



**HOUSE OF REPRESENTATIVES
TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH
LEGISLATURE**

Honorable Jesus P. Mafnas Memorial Building
Capitol Hill
Saipan, MP 96950
cnmileg.net

June 24, 2025

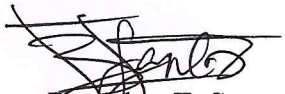
HOUSE
FILE

The Honorable Dennis C. Mendiola
President
The Senate
Twenty-Fourth Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Dear Senate President Mendiola:

I have the honor of transmitting herewith for Senate *action* **H. B. No. 24-4, HD1**, entitled: **“To amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.”**, which was passed by the House of Representatives on First and Final Reading, by the majority vote of the members present, a quorum being present, during its Second Day, Third Special Session on June 20, 2025.

Sincerely yours,


Brenalyn T. Santos
Journal Clerk

Attachment

Transmittal to the SENATE

Received by: 

Date: 8/24/25

Time: 8:19 am

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2025

First Regular Session, 2025

H. B. 24-4, HD1

A BILL FOR AN ACT

To amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.

BE IT ENACTED BY THE 24TH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:

1 **Section 1. Short Title.** This Act may be cited as the “Investment Incentive
2 Act of 2025.”

3 **Section 2. Findings.** The Legislature finds that the Investment Incentive Act
4 of 2000 continues its purpose of providing incentives that stimulate new
5 investments in the Commonwealth. The Legislature also finds that the structure of
6 the program has not kept pace with an evolving competitive market for business
7 investments. Accordingly, to encourage the development of additional business
8 investments and increase diversification of the Commonwealth economy, this Act
9 expands and refines the scope of developments and projects eligible for Qualifying
10 Certificates (QCs) within the Commonwealth. By explicitly including nursing and

1 retirement homes and dialysis centers in Tinian and Rota as eligible projects, this
2 Act seeks to incentivize the development of these projects, which will contribute
3 significantly to welfare of the community.

4 This Act also excludes online casino gaming and any gaming-related
5 businesses from QC eligibility, reflecting a commitment to fostering sectors that
6 provide tangible community benefits. Additionally, it provides that QC holders
7 cannot obtain licenses for gaming activities, further reinforcing this policy
8 direction.

9 This Act also requires CEDA to prepare an annual “QC Investment
10 Performance Evaluation Report.” This report will detail tax incentives applied,
11 assess economic benefits realized, and project anticipated economic impacts,
12 thereby enhancing transparency and accountability in QC administration.

13 This Act also amends the statute regarding fixed minimum capital investment
14 requirements by providing CEDA the authority to establish higher capital
15 investment thresholds through regulation. This aims to enhance strategic oversight
16 and ensure that investment requirements align with economic priorities.

17 This Act also requires QC applicants to submit a third-party due diligence
18 review from an entity certified through a vetting process established by CEDA.
19 This ensures that only credible assessments will inform CEDA’s decision-making.

20 Last, this Act improves the procedural requirement that CEDA forward
21 undecided QC applications to the Governor after 90 days. Should an application be

1 forwarded to the Governor due to delay, CEDA is now required to update applicants
2 on the status of their application and provide the Governor with a justification for
3 the delay. This provision seeks to improve the timely processing of applications
4 and enhances administrative efficiency.

5 By refining eligibility criteria for Qualifying Certificates, strengthening
6 procedural safeguards, mandating detailed reporting on investments and
7 performance, and enhancing oversight mechanisms, the Legislature finds that this
8 Act will attract diverse and impactful investments while also maintaining
9 transparency and accountability in the administration of development incentives.

10 **Section 3. Amendment.** 4 CMC § 50201 is hereby amended by adding three
11 new subsections that define the terms “CEDA,” “community development
12 projects,” and “due diligence review.” Pursuant to 1 CMC § 3806, the CNMI Law
13 Revision Commission shall codify this amendment and renumber the subsections
14 of 4 CMC § 50201 to ensure that all defined terms are placed in alphabetical order.
15 The CNMI Law Revision Commission shall also make conforming amendments to
16 any cross-referenced definitions. The new amendment, subject to re-codification,
17 shall read as follows:

18 “(h) “Commonwealth Economic Development Authority” or “CEDA”
19 shall mean the autonomous public agency of the Commonwealth of the

1 Northern Mariana Islands established under 4 CMC § 10201 and tasked with
2 the primary responsibility of developing the economy of the CNMI.

3 (i) “Community development projects” shall mean projects or
4 initiatives that provide a measurable benefit to the public, including but not
5 limited to the construction, improvement, or maintenance of public
6 infrastructure (e.g., roads, utilities, parks), social programs, educational
7 initiatives, or other activities that enhance the welfare of the community.

8 (j) “Due diligence review” shall mean a comprehensive process of
9 gathering and evaluating detailed information about an entity to assess its
10 financial, legal, and operational aspects to ensure all relevant factors are
11 considered before a Qualifying Certificate is issued. The review shall
12 culminate in a report that summarizes its findings.”

