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**DIVISION 1**  
**REVENUE AND TAXATION**

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**CHAPTER 1.**  
**General.**

- § 1101. Short Title.
- § 1102. Purposes.
- § 1103. Definitions.
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- § 1105. Government Exemption.
- § 1106. Tax Exemption for Bonds and Other Obligations.

**§ 1101. Short Title.**

This chapter may be cited as the Revenue and Taxation Act of 1982.

**Source:** PL 3-11, § 101, modified.

**Commission Comment:** Most provisions of PL 3-11 took effect June 1, 1982; see 4 CMC § 1820, specifying that date and delayed effective dates for certain provisions. Most of PL 3-11, as amended, was repealed by PL 9-22, a comprehensive tax reform measure enacted January 24, 1995, which retroactively took effect January 1, 1995. See PL 9-22, § 6. PL 9-22, § 1 repealed and reenacted chapters 2 through 7 of this division. In an apparent oversight, the PL 9-22 did repeal chapter 9 of this division (concerning foreign sales tax incen-

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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 (commencing at 2 CMC § 1101).

(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.

(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 of its departments, agencies, and instrumentalities, insofar as making 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, line-throwing, spear fishing, 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

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person. The term "rebate offset" shall apply only to any tax imposed on income from sources within the Commonwealth. The term "rebate offset" shall not apply to any tax imposed on income exempted by subsection (z)(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 4 CMC § 1402.

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

(1) All wages and salaries paid to any employee or other individual for services physically performed within the Commonwealth for any employer or other person residing in the Commonwealth; provided, that services rendered outside the Commonwealth for such employers or persons for an aggregate of not more than 90 working days per year shall be deemed as having been physically performed within the Commonwealth; and provided further, that payments made by such employers or individuals for annual leave, sick leave, administrative leave, holiday pay, or any and all other types of compensatory leave shall be deemed as having been made for services physically performed within the Commonwealth.

(2) 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 June 1, 1982.

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

(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 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 active members of the 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

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**Source:** PL 3-11, § 106.

**§ 1106. Tax Exemption for Bonds and Other Obligations.**

All bonds and other obligations (including certificates of participation) issued by the government of the Northern Mariana Islands or by its authority through its corporations, instrumentalities, or political subdivisions shall be exempted, as to principal and interest, from taxation by the government of the Northern Mariana Islands, its government corporations, instrumentalities, or political subdivisions. This tax exemption shall extend to the sale and transfer of the principal or interest or both during the life of the bonds or other debt obligations.

**Source:** PL 4-37, § 3.

**Commission Comment:** PL 4-37, the "Tax Exempt Bond Act of 1985," took effect April 1, 1985. According to PL 4-37, § 2:

Section 2. **Purpose.** It is the purpose of this act to assist the government in issuing tax exempt bonds and other obligations. [Covenant § 607(a)] provides that: "All bonds or other obligations issued by the Government of the Northern Mariana Islands or by its authority will be exempted, as to principal interest, from taxation by the United States, or in any political subdivision of any of them." The Analysis of the Covenant states that [Covenant § 607] "assures that the local government will be able to borrow money for public purposes at the lowest possible rate, because the bonds or other debt obligations will not be subject to income or property taxes." Because it is unclear whether the [Covenant § 607] prohibits the Commonwealth government from taxing its bonds or other obligations, the legislature finds it necessary to enact the clarification of tax exempt status provided for in this bill.



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**CHAPTER 2.**

**Wage and Salary and Earnings Taxes.**

- § 1201. Wage and Salary Tax.
- § 1202. Earnings Tax.
- § 1203. Exemptions.
- § 1204. Amount of Tax.
- § 1205. Nonrefundable Credit.
- § 1206. Filing Returns.

**§ 1201. Wage and Salary Tax.**

There is imposed on every employee a yearly tax on the employee's total wages and salaries.

