



# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

**Eloy S. Inos**  
Governor

**Jude U. Hofschneider**  
Lieutenant Governor

**14 FEB 2014**

Honorable Joseph P. Deleon Guerrero  
Speaker, House of Representatives  
Eighteenth Northern Marianas  
Commonwealth Legislature  
Saipan, MP 96950

Honorable Ralph DLG. Torres  
Senate President, The Senate  
Eighteenth Northern Marianas  
Commonwealth Legislature  
Saipan, MP 96950

Dear Mr. Speaker and Mr. President:

This is to inform you that I have signed into law House Bill No. 18-132, HD1, entitled, "To revise the penalties relating to the Sales Receipts Act relating to failing to issue a cash receipt for business transaction and for operating a business without a valid license; and for other purposes," which was passed by the House of Representatives and the Senate of the Eighteenth Northern Marianas Commonwealth Legislature.

This bill becomes **Public Law No. 18-35**. Copies bearing my signature are forwarded for your reference.

Sincerely,

A handwritten signature in black ink, appearing to read "Eloy S. Inos", written over a vertical line.

ELOY S. INOS

cc: Lt. Governor; Lt. Governor's Legal Counsel; Attorney General's Office; Press Secretary; Department of Finance; Special Assistant for Administration; Special Assistant for Programs and Legislative Review



# House of Representatives

18<sup>th</sup> NORTHERN MARIANAS COMMONWEALTH LEGISLATURE  
P.O. BOX 500586  
SAIPAN, MP 96950

January 17, 2014

The Honorable Eloy S. Inos  
Governor  
Commonwealth of the Northern  
Mariana Islands  
Capitol Hill  
Saipan, MP 96950

Dear Governor Inos:

I have the honor of transmitting herewith for your action **H. B. No. 18-132, HD1**, entitled: "To revise the penalties relating to the Sales Receipts Act relating to failing to issue a cash receipt for business transaction and for operating a business without a valid license; and for other purposes.", which was passed by the House of Representatives and the Senate of the Eighteenth Northern Marianas Commonwealth Legislature.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Linda B. Muña".

Linda B. Muña  
House Clerk

Attachment



*Eighteenth Legislature  
of the  
Commonwealth of the Northern Mariana Islands*  
**IN THE HOUSE OF REPRESENTATIVES**

**Second Regular Session**

**October 10, 2013**

**Representative Christopher D. Leon Guerrero**, of Saipan, Precinct 4 (*for himself*, Representatives Antonio R. Agulto, Anthony T. Benavente, Roman C. Benavente, Lorenzo I. Deleon Guerrero, Rafael S. Demapan, John Paul P. Sablan, Mariano Taitano, Edmund S. Villagomez, and Ralph N. Yumul) in an open and public meeting with an opportunity for the public to comment, introduced the following Bill:

**H. B. No. 18-132, HD1**  
**AN ACT**  
**TO REVISE THE PENALTIES RELATING TO THE SALES RECEIPTS ACT RELATING TO FAILING TO ISSUE A CASH RECEIPT FOR BUSINESS TRANSACTION AND FOR OPERATING A BUSINESS WITHOUT A VALID LICENSE; AND FOR OTHER PURPOSES.**

The Bill was referred to the House Committee on Commerce, which submitted Standing Committee Report 18-74; adopted November 25, 2013.

**THE BILL WAS PASSED BY THE HOUSE OF REPRESENTATIVES ON FIRST AND FINAL READING, DECEMBER 19, 2013;**  
*with amendments* in the form of H. B. 18-132, HD1 and transmitted to the **THE SENATE.**

The Bill was not referred to a Senate Committee.  
**THE BILL WAS PASSED BY THE SENATE ON FIRST AND FINAL READING, JANUARY 14, 2014;**  
*without amendments* and returned to **THE HOUSE OF REPRESENTATIVES.**

**THE BILL WAS FINALLY PASSED ON DECEMBER 19, 2013.**

Linda B. Muña, House Clerk



*Eighteenth Legislature  
of the  
Commonwealth of the Northern Mariana Islands*  
**IN THE HOUSE OF REPRESENTATIVES**