13 **Section 4. Amendment.** Title 4, Division 5, Chapter 13, Section 50202 of
14 the Commonwealth Code is hereby amended to read as follows:

15 **“§ 50202. Eligibility.**

16 (a) Any business which is either a trust, a partnership, a sole
17 proprietorship, a corporation, a limited liability corporation or a limited
18 liability partnership is eligible to apply for a Qualifying Certificate in one or
19 more of the following areas:

- 20 1. Franchise restaurants;
- 21 2. Water parks;

- 1 3. Aquariums;
- 2 4. Cultural centers;
- 3 5. Theme parks;
- 4 6. Resort hotels and condominiums;
- 5 7. Golf courses;
- 6 8. Convention centers;
- 7 9. Dinner theaters;
- 8 10. Special events such as conventions and sporting events;
- 9 11. CNMI based airlines and other aviation related activities;
- 10 12. Manufacturing or processing of high technology products;
- 11 13. Internet related businesses and/or businesses engaged in
- 12 internet commerce, excluding online casino gaming; ~~or,~~
- 13 14. ~~Any development or project beneficial to the economic~~
- 14 ~~development of the Commonwealth not listed above.~~
- 15 Nursing/Retirement homes;
- 16 15. Dialysis centers located in Tinian and Rota; or
- 17 16. Any development or project beneficial to the economic
- 18 development of the Commonwealth, including those in the agriculture
- 19 or aquaculture industries, subject to the approval of the Board.

1 (b) Ineligibility.

2 (1) Any business engaged in gaming or gambling activity or the
3 distribution, sale, rental or providing of gambling equipment ~~on Saipan~~
4 in the CNMI shall not be eligible for a Qualifying Certificate.

5 ~~(c) Any business engaged in casino gambling activities conducted~~
6 ~~within its hotel-casino premises located in the senatorial districts of Tinian~~
7 ~~and Rota may be eligible for a Qualifying Certificate~~

8 (c) Restrictions on Gaming for Qualifying Certificate Holders.

9 ~~(d)(1) Any holder of a Qualifying Certificate shall not be eligible for a~~
10 ~~license to engage in gaming or gambling activity on the premises covered by~~
11 ~~the Qualifying Certificate if those premises are located on Saipan.”~~

12 **Section 5. Amendment.** Title 4, Division 5, Chapter 13, Section 50203 of
13 the Commonwealth Code is hereby amended to read as follows:

14 “§ 50203. **Minimum Capital Investment.**

15 (a) A minimum capital investment, including public benefit
16 contributions, in a new business or expansion of an existing business of a
17 Qualifying Certificate applicant is as follows:

	New	Expansion
18 1. Franchise restaurant	\$1,000,000	500,000
19 2. Water park	\$1,000,000	500,000
20 3. Aquarium	\$1,000,000	500,000
21		

HOUSE BILL 24-4, HD1

1	4. Cultural center	\$1,000,000	500,000
2	5. Theme park	\$10,000,000	5,000,000
3	6. New expansion, resort hotel or		
4	condominium	\$5,000,000	2,500,000
5	7. Golf course	\$10,000,000	5,000,000
6	8. Convention center	\$1,000,000	500,000
7	9. Dinner theater	\$1,000,000	500,000
8	10. Special event	\$500,000	250,000
9	11. CNMI based airlines or		
10	other aviation related activity	\$1,000,000	500,000
11	12. Manufacturing or processing		
12	of high technology product	\$1,000,000	500,000
13	13. Internet related businesses and/or		
14	businesses engaged in internet commerce,		
15	excluding online casino gaming	\$100,000	50,000
16	14. Any development or project not		
17	listed above that is approved		
18	pursuant to this Chapter		
19	<u>Nursing and retirement homes</u>	\$1,000,000	500,000
20	<u>15. Dialysis centers located</u>		
21	<u>in Tinian and Rota</u>	\$1,000,000	500,000

1 16. Any development or project not
2 listed above that is approved pursuant
3 to this Chapter \$1,000,000 500,000

4 (b) Provided that for the islands of Rota and Tinian, the minimum
5 capital investment, including public benefit contributions, shall be sixty
6 percent of the corresponding figures listed above, except for developments
7 and projects explicitly listed as specific to Rota and Tinian in this Section, for
8 which the full minimum capital investment requirements shall apply without
9 discount.

10 (c) CEDA may adjust the minimum capital investment requirements
11 specified in this Section upwards through regulations promulgated in
12 accordance with the Administrative Procedure Act [1 CMC §§ 9101 et. seq.].
13 Until such regulations are duly promulgated and take effect, the minimum
14 capital investment amounts listed in this Section shall remain in full force and
15 effect. Entities holding Qualifying Certificates issued prior to the effective
16 date of this Act shall remain unaffected by the adjusted minimum investment
17 requirements. The adjusted minimum investment requirements shall apply
18 only prospectively to new applicants.

19 (d) Each Fiscal Year, within three months of its conclusion, CEDA
20 shall submit to the Legislature a QC Minimum Investment Report, which
21 shall include the following information:

1 (1) whether any Qualifying Certificates have been issued to any
2 development or project not enumerated in the statute, along with the
3 minimum investment required by CEDA;

4 (2) whether there were any interested investors and the types of
5 developments or projects that garnered interest; and

6 (3) recommendations, with supporting rationale, on whether
7 certain developments or projects should be explicitly included in
8 subsection (a) of Section 50202 of this Chapter, along with proposed
9 minimum investment amounts for such developments or projects.”