**Source:** PL 9-22, § 1 (§ 1201) (repealing PL 3-11, § 201).

**Commission Comment:** PL 9-22, a comprehensive tax reform measure, was enacted January 24, 1995, but took effect (retroactively) January 1, 1995; see PL 9-22, § 6. The commission revised certain subsection designations within PL 9-22 to conform to the standard format.

**§ 1202. Earnings Tax.**

(a) There is imposed on every person a yearly tax on such person's total earnings.

(b) For purposes of this chapter, "earnings" shall mean:

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

(2) One half of the gain as determined under NMTIT Section 1001 received from the sale of real property located in the Commonwealth that was not in the course of carrying on a business.

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

(4) Interest, dividends, rents, royalties, or similar income earned in and derived from a person in the Commonwealth and received by a resident not in the course of carrying on a business.

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

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

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primarily for the convenience of its members, student, patients, officers, or employees, or

(2) A person who does not apply for exempt status and comply with the procedures prescribed by the secretary for exemptions under this subsection. The secretary may prescribe by regulation that persons exempt under Internal Revenue Code (IRC) Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(8), 501(c)(10) shall also be exempt under this section.

(b) Earnings to the extent that they are deemed to be from sources without the Commonwealth under 4 CMC § 1712.

**Source:** PL 9-22, § 1 (§ 1203).

**Commission Comment:** With respect to the reference to the "secretary" of the Department of Finance, see Executive Order 94-3 (effective August 23, 1994), reorganizing the executive branch, changing agency names and official titles, and effecting other changes, set forth in the commission comment to 1 CMC § 2001.

**§ 1204. Amount Of Tax.**

The amount of tax imposed by 4 CMC §§ 1201 and 1202 shall be determined in accordance with the following schedule:

<i>If the total yearly wages or total yearly earnings are:</i>	<i>The tax on the total yearly wages and salaries or total yearly earnings is:</i>
(a) \$0 to \$1,000	No tax.
(b) \$1,001 to \$5,000	Two percent of the amount over \$0.
(c) \$5,001 to \$7,000	Three percent of the amount over \$0.
(d) \$7,001 to \$15,000	Four percent of the amount over \$0.
(e) \$15,001 to \$22,000	Five percent of the amount over \$0.
(f) \$22,001 to \$30,000	Six percent of the amount over \$0.
(g) \$30,001 to \$40,000	Seven percent of the amount over \$0.
(h) \$40,001 to \$50,000	Eight percent of the amount over \$0.
(i) Over \$50,000	Nine percent of the amount over \$0.

**Source:** PL 9-22, § 1 (§ 1204), modified.

**Commission Comment:** The commission redesignated the last subsection (designated "(k)" in PL 9-22, § 1 (§ 1204)) as subsection (i), correcting a typographical error.

**§ 1205. Nonrefundable Credit.**

A person may take the tax imposed on wages and salaries or earnings under this chapter as a nonrefundable credit against the tax imposed on Commonwealth source income under Subtitle A of the NMTIT pursuant to chapter 7 of this

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**CHAPTER 3.**  
**Gross Revenue Tax.**

- § 1301. Tax on Gross Revenue.
- § 1302. Tax on Agricultural Producers and Fishing.
- § 1303. Tax on Manufacturers or Wholesalers.
- § 1304. Tax on Banks, Banking Institutions, Building and Loan Associations, and Other Financial Institutions.
- § 1305. Exemptions.
- § 1306. Returns and Payments of Tax on Gross Revenue.
- § 1307. Nonrefundable Credit.

**§ 1301. Tax on Gross Revenue.**

(a) Except as otherwise provided, there is imposed on every person, a yearly tax on the person's total gross revenue. The tax shall be determined in accordance with the following schedule:

<i>If the yearly total gross revenue is between:</i>	<i>The tax on the yearly total gross revenue is:</i>
(1) \$0 to \$5,000	No tax
(2) \$5,001 to \$50,000	1.5 percent of the amount over \$0.
(3) \$50,001 to \$100,000	Two percent of the amount over \$0.
(4) \$100,001 to \$250,000	2.5 percent of the amount over \$0.
(5) \$250,001 to \$500,000	Three percent of the amount over \$0.
(6) \$500,001 to \$750,000	Four percent of the amount over \$0.
(7) \$750,001 and over	Five percent of the amount over \$0.

