
(f) $22,001 to 30,000	6%
(g) $30,001 to 40,000	7%
(h) $40,001 to 50,000	8%
(i) $50,001 and over	9%

Chapter III. Gross Revenue Tax

Section 301. Tax on Gross Revenues. There is imposed an annual tax upon the gross revenues earned by every business, except as otherwise provided in this Chapter.

The tax shall be determined in accordance with the following schedule:

If the annual gross revenue earned is between:	The tax on the total annual gross revenue earned is:
(a) $0 to 5,000	no tax
(b) $5,001 to 50,000	1.5% of amount over $0
(c) $50,001 to 100,000	2%
(d) $100,001 to 250,000	2.5%
(e) $250,001 to 500,000	3%
(f) $500,001 to 750,000	3.5%
(g) $750,001 and over	5%

Section 302. Tax on Agricultural Producers and Fisheries. The provisions of Section 301 and the taxes imposed thereunder shall not apply to businesses engaging in agricultural production and fisheries; PROVIDED, however, these businesses shall be taxed at the rate of one percent (1%) of gross revenues in excess of $20,000. All businesses claiming this exemption shall file the returns required by Section 805 of this Act whether a tax is due or not.

Section 303. Tax on Manufacturers and Wholesalers. The provisions of Section 301 and the taxes imposed thereunder shall apply to businesses which derive gross revenue from manufacturing and wholesaling; PROVIDED, however, the gross revenue derived from these activities shall be taxed

at a maximum rate of two percent (2%). All persons claiming this exemption shall file the returns required by Section 805 of this Act whether a tax is due or not and shall maintain separate records and accounts showing gross revenues derived from manufacturing, wholesaling, retailing and other business operations. All persons claiming this exemption shall disclose such records and accounts upon request for verification by the Director.

Section 304. Tax on Banks, Banking Institutions, Building and Loan Associations, and other Financial Institutions.

(a) Section 301 shall not apply to any bank, banking institution, building and loan association, or other financial institution; PROVIDED, however, these businesses shall be taxed at the greater of five percent (5%) of the net income received from such business or two percent (2%) of gross revenues.

(b) For the purpose of this Section, "net income" shall mean the gross income of such taxpayer received from all sources less the following deductions therefrom:

(1) Salaries or bonuses paid and other compensation from personal services;

(2) Interest or discount paid;

(3) Rents paid;

(4) Ordinary operating expenses such as supplies, utility services, insurance premiums other than for life insurance; PROVIDED, that any deductible insurance expense

shall be allowable only to the extent that such a premium is applicable to the tax period against which it is claimed;

(5) Loans or obligations charged off the books of the bank as losses unless charged against reserves then in existence;

(6) Losses other than loan losses, such as those occasioned by fire or other casualty, theft, embezzlement, and the like, but only to the extent not covered by insurance proceeds collected;

(7) Transfers from earnings to reserve for bad debts or other contingencies provided for;

(8) Miscellaneous direct expenses such as legal, advertising, auditing, and the like; and

(9) Loss on property sold and depreciation on property owned.

(c) All deductions allowed pursuant to subsection (b) shall be limited to the portion attributable to the income earned within the Northern Mariana Islands.

(d) Off-shore banking corporations shall be exempt from any tax under this Section or Chapter.

Chapter IV. Excise Taxes.

Section 401. Alcohol and Tobacco Excise Taxes.

(a) Commercial Use. For the privilege of the first sale or use of alcohol and tobacco imported into the Commonwealth, there is imposed upon all such persons selling alcohol and tobacco, excise taxes as specified in Subsection (c) of this Section.

(b) Personal Use and Consumption. Any international passenger disembarking from a ship or an airplane may import for personal use and consumption exempt from the excise taxes imposed by this Section:

(1) an amount of cigarettes not to exceed thirty (30) packages of twenty (20) cigarettes per package;

(2) an amount of distilled alcoholic beverages not to exceed three-fifths (3/5) of a gallon;

(3) an amount of wine and sake not to exceed one gallon.

(c) Rates.

(1) Cigarettes, fifteen cents ($.15) per every twenty (20);

(2) Tobacco, other than cigarettes, fifty percent (50%) of the invoice price of the tobacco;

(3) Beer and malt beverages, ten cents ($.10) per can or bottle of twelve fluid ounces or fractional part thereof;

(4) Distilled alcoholic beverages, one dollar and forty cents ($1.40) per fifth (1/5) of a wine gallon;

(5) Wine and sake, three dollars ($3.00) per gallon; Provided, that this tax shall not apply to any religious organization which is importing, receiving, or purchasing in the Commonwealth sacramental wine for use in the religious rites of such organization. The Director shall provide by regulation for the reimbursement of wine

taxes paid by any business selling sacramental wine to such an organization.