10 **Section 6. Amendment.** Title 4, Division 5, Chapter 13, Section 50206 of
11 the Commonwealth Code is amended to add a new subsection 8 to read as follows:

12 **“§ 50206. Requirements.**

13 (a) Each applicant for a Qualifying Certificate must submit the
14 following to the Commonwealth Economic Development Authority:

15 (1) A completed Qualifying Certificate application together with
16 the applicable filing fee;

17 (2) Financial plan for financing the project, if appropriate;

18 (3) Certified copies of articles of incorporation, partnership
19 agreement, or trust agreement as filed with the Government of the
20 CNMI;

1 (4) Names of owners, to include addresses, percentages of
2 ownership, and the amount invested or to be invested;

3 (5) Business plan;

4 (6) Description of the land on which applicant's project is to be
5 located or is located, applicant's title thereto, and any recorded maps
6 thereof; ~~and~~

7 (7) A Certificate of Tax Compliance from Division of Revenue
8 and Taxation.; and

9 (8) A due diligence.”

10 **Section 7. Amendment.** Title 4, Division 5, Chapter 13, Section 50208 of
11 the Commonwealth Code is amended to read as follows:

12 **“§ 50208. Review.**

13 (a) The application shall be reviewed and analyzed in detail by the
14 Commonwealth Economic Development Authority and such outside
15 consultants as may be necessary. Upon completion of the review, the
16 Commonwealth Economic Development Authority Board may either
17 recommend the issuance of a Qualifying Certificate to the Governor or
18 disapprove the application.

19 (b) When necessary, the Commonwealth Economic Development
20 Authority ~~will~~ may meet with the applicant to discuss the terms of the benefits
21 provided by the Commonwealth or to clarify or amplify representations made

1 in the application. Upon completion of the review, the Commonwealth
2 Economic Development Authority Board may either recommend the issuance
3 of a Qualifying Certificate to the Governor or disapprove the application. If
4 within ninety days of receipt of all items required by Section 50206, the
5 Commonwealth Economic Development Authority Board fails to either
6 disapprove the application or recommend that the application be granted, then
7 the application shall be forwarded directly to the Governor for his
8 consideration.”

9 **Section 8. Amendment.** Title 4, Division 5, Chapter 13, Section 50209 of
10 the Commonwealth Code is hereby amended to read as follows:

11 “§ 50209. Nature and Duration of Tax Benefits Qualifying
12 Certificates.

13 (a) A Qualifying Certificate, once issued, shall be a contract between
14 the Government of the Northern Mariana Islands and the Beneficiary, and the
15 tax rebates or abatements or both set out in the Qualifying Certificate may
16 not be curtailed, limited or impaired without the consent of both parties by
17 any subsequent act, except as provided herein. Once issued and unless
18 suspended or revoked, a Qualifying Certificate shall constitute conclusive
19 evidence of entitlement to the tax rebates or abatements or both set out on its
20 face.”

1 **Section 9. Amendment.** Title 4, Division 5, Chapter 13, Section 50211 of
2 the Commonwealth Code is hereby amended to read as follows:

3 **“§ 50211. Conditions of Benefits.**

4 In its recommendation of specific tax benefits, the Commonwealth
5 Economic Development Authority in consultation with the Division of
6 Revenue and Taxation shall consider the following as possible terms and
7 conditions to such benefits:

8 (a) Cap on Amount. ~~Whether to cap~~ ~~Capping~~ the tax benefits to a fixed
9 dollar amount.;

10 (b) Public Benefits and Contributions.

11 (i) ~~Whether to conditioning~~ the tax benefits on the Beneficiary’s
12 investment in community development projects ~~or investing in~~ ~~or~~
13 ~~creation of or creating public improvements~~ separate from its activities
14 or proposed activities. If the Commonwealth Economic Development
15 Authority conditions the tax benefits on such an investment, then that
16 investment must have a total dollar value equal to at least 10% of the
17 value of the estimated tax benefit.

18 (ii) Whether to condition the tax benefits on the Beneficiary’s
19 establishment of ~~or establishing~~ in-house training programs, ~~or~~

20 (iii) Whether to condition the tax benefits on the Beneficiary’s
21 contribution to ~~or plans to make a contribution to~~ an independent

1 training program or scholarship fund. If the Commonwealth Economic
2 Development Authority conditions the tax benefits on contributions to
3 scholarship funds, the contributions shall be allocated as follows: 80%
4 for scholarships administered by the local municipalities, 10% for
5 scholarships administered by the CNMI Scholarship Office, and 10%
6 for scholarships administered by the Northern Marianas College. ~~and~~

7 (c) Local Purchaser. Whether to require ~~Requiring~~ the Beneficiary to
8 procure services or products from CNMI-licensed vendors, if the cost does
9 not exceed one hundred five percent of the cost of the same services or
10 products available from off-island vendors.”

11 **Section 10. Amendment.** Title 4, Division 5, Chapter 13, Section 50219 of
12 the Commonwealth Code is hereby amended to read as follows:

13 **“§ 50219. Certificate of Compliance.**

14 (a) The Commonwealth Economic Development Authority shall
15 monitor the activities of the Beneficiary and its compliance with all of the
16 terms and conditions of the Qualifying Certificate and this Chapter. The
17 Beneficiary shall accommodate and cooperate with the Commonwealth
18 Economic Development Authority in its compliance inspection. The
19 Commonwealth Economic Development Authority shall, unless unjustified,
20 issue annually, and not later than January 31st of each year, a Certificate of
21 Compliance for the Beneficiary. Benefits for rebated taxes may be revoked

1 retroactive to the date of the Beneficiary's failure to comply with the terms
2 and conditions of its Qualifying Certificate. No rebate or abatement of any
3 tax shall occur unless the Beneficiary has received a Certificate of
4 Compliance for the applicable year. A Certificate of Compliance shall only
5 be issued to entities that are regularly conducting their core operations as
6 specified in their Qualifying Certificate.”

