

TITLE 4: ECONOMIC RESOURCES
DIVISION 1: REVENUE AND TAXATION

§ 1842. Transferred Assets.

(a) *Method of Collection.* The amounts of Non-NMTIT liabilities, at law or in equity, of a transferee of property shall, except as hereinafter provided in this section, be assessed, paid and collected in the same manner and subject to the same provisions and limitations as in the case of the taxes with respect to which to which the liabilities were incurred.

(b) *Liability.* Any non-NMTIT liability at law or in equity, of a transferee of property may be either as to the amount of tax shown on a return or as to any deficiency or underpayment of tax.

(c) *Period of Limitations.* The period of limitations for assessment of any such liability of a transferee or a fiduciary shall be as follows:

(1) Initial Transferee. In the case of the liability of an initial transferee, within 1 year after the expiration of the period of limitation for assessment against the transferor;

(2) Transferee of Transferee. In the case of the liability of a transferee of a transferee, within 1 year after the expiration of the period of limitation for assessment against the preceding transferee, but not more than 3 years after the expiration of the period of limitation for assessment against the initial transferor;

Except that is, before the expiration of the period of limitations for the assessment of the liability of the transferee, a court proceeding for the collection of the tax or liability in respect thereof has been begun against the initial transferor or the last preceding transferee, respectively, the period of limitations for assessment of the liability of the transferee shall expire 1 year after the return of the execution in the court proceeding.

(d) *Extension by Agreement.*

(1) Extension of the Time for Assessment. If before the expiration of the time prescribed in subsection (c) for the assessment of the liability, the Secretary and the transferee have both consented in writing to its assessment after such time, the liability may be assessed at any time prior to the expiration of the period agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon. For the purpose of determining the period of limitation on credit, refund to the transferee of overpayments of tax made by such transferee or overpayments of tax made by the transferor of which the transferee is legally entitled to credit or refund, such agreement and any extension thereof shall be deemed an agreement and extension thereof referred to in section 18104.

(2) Extension of Time for Credit or Refund. If the agreement is executed after the expiration of the period of limitations for assessment against the taxpayer with reference to whom the liability of such transferee arises, then in applying the limitations under section 18104 on the amount of the credit or refund, the periods specified in 18104 shall be increased by the period from the date of such expiration to the date of the agreement.

(e) *Period for Assessment Against Transferor.* For purposes of this section, if any person is deceased, or is a corporation which has terminated its existence, the

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period of limitation for assessment against such person shall be the period that would be in effect had death or termination of existence not occurred.

(f) *Suspension of Running of Period of Limitations.* The running of the period of limitations upon the assessment of the liability of a transferee or fiduciary shall, after the mailing to the transferee of the notice provided for in section 1839 be suspended for the period during which the Secretary is prohibited from making the assessment in respect of the liability of the transferee (and in any event, if a proceeding in respect of the liability is placed on the docket of the Tax Court, until the decision of the Tax Court becomes final), and for 60 days thereafter.

(g) *Address for Notice of Liability.* Any notice of liability enforceable under this section required to be mailed to such person, shall, if mailed to the person subject to the liability at his last known address, be sufficient for purposes of this Division, even if such person is deceased, or is under legal disability, or, in the case of a corporation, has terminated its existence.

(h) *Definition of Transferee.* As used in this section, the term “transferee” includes donee, heir, legatee, devisee, and distributee.

(i) *Burden of Proof.* In proceedings before the Tax Court the burden of proof shall be upon the Secretary to show that a petitioner is liable as a transferee of property of a taxpayer, but not to show that the taxpayer was liable for the tax.

(j) *Evidence.* Upon application to the Tax Court, a transferee of property of a taxpayer shall be entitled, under the rules prescribed by the Tax Court, to a preliminary examination of books, papers, documents, correspondence, and other evidence of the taxpayer or a preceding transferee of the taxpayer’s property, if the transferee making the application is a petitioner before the Tax Court for the redetermination of his liability in respect of the tax (including interest, additional amounts, and additions to the tax provided by law) imposed upon the taxpayer. Upon such application, the Tax Court may require a subpoena, ordered by the Tax Court or any division thereof and signed by a judge, the production of all such books, papers, documents, correspondence, and other evidence within the CNMI the production of which, in the opinion of the Tax Court or divisions thereof, is necessary to enable the transferee to ascertain the liability of the taxpayer or preceding transferee and will not result in undue hardship to the taxpayer or preceding transferee. Such examination shall be had at such time and place as may be designated in the subpoena.

Source: PL 14-35, § 4 (1842), modified.

Commission Comment: In subsection (f)(1) and (2) above, the Commission changed the section numbers originally referenced in PL 14-35 to the proper renumbered section numbers pursuant to its authority by 1 CMC § 3806(c).