(b) A person who during the year conducts two or more separate and distinct businesses, sells more than one property or is entitled to distributive shares from more than one partnership, shall pay the yearly tax under this section on the combined total gross revenue of all the businesses, all sales of property or all the distributive shares that are otherwise subject to gross revenue tax for the year.

**Source:** PL 9-22, § 1 (§ 1301) (repealing PL 3-11, § 301).

**§ 1302. Tax on Agriculture Producers and Fishing.**

(a) In lieu of the tax rates of 4 CMC § 1301(a), the tax imposed on persons engaged in the business of producing agricultural products in the Commonwealth, or fishing in the Commonwealth, or its waters, for dietary consumption, shall be determined in accordance with the following schedule:

<i>If the yearly total gross revenue is between:</i>	<i>The tax on the yearly total gross revenue is:</i>
(i) \$0 to \$20,000	No tax.

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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 to the extent allowable under the NMTIT;

(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) of this section shall be limited to the portion attributable to gross revenue earned or accrued, whichever is earlier, within the Commonwealth.

**Source:** PL 9-22, § 1 (§ 1304) (repealing PL 3-11, § 304).

**§ 1305. Exemptions.**

Notwithstanding any other provision, 4 CMC §§ 1301(a), 1302 and 1303 shall not apply to the gross revenue:

(a) Derived solely from the export sales of goods, resources, food, fish or agricultural products produced or manufactured in the Commonwealth and delivered by the manufacturer or producer to the buyer outside the Commonwealth.

(b) From the sale of diesel fuel for use in any vessel's commercial operations that are primarily outside the territorial waters of the Commonwealth.

(c) Earned by a foreign sales corporation, from its operations.

(d) From de minimis transactions as determined by the secretary by regulations.

(e) Earned by offshore banking corporations.

(f) To the extent that they are treated as sources from without the Commonwealth under 4 CMC § 1712.

(g) Earned by a person exempt from the NMTIT under NMTIT Sections 501(c)(3), 501(c)(4), 501(c)(5), 501(c)(6), 501(c)(8), or 501(c)(10) or as a qualified plan under NMTIT Section 401(a) and to the extent allowed under Section 527 of the NMTIT. This exemption, however, does not apply:

(1) To gross revenue from any trade or business, the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the

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from the duty to file any tax returns required by law.

(d) *Penalty.* Failure to comply with the provisions of this section shall be punishable under the penalties prescribed by this division.

**Source:** PL 9-22, § 1 (§ 1306).

**Commission Comment:** With respect to the reference to the "secretary" of the Department of Finance, see Executive Order 94-3 (effective August 23, 1994), reorganizing the executive branch, changing agency names and official titles, and effecting other changes, set forth in the commission comment to 1 CMC § 2001.

**§ 1307. Nonrefundable Credit.**

(a) A person may take the tax imposed on gross revenues under 4 CMC § 1301, or any other Commonwealth tax or fee imposed under other divisions or titles of the Commonwealth Code in lieu of such tax (such as 4 CMC § 2202(h)), as a nonrefundable credit against the tax imposed on Commonwealth source income under Subtitle A of the NMTIT pursuant to chapter 7 of this division [4 CMC § 1701 et seq.]. No such credit shall be allowed for any amount deducted in determining taxable income under the NMTIT as shown on the taxpayer's return.