Section 402. General Excise Tax. For the privilege of first selling, using, manufacturing, leasing or renting goods, merchandise, or commodities imported into the Commonwealth, there is imposed upon all such persons an excise tax as specified herein:

(a) Soft drinks and nonalcoholic beverages, five cents ($.05) on each twelve fluid ounces or fractional part thereof;

(b) Foodstuffs for human consumption, one percent (1%) ad valorem;

(c) Agricultural commodities, such as fertilizers, seed, animal feeds, pesticides and herbicides, one percent (1%) ad valorem;

(d) Perfumery, articles of perfumery including cologne and other fragrances whether in sachets or otherwise, twenty percent (20%) ad valorem;

(e) Cosmetics and toiletries, including all preparations used as applications to the hair or skin, lipsticks, eye shadows and mascara, pomades, powders, makeup and other toilet preparations not having medicinal properties, fifteen percent (15%) ad valorem;

(f) Educational materials purchased by a school or library, one percent (1%) ad valorem;

(g) Prescription drugs and medicines, one percent (1%) ad valorem;

(h) Construction materials, three percent (3%) ad valorem;

(i) All other property not otherwise provided for by law, five percent (5%) ad valorem.

Section 403. Liquid Fuel Taxes.

(a) Gasoline, Diesel, and Other Liquid Fuel Tax. For the privilege of first selling, using or distributing gasoline, oil, diesel, or other liquid fuel, other than aviation fuel, imported into the Commonwealth, there is imposed an excise tax at the rate of ten cents ($.10) per gallon.

(b) Aviation Fuel Tax. For the privilege of first selling, using or distributing aviation gas or other aviation fuel imported into the Commonwealth, there is hereby imposed an excise tax at the rate of three percent (3%) ad valorem. The Director of Finance may reduce or waive by regulation the aviation fuel tax upon an airline upon finding that the airline will increase its flight schedule into and within the Commonwealth to a level resulting in benefits to the Commonwealth in excess of the loss of revenue under this section.

Section 404. Beverage Container Excise Tax.

(a) Non-Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of soft drink and other nondairy beverage containers in the amount of four cents ($.04) per container upon the first seller.

(b) Alcoholic Containers. There is imposed an excise tax upon the privilege of first sale of each container of beer, ale or other malt beverage in the amount of four cents ($.04) per container upon the first seller.

Section 405. Exemption. Any product subject to tax under this chapter which is not received by or is certified by the person liable

for tax as damaged may be exempted from such tax upon certification of damage or nonreceipt by the carrier or his agent.

Section 406. Payment of Taxes - Time - Release of Goods. All taxes required by this Chapter shall be paid within thirty calendar (30) days, after the entry of the goods, commodities or merchandise. Products covered by this chapter shall be released prior to the payment of tax. If the actual amount of the tax cannot be determined within thirty calendar (30) days after the entry, an estimated tax shall be paid subject to later adjustment.

Section 407. Refunds - Exports. Any person who imports goods, merchandise, or commodities into the Commonwealth for sale, lease or rental and exports them to a buyer outside of the Commonwealth shall be entitled to a refund of taxes actually paid on such upon application to the Director.

Section 408. Refunds - Limitations Period. Application for refund pursuant to Section 407 shall be filed with the Director within one year after the end of the calender year in which the amount to be refunded was withheld or paid.

Chapter V. Miscellaneous Taxes and License Fees.

Section 501. Bar Tax.

(a) There is imposed upon any person doing business in any establishment licensed to serve alcoholic beverages for consumption on the premises of the establishment, a tax in the amount of three percent (3%) of the total charges for any beverage sold or consumed at the establishment.

(b) Every person subject to the tax imposed by this section shall make a monthly return to the Director of all amounts received from the sale of beverages and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 502. Hotel Occupancy Tax.

(a) An occupancy tax is imposed upon transient occupants of a room or rooms in a hotel, lodging house, or similar facility of ten percent (10%) of the amount charged or paid for the accommodations. This tax applies and is collectible when the payment is made.

(b) Every person subject to collect the tax imposed by this Section shall make a monthly return to the Director of all amounts received from such charges for lodging and shall pay the taxes due thereon prior to the twentieth day of the succeeding month.

Section 503. Business License Fees.

(a) Business License Required. Any person engaging in business as a condition precedent to engaging or continuing in such business, shall obtain from the Director of Commerce and Labor a license to engage in or conduct such business.