7 **Section 11. Enactment.** Title 4, Division 5, Chapter 13, Section 50225 of
8 the Commonwealth Code is hereby enacted to read as follows:

9 **“§ 50225. Qualifying Certificate Investment Performance**
10 **Evaluation Report.**

11 (a) CEDA shall prepare and submit to the CNMI Legislature an annual
12 QC Investment Performance Evaluation Report that details the performance
13 of all QC investors and shall include, at a minimum, the following
14 information:

15 (1) A comprehensive account of all tax incentives applied,
16 including the total monetary value of each incentive;

17 (2) An analysis of the total tax incentive applied as compared to
18 the associated economic benefits realized by the CNMI and its
19 municipalities;

20 (3) An assessment of the direct benefits to the community
21 resulting from the activities of Qualifying Certificate holders,

1 including, but not limited to, infrastructure improvements and
2 contributions to local services and programs;

3 (4) A projection of the anticipated economic impact for the
4 upcoming fiscal year, including expected changes in employment,
5 investment, and community development; and

6 (5) Other relevant information that CEDA deems necessary to
7 provide a comprehensive overview of the performance and impact of
8 Qualifying Certificate holders.”

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

14 **Section 13. Savings Clause.** This Act and any repealer contained herein
15 shall not be construed as affecting any existing right acquired under contract or
16 acquired under statutes repealed or under any rule, regulation, or order adopted
17 under the statutes. Repealers contained in this Act shall not affect any proceeding
18 instituted under or pursuant to prior law. The enactment of the Act shall not have
19 the effect of terminating, or in any way modifying, any liability, civil or criminal,
20 which shall already be in existence on the date this Act becomes effective.

1 **Section 14. Effective Date.** This Act shall take effect upon its approval by
2 the Governor, or it becoming law without such approval.

Prefiled: 2/7/2025

Date: _____ Introduced by: /s/ Rep. Julie M. A. Ogo.

Reviewed for Legal Sufficiency by:

/s/ Joseph M. Hallahan
House Legal Counsel

Date: 1/29/2025

House Bill N. 24-4, HD1: Reviewed for Legal Sufficiency by:

/s/ Joseph L.G. Taijeron, Jr.
House Legal Counsel

Date: 5/12/2025



TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
HOUSE OF REPRESENTATIVES
COMMITTEE ON COMMERCE
P.O. BOX 500586 SAIPAN, MP 96950

THOMAS JOHN "TJ" DELA CRUZ MANGLONA
CHAIRMAN

Adopted - 6/20/2025

STANDING COMMITTEE REPORT NO. 24-8

DATE: May 8, 2025

RE: House Bill No. 24-4

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

NO LITTLE K'S O
RECEIVED BY *TJ*
DATE *6-20-2025* TIME *HOUSE Floor*

Dear Mr. Speaker:

Your Committee on Commerce to which was referred:

House Bill No. 24-4: To amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that House Bill No. 24-4 be passed by the House in the form of House Draft 1 (HD1).

II. ANALYSIS:

A. Purpose:

To amend the Investment Incentive Act of 2000 by clarifying eligibility criteria for Qualifying Certificates, reinforcing procedural safeguards, requiring comprehensive reporting on

investments and outcomes, and improving oversight mechanisms.

B. Committee Amendments:

The Committee made the following amendments to strengthen the intent of this Act.

1. Page 2, Lines 9-20. Section 2. Findings was amended to read as follows:

~~“To ensure alignment with the Commonwealth’s economic objectives, this Act mandates that the Commonwealth Economic Development Authority (“CEDA”) produce “QC Minimum Investment Reports” that provide the Legislature with annual updates on the issuance and interest in QCs. The reports will inform the Legislature of the QCs that have been granted to developments or projects and will also provide the Legislature with details regarding the minimum investment required by CEDA for these projects. The reports will also identify any interested investors and the types of developments or projects that attracted their interest. Last, the reports are required to provide recommendations regarding whether certain developments or projects should be explicitly included in 4 CMC § 50202, along with proposed minimum investment amounts for these potential inclusions.”~~

2. Page 11, Lines 4-5. Section 50206 (a) (8) was amended to read as follows:

~~“(8) A due diligence review conducted by a third party that has been certified by CEDA.”~~

3. Page 11-12, Lines 15-20 (Page 11), and Lines 1-2 (Page 12). Section 50203 (b) was amended to read as follows:

~~“(b) The Commonwealth Economic Development Authority shall have 90 days, after receiving all items required under Section 50206 of this Chapter, to review the application and decide whether it recommends that the application be approved by the Governor. Should CEDA fail to render a decision within 90 days, CEDA shall forward the application directly to the Governor for his consideration, provide the Governor reasonable justification for the delay, and notify the applicant of the status of the application.”~~

4. Page 13, Lines 5-11. Section 50209 (b) was deleted in its entirety:

~~“(b) A properly issued Qualifying Certificate shall be valid and legally effective for a period not to exceed 25 years. Any Qualifying Certificate that purports to exceed a 25-year term shall be void ab initio, and all tax benefits received by the Beneficiary under such Qualifying Certificate shall be reimbursed to the General Fund of the CNMI Government, with interest accruing at an annual rate of 8% and compounding annually from the date the benefits were received.”~~

5. Page 15-16, Lines 17-21 (Page 15), and Lines 1-6 (Page 16). Section 50219 (b) (1) and

(b) (2) was deleted in its entirety:

