

**TITLE 4: ECONOMIC RESOURCES**  
**DIVISION 1: REVENUE AND TAXATION**

**§ 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**Source:** PL 4-37, § 3; repealed and reenacted by PL 14-35, § 3 (1106).

**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.