(b) In no event shall a business be required to purchase more than one general business license for the same line of business for any location or locations in the Commonwealth.

(c) Terms. Licenses issued under this Section shall not be transferable and shall be valid for one year.

(d) Fees. The following annual fees shall be paid to the Director of Commerce and Labor for the respective license at the time of issuance or renewal:

(1) Banks, five hundred dollars;

(2) Offshore banking corporations, one thousand dollars;

(3) Securities dealers, three hundred dollars;

(4) Insurance companies, three hundred dollars;

(5) Insurance brokers, one hundred dollars;

(6) Insurance agents, seventy-five dollars;

(7) Public utilities, three hundred dollars;

(8) Manufacturers, fifty dollars;

(9) Wholesalers, fifty dollars;

(10) Roadside vendors selling local agricultural and fishery products, five dollars; and

(11) General business license covering all other businesses unless provided otherwise by this Act, fifty dollars.

(e) Renewal. A licensee may renew his license upon the expiration thereof by the payment of the annual license fee.

(f) Conditions for Revocation or Suspension. (1) The Director of Commerce and Labor may revoke or suspend any license issued under this section, upon finding after two weeks public notice and a hearing conducted pursuant to the provisions of Sections 8, 9, 10, and 11 of Title 17 of the Trust Territory Code that:

(A) The application of the licensee contains false or fraudulent information;

(B) The licensee bribed or otherwise unlawfully

influenced any person to issue the permit other than on the merits of the application;

(C) The licensee presented false or fraudulent information to any person in support of his application; or

(D) The licensee violates any of the provisions of the Commonwealth of the Northern Mariana Islands' laws or any of the rules and regulations issued thereunder.

(2) Any person aggrieved by a license suspension or revocation shall be entitled to a review of the same by the Commonwealth Trial Court upon written appeal made within thirty days from the date the license suspension or revocation decision is issued. Such review shall be brought pursuant to the provisions of Sections 12 and 13 of Title 17 of the Trust Territory Code.

(g) Upon request the Director of Commerce and Labor shall transmit a listing, and monthly update, of all business licenses issued to the Department of Finance.

(h) Unless the Director of Commerce and Labor provides otherwise, this section shall not affect public health or alcoholic beverage control licensing.

Section 504. Admiralty and Maritime Fees. Section 5 of Title 19 of the Trust Territory Code is amended to read as follows:

"§5. Fees. There shall be paid to the Director for

original registration of a vessel the sum of twenty dollars and for each re-registration the sum of ten dollars. All such fees collected shall be remitted to the Director."

Section 505. Motor Vehicles and Operator's Fees.

(a) Section 54 of Title 83 of the Trust Territory Code is amended to read as follows:

"§54. Registration Fees. There shall be paid to the Director of Finance for the registration of vehicles the following fees:

(a) bicycles, one dollar and fifty cents;

(b) mopeds and motorcycles up to 100cc, five dollars;

(c) motorcycle over 100cc, ten dollars;

(d) jeeps, sedans, automobiles, and other motor vehicles not exceeding 6 passengers or ½ ton capacity and weighing less than 2,000 pounds, twenty-five dollars;

(e) pickups, trucks, buses and self-propelled equipment and machinery by gross vehicle weight. Gross vehicle weight in pounds as specified by the manufacturer at the time of the original sale or entry into the Commonwealth; whichever is greater:

(i) under two thousand nine-hundred ninety-nine pounds or fraction thereof, twenty-five dollars;

(ii) three thousand to four thousand nine-hundred ninety-nine pounds or fraction thereof, fifty dollars;

(iii) five thousand to seven thousand four-hundred ninety-nine pounds or fraction thereof, one-hundred dollars;

(iv) seven thousand five-hundred pounds and over, two-hundred dollars.

(f) low boys, twenty-five dollars.

(g) all other self-propelled vehicles, fifty dollars.

(h) for duplicate or substitute registration cards and plates: subsections (b) and (c), two dollars and fifty cents; subsections (d), (e), and (f) five dollars; and subsection (g), ten dollars."

(b) Section 151 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"§151. Operator's license - Fees. No person except those expressly exempted in the Chapter shall drive any motor vehicle upon a highway in the Commonwealth unless such person has been licensed as an operator under this Chapter. A fee of fifteen dollars shall be paid to the Director of the Department of Finance for each such license issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute license issued."

(c) Subsection (4) of Section 155 of Title 83 of the Trust Territory Code is hereby amended to read as follows:

"(4) A fee of five dollars shall be paid to the Director of the Department of Finance for each

learner's permit issued. A fee of five dollars shall be paid to the Director of the Department of Finance for each duplicate or substitute permit issued."