~~“(b) Notwithstanding subsection (a), for each entity issued a Qualifying Certificate, the following shall apply in the calendar year in which the Qualifying Certificate is issued:
(1) If the Qualifying Certificate is issued on or before July 1 of a calendar year, the entity in receipt of that Qualifying Certificate shall be required to obtain a Certificate of Compliance for the following calendar year and every subsequent year thereafter.
(2) If the Qualifying Certificate is issued after July 1 of a calendar year, the entity in receipt of that Qualifying Certificate shall not be required to obtain a Certificate of Compliance for the following calendar year but must obtain a Certificate of Compliance for every subsequent year thereafter.”~~

6. Section 12. Enactment deleted in its entirety:

~~“**Section 12. Enactment.** A new Section 50226 is hereby added to Title 4, Division 5, Chapter 13 of the Commonwealth Code to read as follows:~~

~~“**§ 50226. Third party due diligence reviews; third party certification.**~~

~~(a) — CEDA shall promulgate regulations that establish and implement a third party certification process for the due diligence reviews required under Section 50206 of this Chapter. A third party due diligence certification serves as an official acknowledgment that the third party is competent and trustworthy to perform and submit a due diligence review regarding a specific applicant.~~

~~(b) — The third party certification process shall evaluate the qualifications, professional history, and impartiality of the third party as it relates to the applicant seeking certification. This evaluation may involve:~~

~~(1) Verifying professional credentials, licenses, or certifications;~~

~~(2) Reviewing prior performance in conducting similar due diligence reviews;~~

~~(3) Assessing adherence to recognized ethical and professional standards;~~

~~(4) Evaluating any conflicts of interest or biases that may compromise impartiality; and~~

~~(5) Considering any other criteria deemed necessary by CEDA to ensure the reliability, trustworthiness, and credibility of the third party conducting an applicant’s due diligence review.~~

~~(c) — Certified third parties shall comply with all applicable regulations and may be subject to periodic reevaluation or recertification to ensure continued compliance with CEDA’s standards. CEDA shall have the discretion to revoke or suspend a third party’s certification if CEDA determines that the certified party no longer meets the required standards or has violated any applicable laws or regulation.~~

~~—CEDA may impose reasonable fees to cover the costs associated with the certification process.”~~

C. Committee Findings:

Your Committee finds that House Bill No. 24-4 aims to bolster economic growth in the

Commonwealth by expanding the scope of projects eligible for Qualifying Certificates (QCs). Specifically, the bill targets healthcare infrastructure, such as nursing homes and dialysis centers in Tinian and Rota, as key areas for development. This strategic inclusion is expected to enhance community welfare and diversify the local economy.

Moreover, the Committee underscores the bill's shift away from gaming, as it excludes online casino gaming from QC eligibility. This move aligns with the legislative goal of emphasizing socially beneficial sectors. By prohibiting QC holders from obtaining gaming licenses, the bill reinforces the Commonwealth's commitment to fostering investment in industries that provide tangible benefits to the community.

The bill also mandates the Commonwealth Economic Development Authority (CEDA) to compile an annual QC Investment Performance Evaluation Report. This report will consolidate data on tax incentives, assess realized economic benefits, and forecast future impacts. This requirement is intended to enhance transparency and accountability in the administration of development incentives.

Furthermore, the Committee recognizes the need for heightened due diligence in the QC application process. The bill introduces a requirement for a third-party due diligence review of applicants to ensure credibility and informed decision-making by CEDA. Additionally, it sets provisions to optimize the processing timeline for QC applications, thereby improving efficiency and oversight in economic development projects.

After thorough consideration and discussion, your Committee recommends that House Bill No. 24-4, be passed by the House in the form of HD1.

D. Public Comments/Public Hearing:

The Committee received comments from the following:

- Derek T. Sasamoto, Executive Director, Commonwealth Economic Development Authority. Comments dated March 26, 2025.

“The Act further requires that a third party perform due diligence on QC applicants. This creates an unnecessary and financially burdensome layer on the CNMI CEDA does not require or have a reliance on a third party to perform due diligence.”

- David R. Maratita, Acting Secretary of Commerce, CNMI Department of Commerce. Comments dated March 27, 2025.

“In summary, the Department of Commerce supports the overall intent of House Bill 24-4 to strengthen and refine the Qualifying Certificate (QC) program.”

- Joe C. Guerrero, President, Saipan Chamber of Commerce. Comments dated on April 11, 2025.

“On behalf of the Saipan Chamber of Commerce (SCC), I am writing to share our support with H.B. No. 24-4, which seeks to amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.”

Comments received have been attached as part of the committee report.

E. Legislative History:

House Bill No. 24-4 was introduced by Representative Julie Marie A. Ogo on February 14, 2025, and has since been referred to the House Standing Committee on Commerce for further disposition.

F. Cost Benefit:

The enactment of House Bill No. 24-4, HD1, will entail some additional costs for the CNMI government, particularly in enhancing CEDA’s oversight and reporting capabilities. However, these costs are expected to be outweighed by long-term economic benefits. By refining the eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, and expanding transparency through detailed reporting requirements, the legislation aims to attract a broader and more impactful range of investments to the Commonwealth.

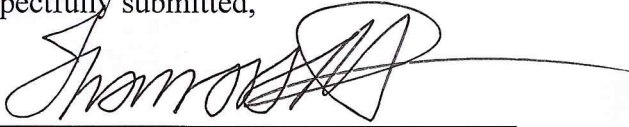
Furthermore, the inclusion of projects such as nursing homes, retirement facilities, and dialysis centers, especially in Tinian and Rota, may stimulate targeted development in sectors that need growth. Conversely, the exclusion of online casino gaming from qualifying projects refocuses incentives toward industries that provide tangible community benefits.

