



Arnold I. Palacios
Governor

David M. Apatang
Lieutenant Governor

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

10 JAN 2025

GOV2025-156

The Honorable John Paul P. Sablan
Chairman
Saipan and Northern Islands Legislative Delegation
Twenty-Third Northern Marianas
Commonwealth Legislature
Saipan, MP 96950

The Honorable Edmund S. Villagomez
Speaker, House of Representatives
Twenty-Third Northern Marianas
Commonwealth Legislature
Saipan, MP 96950

Dear Mr. Chairman and Mr. Speaker:

This is to inform you that I have signed into law **House Local Bill No. 23-60, D2**, entitled "To impose an additional 1% tax on the yearly gross revenue of constructions activities in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00).," which was passed by the Saipan and Northern Islands Legislative Delegation of the Twenty-Third Northern Marianas Commonwealth Legislature.

This Bill becomes **Saipan Local Law No. 23-24**. Copies bearing my signature are forwarded for your reference.

Sincerely,


ARNOLD I. PALACIOS
Governor

cc: Lieutenant Governor; Attorney General; Commonwealth Law Revision;
Public Auditor; Secretary of Finance; Acting Special Assistant for Administration;
Programs and Legislative Review Office



SAIPAN AND NORTHERN ISLANDS LEGISLATIVE DELEGATION
Third Senatorial District
Twenty-Third Northern Marianas Commonwealth Legislature

Rep. John Paul P. Sablan, Chairman • Rep. Roman C. Benavente, Vice Chair • Sen. Celina R. Babauta, Floor Leader

January 7, 2025

The Honorable Arnold I. Palacios
Governor
Commonwealth of the Northern Mariana Islands
Honorable Juan A. Sablan Memorial Building
Capitol Hill
Saipan, MP 96950


Dear Governor Palacios:

I am honored to transmit for your action **House Local Bill No. 23-60, D2**, entitled:

“To impose an additional 1% tax on the yearly gross revenue of constructions activities in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00).”

The local bill was passed unanimously by the Saipan and Northern Islands Legislative Delegation of the Twenty-Third Northern Marianas Commonwealth Legislature on Second and Final Reading, a quorum duly present during its 3rd Day, Fourth Regular Session held on January 7, 2025.

Sincerely,


Frances Joan P. Kaipat
Delegation Clerk

Enclosure





**SAIPAN AND NORTHERN ISLANDS LEGISLATIVE DELEGATION
THIRD SENATORIAL DISTRICT
TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
FOURTH REGULAR SESSION, 2024**

HOUSE LOCAL BILL NO. 23-60, D2

**A LOCAL BILL FOR AN ACT
FOR THE THIRD SENATORIAL DISTRICT**

To impose an additional 1% tax on the yearly gross revenue of constructions activities in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00).

OFFERED BY

Representatives Ralph N. Yumul, Vincent R. S. Aldan, Roman C. Benavente, Angelo A. Camacho, Diego V. F. Camacho, Manny G. T. Castro, Joseph A. Flores, Marissa R. Flores, Malcom J. Omar, John Paul P. Sablan, and Denita Kaipat Yangetmai


Introduced on August 8, 2024

HOUSE ACTION

Transmitted to Saipan and Northern Islands Legislative Delegation for action on
September 24, 2024

DELEGATION ACTION

Referred to:	None
Comments Solicited:	9/24/24 Mayor of Saipan [Del. Matters 23-90] Mayor of Northern Islands [Del. Matters 23-91] 17 th SNIMC [Del. Matters 23-92]]
Comments Received:	None
Standing Committee Report:	None
Passed First & Final Reading:	January 7, 2025, w/Draft 2


Frances Jean P. Kaipat
Delegation Clerk



**SAIPAN AND NORTHERN ISLANDS LEGISLATIVE DELEGATION
THIRD SENATORIAL DISTRICT
TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE**

FOURTH REGULAR SESSION, 2024

H. L. B. NO. 23-60, D2

**A LOCAL BILL FOR AN ACT
FOR THE THIRD SENATORIAL DISTRICT**

To impose an additional 1% tax on the yearly gross revenue of constructions activities in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00).

**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 have taken place
3 within the CNMI. Significantly, however, licensed construction contractors have paid a tax rate
4 between 2.5% and 5% as set forth in 4 CMC section 1301.

5 The Delegation acknowledges that an additional tax may increase the costs of construction
6 for commercial projects and possibly residential projects as contractors attempt to pass on the
7 increased costs to consumers. Similarly, we are also aware that general contractors often hire
8 subcontractors on commercial projects. Relevant to this bill, there are legitimate issues with
9 respect to double taxation. There is also a valid concern that this legislation may increase the final
10 costs that are charged to consumers. These concerns, raised by the CNMI Department of Finance

1 and the CNMI Office of the Attorney General, that call attention to these potential adverse impacts,
2 are valid.

3 With respect to tax impacts and other considerations, we find that there will never be a
4 good time to raise taxes. Accordingly, the Delegation finds that as set forth in section 101, the
5 CNMI should impose an additional 1% tax on yearly gross revenue that is directly derived from
6 construction activities, in excess of Three Hundred Fifty Thousand Dollars (\$350,000.00). This
7 tax is inapplicable to the construction contractor as a corporate entity or taxpayer per se, the tax is
8 however applicable to the revenue that is directly derived from construction activities that are over
9 the \$350,000 threshold. In other words, if a construction activity generates \$350,000 or less, this
10 tax shall not apply. If a construction contractor generates revenues directly attributable to
11 residential construction, this tax does not apply.

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

16 **SECTION 2. AMENDMENT.**

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

19 **“§101. Tax Imposition on Construction Activities Gross Revenue In Excess of**
20 **\$350,000.**

1 (a) Unless expressly exempted herein, in addition to the taxes imposed by 4 CMC
2 §1301 (Tax on Gross Revenue), a yearly tax of 1% shall be imposed on the gross revenue
3 directly attributed to or derived from construction activities in excess of \$350,000. Any
4 revenue less than this sum shall not be assessed an additional tax.

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

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

15 **SECTION 3. REGULATIONS.**

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

19 **SECTION 4. SEVERABILITY.**

20 If any provision of this Act or the application of any such provision to any person or
21 circumstance should be held invalid by a court of competent jurisdiction, the remainder of this Act

1 or the application of its provisions to persons or circumstances other than those to which it is held
2 invalid shall not be affected thereby.

3 **SECTION 5. SAVINGS CLAUSE.**

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

10 **SECTION 6. EFFECTIVE DATE.**

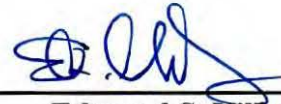
11 This Act shall take effect upon its approval by the Governor or it becoming law without
12 such approval.

CERTIFIED BY:



John Paul P. Sablan
Chairman

Saipan & Northern Islands Legislative Delegation



Edmund S. Villagomez
Speaker

23rd House of Representatives

Approved this 10th day of January, 2025.



Arnold I. Palacios
Governor

Commonwealth of the Northern Mariana Islands