Section 506. Corporation Fees. Section 3 of Title 37 of the Trust Territory Code is hereby amended by adding a new subsection (3) as follows:

"(3). Fees. There is hereby levied and imposed the following filing fees, which shall be paid to the Director of the Department of Finance prior to issuance of a Charter and deposited in the General Fund:

(a) Domestic Corporation, one hundred ($100.00) dollars.

(b) Registration of a Foreign Corporation, one hundred ($100.00) dollars.

(c) Non-Profit Corporation, ten ($10.00) dollars.

Section 507. Weapons Fees. Section 580 of Title 63 of the Trust Territory Code is amended to read as follows:

"§580. Fees for licenses and identification cards. The fees for issuance and renewal of annual licenses and identification cards as required by this Chapter shall be as follows:

(1) For an identification card, twenty-five ($25.00) dollars.

(2) For a dealer's license, three hundred ($300.00) dollars.

(3) For a manufacturer's license, one thousand ($1,000.00) dollars.

(4) For a wholesaler's license, one thousand ($1,000.00) dollars.

(5) For replacement of lost, destroyed or defaced identification card, ten ($10.00) dollars.

Fees collected pursuant to this section shall be paid to the Director of the Department of Finance and deposited in the General Fund."

Section 508. Amusement Machines. (a) There is imposed the following annual license fees for the commercial operation of amusement machines as follows:

(1) For amusement machines (other than poker or similar amusement machines) whose major element is skill and whose only reward or prize is limited to additional games or other use of the machine (e.g., Space Invaders, pinball machines, pool tables, etc.), one hundred fifty dollars ($150.00) per machine.

(2) For amusement machines whose major element is chance which provides a reward or prize of value or for poker or similar amusement machines, two thousand five hundred ($2,500.00) dollars per machine.

(3) For all coin-activated phonographs or other

coin-activated music producing machines, one hundred fifty ($150.00) dollars per machine.

(4) For all coin-activated kiddie ride machines, designed for children under the age of sixteen, twenty-five ($25.00) dollars per machine.

(b) The tax imposed by this Section shall be the liability of any owner or lessee, or any officer, manager, or representative of any owner or lessee, of the amusement device, or any person operating or managing any business at which such amusement machine is offered for patronage.

Chapter VI. User Fees

Section 601. User Fees - In General. The directors of the principal executive branch departments and independent agencies may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose user fees upon a person to recover the administrative costs associated with the delivery of the department's or agency's ministerial services to that person, unless such regulation is disapproved within sixty days from the date of its submission to the Legislature by affirmative vote of either house of the Legislature.

Section 602. Utility Rate Fees - In General. The Commonwealth Utility Rate Commission or its successor may by regulation adopted pursuant to Sections 1 through 6 of Title 17 of the Trust Territory Code impose and change the utility rate charges established by Sections 603 and 604 of this Act. Such charges may be established at levels sufficient to recover the costs associated with the operation and delivery of public utility services to that person.

Section 603. Electrical Power Charges. There is hereby imposed a basic service charge on consumers of electricity at the following rates:

If the Monthly Kilowatt Hour Consumption is:	The Cost of the Total Kilowatt Hours Consumed is:
0 to 800	.05 per kwh
801 to 2,000	.06
2,001 to 25,000	.07
25.001 and over	.08

The Commonwealth Utility Rate Commission or its successor may increase the charges in this schedule by regulation.

Section 604. Water Charges. There is hereby imposed a basic service charge of $.50 per one thousand gallons or any fraction thereof on consumers of water.

Section 605. Collection. The Director of Finance shall administer the collection of all utility rate fees.

Section 606. Energy Assistance. This Chapter shall not affect the financial assistance for utility services provided under Public Law 1-22.

Chapter VII. United States Net Income Tax

Section 701. Tax Relief. Every person subject to the local territorial income tax shall be entitled to a rebate of one hundred percent (100%) of such tax for each taxable year beginning before the effective date of Sections 601 through 603 of the Covenant, except that only the amounts of such tax imposed on income derived from sources within the Commonwealth shall be rebated.

Section 702. Tax on Overpayments. There is imposed on every person who is subject to the local territorial income tax for any taxable year beginning before the effective date of Sections 601 through 603 of the Covenant and who has an overpayment arising from any excessive credit, other than the credit relating to taxes withheld on wages, a separate, additional tax for such taxable year equal to the amount of such overpayment.

Section 703. Local Territorial Income Tax Returns.