Thirteenth Day, Second Regular Session  
December 19, 2013

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**H. B. 18-132, HD1**

**AN ACT**

**TO REVISE THE PENALTIES RELATING TO THE SALES RECEIPTS ACT  
RELATING TO FAILING TO ISSUE A CASH RECEIPT FOR  
BUSINESS TRANSACTIONS AND FOR OPERATING A BUSINESS  
WITHOUT A VALID LICENSE; AND FOR OTHER PURPOSES.**

**Be it enacted by the Eighteenth Northern Marianas Commonwealth  
Legislature:**

1           **Section 1. Findings.** The amount of lost revenue in the CNMI that results from the  
2 lack of law enforcement is significant. Dishonest business operators are able to take  
3 advantage of laws that are too complicated to enforce. Currently, dishonest business  
4 operators find that it is profitable to ignore the Sale Receipt Act. To reduce their taxes, they  
5 purposely fail to produce the necessary business record of the transactions. The resulting loss  
6 to the CNMI coffers is conservatively estimated to be in the thousands of dollars per quarter.  
7 Likewise, the Legislature also finds that the law relating to the business license provisions in  
8 the CNMI are extremely difficult to enforce. As a result, prosecuting violations is also  
9 extremely burdensome. The Legislature finds that the process of citing business operators

**HOUSE BILL 18-132, HD1**

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1 that fail to comply with these laws should be less complicated so as to allow for penalties to  
2 be issued – penalties that will serve as a valid deterrent and a fair but effective punitive  
3 measure.

4 The Legislature finds that Title 4, Section 51206 of the CNMI Code, also known as  
5 the “Sales Receipts Act of 2002,” needed to be revised and simplified. The new revisions  
6 clarified the process by which violators can be cited and penalized. The criminal aspect  
7 wherein violators may serve up to one year in jail time was removed and replaced with a  
8 higher civil fine. It should also be clear that the Secretary of Finance or her designee can  
9 issue citations to enforce the regulations relating to this law. The amendment clarified this  
10 already existing authority.

11 Specifically as to the fines relating to providing a receipt—these fines have been  
12 increased from a low of \$0 and a high of \$1000. The new fines are \$250, \$750 and \$1500.00  
13 depending on the number of offenses. In addition, the third violation will trigger an  
14 automatic revocation of the business license for a six month period. Language was included  
15 in the law to alert Finance to the intent of the law—once a business entity has been found to  
16 have violated the law and its business license has been revoked, because it shall be unlawful  
17 for the same entity or business to obtain another license for at least six months, this same  
18 business cannot circumvent the intent of this law by attempting to obtain a license by any  
19 other means.

20 In addition to revising the Sales Receipts Act, the business license provisions of Title  
21 4, Section 5613 of the CNMI Code also needed to be revised.

22 Accordingly, the fines have been increased and the law was clarified to ensure that a  
23 business without a valid license should not be permitted to operate without said license.

24 For the sake of clarity, the revisions herein expressly allow for the Department of  
25 Finance to issue orders to cease and desist that are effective even before an Administrative

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**HOUSE BILL 18-132, HD1**

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1 hearing is conducted. We find that business operators who violate the law by failing to  
2 obtain a valid business license should not be able to avail of the same protections that are  
3 provided to those who do hold valid licenses. The protections provided by the APA should  
4 be restricted to those operators that can produce good faith evidence that a business license  
5 does exist. However, in cases where the licenses is clearly non-existent, the APA should not  
6 operate to allow for operations to transpire pending the resolution of the matter. As set forth  
7 below, an exception to this general rule would be permitted in the case where the alleged  
8 violator produces a \$500.00 bond that will be refunded in the case of a successful appeal.

9 Lastly, 75% of the penalties established herein will be used to fund the enforcement  
10 of this Act. This earmark is necessary due to the potential for investigations, APA hearings,  
11 and other due process measures to be costly, especially so if they are underfunded. The  
12 remainder shall be deposited like other civil penalties into the CNMI General Fund where it  
13 can be used to provide critical governmental services.

