



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

JOHN PAUL P. SABLAN
CHAIRMAN

Adopted - 7/31/2025
STANDING COMMITTEE REPORT NO. 24-15
DATE: July 21, 2025
RE: House Bill No. 24-24

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

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred:

House Bill No. 24-24: To enact 4 CMC § 1208 and 4 CMC § 1312 to establish a Legal Services and Access to Justice Tax Credit.

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your committee recommends that House Bill No. 24-24 be passed by the House in the form of House Draft 1.

RECEIVED BY *[Signature]*
DATE 7/25/2025 TIME 4:20

II. ANALYSIS:

A. Purpose:

The purpose of this Act is to enact 4 CMC § 1208 and 4 CMC § 1313 for the purpose of establishing a Legal Services and Access to Justice Tax Credit. This new credit is modeled on the Education Tax Credit but applies specifically to qualifying nonprofit legal services organizations operating in the Commonwealth.

B. Committee Amendments:

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

1. The Title of this Act is hereby amended to read as follows:

“To enact 4 CMC § 1208 and 4 CMC § ~~1312~~ 1313 to establish a Legal Services and Access to Justice Tax Credit.”

2. Page 2, Line 14. Findings and Purpose is amended to read as follows:

“Despite the clear public need for these services, MLSC’s capacity is severely limited. MLSC’s Marianas Office operates with only three attorneys and ~~one paralegal~~ three paralegals, making it impossible to fully meet the needs of the eligible population. While MLSC receives some federal funding and has occasionally been awarded supplemental funds through local appropriations, these sources are inconsistent and insufficient. As a result, the gap between the demand for free civil legal services and MLSC’s capacity continues to leave many residents without meaningful access to justice.”

3. Page 3, Line 9. Section 2 is amended to read as follows:

“Accordingly, the purpose of this legislation is to enact 4 CMC § 1208 and 4 CMC § ~~1312~~ 1313 for the purpose of establishing a Legal Services and Access to Justice Tax Credit. This new credit is modeled on the Education Tax Credit but applies specifically to qualifying nonprofit legal services organizations operating in the Commonwealth. The credit will incentivize individuals and businesses to direct a portion of their Wage and Salary, Earnings, and Gross Revenue Tax liability to nonprofit legal services organizations, such as MLSC. By establishing this credit, the Commonwealth creates a locally driven mechanism for public investment in nonprofit legal services organizations that directly addresses the existing gap in access to justice.”

4. Page 4, Line 14 and Page 4, Lines 17-18 Section 2 is amended to read as follows:

“(b) The maximum credit available in any one year under this Section and 4 CMC § ~~1312-1313~~ combined shall be the lesser of the sum of the taxes imposed under 4 CMC §§ 1201-02 and 4 CMC §§ 1301-04, or \$5,000.

(c) A ~~“qualified legal services organization”~~ The term “qualifying nonprofit legal services organization” under this section means ~~a-nonprofit corporations~~ that:”

5. Page 5, Line 1. Section 2 is amended to read as follows:

“(1) ~~Has~~ Have been issued a Letter of Determination granting tax-exempt status under Section 501(c)(3) of the Internal Revenue Code; and”

6. Page 5, Lines 16-20 and Page 6, Lines 1-2. Section 2 is amended by adding a new “(e)” to read as follows:

“(e) Funds received by qualifying nonprofit legal services organizations pursuant to this Section shall be expended solely for the purpose of providing free or low-cost legal assistance to low-income or underserved individuals within the Commonwealth of the Northern Mariana Islands. The recipient organization shall certify compliance with this requirement in a form and manner prescribed by the Division of Revenue and Taxation.”