(b) Partners and S corporation shareholders may take their respective share of taxes imposed on gross revenues reported and paid by their respective partnerships and S corporations under 4 CMC § 1301, or any other Commonwealth tax or fee imposed under other divisions or titles of the Commonwealth Code in lieu of such tax (such as 4 CMC § 2202(h)), as a nonrefundable credit against the tax imposed on Commonwealth source income under Subtitle A of the NMTIT pursuant to chapter 7 of this division [4 CMC § 1701 et seq.]; provided, that the total of all such credits shall not exceed the total taxes and fees paid. No credit shall be allowed under this subsection (b) of this section for the amount of any taxes and fees taken as a credit under subsection (a) of this section. No such credit shall be allowed for any amount deducted in determining taxable income under the NMTIT as shown on the taxpayer's return.

**Source:** PL 9-59, § 2, modified (repealing PL 9-22, § 1 (§ 1307), as amended by PL 9-57, § 2).

**Commission Comment:** PL 9-59, which was enacted October 6, 1995, took effect (retroactively) January 1, 1995. According to a provision in PL 9-59, § 2(b) (enacting the section above): "This subsection shall supersede and be effective notwithstanding Section 2(e) of H.B. 9-420 as amended in the event both shall become law." When enacted October 6, 1995 (prior to PL 9-59), House Bill 9-420 became PL 9-57; as noted above, PL 9-57, § 2 amended this section.

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**CHAPTER 7.**  
**Income Tax.**

**Article 1. Northern Marianas Territorial Income Tax.**

- § 1701. Application of the Internal Revenue Code, In General.
- § 1702. Internal Revenue Code Adopted.
- § 1703. Nonretroactivity of Tax on Commonwealth Sourced Income.
- § 1704. Anti-Avoidance.
- § 1705. Clarifying Provisions.
- § 1706. Disincentives to Off-island Investment.
- § 1707. Private Letter Ruling Procedures.
- § 1708. Tax Relief.
- § 1709. Tax on Overpayments.
- § 1710. Foreign Sales Corporations Special Rule.
- § 1711. Rebate Offset Procedure.
- § 1712. Special Sourcing Rules of Certain United States Individuals.
- § 1713. Interest on Overpayments.
- § 1714. Special Rebate Trust Account.
- § 1715. Shortfall in Trust Account.

**§ 1701. Application of the Internal Revenue Code, In General.**

(a) The United States Internal Revenue Code ("Internal Revenue Code" or "IRC"), made applicable by this chapter, is a statute adopted as a local territorial income tax. The IRC as herein incorporated is made a part of Commonwealth law, and may be cited as the "Northern Marianas Territorial Income Tax" ("NMTIT").

(b) The administration and enforcement of the NMTIT shall be performed by or under the supervision of the Governor. Any function needful to the administration and enforcement of the NMTIT shall be performed by any officer or employee of the government of the Commonwealth duly authorized by the Governor (either directly, or indirectly by one or more redelegations of authority) to perform such function.

(c) The Governor or his delegate shall have the same administrative and enforcement powers with regard to the NMTIT as the Secretary of the Treasury and other United States officials of the executive branch have with respect to the United States income tax. Needful rules and regulations for enforcement of the NMTIT shall be prescribed by the Governor or his delegate pursuant to 4 CMC § 1818. The Governor or his delegate shall have authority to issue, from time to time, in whole or in part, the text of the income tax laws in force in the Commonwealth pursuant to this chapter.

(d) *Confidentiality, Disclosure, and Coordination.*

(1) Returns and return information shall be confidential, and except

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as authorized by NMTIT Section 6103 and 4 CMC § 1953(b), no officer or employee of the Commonwealth shall disclose any return or return information obtained by him in any manner in connection with his services as such an officer or employee or otherwise. For purposes of this subsection, the term "officer or employee" includes a former officer or employee.

(2) The Governor may enter into an agreement with the Secretary of the United States Treasury, the Governor of Guam or his delegate, or the executive head or his delegate of any state, possession or territory of the United States, to coordinate tax administration programs of the Commonwealth, the United States or any state, possession or territory thereof, and Guam, including provisions for exchanging information and protecting the confidentiality of returns and return information.

