



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

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

June 28, 2021

The Honorable Jude U. Hofschneider
President
The Senate
Twenty-Second 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. 22-19, HD1** "To amend Title 4 Section 1709 of the Commonwealth Code in order to provide relief for working families by making them eligible for the Earned Income Tax Credit; and for other purposes.", which was passed by the House of Representatives and the Senate of the Twenty-Second Northern Marianas Legislature.

In 2017, during 902 Consultations with President Obama's Administration, Governor Torres and members of his Administration expressed the significance that the implementation of the EITC would have onto the people of the Commonwealth. For this reason, we are pleased to witness this bill's enactment.

I would like to thank the author of this monumental bill, Representative Christina Sablan for her hard work in overseeing this bill's passage. Further, I would like to take this opportunity to commend our Congressional Delegate, Congressman Gregorio "Kilili" Sablan for ensuring that the Commonwealth and other U.S. territories are able to avail of full and permanent federal funding through the American Rescue Plan.

I also extend my appreciation to Representative Angel A. Demapan and Secretary of Finance, David DLG. Atalig for the roles they played in the critical amendment of this legislation which allows for our CNMI government to provide much needed assistance to working families while maintaining its ability to responsibly assess its financial capacities moving forward. This legislation is evidence that when we all work together, good things can happen.

This bill becomes **Public Law No. 22-03**. Copies bearing my signature are forwarded for your reference.

Sincerely,

A handwritten signature in black ink, appearing to read 'Arnold I. Palacios', with a long horizontal flourish extending to the right.

ARNOLD I. PALACIOS
Acting Governor

cc: Governor; Press Secretary; Secretary of Finance; Division of Revenue and Taxation; Law Revision Commission; Public Auditor; Special Assistant for Programs and Legislative Review; Special Assistant for Administration; Attorney General



House of Representatives

NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

P.O. BOX 500586
SAIPAN, MP 96950

May 20, 2021

The Honorable Ralph DLG. Torres
Governor
Commonwealth of the Northern
Mariana Islands
Capitol Hill
Saipan, MP 96950

Dear Governor Torres:

I have the honor of transmitting herewith for your action **H. B. No. 22-19, HD1**, entitled: "To amend Title 4 Section 1709 of the Commonwealth Code in order to provide relief for working families by making them eligible for the Earned Income Tax Credit; and for other purposes.", which was passed by the House of Representatives and the Senate of the Twenty-Second Northern Marianas Commonwealth Legislature.

Sincerely yours,



Linda B. Muña
House Clerk

Attachment



*Twenty-Second Legislature
of the
Commonwealth of the Northern Mariana Islands*

IN THE HOUSE OF REPRESENTATIVES

FIRST REGULAR SESSION

FEBRUARY 19, 2021

REPRESENTATIVE CHRISTINA M.E. SABLAN of Saipan, Precinct 2 (*for herself*, Representatives Blas Jonathan "BJ" T. Attao, Celina R. Babauta, Sheila J. Babauta, Vicente C. Camacho, Richard T. Lizama, Donald M. Manglona, Edwin K. Propst, Leila H.F.C. Staffler, 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. 22-19, HD1

AN ACT

TO AMEND TITLE 4 SECTION 1709 OF THE COMMONWEALTH CODE IN ORDER TO PROVIDE RELIEF FOR WORKING FAMILIES BY MAKING THEM ELIGIBLE FOR THE EARNED INCOME TAX CREDIT; AND FOR OTHER PURPOSES.

The Bill was referred to the House Committee on Ways and Means.

**THE BILL WAS PASSED BY THE HOUSE OF REPRESENTATIVES ON
FIRST AND FINAL READING, MARCH 19, 2021;**
with amendments in the form of H. B. No. 22-19, HD1 and transmitted to
THE SENATE.

The Bill was referred to the Senate Committee on Resources, Economic Development and Programs, which submitted Standing Committee Report 22-14, adopted 5/18/2021.

THE BILL WAS PASSED BY THE SENATE ON FIRST AND FINAL READING, MAY 18, 2021;
without amendments and was returned to
THE HOUSE OF REPRESENTATIVES.

THE BILL WAS FINALLY PASSED ON MARCH 19, 2021.



Linda B. Muña, House Clerk



Twenty-Second Legislature
of the
Commonwealth of the Northern Mariana Islands
IN THE HOUSE OF REPRESENTATIVES

FOURTH DAY, FIRST REGULAR SESSION

MARCH 19, 2021

H. B. No. 22-19, HD1

AN ACT

TO AMEND TITLE 4 SECTION 1709 OF THE COMMONWEALTH CODE IN ORDER TO PROVIDE RELIEF FOR WORKING FAMILIES BY MAKING THEM ELIGIBLE FOR THE EARNED INCOME TAX CREDIT; AND FOR OTHER PURPOSES.