7. Page 6, Line 3. Section 3. Enactment is amended to read as follows:

“Section 3. Enactment. Section ~~1312~~ 1313 of Chapter 2, Division 1, Title 4 of the Commonwealth Code is hereby enacted to read as follows:”

8. Page 6, Line 5. Section 3 is amended to read as follows:

““§ ~~1312~~ 1313. **Legal Services and Access to Justice Tax Credit.**”

9. Page 7, Lines 4-10. Section 3 is amended by adding a new “(e)” to read as follows:

“(e) Funds received by qualifying nonprofit legal services organizations pursuant to this Section shall be expended solely for the purpose of providing free or low-cost legal assistance to low-income or underserved individuals within the Commonwealth of the

Northern Mariana Islands. The recipient organization shall certify compliance with this requirement in a form and manner prescribed by the Division of Revenue and Taxation.”

C. Committee Findings:

Your Committee finds that the Commonwealth presently provides a tax credit incentive program for private and corporate donations to eligible educational institutions. The Education Tax Credit statutes, codified under 4 CMC §§ 1205 and 1306, have effectively promoted support for public schools and nonprofit educational organizations. The statutes illustrate that effectively designed tax incentives can address funding deficiencies and promote significant public policy objectives without necessitating direct allocations from the General Fund.

Your Committee further finds a significant and increasing unmet need for access to civil legal services among low-income and underserved residents of the Commonwealth. Annually, numerous individuals and families in the CNMI encounter legal challenges related to housing, familial relationships, immigration, public benefits, consumer rights, and personal safety. More importantly, many families lack the financial means to retain legal representation, forcing them to manage intricate legal systems independently. This often leads to the denial of rights, unresolved conflicts, and exacerbated economic and social difficulties.

Your Committee finds that House Bill 24-24, to enact 4 CMC § 1208 and 4 CMC § 1313, creating the Legal Services and Justice Tax Credit, a targeted tax credit for contributions to qualified nonprofit legal services to ensure the accessibility of legal representation for low-income and indigent members of the community. The Marianas Legal Services Corporation is an essential but severely underfunded nonprofit that provides such free or low-cost legal assistance. With the funding provided by the Legal Services and Access to Justice Tax Credit, members of the community can avail of much needed legal services, and the staff of Marianas Legal Services duly compensated to meet the demand for legal representation. Overall, the purpose of this Act is to implement a tax credit structure to aid in the continuation of necessary legal support for the underprivileged members of the CNMI.

D. Public Comments/Public Hearing:

Public comments were not solicited.

E. Legislative History:

House Bill No. 24-24 was introduced by Representative Marissa R. Flores on April 24, 2025 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.

F. Cost Benefit:

Please see the attached cost benefit analysis prepared by the House Fiscal Analyst.

III. CONCLUSION:

The committee is in accord with the intent and purpose of House Bill No. 24-24 and recommends its passage in the form of House Bill No. 24-24, House Draft 1 on First and Final Reading.

Respectfully submitted,



Rep. John Paul P. Sablan
Chairman



Rep. Blas Jonathan "BJ" T. Attao
Vice Chairman

Rep. Roy A. Ada, Member

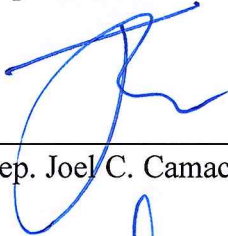


Rep. Roman C. Benavente, Member

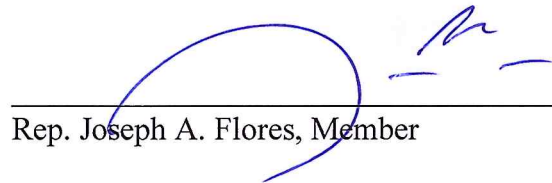
Rep. Vincent S. Aldan, Member



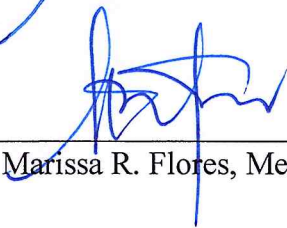
Rep. Angelo A. Camacho, Member



Rep. Joel C. Camacho, Member



Rep. Joseph A. Flores, Member



Rep. Marissa R. Flores, Member

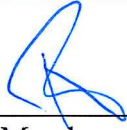
Rep. Thomas John "TJ" DLC. Manglona

Rep. Julie M. A. Ogo, Member

Rep. Malcolm J. Omar, Member

Rep. Patrick H. San Nicolas, Member

Rep. Denita Kaipat Yangetmai, Member



Rep. Ralph N. Yumul, Member

Reviewed by:



House Legal Counsel

Date: 7-25-25

HOUSE STANDING COMMITTEE ON WAYS & MEANS AMENDMENT TO H.B. 24-24

OFFERED BY:

DATE:

To amend H.B. 24-24 by revising the Bill Title on Page 1; Lines 12 to 19 on Page 2; Lines 8 to 17 on Page 3; Lines 13 to 21 on Page 4; Lines 1 to 3, Lines 13 to 15, and inserting a new subsection (e) on Page 5; and inserting a new subsection (e) on Page 6; and to incorporate these amendments into the bill for adoption in the form of House Draft 1 (H.B. 24-24, HD1):

Bill Title on Page 1:

A BILL FOR AN ACT

To enact 4 CMC § 1208 and 4 CMC § ~~1312~~1313 to establish a Legal Services and Access to Justice Tax Credit.

Lines 12 to 19 on Page 2:

Despite the clear public need for these services, MLSC's capacity is severely limited. MLSC's Marianas Office operates with only three attorneys and ~~one paralegal~~ three paralegals, making it impossible to fully meet the needs of the eligible population. While MLSC receives some federal funding and has occasionally been awarded supplemental funds through local appropriations, these sources are inconsistent and insufficient. As a result, the gap between the demand for free civil legal services and MLSC's capacity continues to leave many residents without meaningful access to justice.

Lines 8 to 17 on Page 3:

Accordingly, the purpose of this legislation is to enact 4 CMC § 1208 and 4 CMC § ~~1312~~1313 for the purpose of establishing a Legal Services and Access to Justice Tax Credit. This new credit is modeled on the Education Tax Credit but applies specifically to qualifying nonprofit legal services organizations operating in the Commonwealth. The credit will incentivize individuals and businesses to direct a portion of their Wage and Salary, Earnings, and Gross Revenue Tax liability to nonprofit legal services organizations, such as MLSC. By establishing this credit, the Commonwealth creates a locally driven mechanism for public investment in nonprofit legal services organizations that directly addresses the existing gap in access to justice.

Lines 13 to 16 on Page 4:

(b) The maximum credit available in any one year under this Section and 4 CMC § ~~1312~~1313 combined shall be the lesser of the sum of the taxes imposed under 4 CMC §§ 1201-02 and 4 CMC §§ 1301-04, or \$5,000.

Lines 17 to 21 on Page 4, continuing on to Lines 1 to 3 on Page 5:

(c) ~~A "qualified legal services organization"~~ The term "qualifying nonprofit legal services organizations" under this section means a nonprofit corporation. ~~Section means nonprofit corporations that:~~ 5

(1) Has Have been issued a Letter of Determination granting tax-exempt status under Section 501(c)(3) of the Internal Revenue Code; and

(2) Operates within the Commonwealth with a primary purpose of providing free or low-cost legal assistance to low-income or underserved individuals.

Insertion – Add the following subsection (e) to Section 2 of the bill:

(e) Funds received by qualifying nonprofit legal services organizations pursuant to this Section shall be expended solely for the purpose of providing free or low-cost legal assistance to low-income or underserved individuals within the Commonwealth of the Northern Mariana Islands. The recipient organization shall certify compliance with this requirement in a form and manner prescribed by the Division of Revenue and Taxation.

Lines 13 to 15 on Page 5:

Section 3. Enactment. Section ~~1312~~-1313 of Chapter 2, Division 1, Title 4 of the Commonwealth Code is hereby enacted to read as follows:

“§ ~~1312~~-1313. Legal Services and Access to Justice Tax Credit.