(a) Persons filing with the Commonwealth:

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

(2) No person otherwise required to file a return with the Commonwealth for a taxable year need file such return if such requirement arises solely by virtue of such person's status as a citizen or resident of the Commonwealth for such taxable year and if such person derives no income from sources without the Commonwealth for such taxable year; PROVIDED, however, that such person shall be required to file an informational return in the form and manner to be prescribed by the Director.

(3) If the return filed with the Commonwealth is accompanied by the computations required by paragraph (1) of

this subsection, or if, pursuant to paragraph (2) of this subsection, no return is required to be filed with the Commonwealth, then the actual payment of the rebated tax to the Commonwealth shall not be required.

(b) Persons filing with the United States:

(1) Any person required to file a return with the United States for a taxable year who claims a rebate from the Commonwealth for such year shall file with the Director, on or before the date required to file such return with the United States, the computations specified in paragraph (1) of subsection (a) of this Section and a copy of the return required to be filed with the United States for the taxable year.

(c) The Director shall cause the claim for rebate to be reviewed and audited and, if the rebate is found in order, shall cause the rebate to be paid to such person within one hundred eighty (180) days of the payment by the United States into the Treasury of the Commonwealth of such amount of the taxes paid by such person as relates to income derived from sources within the Commonwealth.

(d) The determination of whether or not a person must file under this Section with the Commonwealth or with the United States shall be made in accordance with the provisions of this Act and the rules and regulations of the United States Internal Revenue Code of 1954 as amended.

Section 704. Adjustments. If any change or correction is made

in a person's taxable income by Commonwealth or United States tax authorities, appropriate adjustments to the corresponding rebate pursuant to Section 702 or the corresponding tax pursuant to Section 703 will be made under a procedure to be specified in regulations prescribed under Section 818 of this Act.

Chapter VIII. Administrative Provisions

Section 801. Legal Tender. The legal tender of the Commonwealth shall be that of the United States.

Section 802. General Fund. There is created a General Fund into which all revenues raised pursuant to the tax laws and other revenue laws, and all monies received by the Commonwealth, its departments, agencies and instrumentalities shall be deposited, unless otherwise provided by law. The Director may make such disbursements from the General Fund as may be authorized by appropriation. No money shall be paid out of the General Fund except on appropriation enacted by law, or by the operation of subsection (a) of Section 9 of Article III of the Constitution of the Northern Mariana Islands.

Section 803. Distribution of Revenues.

(a) Except as provided by this Section, all revenues raised pursuant to this Act shall be deposited into the General Fund.

(b) The Marianas Visitors Bureau shall receive twenty-five percent of the taxes collected under Section 404(b) and seventy percent of the taxes collected under Section 502.

Section 804. Wage and Salary Taxes.

(a) Withholding by the employer. The tax imposed by

Chapter Two of this Act shall be collected by the employer of the employee, based on a Schedule of Withholdings adopted by the Director, as and when paid or credited to the employee. Every employer required to deduct and withhold the tax hereby imposed shall be liable for the payment and shall pay such tax to the Director. Any employer who violates any of the provisions of this Section shall be subject to the penalties prescribed in this Chapter.

(b) Employer to file return covering tax on compensation.

(1) The employer shall, on or before the last day of the month following the close of each quarter, to wit: on or before April 30, July 31, October 31, and January 31, pay the tax withheld, and make a full, true and correct return showing all wages and salaries paid by him during the preceding quarter, and showing the tax due and withheld thereon, which return shall be filed for payment of the tax and shall include such other information as shall be required or prescribed by the Director. Withholding returns filed by employers without remitting to the Director the required amount to be deducted and withheld shall be accepted by the Director; PROVIDED, that such returns submitted shall not be considered filed until the actual remittance of the amount due is paid to the Director. With respect to salaries and wages paid out of public monies, the Director at his discretion may prescribe special forms for, and different procedures and times for, the filing of such returns by employers paying such compensation, or may, upon such conditions and subject to such rules as he may prescribe from time to time, waive the filing

of any such returns. The Director may require more frequent returns and payments as he in his discretion feels are advisable, but in no case shall an employer be required to make returns and payments more frequently than monthly. The Director, for good cause, may extend the time for making returns and payments but not beyond the last day of the first month next succeeding the regular due date thereof.