(e) In applying the NMTIT for any purpose contained within this division, except where it is manifestly otherwise required, the applicable provisions of the IRC shall be read so as to substitute "Commonwealth of the Northern Mariana Islands" for "United States," "Governor or his delegate" for "Secretary or his delegate," "Governor or his delegate" for "Commissioner of Internal Revenue" and "Collector of Internal Revenue," "Superior Court of the Northern Mariana Islands" for "district court," "Supreme Court of the Northern Mariana Islands" for "United States Courts of Appeal," "Attorney General" for "district counsel," "Attorney General's Office" for "Department of Justice," and with other changes in nomenclature and other language, including the omission of inapplicable language, where necessary to effect the intent of this chapter.

(f) All references in the IRC to "Guam" shall be deemed likewise to refer to the Commonwealth of the Northern Mariana Islands.

(g) The NMTIT, as herein adopted, is to be applied and construed in all respects in conformity with the Covenant and this chapter.

(h) The Governor or his delegate may by regulations interpret, modify, or suspend any provision of the NMTIT which is manifestly inapplicable or incompatible with the intent of Covenant art. VI or with the intent of this chapter, so as to make the provision compatible therewith. Any such inapplicable or incompatible provisions shall be without force or effect.

(i) The Governor or his delegate may waive any additions to the tax, additional amounts, or penalties or any part thereof, attaching to acts performed or not performed by any taxpayer acting in reasonable reliance on this chapter or on any rules and regulations promulgated hereunder.

(j) In addition to such other jurisdiction as the Superior Court of the Northern Mariana Islands has with respect to the NMTIT under this chapter, it shall also have the same jurisdiction with regard to the NMTIT as the Tax Court of the United States has with respect to the United States Income Tax. The Superior Court of the Northern Mariana Islands shall implement this

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jurisdiction, as may be necessary, by adopting the United States Tax Court Rules of Practice and Procedure to the extent not inconsistent or incompatible with this division.

**Source:** PL 9-22, § 1 (§ 1701) (repealing PL 4-24, § 2).

**Commission Comment:** The reference to 4 CMC § 1820 in subsection (c), which was specified in PL 9-22, appears to be incorrect. The proper reference is probably 4 CMC § 1818.

The reference to 4 CMC § 1953(b) in subsection (d)(1), which was specified in PL 9-22, is plainly incorrect; PL 9-22 did not create such a section, nor did a section bearing that designation exist prior to the enactment of PL 9-22.

**§ 1702. Internal Revenue Code Adopted.**

(a) *Definition: Internal Revenue Code.* "Internal Revenue Code" means the following provisions of the Internal Revenue Code of 1986 as further amended as below specified, where not manifestly inapplicable or incompatible with the intent of the Covenant or this chapter and to the extent the IRC of 1954 remains applicable as set forth in the provisions under Subtitle G of United States Public Law 99-514, Subtitle A (26 U.S.C. § 1 et seq.) (not including Chapter 2 (26 U.S.C. § 1401 et seq.) and Section 931 (26 U.S.C. § 931)); chapters 24 and 25 of Subtitle C (26 U.S.C. § 2401 et seq. and § 3501 et seq.) with references to the collection of income tax at source on wages; and all provisions of Subtitle F (26 U.S.C. § 6001 et seq.) which apply to the income tax, including provisions as to crimes, other offenses, and forfeitures contained in Chapter 75 (26 U.S.C. § 7201 et seq.).

(b) *Internal Revenue Code: Further Amendments Adopted.* All amendments to the Internal Revenue Code enacted into law after October 21, 1986, and before January 1, 1994, are adopted and incorporated by reference into this chapter.

(c) *Internal Revenue Code: Future Amendments Adopted.* Except as otherwise provided, all future amendments to the Internal Revenue Code (and the effective dates thereof) are adopted and incorporated by reference into this chapter.