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

1 **SECTION 1. LEGISLATIVE FINDINGS.**

2 The Legislature finds that the Earned Income Tax Credit (EITC) is a refundable tax
3 credit in the U.S. Internal Revenue Service (IRS) Code that helps qualified low- to moderate-
4 income working families and taxpayers get a tax break by allowing them to use the credit to
5 reduce the taxes they owe, and in some cases increase their tax refunds. To the extent that
6 Article 6, Section 601 of the *Covenant to Establish a Commonwealth of the Northern Mariana*
7 *Islands in Political Union with the United States* (Covenant) requires that the Northern

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1 Marianas Territorial Income Tax (NMTIT) mirror the IRS Code, and that Public Law 4-24
2 implemented that mirror tax code beginning after December 31, 1984, the EITC would apply
3 in the Commonwealth but for Public Law 11-25, enacted in August of 1998. Codified at Title
4 4, Section 1709 in the Commonwealth Code, Public Law 11-25 imposed on every
5 Commonwealth taxpayer subject to the NMTIT a 100% tax on any of the earned income credit
6 that would otherwise be refunded. According to 4 CMC Section 1709:

7 There is imposed on every person who is subject to the NMTIT and who has an
8 overpayment arising from any excessive credit, other than a credit relating to taxes withheld at
9 the source, such as wages, and the credit relating to estimated taxes paid in excess of the actual
10 tax liability of the taxpayer, a separate, additional tax for such taxable year equal to the amount
11 of such overpayment.

12 Thus, Commonwealth law currently provides that a taxpayer who is owed a tax refund
13 due to “any excessive credit” must pay an additional tax to the Commonwealth that is equal to
14 100% of the refund. Since the enactment of Public Law 11-25 in 1998, therefore, low- and
15 middle-income earners of the Commonwealth have been unduly burdened by this 100% tax on
16 refunds for which they would have otherwise qualified. Title 4, Section 1709 of the
17 Commonwealth Code could further be misconstrued to prohibit the CNMI from issuing other
18 refundable tax credits in the IRS Code not limited to the EITC.

19 The Legislature finds that the Earned Income Tax Credit is a proven and effective tool
20 to fight poverty and lift household incomes because it encourages labor force participation
21 among low- and middle-income individuals and families with children, and especially women
22 with children, and puts money back into the hands of working taxpayers who need it most. In

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1 addition to incentivizing employment and boosting earnings for qualified workers, the EITC
2 improves health and educational outcomes for children in low-income families, and helps
3 military families and veterans make ends meet.

4 Restoring the EITC and reducing the tax burden on low- and moderate-income working
5 families and taxpayers will also stimulate the local economy, since those who qualify for tax
6 refunds are likely to spend that money immediately. As the Commonwealth continues in its
7 recovery from back-to-back typhoon disasters and the ongoing Covid-19 global pandemic, the
8 EITC will provide relief to many households in economic distress. Moreover, because it applies
9 primarily to U.S. citizens, lawful U.S. permanent residents, and citizens of the Freely
10 Associated States, restoring the EITC in the Commonwealth is an important step towards
11 strengthening the U.S. workforce in the Northern Marianas, consistent with the goals and
12 objectives of the Commonwealth's workforce development plans as well as the Northern
13 Mariana Islands U.S. Workforce Act, U.S. Public Law 115-218.

14 This Act therefore restores the Earned Income Tax Credit, provides needed economic
15 relief to the Commonwealth's qualified working families and taxpayers, and removes
16 ambiguity in the Commonwealth tax code as to other refundable tax credits, by amending 4
17 CMC Section 1709.

18 **SECTION 2. SHORT TITLE.**

19 This Act may be cited as the "End Income Crush for Working Families Act."

20 **SECTION 3. AMENDMENT.**

21 Title 4 of the Commonwealth Code, Division 1 Revenue and Taxation, Section 1709,
22 titled, "Tax On Overpayments" is hereby amended as follows:

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1 “(a) There is imposed on every person who is subject to the NMTIT and who
2 as an overpayment arising from any excessive credit, other than a credit relating to taxes
3 withheld at the source, such as wages, and the credit relating to estimated taxes paid in
4 excess of the actual tax liability of the taxpayer, a separate, additional tax for such
5 taxable year equal to the amount of such overpayment.

6 (b) The tax imposed under subsection (a) shall not apply to any overpayment
7 arising from a tax credit that is accounted for by an authorized funding source.”

8 **SECTION 4. SEVERABILITY.**

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


13 **SECTION 5. SAVINGS CLAUSE.**

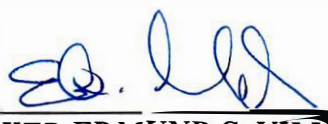
14 This Act and any repealer contained herein shall not be construed as affecting any
15 existing right acquired under contract or acquired under statutes repealed or under any rule,
16 regulation, or order adopted under the statutes. Repealers contained in this Act shall not affect
17 any proceeding instituted under or pursuant to prior law. The enactment of the Act shall not
18 have the effect of terminating, or in any way modifying, any liability, civil or criminal, which
19 shall already be in existence on the date this Act becomes effective.

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1 **SECTION 6. EFFECTIVE DATE.**

2 This Act shall take effect upon its approval by the Governor, or its becoming law
3 without such approval.

Attested to by: 
Linda B. Muña, House Clerk

Certified by: 
SPEAKER EDMUND S. VILLAGOMEZ
House of Representatives
22nd Northern Marianas Commonwealth Legislature

Approved this 28th day of June, 2021


ARNOLD I. PALACIOS
Acting Governor
Commonwealth of the Northern Mariana Islands