Insertion – Add the following subsection (e) to Section 3 of the bill:

(e) Funds received by qualifying nonprofit legal services organizations pursuant to this Section shall be expended solely for the purpose of providing free or low-cost legal assistance to low-income or underserved individuals within the Commonwealth of the Northern Mariana Islands. The recipient organization shall certify compliance with this requirement in a form and manner prescribed by the Division of Revenue and Taxation.

Consistent with the intent of the foregoing amendments, I hereby also move to allow the Legal Counsel together with the House Clerk to make further non-substantive technical amendments that are strictly necessary to effectuate the intent of this floor amendment prior to transmittal.

Date: 7/18/25

Reviewed for Legal Sufficiency by:


House Legislative Counsel



Legislative Bureau
NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. BOX 500586
SAIPAN, MP 96950

FISCAL IMPACT ANALYSIS

Date: July 25, 2025

House Standing Committee: Ways and Means

Legislation: HB 24-24, HD1

Short Title: To establish a Legal Services and Access to Justice Tax Credit.

Purpose: HB 24-24, HD1, the purpose of establishing a Legal Services and Access to Justice Tax Credit. This new credit is modeled on the Education Tax Credit but applies specifically to qualifying nonprofit legal services organizations operating in the Commonwealth. The credit will incentivize individuals and businesses to direct a portion of their Wage and Salary, Earnings, and Gross Revenue Tax liability to nonprofit legal services organizations, such as MLSC.

Fact: The bill will allow a person may take cash contributions made during the tax year to qualifying nonprofit legal services organizations as a nonrefundable credit against the tax imposed. The maximum credit available in any one year in this bill combined shall be the lesser of the sum of the taxes imposed under specific sections of this bill or \$5,000.

Analysis: If passed and signed into law, HB 24-24, HD1 will render no cost to the CNMI Government but will significantly benefit nonprofit organizations that aid eligible individuals whose annual income at or below Federal Poverty Guidelines acquire legal services. According to the CNMI Department of Labor's (DOL) 2024 Employment Services Annual Report, the department had a total of 653 registered employers. To put a number on the potential contributions that this bill may render for eligible institutions, should all of the 653 employers who have registered with the CNMI DOL avail of this tax credit, those eligible institutions could potentially receive \$3,265,000 annually from such contributions. At half the number of registered employers, eligible institutions could receive contributions of up to \$1,632,500 made to their institutions.

* * * E N D * * *

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

APRIL 24, 2025

First Special Session, 2025

H. B. 24-24, HD1

A BILL FOR AN ACT

To enact 4 CMC § 1208 and 4 CMC § ~~1312~~ 1313 to establish a Legal Services and Access to Justice Tax Credit.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that the
2 Commonwealth currently offers a tax credit incentive program for private and
3 corporate contributions to qualified educational institutions. These Education Tax
4 Credit statutes, codified under 4 CMC §§ 1205 and 1306, have successfully
5 encouraged support for public schools and nonprofit educational organizations.
6 These statutes demonstrate that well-structured tax incentives can help bridge
7 funding gaps and advance important public policy goals without requiring direct
8 appropriations from the General Fund.

9 The Legislature also finds that there is a critical and growing unmet need in
10 regards to access to civil legal services for low-income and underserved residents
11 of the Commonwealth. Every year, thousands of individuals and families in the
12 CNMI face legal issues involving housing, family relationships, immigration,
13 public benefits, consumer rights, and personal safety. Moreover, many of these

1 individuals cannot afford to hire legal counsel and are left to navigate complex legal
2 systems on their own, often resulting in denied rights, unresolved disputes, and
3 deepened economic and social hardship.