(d) The following authorities are to be treated by the Governor, when performing his duties under this chapter, as authoritative interpretations of the NMTIT:

(1) All present and future United States federal court cases, including Tax Court cases, decided under the United States income tax laws adopted by this chapter to the extent consistent with this chapter;

(2) All present and future revenue rulings, revenue procedures, and Treasury decisions of the United States Treasury Department, promulgated under United States income tax laws adopted by this chapter or regulations prescribed by the Governor, to the extent consistent with this



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chapter, until such time as changed by the Governor pursuant to this chapter;

(3) All present and future regulations under the Internal Revenue Code, promulgated under United States income tax laws adopted by this chapter, to the extent consistent with this chapter, until such time as changed by the Governor pursuant to this chapter.

Source: PL 9-22, § 1 (§ 1702), modified (repealing PL 4-24, § 2, as amended by PL 4-39, § 3).

**§ 1703. Nonretroactivity of Tax on Commonwealth Sourced Income.**

In regard to the taxation under the NMTIT of income accruing on or prior to January 1, 1985, the NMTIT shall in all cases be interpreted as subjecting to the NMTIT only that income which is not "Commonwealth sourced income."

(a) The introductory section of Section 61(a) of the NMTIT shall be construed as though it read: "General Definition.— Except as otherwise provided in this subtitle, gross income means all income realized and received or accrued under the taxpayer's method of accounting except Commonwealth sourced income accruing on or before January 1, 1985, with respect to transactions, events, or from whatever conduct taking place after December 31, 1984, from whatever source derived, including (but not limited to) the following items:"

(b) *Effective Date: Conforming Provisions.*

(1) *NMTIT Effective Date: Conforming Provisions.* To the extent necessary to assure that "Commonwealth sourced income" accruing prior to January 1, 1985, and after February 28, 1913, is not retroactively subject to the NMTIT and to the extent allowed by subsection (c) of this section, all Internal Revenue Code provisions drafted with reference to the inception date of a new tax and intended to assure that the IRC is not retroactively applied, and all authorities interpreting such provisions, shall be construed by replacing each reference to the inception date and the last day of the old United States tax regime with the words "January 1, 1985," and "December 31, 1984," appropriately.

(2) *IRC Effective Date: Conforming Provisions.* To the extent necessary to assure that all sources of income accruing prior to February 28, 1913, are not retroactively subject to the NMTIT, all IRC provisions drafted with reference to the inception date of a new tax and intended to assure that the IRC is not retroactively applied to any source of income, and all authorities interpreting such provisions, shall be construed by utilizing the dates specified within the IRC provisions, i.e., March 1, 1913, and February 28, 1913.

(3) *IRC Subpart F Effective Date: Conforming Provisions.* To the extent necessary to assure taxes imposed by Subpart F and related taxes

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**DIVISION 4**  
**CORPORATIONS, PARTNERSHIPS**  
**AND ASSOCIATIONS**

**PART 1**  
***CORPORATIONS: GENERAL PROVISIONS***

- CHAPTERS**
1. General Provisions.
  2. Registrar of Corporations.

**PART 2**  
***BUSINESS CORPORATIONS***

- CHAPTERS**
1. General Provisions.  
**Articles**
    1. Short Title.
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**Articles**
    1. Shares.
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    3. Subsequent Acquisition of Shares by Shareholders and Corporation.
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**Articles**
    1. Meetings.
    2. Voting.
    3. Voting Trusts and Agreements.
    4. Derivative Proceedings.
  8. Directors and Officers.  
**Articles**
    1. Board of Directors.
    2. Meetings and Action of the Board.
    3. Standards of Conduct.
    4. Officers.

**TITLE 4: ECONOMIC RESOURCES**  
**DIVISION 4: CORPORATIONS, PARTNERSHIPS AND ASSOCIATIONS**

§ 4106. No Share Buyouts or Diluted Value Stock Splits or Diminished Proportional Ownership Without Permission of Shareholders.

§ 4107. Enjoinder of Violations.