Over time, the anticipated increase in quality investments, combined with improved oversight and accountability measures, is expected to produce a net positive economic impact for the CNMI. This may include increased tax revenues, job creation, and greater economic diversification, ultimately strengthening the overall economic stability of the territory.

III. CONCLUSION:

The Committee is in accord with the intent and purpose of House Bill No. 24-4 and recommends its passage in the form of HD1.

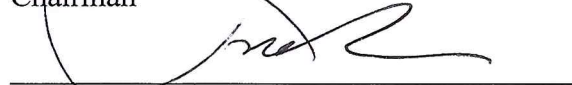
Respectfully submitted,



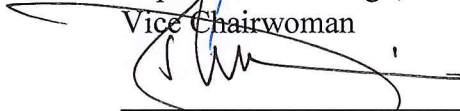
Rep. Thomas John "TJ" DLC. Manglona
Chairman



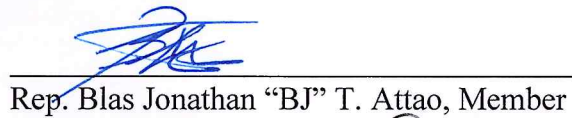
Rep. Julie M. A. Ogo,
Vice Chairwoman



Rep. Roy A. Ada, Member



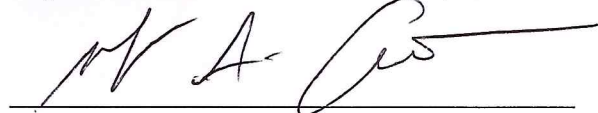
Rep. Daniel I. Aquino Jr., Member



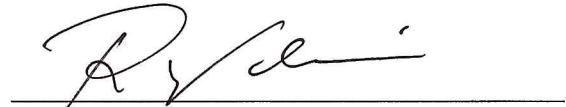
Rep. Blas Jonathan "BJ" T. Attao, Member



Rep. Angelo A. Camacho, Member



Rep. Malcolm J. Omar, Member

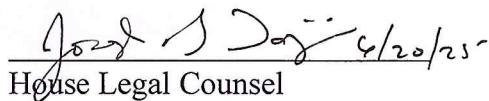


Rep. Raymond U. Palacios, Member



Rep. Patrick H. San Nicolas, Member

Reviewed by:



House Legal Counsel

Attachments:

- Letter dated March 26, 2025, from the Executive Director of the Commonwealth Economic Development Authority.
- Letter dated March 27, 2025, from the Acting Secretary of the CNMI Department of Commerce.
- Letter dated April 11, 2025, from the President of the Saipan Chamber of Commerce.



CEDA
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2390 Beach Road Olea, Unit #205 P.O. Box 502149 Saipan, MP 96950 Te N 671 234 6245 / 6293 / 7145 / 7146 Fax No 235 7147 www.developcnmi.com

March 26, 2025

The Honorable Thomas John DLC Manglona
Chairman, Committee on Commerce
House of Representatives
23rd Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Dear Mr. Chairman:

We reviewed the proposed legislations and hereby submit our input and comments as follows:

House Bill 24-4, entitled: *"To amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investment and performances, and enhancing oversight mechanisms."*

Comments: This bill seeks to enhance and refine the scope of projects eligible for the Qualifying Certificate (QC). However, the QC law and regulations allow for any business that is beneficial to the CNMI. Thus, the current QC environment does not limit the projects/investments eligible under the program. It allows the flexibility for CEDA to entertain all applications and proposals except those restricted by law, such as gambling activities on Saipan.

The bill seeks to completely restrict gambling/gaming activities under the QC program. Currently, such activities are only allowed on Tinian and Rota if conducted within a hotel. The inclusion of gaming/gambling appears to have been effectuated through Public Law (PL) 19-23. The impact this may have on the islands of Rota and Tinian must be considered given the limited industry currently available and developing in those locations. Is data available to illustrate whether the gaming industry on those islands has had a positive impact? A negative impact? Has this industry created jobs? Are these jobs currently occupied? What new industry or investment is planned to supplement the potential loss of jobs, if any? The same can be considered regarding revenues and taxes.

Line 9 through 20 on page 2: the necessity to mandate these reports seems unnecessary. A request to CEDA is more than optimal. Minimum investment requirements are currently indicated in the law and regulations. Regarding whether specific projects should be specifically included, we believe the law does not restrict any business other than gaming/gambling on Saipan currently.

Comments on proposed legislations
House Committee on Commerce
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Regarding the QC investment evaluation report, this should mandate that Department of Finance Revenue and Taxation be involved as by law, they provide the financial/tax analysis and impacts to CEDA. They are the expert CEDA relies on.

The Act further requires that a third party perform due diligence on QC applicants. This creates an unnecessary and financially burdensome layer on the CNMI. CEDA does not require or have a reliance on a third party to perform due diligence. Instead, CEDA has the authority to hire consultants, if necessary. The necessity of it should be the guide and this should not be a mandated requirement. It is not an absolute necessity. CEDA can perform due diligence tests.

The bill also mandates that undecided applications be justified to the Governor and that applicants be informed of the status of their applications. This is being done as a normal business course. Thus, to mandate it seems unnecessary.

