



Arnold I. Palacios
Governor

David M. Apatang
Lieutenant Governor

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

10 JAN 2025

GOV2025-157

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

The Honorable Edith E. Deleon Guerrero
President of the Senate
Twenty-Third Northern Marianas
Commonwealth Legislature
Saipan, MP 96950

Dear Mr. Speaker and Madame President:

This is to inform you that I have signed into law **House Bill No. 23-120, HD1, SS1, SD1**, entitled, "To impose a 3% surtax on gross revenues derived from non-residential construction projects that cost three hundred fifty thousand dollars or more.," which was passed by the Senate and the House of Representatives of the Twenty-Third Northern Marianas Commonwealth Legislature.

This bill becomes **Public Law No. 23-31**. 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; Revenue and Taxation;
Acting Special Assistant for Administration; Programs and Legislative Review Office



Public Law No. 23-31
TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

HOUSE OF REPRESENTATIVES

P.O. BOX 500586
SAIPAN, MP 96950
cnmileg.net

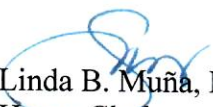
January 8, 2025

The Honorable Arnold I. Palacios
Governor
Commonwealth of the Northern
Mariana Islands
Capitol Hill
Saipan, MP 96950

Dear Governor Palacios:

I have the honor of transmitting herewith for your action **H. B. No. 23-120, HD1, SS1, SD1**, entitled: "To impose a 3% surtax on gross revenues derived from non-residential construction projects that cost three hundred fifty thousand dollars or more.", which was passed by the House of Representatives and the Senate of the Twenty-Third Northern Marianas Commonwealth Legislature.

Sincerely yours,


Linda B. Muña, MPA
House Clerk

Attachment



TWENTY-THIRD NORTHERN MARIANA COMMONWEALTH LEGISLATURE IN THE HOUSE OF REPRESENTATIVES

FOURTH REGULAR SESSION

OCTOBER 25, 2024

REPRESENTATIVE EDMUND S. VILLAGOMEZ OF SAIPAN, PRECINCT 3 (*for himself*, Representatives Blas Jonathan "BJ" T. Attao) in an open and public meeting with an opportunity for the public to comment, introduced the following Bill:

H. B. No. 23-120, HD1, SS1, SD1

AN ACT

**TO IMPOSE A 3% SURTAX ON GROSS REVENUES DERIVED
FROM NON-RESIDENTIAL CONSTRUCTION PROJECTS
THAT COST THREE HUNDRED FIFTY THOUSAND
DOLLARS OR MORE.**

IN THE HOUSE OF REPRESENTATIVES

The Bill was not referred to a House Committee.

**THE BILL WAS PASSED BY THE HOUSE OF REPRESENTATIVES ON
FIRST AND FINAL READING, OCTOBER 25, 2024;**

with amendments in the form of H. B. No. 23-120, HD1 and transmitted to **THE SENATE.**

IN THE SENATE

The Bill was referred to the Senate Committee on Fiscal Affairs, which submitted
Standing Committee Report 23-122; adopted 1/3/2025.

THE BILL WAS PASSED BY THE SENATE ON FIRST AND FINAL READING, JANUARY 3, 2025;
with amendments in the form of H. B. No. 23-120, HD1, SS1, SD1;
and returned to **THE HOUSE OF REPRESENTATIVES.**

The House of Representatives accepted the Senate amendments and passed H. B. No. 23-120, HD1, SD1, SS1
during its 7th Day, Fourth Regular Session on January 7, 2025.

**H. B. No. 23-120, HD1, SS1, SD1 IS DULY PASSED BY THE TWENTY-THIRD NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE.**


Linda B. Muña, House Clerk



TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
IN THE HOUSE OF REPRESENTATIVES

SEVENTH DAY, FOURTH REGULAR SESSION

JANUARY 7, 2025

H. B. No. 23-120, HD1, SD1, SS1

AN ACT

**TO IMPOSE A 3% SURTAX ON GROSS REVENUES DERIVED FROM
NON-RESIDENTIAL CONSTRUCTION PROJECTS THAT
COST THREE HUNDRED FIFTY THOUSAND DOLLARS OR
MORE.**

**BE IT ENACTED BY THE TWENTY-THIRD NORTHERN
MARIANAS COMMONWEALTH LEGISLATURE:**

SECTION 1. FINDINGS AND PURPOSE.