**§ 4101. Authority of Governor to Grant Corporate Charters.**

The Governor may grant charters of incorporation for the establishment and functioning of business organizations, associations of persons for any lawful purpose other than pecuniary profit, cooperatives and credit unions. The Governor may create and establish public corporations subject to approval and consent of the legislature.

**Source:** 37 TTC § 1.

**Commission Comment:** Executive Order 94-3, the "Second Reorganization Plan of 1994" (effective August 23, 1994), reorganized the Commonwealth government executive branch, changed agency names and official titles and effected numerous other revisions. According to Executive Order 94-3, § 107:

**Section 107. Corporate Charters.** All functions of the governor relating to corporate charters pursuant to Chapter 1 of 4 CMC, Division 4 [4 CMC § 4101 et seq.], are delegated to the Attorney General.

The full text of Executive Order 94-3 is set forth in the commission comment to 1 CMC § 2001.

**§ 4102. Scope and Application of Chapter; Exceptions.**

(a) The provisions of this chapter are applicable to every private corporation, profit or nonprofit, stock or nonstock, now existing or hereafter formed, and to the outstanding and future securities thereof, unless such corporation be expressly excepted from the operation thereof, or there be a special provision in relation to any class thereof inconsistent with some provisions of this chapter, in which case the special provision prevails.

(b) The existence of corporations heretofore formed or existing shall not be affected by the enactment of this chapter nor by any change in the requirements for the formation of corporations nor by amendment or repeal of the laws under which they were formed or created.

**Source:** 37 TTC § 2.

**§ 4103. Application for Charter.**

(a) An association of persons seeking a charter as a corporation shall submit for the approval of the Governor articles of incorporation which shall provide at least the following information:

(1) Proposed name of the corporation;

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(c) All corporations shall maintain in the English language their financial, bookkeeping, accounting, and business records. Failure to comply with this subsection shall result in rejection of an application for or revocation of a corporate charter as well as a possible civil penalty of \$10,000. Corporations presently chartered shall have until April 30, 1991, to comply.

**Source:** 37 TTC § 4; amended by PL 7-19, § 4, modified.

**Commission Comment:** See the comment to 4 CMC § 4101.

**§ 4105. Use of Terms “Cooperative” and “Credit Union” Restricted.**

No person, firm, corporation or association hereafter organized or doing business in the Commonwealth shall be entitled to use the terms “cooperative” or “credit union” as part of its corporate name or other business name or title, or otherwise represent itself to the public to be a nonprofit cooperative association or a credit union or cooperative savings and loan association unless it has complied with the provisions of this chapter, except as provided in 4 CMC § 4102.

**Source:** 37 TTC § 5.

**§ 4106. No Share Buyouts or Diluted Value Stock Splits or Diminished Proportional Ownership Without Permission of Shareholders.**

(a) It shall be unlawful for a corporation organized under the laws of the Commonwealth, to require a shareholder to sell, decrease or otherwise relinquish his or her shares in the corporation. Such a transaction can only occur with the prior written, nonproxy consent. Further, the value of a shareholder’s ownership in a corporation shall not be changed through merger or any form of corporate reorganization. If the shareholder had voting rights in the merged corporation, he or she shall have voting rights in the surviving corporation.

(b) It shall be unlawful for a corporation under the laws of the Commonwealth to reduce the number of shares of a shareholder to a lesser number of shares, or to a single share, or to a fraction of a share, without the prior written, nonproxy consent of any and all shareholders.

(c) If any officer, director, or controlling shareholder, in violation of his fiduciary duties, unlawfully takes funds or assets belonging to the corporation, this taking shall in addition to any other remedies provided by law or regulation be deemed to be a repurchase by the corporation of the capital stock of such officer, director, or controlling shareholder. The value of the stock repurchased shall be based on the fair market value of the corporation’s stock on the date of the unlawful taking.

(d) The rights and remedies provided for minority shareholders in