(2) Every employer required to deduct and withhold any tax on the salaries and wages of any employee shall furnish to each such employee on or before January 31 of the succeeding year (or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of compensation is made) a written statement, showing the wages or salaries paid by the employer to such employee during the year, and the amount of the tax deducted and withheld or paid with respect to such compensation. Such employer shall include with his final return for the calendar year, or shall file on or before January 31, a duplicate copy of each such statement with the Director. Any employer required to furnish such statement who failed to file on the date prescribed thereof, except with regard to any extension of time for filing, shall be subject to a five dollar penalty for each such statement not so filed, in addition to other penalties prescribed in this Chapter. The Director may grant to any employer a reasonable extension of time, not in excess of sixty days, with respect to any statement required by this subsection to be furnished to any employee or to be filed, and may by regulation provide for the furnishing or filing of statements at such other times and

containing such other information as may be required for the administration of this Act. The Director shall prescribe the form of statement required by this subsection.

(3) Any employer who violates any of the provisions of this Section shall be subject to penalties prescribed in this Chapter.

(c) Taxes withheld by employer held in trust-Employer's liability. All taxes withheld by any employer under Chapter II shall be held in trust by such employer for the Commonwealth and for payment to the Director in the manner and at the time required by this Act. If any employer shall fail, neglect, or refuse to deduct and withhold from the compensation paid to an employee, or to pay over, the amount of the tax imposed, such employer shall be liable to pay to the Commonwealth the amount of the tax, which amount shall (whether or not tax withholdings constituting trust funds have been comingled with said employer's assets) form a lien on the employer's entire assets, having priority over all other claims and liens. Any employer may recover from an employee any amount which he should have withheld but did not withhold from such employee's wages and salaries, if he has been required to pay and has paid the amount to the Commonwealth out of his own funds pursuant to this Section.

(d) No cause of action against employer for withholding. No employee shall have any right of action against his employer with respect to any monies deducted from such employee's salaries and wages in compliance or intended compliance with this Act and paid to the Director.

(e) Individual to file return of earned income. Any individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth and does not have an agent within the Commonwealth responsible for making the returns, withholdings, and payments of taxes on compensation required by this Act, shall file a return with and pay the tax due under this Act to the Director. Any individual who is paid or credited wages from the United States or an instrumentality thereof shall be under the same duty as an individual who is paid or credited wages or salaries from an employer who does not have a place of business in the Commonwealth.

(f) The Commonwealth Retirement Board and all other persons administering trust, annuity, or retirement programs shall be treated as employers for the purposes of this Section.

Section 805. Returns, withholdings, and payment of tax on gross revenue from business.

(a) Every business, on or before the last day of the month following the close of each quarter, to wit: on or before April 30, July 31, October 31, January 31, shall pay, based on its gross revenue of the preceding quarter, the amount of tax imposed by Chapter III of this Act to the Director. Each business shall, on or before the date provided for payment of tax under this subsection, make a full, true, and correct return showing all such gross revenue received, accrued, or earned, and the amounts deducted and set aside on account thereof during the preceding quarter, which return shall

be filed with the Director and shall include such other information as shall be required or prescribed by the Director. The Director, for good cause, may extend the time for making payments and returns, but not beyond the last day of the first month succeeding the regular due date thereof.

(b) Every business shall be liable for the payment of the tax required to be deducted and paid by it to the Commonwealth.

(c) Failure to comply with the provisions of this Section shall be punishable under the penalties prescribed by this Chapter.

(d) If any business earns or derives its gross revenue from business activities or undertakings both within and without the Commonwealth during the taxable year, then the whole of its gross revenue shall be presumed to have been derived from sources within the Commonwealth; PROVIDED, however, that the business may file for an apportionment of the tax on a form prescribed by the Director and the tax shall be levied only on that portion which is earned in, or derived from sources or transactions or parts of transactions within the Commonwealth.

Section 806. Tax forms. The Director shall prescribe the forms of all returns required to be furnished under the provisions of this Act or provide for other methods of filing returns and may provide in such forms for the giving of such information as he may deem necessary or advisable. All information required by the form of any return must be included in the return by the person, employer, company, or business responsible for making the return. No return shall be complete unless

and until it is signed by or for the employer, business or other person liable to make the return, or by someone authorized to do so on behalf of such employer, business or other person. Every return shall be signed by a natural person. The Director may require that, if any person or persons actually prepare or sign a return for another employer, business or other person, a form stating such facts and authorizing such person to sign such return be signed by the person so preparing or signing the return, and the employer, business or other person in whose name the return is filed. The Director may by regulations define the classes of persons to whom this provision shall apply.

Section 807. Transaction to be Recorded - Penalties for Violations. Every person, engaging in any transaction subject to a tax, fee or charge imposed under this Act shall keep a complete and accurate record of each transaction and such record shall be available for inspection, examination and audit by the Director or his delegate at any time for at least three (3) years after the date of such transaction. Any person willfully failing to keep or make available for examination such records, in addition to the sanctions provided in this Chapter, shall be subject to revocation of any relevant existing license to do business within the Commonwealth.