The Legislature finds that a 3% surtax on gross revenues derived from non-residential construction projects that cost three hundred fifty thousand dollars (\$350,000.00) or more should be imposed.

This tax mitigates the costs to the Commonwealth that are attributable to large scale construction activities, including waste generation, pollution and emissions from heavy equipment, damage and stress on roads and infrastructure, erosion and pollution control, and the added costs at the ports of entry associated with increased customs activities to ensure that materials and supplies are not commingled with contraband.

HOUSE BILL 23-120, HD1, SD1, SS1

1 This tax applies specifically to the revenues derived from construction
2 activities with a total project cost of three hundred fifty thousand dollars
3 (\$350,000.00) or more. Construction projects below this threshold are not subject
4 to the tax. Moreover, this tax does not apply to residential construction projects.

5 In addition, construction contractors subject to this tax are entitled to a non-
6 refundable credit against the tax imposed on Commonwealth source income under
7 Subtitle A of the Northern Marianas Territorial Income Tax. The tax shall also be
8 imposed on the total project cost paid by the general contractor, meaning
9 subcontractors are not required to pay the tax.

10 In summary, this Act implements a 3% surtax on gross revenue derived
11 from non-residential construction projects exceeding three hundred fifty thousand
12 dollars (\$350,000.00). As set forth in Section 102, any change orders or
13 modifications initiated, executed, or effective after January 16, 2025 shall subject
14 the amended or modified contracts to this provision if the change order or
15 modification brings the contract within the scope of the Qualifying Construction
16 Project. This includes but is not limited to retroactively applying to all contracts
17 executed prior to January 16, 2025 even if the original contracts did not originally
18 fall within the definition and scope of the Qualifying Construction Project absent
19 the change order or modification.

20 By focusing on these larger developments, this Act ensures that projects
21 placing greater strain on public services and the environment contribute their fair
22 share toward mitigating those impacts. Additionally, by excluding residential
23 construction, this Act preserves affordability of homes for local residents. Last, the
24 inclusion of a non-refundable credit for contractors subject to this surtax offers
25 some relief from the financial burden.

HOUSE BILL 23-120, HD1, SD1, SS1

SECTION 2. AMENDMENT.

Title 4, Division 1 of the Commonwealth Code is hereby amended to add a new Chapter 14 to read as follows:

“Chapter 14. Construction Activities Tax.**§ 101. Definitions.**

For the purposes of this Chapter:

(a) “General Contractor” means the primary entity that contracts for the completion of an entire construction project and is typically responsible for the hiring and coordinating the work of subcontractors; ensuring that the project is completed on time, within budget, and according to the agreed-upon specifications; acting as the main point of contact between the client and the various subcontractors; purchasing of materials; and ensuring that the project adheres to all applicable local and federal laws.

(b) “Qualifying Construction Project” means any construction project, other than construction of Residential Housing, with a total project cost of three hundred fifty thousand dollars (\$350,000.00) or more, inclusive of executed change orders, amendments, and modifications. A construction project is a Qualifying Construction Project if any additions or modifications resulting in changes to the total project cost cause that cost to meet or exceed the threshold of three hundred fifty thousand dollars (\$350,000.00).

(c) “Residential Housing” means single-family homes or other standalone dwellings designed for individual households and excludes multi-family units, such as apartments, condominium complexes, commercial residential developments, or other similar shared living structures.

(d) “Subcontractor” means a person or company hired by a General Contractor to perform tasks or services as part of a larger construction

HOUSE BILL 23-120, HD1, SD1, SS1

1 project. "Subcontractors" operate under a separate contract from the one
2 between the General Contractor and the client.