The bill also adds language regarding the maximum duration of QC. The current law only allows for a 25-year period. Thus, any QC exceeding this, is not valid. Thus, the current law inclusion of this language is not necessary as CEDA is not authorized to issue a QC beyond 25 years.

The bill proposes not to require a certificate of compliance for the following calendar year if the QC is issued after July 1. This seems to pose a significant risk. If a QC is issued after July 1, the bill states the beneficiary is not required to obtain a certificate of compliance in the following calendar year. Thus, the beneficiary, in this situation, may not be in compliance for that calendar year but will receive the QC benefits. However, if we maintain the requirement to obtain a certificate of compliance each year, then we avoid this risk. We should only extend benefits to those in compliance and ensuring compliance in this regard should not be viewed as a burden on the beneficiary given the beneficiary may be receiving substantial tax incentives from the CNMI.

Senate Bill 24-15, SD1, entitled: *"To amend 4 CMC §4266 to add a filing number to incorporation filings; to amend 4 CMC §4269 to create an internet portal for public search of corporate existence by filing number; and for other purposes."*

Comments: We have no comments on this proposed legislation.

Senate Bill 24-16, SD1, entitled: *To promote trade and investment economic development and diversification in the CNMI; to encourage foreign and domestic investments through incentives and streamlined processes, as well as to promote the CNMI as a trade and investment hub; and for other purposes."*

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Comment: Senate Bill No. 24-17 SD1 should be evaluated against PL 22-01 and MVA's mandates to ensure there is no unnecessary duplication of government services.

Senate Bill 24-17, SD1, entitled: "To globally amend Divisions 1 and 5 of Title 4 to rename "Commonwealth Free Trade Zone Authority" to "Commonwealth Economic Incentive District Authority"; and for other purposes."

Comments: We have no comments.

Thank you for giving us the opportunity to comment on the above proposed legislations. Please let us know if we could be of further assistance.

Respectfully,



Derek T. Sasamoto
Executive Director

xc: CEDA Board of Directors
CEDA Executive Assistant



Commonwealth of the Northern Mariana Islands
DEPARTMENT OF COMMERCE

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Arnold I. Palacios, Governor • David M. Apatang, Lt. Governor • Remedio C. Mafnas, Secretary of Commerce

March 27, 2025

The Honorable Thomas John DLC Manglona
Chairman, Committee on Commerce
House of Representatives
24th Northern Marianas Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Re: Department of Commerce Comments on House Bill 24-04, "Proposed Amendments to the Investment Incentive Act of 2000"

Dear Representative Manglona:

Thank you for your request for comments on the proposed legislation amending the Investment Incentive Act of 2000. The Department of Commerce has thoroughly reviewed the proposed amendments and is pleased to provide the following comments from a policy, regulatory, and economic development perspective.

Comments:

1. General Support for Modernization and Reform

The Department supports the overarching intent of the proposed legislation – to update and strengthen the legal framework governing Qualifying Certificates (QCs). We view these amendments as a timely and necessary step to promote responsible investment, enhance transparency, and ensure greater accountability in the administration of economic incentives.

2. Observations and Recommendations

2.1 Recognition of the Commonwealth Economic Development Authority's Role

We acknowledge that the Commonwealth Economic Development Authority (CEDA), formerly CDA, serves as the issuing authority for QCs. As such, the Department defers to CEDA on matters specific to QC issuance, compliance administration, and evaluation processes. However, we remain committed to collaborating on areas of shared concern – particularly with respect to economic impact analysis, policy coherence, and investor due diligence.

2.2 Clarification on Qualifying Certificate (QC) Eligibility and Gaming Activities

The Department of Commerce appreciates the intent to refine the eligibility criteria for qualifying certificates (QCs) and clarify the scope of projects eligible for the program.

While we support the objective of ensuring that only beneficial investments are considered, we note that the existing QC program already provides sufficient flexibility to entertain applications for any business that is beneficial to the CNMI, with a few specific exceptions (e.g., gambling activities on Saipan).

The bill proposes to restrict all gaming activities under the QC program, while currently, such activities are only allowed on Tinian and Rota if conducted within a hotel. This restriction could have unintended consequences, particularly for the economic development of Tinian and Rota, where the gaming industry is still developing. The Department recommends that further analysis be conducted to understand the potential impact of this restriction on job creation, local revenue, and the overall economy, particularly in these developing municipalities.

2.3 Reporting Requirements

While we support increased transparency and accountability within the QC program, the Department believes that the proposed reporting requirements could be overly burdensome. The requirement for detailed, mandatory reports may be unnecessary and could create inefficiencies in the application process. Instead, a more streamlined request to CEDA for relevant data or updates would be more efficient and provide the necessary oversight without imposing excessive administrative burdens.

2.4 Role of the Department of Finance, Revenue and Taxation (DFRT)

The Department of Commerce recommends that the Department of Finance, Revenue and Taxation (DFRT) continue to play a critical role in evaluating the financial and tax components of QC applications. DFRT's expertise in tax analysis is essential for accurately assessing the fiscal implications of proposed investments. To strengthen the review process and ensure consistency, the Department further recommends that the bill explicitly define DFRT's role in preparing or contributing to the QC Investment Evaluation Report.

2.5 Support for Enhanced Due Diligence and Transparency

The due diligence process proposed in the bill is a critical element for ensuring that Qualifying Certificates are issued to responsible, credible investors who will contribute meaningfully to the Commonwealth's economic development. The Department strongly supports the emphasis on conducting thorough background checks, financial disclosures, and compliance reviews for all QC applicants.