Section 808. Assessment by Director. Upon the failure of any person, business, or employer to make and file a return required by this Act within the time and in the manner and form prescribed, or upon failure to pay any amount due, the Director may notify such person,

business or employer of such failure and demand that a return be made and filed and the tax paid as required by this Act. If such person, business or employer upon notice and demand by the Director, fails or refuses within thirty days after receipt of the notice and demand to make and file a return and pay the tax required by this Act, the Director may make a return for such person, business or employer from any information and records obtainable, and may levy and assess the appropriate amount of tax. Such assessment shall be presumed to be correct unless and until it is proved incorrect by the person, business or employer disputing the amount of the assessment.

Section 809. Refunds.

(a) If it shall be shown, upon application of an employee, that there has been withheld from his wages or salaries any tax not due thereon, or more than the amount of tax due thereon, or that he has paid from his wages and salaries any tax not due thereon or more than the amount of tax thereon, or if it is shown upon application of the business that it has paid an amount not due as tax under this Act or greater than the tax levied under this Act, then the Director shall refund the amount found to have been overpaid or otherwise not due and shall pay such refund out of current collections of the tax. Prior to granting any refund, the Director shall determine within ninety days after an application for refund is submitted that:

(1) the amount so overpaid or otherwise not due has been paid to the Commonwealth;

(2) the amount of refund claimed has not been used

as a credit or deduction against any tax or taxes due and payable to the Commonwealth from such employee; and

(3) application for such refund was filed within one year after the end of the calendar year in which the amount to be refunded was withheld or paid.

(b) The Director may withhold any refund owing to a taxpayer under this Act in order to secure the collection of any tax imposed by this Act or any other monetary obligation owing to the Government of the Commonwealth or its agencies and instrumentalities.

Section 810. Judicial Review.

(a) If a decision of the Director is adverse to the taxpayer, in whole or in part, the taxpayer shall have the right within one year from the date of such decision to institute an action for review, irrespective of the amount, in the Commonwealth Trial Court. Such action shall be commenced by filing a complaint setting forth assignments of all errors alleged to have been committed by the Director in his determination of the assessment, the facts relied upon to sustain such assignments of errors, and a prayer for appropriate relief. The Director or his successor in office shall be the defendant in such proceedings.

(b) When the decision of the Court or an appeal therefrom becomes final, the Director shall, upon presentation of a certified copy of the decree, make such adjustments as are necessary to correct, amend or abate the assessment, and to determine whether any additional amount should be assessed.

(c) When the assessment is paid, in whole or in part, after the filing of the complaint, the Court shall not thereby be deprived of jurisdiction.

Section 811. Tax Liens-Levy of Executive Authorized. All taxes imposed or authorized under this Act shall be a lien upon any property of the person or business obligated to pay said taxes and may be collected by levy upon such property in the manner to be prescribed by the Director pursuant to Section 818 of this Act.

Section 812. Privileged information.

(a) Secrecy Required:

(1) All reports and returns required by this Act shall be preserved for three years and thereafter until the Director orders them to be destroyed.

(2) The Director and every employee of the Division of Revenue and Taxation of the Department of Finance shall maintain the secrecy of all matters relating to this Act which come to their knowledge and shall not communicate such matters to any person except for the purpose of carrying into effect this Act or any other enactment imposing taxes or duties payable to the Commonwealth.

(b) The Chief and every employee of the Division of Revenue and Taxation, while in such employment, shall not engage in the business or profession of tax accounting or accept employment with compensation, from any person, firm, or corporation for the purpose, directly or indirectly, of preparing the tax returns required by the Commonwealth.

Nor shall such person accept any employment for the purpose of advising or preparing materials or data, or the auditing of books or records to be used as an effort to defeat or cancel any tax or part thereof that has been assessed by the Commonwealth.

(c) No employee of the Division of Revenue and Taxation shall be required to produce in any court any matter or thing relating to the taxes imposed by this Act coming under his notice in the performance of his duties as an employee of the Division of Revenue and Taxation except when it is necessary to do so for the purpose of carrying into effect any provision of this Act or any other enactment imposing duties or taxes payable to the Commonwealth.

(d) Statistical or other general information as to the amounts of income or particulars set forth or disclosed in reports or returns required under this Act may, upon request of a committee appointed by the Legislature, be furnished to the committee.

(e) The Attorney General or his delegate may inspect the report or return and all relevant records of any taxpayer who brings an action to set aside or review the tax based thereon, or against whom an action or proceeding has been instituted to recover any tax or any penalty imposed by this Act.

