

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

August 8, 2024

Fourth Regular SESSION, 2024

H. L. B. 23- *60*

A LOCAL BILL FOR AN ACT
FOR THE THIRD SENATORIAL DISTRICT

To impose an additional 3% tax on the yearly gross revenue of constructions activities in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00).

BE IT ENACTED BY THE THIRD SENATORIAL DISTRICT

DELEGATION PURSUANT TO CHAPTER 4, DIVISION 1, TITLE 1 OF

THE COMMONWEALTH CODE:

1 SECTION 1. FINDINGS AND PURPOSE.

2 The Delegation finds that in recent years, numerous construction projects
3 have taken place within the CNMI. Significantly, however, licensed construction
4 contractors have paid a tax rate between 2.5% and 5% as set forth in 4 CMC section
5 1301.

6 The Delegation acknowledges that an additional tax may increase the costs
7 of construction for commercial projects and possibly residential projects as
8 contractors attempt to pass on the increased costs to consumers. Similarly, we are
9 also aware that general contractors often hire subcontractors on commercial
10 projects. Relevant to this bill, there are legitimate issues with respect to double

1 taxation. There is also a valid concern that this legislation may increase the final
2 costs that are charged to consumers. These concerns, raised by the CNMI
3 Department of Finance and the CNMI Office of the Attorney General, that call
4 attention to these potential adverse impacts, are valid.

5 With respect to tax impacts and other considerations, we find that there will
6 never be a good time to raise taxes. Accordingly, the Delegation finds that as set
7 forth in section 101, the CNMI should impose an additional 3% tax on yearly gross
8 revenue that is directly derived from construction activities, in excess of
9 Two Hundred Fifty Thousand Dollars (\$250,000.00). This tax is inapplicable to the
10 construction contractor as a corporate entity or taxpayer per se, the tax is however
11 applicable to the revenue that is directly derived from construction activities that
12 are over the \$250,000 threshold. In other words, if a construction activity generates
13 \$250,000 or less, this tax shall not apply. If a construction contractor generates
14 revenues directly attributable to residential construction, this tax does not apply.

15 In addition, in order to mitigate any adverse effects on the end prices that
16 may be passed along to the consumers, this bill via section 102, provides, similar
17 to 4 CMC section 1308 (a) of the Business Gross Receipts Tax, a non-refundable
18 tax credit that shall be available for new taxes imposed pursuant to this bill.

19 **SECTION 2. AMENDMENT.**

20 Title 10, Division 3 of the Commonwealth Code is hereby amended by
21 adding a new Chapter to read as follows:

1 **“§101. Tax Imposition on Construction Activities Gross**
2 **Revenue In Excess of \$250,000.**

3 (a) Unless expressly exempted herein, in addition to the taxes
4 imposed by 4 CMC §1301 (Tax on Gross Revenue), a yearly tax of 3% shall
5 be imposed on the gross revenue directly attributed to or derived from
6 construction activities in excess of \$250,000. Any revenue less than this
7 sum shall not be assessed an additional tax.

8 (b) For the purpose of subsection (a), the yearly gross revenue tax
9 shall exclude construction activity gross revenue generated by or derived
10 from residential housing construction activities that is intended primarily
11 for living purposes, for clarity, “residential housing” under this Act shall
12 mean construction of individual homes and not apartments or similar
13 activities. Revenues unrelated to construction activities are not subject to
14 the tax set forth in subsection (a).

15 (c) Revenues from construction activities for construction projects
16 engaged in prior to the effective date of this Act are exempt from the tax
17 imposed in subsection 101. Provided however, that should change orders
18 occur after the effective date of this Act, taxes imposed in §101 shall apply.

19 **SECTION 3. REGULATIONS.**

1 The Secretary of Finance is hereby authorized to promulgate rules and
2 regulations including but not limited to providing definitions, and other matters
3 necessary for the proper implementation of this Act.

4 **SECTION 4. SEVERABILITY.**

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

10 **SECTION 5. SAVINGS CLAUSE.**


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

18 **SECTION 6. EFFECTIVE DATE.**

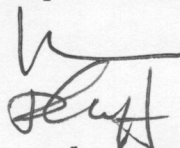
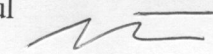
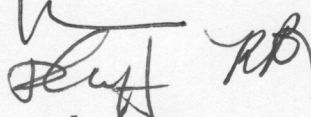

19 This Act shall take effect upon its approval by the Governor or it becoming
20 law without such approval.

Intro
Filed: 8/8/2024

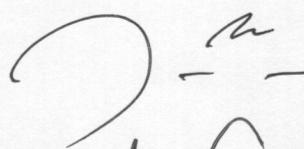
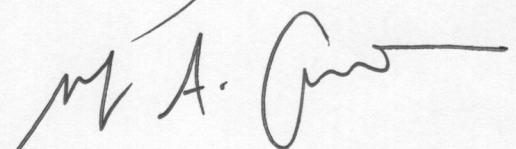
Date: 8/7/24

Introduced by: 
Rep. Ralph N. Yumul

Reviewed for Legal Sufficiency by:
Jason S. Day
House Legal Counsel





KOBRE





M. A. [unclear]
Jungmai