2.6 Third Party Due Diligence

The due diligence process must balance the need for rigorous checks with the practicalities of doing business in the Commonwealth. Thorough checks on investors' financial stability, business track record, and compliance with relevant laws are necessary to mitigate risks. However, this process should also be efficient, transparent, and responsive to the dynamic nature of such business operations.

However, the proposal to mandate third-party due diligence on QC applicants is a concern for the Department of Commerce, as it could impose unnecessary costs and administrative complexity. The Department believes that due diligence should remain under the purview of CEDA, with the option to hire consultants, when necessary, rather

than mandating the use of third-party firms in every case. Requiring third-party due diligence in all instances could delay the process and increase costs without offering a corresponding benefit. We recommend revising this provision to allow for due diligence as needed, based on the specifics of each application.

While the bill proposes robust measures, we believe there are key areas where the due diligence process could be enhanced:

- **Ongoing Monitoring:** The bill should incorporate provisions for continuous monitoring throughout the life of the QC agreement. Investors' financial health and compliance with the terms of their incentives should be periodically reviewed to ensure they are fulfilling their obligations. A clear mechanism for flagging potential issues or non-compliance could help prevent future liabilities for the Commonwealth.
- **Standardized Guidelines for Evaluation:** The Department suggests the development of standardized due diligence guidelines to streamline the review process and ensure consistency. This would help mitigate any potential for arbitrary decision-making and ensure that all applicants are held to the same rigorous standards.

3. Justification for Undecided Applications

The requirement to justify undecided QC applications to the Governor and inform applicants of their application status appears to duplicate existing practices. CEDA already ensures that applicants are informed of their status and that decisions are made in a timely manner. As such, we believe this provision may not be necessary and could create redundant administrative tasks. We therefore recommend removing this mandate from the bill.

4. Improved Compliance and Enforcement Mechanisms

Strengthening compliance monitoring and introducing enforcement provisions – such as penalties for misrepresentation or non-compliance – are necessary and welcomed. The

Department recommends the inclusion of defined timelines and procedures for regular reviews and audits to help ensure consistency in enforcement.

5. Alignment with Development Priorities and Performance Metrics

We recommend incorporating more explicit criteria tied to public benefits – such as job creation for residents, support for local businesses, and sustainable development practices – as part of the application, evaluation, and renewal process. These metrics will help ensure that the Commonwealth receives a meaningful return on its investment incentive commitments.

6. Transparency and Public Accountability

The Department supports provisions that promote public access to information on QC recipients. Establishing and publishing an annual registry of active QCs – along with basic information such

as project descriptions, investment amounts, and granted benefits – would help build public trust and confidence in the program.

7. Transition Provisions for Existing QC Holders

To minimize disruptions and legal uncertainty, we recommend the inclusion of transitional provisions to address the status of existing QC holders and the applicability of new requirements to current agreements.

Conclusion

In summary, the Department of Commerce supports the overall intent of House Bill 24-4 to strengthen and refine the Qualifying Certificate (QC) program. We recognize the importance of improving transparency, oversight, and accountability. However, we also believe that several provisions should be adjusted to avoid unnecessary complexity, reduce administrative burdens, and preserve the flexibility needed to attract meaningful investment.

In particular, we recommend clarifying the role of the Department of Finance, Revenue and Taxation (DFRT) in the evaluation process, allowing for practical and scalable due diligence procedures, and maintaining consistent compliance requirements throughout the life of the QC. These adjustments will help ensure that the QC program remains effective, efficient, and responsive to the economic development goals of the CNMI.

We appreciate the opportunity to provide these comments and remain available for further discussion or clarification. We look forward to working collaboratively with your esteemed Committee to improve the Investment Incentive Act of 2000 in a manner that best serves the interests of the Commonwealth.

Sincerely,


DAVID R. MARATITA
Acting Secretary of Commerce

xc: DEPCOMM OG-File

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April 11, 2025

Julie Ogo
Representative
24th Commonwealth Legislature
PO Box 500586
Saipan MP 96950

Re: H.B. No. 24-4 - To amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.

Håfa adai yan tirow Representative Ogo,

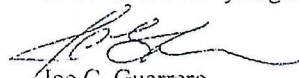
I hope this letter finds you well. On behalf of the Saipan Chamber of Commerce (SCC), I am writing to share our support with H.B. No. 24-4, which seeks to amend the Investment Incentive Act of 2000 by refining eligibility criteria for Qualifying Certificates, strengthening procedural safeguards, mandating detailed reporting on investments and performance, and enhancing oversight mechanisms.

The proposed amendments are crucial to the economic growth of the CNMI, ensuring that Qualifying Certificates (QCs) support projects with tangible community benefits. Refining eligibility criteria and including nursing homes, retirement homes, and dialysis centers in Tinian and Rota is a commendable step toward community welfare.

Excluding online casino gaming from QC eligibility reinforces a focus on sustainable industries, while new reporting requirements enhance transparency and accountability. Strengthening procedural safeguards, such as third-party due diligence and higher capital investment thresholds, will further improve the integrity and efficiency of the QC process. Additionally, measures to streamline application processing and provide timely updates to applicants are welcomed improvements.

We appreciate the opportunity to provide input on this matter and would welcome the chance to further discuss our concerns. We look forward to collaborating with you on this and other legislative efforts aimed at improving our community.

Si Yu'us ma'ási' yan ghilisow.


Joe C. Guerrero
President