4 The Micronesian Legal Services Corporation (MLSC) is a nonprofit
5 501(c)(3) organization that provides free civil legal assistance in the CNMI.
6 MLSC's services cover a wide range of civil matters, including family law,
7 housing, consumer protection, employment rights, immigration, public benefits,
8 and victims' rights. All MLSC services are provided at no cost to individuals with
9 incomes at or below 125% of the Federal Poverty Guidelines. This eligibility
10 encompasses approximately 38% of the CNMI population, which is about 19,500
11 individuals.

12 Despite the clear public need for these services, MLSC's capacity is
13 severely limited. MLSC's Marianas Office operates with only three attorneys and
14 ~~one paralegal~~ three paralegals, making it impossible to fully meet the needs of the
15 eligible population. While MLSC receives some federal funding and has
16 occasionally been awarded supplemental funds through local appropriations, these
17 sources are inconsistent and insufficient. As a result, the gap between the demand
18 for free civil legal services and MLSC's capacity continues to leave many residents
19 without meaningful access to justice.

20 The Legislature finds that access to competent, free or low-cost legal
21 services is essential to individual stability, community resilience, and the fair

1 administration of justice. Just as the Education Tax Credit empowers the public to
2 support educational institutions through designated tax contributions, the CNMI
3 ought to establish a similar mechanism to encourage private support for nonprofit
4 legal services organizations. A targeted tax credit for contributions to qualified
5 nonprofit legal services organizations would enable individuals and businesses to
6 help expand access to justice for indigent and underserved members of the
7 community.

8 Accordingly, the purpose of this legislation is to enact 4 CMC § 1208 and 4
9 CMC § ~~1312~~ 1313 for the purpose of establishing a Legal Services and Access to
10 Justice Tax Credit. This new credit is modeled on the Education Tax Credit but
11 applies specifically to qualifying nonprofit legal services organizations operating
12 in the Commonwealth. The credit will incentivize individuals and businesses to
13 direct a portion of their Wage and Salary, Earnings, and Gross Revenue Tax
14 liability to nonprofit legal services organizations, such as MLSC. By establishing
15 this credit, the Commonwealth creates a locally driven mechanism for public
16 investment in nonprofit legal services organizations that directly addresses the
17 existing gap in access to justice.

1 **Section 2. Enactment.** Section 1208 of Chapter 2, Division 1, Title 4 of the
2 Commonwealth Code is hereby enacted to read as follows:

3 **“§ 1208. Legal Services and Access to Justice Tax Credit.**

4 (a) A person may take cash contributions made during the tax year
5 to qualifying nonprofit legal services organizations as a
6 nonrefundable credit against the tax imposed by 4 CMC § 1201
7 and 4 CMC § 1202 to the extent provided by this Section. No
8 such credit shall be allowed for any amount deducted in
9 determining taxable income under the NMTIT as shown on the
10 taxpayer’s return. The “tax imposed on wages and salaries or
11 earnings” for purposes of computing the credit under 4 CMC
12 § 1206 is the tax net of any credit taken pursuant to this Section.

13 (b) The maximum credit available in any one year under this Section
14 and 4 CMC § ~~1312~~ 1313 combined shall be the lesser of the sum
15 of the taxes imposed under 4 CMC §§ 1201–02 and 4 CMC
16 §§ 1301–04, or \$5,000.

17 (c) A ~~“qualified legal services organization”~~ The term “qualifying
18 nonprofit legal services organization” under this section means
19 a nonprofit corporations that:

1 (1) ~~Has~~ Have been issued a Letter of Determination granting tax-
2 exempt status under Section 501(c)(3) of the Internal
3 Revenue Code; and

4 (2) Operates within the Commonwealth with a primary purpose
5 of providing free or low-cost legal assistance to low-income
6 or underserved individuals.