14 **Section 2. Amendment.** Title 4, Section 51206 of the CNMI Code is hereby  
15 amended by revising subsections (a) and (c) and adding a new subsection (d) to as follows as  
16 follows:

17 **“4 CMC 51206. Penalties.**

18 (a) Any person who willfully fails or refuses to issue a receipt as required by  
19 this division or who shall make any false or fraudulent receipt with intent to evade  
20 any tax, or refuses to permit the director to examine any record of a receipt or receipt  
21 bearing, directly or indirectly, on a sale transaction, shall notwithstanding NMIAC  
22 section 70-40.2-2-5 or any law or regulation to the contrary, be guilty of an infraction  
23 punishable by a fine as set forth below:

24 First offense: \$350.00 Second Offense: \$750.00 Third Offense and any  
25 other subsequent violations: \$1,500.00 and automatic revocation of business license

HOUSE BILL 18-132, HD1

1 for at least six (6) months wherein no license shall be provided to or for the benefit of  
2 the offending party, business, or their agents where providing such a license would  
3 allow the circumvention of this provision.

4 (b) [No change]

5 (c) In addition to the penalties provided in subsections (a) and (b) of this  
6 section, any person who violates the provisions of this Act shall be subject to  
7 revocation of any relevant existing license to do business within the Commonwealth  
8 in accordance with the procedures established under the Administrative Procedures  
9 Act, 1 CMC 9101, et seq. The secretary or his/her designee is hereby granted  
10 authority to issue citations to any person found in violation of this Act.

11 (d) There is hereby established a special fund within the Department of  
12 Finance for all sums collected under 4 CMC Section 51206. From this account, the  
13 Department of Finance shall retain 75% of the revenue collected and shall use such  
14 funds for the enforcement of this Act; 25% of the all of the revenue collected shall be  
15 remitted to the General Fund.”

16 **Section 3. Amendment.** Title 4, Section 5613 of the CNMI Code is hereby amended  
17 by revising subsections (a) (b), and (c) and adding a new subsection (d) to as follows:

18 **“5613. Penalty for Violation of Business License Requirements.**

19 (a) Any person found operating or engaging in a business to sell merchandise,  
20 goods, or commodities, or providing services for compensation without a valid  
21 business license shall be subject to a penalty of \$1500.00 and upon written notice to a  
22 person under subsection (c) of this section, any continual violation shall subject the  
23 person to an additional penalty of \$250.00 per day for every additional day that the  
24 person is in violation of the business license provisions.

HOUSE BILL 18-132, HD1

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(b) The agency action provided for in subsection (a) of this section shall subject to Administrative Procedure Act, 1 CMC 9101 *et. seq.* Provided further, the secretary is also hereby granted authority to issue citations to any person found in violation of this Act.

(c) The secretary is hereby granted authority to issue a cease and desist order to any person found in violation of the requirement to obtain a business license pursuant to 4 CMC 5611 (a). Any order shall be effective immediately upon its issuance and shall be effective until the violation is cured.

A person may appeal the order to cease operations and if so, shall produce a refundable bond in the amount of \$500.00 to allow for continued business operations pending the hearing under Administrative Procedure Act, 1 CMC 9101 *et. seq.* provided that the \$500.00 shall be forfeit if the party does not prevail at said hearing.

(d) There is hereby established a special fund within the Department of Finance for all sums collected under 4 CMC Section 5613. From this account, the Department of Finance shall retain 75% of the revenue collected and shall use such funds for the enforcement of this Act; 25% of the all of the revenue collected shall be remitted to the General Fund.”


**Section 5. Severability.** If any provisions of this Act or the application of any such provision to any person or circumstance should be held invalid by a court of competent jurisdiction, the remainder of this Act or the application of its provisions to persons or circumstances other than those to which it is held invalid shall not be affected thereby. There is no Savings Clause herein because this legislation is intended to legislatively repeal any and all prior legislation, codified or not, and render null and void any and all contractual provisions not prospectively based on the instant legislation that may have been enacted improperly.



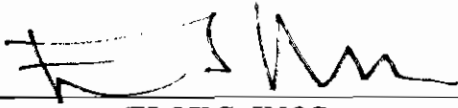
**HOUSE BILL 18-132, HD1**

1           **Section 4. Effective Date.** This Act shall take effect upon its approval by the  
2 Governor, or its becoming law without such approval.

Attested to by:   
**Linda B. Muña, House Clerk**

Certified by:   
**SPEAKER JOSEPH P. DELEON GUERRERO**  
House of Representatives  
18<sup>th</sup> Northern Marianas Commonwealth Legislature

Approved this 14<sup>th</sup> day of FEBRUARY, 2014

  
**ELOY S. INOS**  
Governor  
Commonwealth of the Northern Mariana Islands