3 **§ 102. Tax Imposition on Gross Revenues from Qualifying**
4 **Construction Projects.**

5 (a) In addition to the tax imposed under Chapter 3 of Division 1 of
6 Title 4 of the Commonwealth Code and unless expressly exempted herein,
7 a tax of 3% shall be imposed on the gross revenues of a General Contractor
8 that are directly attributed to or derived from a Qualifying Construction
9 Project.

10 (b) For the purpose of subsection (a), the gross revenue surtax shall
11 exclude revenues generated by or derived from construction of Residential
12 Housing.

13 (c) Revenues of a Subcontractor that are derived from construction
14 activities performed on a Qualifying Construction Project are exempt from
15 the tax imposed by this Section.

16 (d) Revenues from construction activities derived from Qualifying
17 Construction Projects arising from contracts awarded on or before January
18 15, 2025, are exempt from the tax imposed by this Section. The tax imposed
19 by this Section shall apply to any and all Qualifying Construction Projects
20 arising from contracts awarded or executed on or after January 16, 2025.

21 Provided further that any change orders or modifications initiated,
22 executed, or effective after January 16, 2025 shall subject the amended or
23 modified contracts to this provision if the change order or modification
24 brings the contract within the scope of the Qualifying Construction Project,
25 including but not limited to retroactively applying to all contracts initiated,
26 executed, or effective prior to January 16, 2025 that did not originally fall

HOUSE BILL 23-120, HD1, SD1, SS1

1 within the definition and scope of the Qualifying Construction Project
2 absent the change order or modification.

3 **§ 103. Non-Refundable Tax Credit.**

4 (a) A person may take the surtax imposed on gross revenue under
5 Section 102 as a non-refundable tax credit against any taxes imposed on
6 Commonwealth source income under Subtitle A of the NMTIT pursuant to
7 Chapter 7 of Division 1 of Title 4 of the Commonwealth Code (4 CMC §§
8 1701 et. seq.). No such credit shall be allowed for any amount deducted in
9 determining taxable income under the NMTIT as shown on the taxpayer's
10 return.

11 (b) Partners and S corporation shareholders may take their
12 respective share of taxes imposed on gross revenues reported and paid by
13 their respective partnerships and S corporations under Section 102 of this
14 Chapter as a nonrefundable credit against the tax imposed on
15 Commonwealth source income under Subtitle A of the NMTIT pursuant to
16 Chapter 7 of Division 1 of Title 4 of the Commonwealth Code (4 CMC §§
17 1701 et. seq.); provided, that the total of all such credits shall not exceed the
18 total taxes and fees paid. No credit shall be allowed under this subsection
19 (b) for the amount of any taxes taken as a credit under subsection (a) of this
20 section.

21 (c) No such credit shall be allowed for any amount deducted in
22 determining taxable income under the NMTIT as shown on the taxpayer's
23 return.

24 **§ 104. Returns and Payment of Tax.**

25 (a) *In General.* Every person subject to this Chapter shall file a return
26 and pay the tax, if any, on a monthly basis. The Secretary of Finance shall

HOUSE BILL 23-120, HD1, SD1, SS1

1 by regulation prescribe monthly rates as necessary to carry out the intent
2 and purpose of this section.

3 (b) *Filing Returns and Payment.* The monthly returns and tax
4 payments under subsection (a) of this Section shall be filed and the tax paid,
5 if any, on or before the last day of the month following the close of each
6 month, to wit: on or before February 28, March 31, April 30, May 31, June
7 30, July 31, Aug 31, September 30, October 31, November 30, December 31
8 and January 31. The payment shall be based on the payors gross revenue
9 derived from Qualifying Construction Projects in the preceding month, and
10 the amount of tax imposed by this Chapter shall be paid to the
11 Commonwealth government through the secretary or his appointee or
12 appointees. Each business shall, on or before the date provided for payment
13 of tax under this Section, make a full, true, and correct return showing all
14 such gross revenue derived from Qualifying Construction Projects that are
15 received, accrued, or earned, whichever is earlier, and the amounts
16 deducted and set aside on account during the preceding month. This return
17 shall be filed with the secretary and include such other information as may
18 be required or prescribed by the secretary. The secretary for good cause,
19 may extend the time for making payments and returns, but not beyond the
20 last day of the first month succeeding the regular due date.