(f) Nothing herein shall prohibit the Director or his delegate from compiling and publishing statistics or information generally on the returns filed so long as there is no reference to a particular return and the statistics and the information do not in effect divulge the contents of any one return. The Director shall

annually disclose to the public the numbers of all persons who pay taxes at the rates set forth in Sections 201(f), (g), and (h), 301, 302, 303, and 304, 502, and other Sections as the Director may by regulation prescribe.

(g) Any violation of this Section shall be a misdemeanor and shall be punishable by a fine of not more than $500 or imprisonment for not more than six months, or both.

Section 813. Civil Action of Enforcement. Any taxes imposed or authorized under this Act may also be collected by a civil suit brought by the Attorney General either in the name of the Commonwealth or in the name of the Director. In such civil suit a written statement by the Director or his delegate as to the amount of tax due, the fact that it is unpaid, and who is authorized to collect it, shall be sufficient evidence of these matters unless it is expressly shown to the contrary.

Section 814. Penalties for Willful Violations.

(a) Willful failure to collect or pay over tax. Any person, required under this Act to collect, account for, and pay over any tax imposed by this Act, who willfully fails to collect or truthfully account for and pay over such tax shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than Ten Thousand Dollars ($10,000.00), or imprisoned not more than two (2) years, or both, together with the cost of prosecution. Evidence of personal use of any such tax so collected by the person charged with collection, either in his business or otherwise, shall constitute prima facie

evidence for willful failure to truthfully account for and pay over such tax in violation of this Act.

(b) Any person who shall willfully fail or refuse to make or retain any record or return required by this Act or shall make any false or fraudulent return with intent to evade any tax, or shall refuse to permit the Director to examine any books, paper, record or memorandum bearing, directly or indirectly, on the transactions subject to tax hereunder, shall be guilty of a misdemeanor punishable by a fine of not more than One Thousand Dollars ($1,000) or imprisonment for not more than one (1) year, or both.

(c) In addition to the foregoing penalties, any person who knowingly shall swear to or verify under oath any false or fraudulent statement with intent to evade any tax imposed by this Chapter, shall be guilty of perjury and, on conviction thereof, shall be guilty of a felony, punishable by a fine of not more than Ten Thousand Dollars ($10,000) or imprisonment for not more than two (2) years, or both.

Section 815. Monthly Penalty Upon Taxes. In case of failure to pay any tax levied or imposed under this Act when due, there shall be added to the amount due, ten percent (10%) of the amount of such tax if the period of nonpayment is not more than one month, with an additional ten percent (10%) for each additional month or fraction thereof during which nonpayment continues, not exceeding one hundred percent (100%) in the aggregate.

Section 816. Failure to File Return on Time. Except as may be permitted by the Director if any employer or taxpayer fails to make and

file a return required under this Act on or before the date set, unless prior to that date such taxpayer applied for and received an extension for reasonable cause, one percent (1%) of the tax shall be added for each thirty (30) days or fraction thereof elapsing between the due date of the return and the date on which it is actually filed; PROVIDED, however, that the minimum penalty under this Section shall be five dollars.

Section 817. Interest. In addition to the penalty imposed by Section 815 of this Act, interest of fifteen percent (15%) per annum shall be imposed on all unpaid taxes, penalties, fees and charges imposed by this Act.

Section 818. Rules and Regulations. The Director upon approval of the Governor shall have broad authority to prescribe all necessary rules and regulations not in conflict with this Act for the assessment and collection of taxes, penalties, fees and charges and for the proper administration of this Act.

Section 819. Severability. If any provision of this Act or any rule, regulation, or order promulgated hereunder, or the application of any such provision, rule, regulation or order to any person or circumstances shall be held invalid, by a court of competent jurisdiction, the remainder of this Act or any rules, regulations or order promulgated pursuant thereto or the application of such provisions, regulations, rules or orders to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 820. Effective Date. This Act shall take effect on June 1, 1982; PROVIDED,

(a) Section 303 shall be effective on October 1, 1982;

(b) Section 501 shall be effective on July 1, 1982; and

(c) The ten percent (10%) occupancy tax of Section 502(a) shall remain at seven percent (7%) until October 1, 1982.

Section 821. Termination Date. Chapters Two and Three of this Act shall terminate upon midnight, December 31, 1982; PROVIDED, that the Commonwealth has adopted a local income tax and sales tax system for individuals and businesses by that date.

ATTEST:

Benigno R. Fitial
Speaker of the House

Herbert S. Del Rosario
Chief Clerk

_____, 1982

Pedro P. Tenorio
Governor
Commonwealth of the Northern Mariana Islands