7 (d) To obtain the credit, the taxpayer must furnish the following to
8 the Division of Revenue and Taxation:

9 (1) A properly documented receipt issued by the recipient
10 institution which must include, at a minimum, the name and
11 tax identification number of the institution, the taxpayer's
12 name and tax identification number, the date of payment
13 and the amount paid, and the purpose of the donation; and

14 (2) A copy of the Letter of Determination with respect to the tax-
15 exempt status of the recipient institution.

16 (e) Funds received by qualifying nonprofit legal services
17 organizations pursuant to this Section shall be expended solely for the
18 purpose of providing free or low-cost legal assistance to low-income or
19 underserved individuals within the Commonwealth of the Northern Mariana
20 Islands. The recipient organization shall certify compliance with this

1 requirement in a form and manner prescribed by the Division of Revenue
2 and Taxation.”

3 **Section 3. Enactment.** Section ~~1312~~ 1313 of Chapter 2, Division 1, Title
4 4 of the Commonwealth Code is hereby enacted to read as follows:

5 **“§ ~~1312~~ 1313. Legal Services and Access to Justice Tax Credit.**

6 (a) A person may take cash contributions made during the tax year
7 to qualifying nonprofit legal services organizations as a
8 nonrefundable credit against the tax imposed by 4 CMC §§
9 1301, 1302, 1303, and 1304 to the extent provided by this
10 Section. No such credit shall be allowed for any amount
11 deducted in determining taxable income under the NMTIT as
12 shown on the taxpayer's return. The “tax imposed” for purposes
13 of computing the credit under 4 CMC § 1308 is the tax net of
14 any credit taken pursuant to this Section.

15 (b) The maximum credit available in any one year under this Section
16 and 4 CMC § 1208 combined shall be the lesser of the sum of
17 the taxes imposed under 4 CMC §§ 1201–02 and 4 CMC
18 §§ 1301–04, or \$ 5,000.

19 (c) The term “qualifying nonprofit legal services organizations”
20 under this Section has the same meaning as in 4 CMC § 1208(c).

1 (d) To obtain the credit, the taxpayer must furnish to the Division of
2 Revenue and Taxation the information prescribed in 4 CMC
3 § 1208(d).

4 (e) Funds received by qualifying nonprofit legal services
5 organizations pursuant to this Section shall be expended solely for the
6 purpose of providing free or low-cost legal assistance to low-income or
7 underserved individuals within the Commonwealth of the Northern Mariana
8 Islands. The recipient organization shall certify compliance with this
9 requirement in a form and manner prescribed by the Division of Revenue
10 and Taxation.”

11 **Section 4. Severability.** If any provisions of this Act or the application of
12 any such provision to any person or circumstance should be held invalid by a court
13 of competent jurisdiction, the remainder of this Act or the application of its
14 provisions to persons or circumstances other than those to which it is held invalid
15 shall not be affected thereby.

16 **Section 5. Savings Clause.** This Act and any repealer contained herein
17 shall not be construed as affecting any existing right acquired under contract or
18 acquired under statutes repealed or under any rule, regulation, or order adopted
19 under the statutes. Repealers contained in this Act shall not affect any proceeding
20 instituted under or pursuant to prior law. The enactment of the Act shall not have

HOUSE BILL 24-24, HD1

1 the effect of terminating, or in any way modifying, any liability, civil or criminal,
2 which shall already be in existence on the date this Act becomes effective.

3 **Section 6. Effective Date.** This Act shall take effect upon its approval by
4 the Governor, or it becoming law without such approval.

Prefiled: 4/16/2025

Date: _____ Introduced by: /s/ Rep. Marissa R. Flores
/s/ Rep. Daniel I. Aquino Jr.
/s/ Rep. Blas Jonathan "BJ" T. Attao
/s/ Rep. Diego V. F. Camacho
/s/ Rep. Edmund S. Villagomez

Reviewed for legal sufficiency by:

/s/ Joseph M. Hallahan
House Legal Counsel

Date: 4/16/2025

House Bill 24-24, HD1, reviewed for legal sufficiency by:


House Legal Counsel

Date: 7/24/25