21 (c) *Tax Returns of Transferor.* The requirement to deduct, withhold
22 and pay over tax for the account of the transferor shall not relieve the
23 transferor from the duty to file any tax returns required by law.

24 (d) *Penalty.* Failure to comply with the provisions of this Section shall
25 be punishable under the penalties prescribed by this Division.

HOUSE BILL 23-120, HD1, SD1, SS1

1 **§ 105. Special Gross Revenues from Qualifying Construction**
2 **Projects (GRQCP) Account.**

3 (a) The Secretary of Finance shall establish a special Gross Revenues
4 from Qualifying Construction Projects (GRQCP) account separate from the
5 General Fund. The funds in the GRQCP account shall not be subject to
6 fiscal year limitation and shall be used for the implementation and
7 enforcement of this Chapter.

8 (b) All revenues raised pursuant to this Chapter shall be deposited
9 into the General Fund, except:

10 (i) ten percent shall be deposited in the special GRQCP account
11 established by this Section, for appropriation by the Legislature as
12 follows:

13 (1) twenty percent of the GRQCP funds shall be
14 appropriated for implementation and enforcement of this
15 Chapter and customs activities as follows:

16 (A) 2.5% shall be appropriated each to the First
17 and Second Senatorial District to the municipal
18 Department of Finance, under the expenditure
19 authority of the respective Resident Department Head;
20 and

21 (B) 15% shall be appropriated to the Third
22 Senatorial District to the CNMI Department of Finance,
23 under the expenditure authority of the Secretary of
24 Finance.

25 (2) eighty percent of the GRQCP funds shall be
26 appropriated for road maintenance, solid waste, and

HOUSE BILL 23-120, HD1, SD1, SS1

1 environmental protection purposes in the First, Second and
2 Third Senatorial Districts as follows:

3 (A) 15% shall be appropriated each to the First
4 and Second Senatorial District to the municipal
5 Department of Public Works, under the expenditure
6 authority of the respective Resident Department Head;
7 and

8 (B) 50% shall be appropriated to the Third
9 Senatorial District to the CNMI Department of Public
10 Works, under the expenditure authority of the
11 Secretary of Public Works.

12 (c) The Secretary of Finance shall provide monthly reports to the
13 presiding officers of the Legislature describing the total funds in the
14 GRQCP.”

15 **SECTION 3. REGULATIONS.**

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

19 **SECTION 4. SEVERABILITY.**

20 If any provisions of this Act or the application of any such provision to any
21 person or circumstance should be held invalid by a court of competent jurisdiction,
22 the remainder of this Act or the application of its provisions to persons or
23 circumstances other than those to which it is held invalid shall not be affected
24 thereby.

25 **SECTION 5. SAVINGS CLAUSE.**

26 This Act and any repealer contained herein shall not be construed as
27 affecting any existing right acquired under contract or acquired under statutes

HOUSE BILL 23-120, HD1, SD1, SS1

1 repealed or under any rule, regulation, or order adopted under the statutes.
2 Repealers contained in this Act shall not affect any proceeding instituted under or
3 pursuant to prior law. The enactment of the Act shall not have the effect of
4 terminating, or in any way modifying, any liability, civil or criminal, which shall
5 already be in existence on the date this Act becomes effective.

6 **SECTION 6. EFFECTIVE DATE.**

7 This Act shall take effect upon its approval by the Governor, or it becoming
8 law without such approval.

Attested to by:



Linda B. Muña, House Clerk

Certified by:



SPEAKER EDMUND S. VILLAGOMEZ
House of Representatives
23rd Northern Marianas Commonwealth Legislature

Approved this 10th day of January, 2025



ARNOLD I. PALACIOS
Governor
Commonwealth of the Northern Mariana Islands