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

JOEL C. CAMACHO
CHAIRMAN

Adopted - 7/28/2026 VV
STANDING COMMITTEE REPORT NO. 24-57
DATE: April 22, 2026
RE: House Bill No. 24-83

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 Judiciary and Governmental Operations to which was referred:

House Bill No. 24-83: "Requiring Disclosure of 501(c)(3) Status for Government Funding."

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that House Bill No. 24-83 be passed by the House in its current form.

TO CLERK'S OFC
RECEIVED BY
DATE 4.26.2026 TIME 11:32 Pm

II. ANALYSIS:

A. Purpose:

The purpose of House Bill No. 24-83 is to promote transparency and accountability in the distribution of government funds to nonprofit organizations by requiring clear disclosure of 501(c)(3) status during the funding application process.

B. Committee Findings:

Your Committee finds that Section 501(c)(3) is a portion of the U.S. Internal Revenue Code (IRC) and a specific tax category for nonprofit organizations. Organizations that meet Section 501(c)(3) requirements are exempt from federal income tax. The Internal Revenue Service (IRS) recognizes more than 30 types of nonprofit organizations but only those that qualify for 501(c)(3) status can say that donations made to them are tax-deductible. Most of the organizations that may be eligible for 501(c)(3) status fall into one of three categories: charitable organizations, religious organizations, and private foundations.

Your Committee further finds that to qualify for tax-exempt status, a group must exist for one of these purposes: charitable, religious, educational, scientific, literary, testing for public safety, preventing cruelty to children or animals, or fostering national or international amateur sports competition. A 501(c)(3) nonprofit must remain true to its founding purpose to stay tax-exempt under Section 501(c)(3). If the nonprofit decides to pursue a new mission, the organization must notify the IRS of the change. Failing to do so would result in the loss of its tax-exempt status. In addition, an organization must not serve any private interests. These include the interests of the creator, the creator's family, shareholders of the organization, and other designated individuals. None of the net earnings of the organization can be used to benefit any private shareholder or individual. All earnings must be used solely for the advancement of the organization's mission.

The Committee has concluded that this Act will improve transparency and accountability in the distribution of government monies to nonprofit organizations by requiring the explicit disclosure of their 501(c)(3) status during the funding application process. Your Committee recognizes that governmental bodies and legislative funding authorities often lack adequate resources and standardized procedures to independently authenticate the legitimacy of nonprofit applicants, thereby heightening the risk of allocating public funds to unqualified or fraudulent organizations. Even when an organization is lawfully tax-exempt, insufficient financial controls or oversight may lead to misappropriation, waste, or misuse of funds.

Your Committee determines that transparency in government fund utilization is crucial for sustaining public trust and guaranteeing that allocated monies fulfill their intended objectives. Recent federal and territorial funding initiatives, encompassing emergency and disaster-related aid, have intensified supervision requirements and illustrated the repercussions of inadequate verification and accountability. The formation of the Special Committee on Federal Assistance and Disaster-Related Funding underscores the necessity to mitigate risks such as the misallocation

of taxpayer resources, diversion from genuine philanthropic objectives, deterioration of public trust, and reduced legal accountability.

Based on these considerations, mandating nonprofit organizations to disclose and authenticate their 501(c)(3) status as a prerequisite for receiving government funding is a rational and essential measure to safeguard public resources, enhance accountability, and guarantee that allocated funds are distributed solely to qualified entities capable of adhering to relevant legal and financial obligations. Therefore, your Committee supports the intent of the proposed legislation and also recommends the passage of House Bill No. 24-83 in its current form.

C. Public Comments/Public Hearing:

Public comments were solicited from the following government entities:

1. CNMI Attorney General

2. Secretary of Finance

To date, no comments have been received by the Committee.

D. Legislative History:

House Bill No. 24-83 was formally introduced in the House by Representative Marissa R. Flores on January 16, 2026, and subsequently referred to the House Standing Committee on Judiciary and Governmental Operations for disposition.

E. Cost Benefit:

The enactment of House Bill No. 24-83 will incur no expenses for the CNMI government. The Act mandates that nonprofit organizations disclose and authenticate their 501(c)(3) status to qualify for government funding.

III. CONCLUSION:

Your Committee is in accord with the intent and purpose of House Bill No. 24-83 and recommends its passage in its current form.

Respectfully submitted,

Rep. Joel C. Camacho
Chairman

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

Rep. Vincent S. Aldan, Member

Rep. Daniel I. Aquino Jr., Member

Rep. Angelo A. Camacho, Member

Rep. Diego V.F. Camacho, Member

Rep. Marissa R. Flores, Member

Rep. Joseph A. Flores, Member

Rep. Julie A. Ogo, Member

Rep. John Paul P. Sablan, Member

Rep. Ralph N. Yumul, Member

Reviewed by:

House Legal Counsel

Date: 6-24-26

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

JANUARY 16, 2026

Third Regular Session, 2026 **H. B. 24-83**

A BILL FOR AN ACT

Requiring Disclosure of 501(c)(3) Status for Government Funding.

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

Section 1. Findings and Purpose. The purpose of this Act is to promote transparency and accountability in the distribution of government funds to nonprofit organizations by requiring clear disclosure of 501(c)(3) status during the funding application process. The Legislature finds that some entities misrepresent themselves as legitimate 501(c)(3) organizations to obtain grants or other government assistance, including through the use of fraudulent documentation or misuse of a legitimate organization's identity.

The Legislature further finds that government agencies and legislative funding authorities do not always have sufficient resources or uniform processes to independently verify the legitimacy of nonprofit applicants, increasing the risk that public funds may be awarded to unqualified or fraudulent entities. Even where an organization is legitimately tax-exempt, inadequate financial controls or oversight

may result in misappropriation, waste, or misuse of funds. Smaller nonprofits, in particular, may be more vulnerable to mismanagement or exploitation due to limited administrative capacity.

The Legislature finds that transparency in the use of government funds is essential to maintaining public trust and ensuring that appropriated funds achieve their intended purposes. Recent federal and territorial funding programs, including emergency and disaster-related assistance, have heightened oversight expectations and demonstrated the consequences of insufficient verification and accountability. The establishment of the Special Committee on Federal Assistance and Disaster Related Funding reflects the need to address these risks, which include waste of taxpayer funds, diversion from legitimate charitable purposes, erosion of public confidence, and diminished legal accountability.

Based on the foregoing, requiring nonprofit organizations to disclose and verify their 501(c)(3) status as a condition of receiving government funds is a reasonable and necessary safeguard to protect public resources, promote accountability, and ensure that appropriated funds are awarded only to qualified entities capable of complying with applicable legal and financial requirements.

Section 2. Short-Title. This Act shall be known as the "Nonprofit Transparency in Government Funding Act".

Section 3. Enactment. Subject to codification by the CNMI Law Revision Commission, the following provision is hereby enacted:

"Nonprofit Transparency in Government Funding Act."

"§ 101. Definition. As used in this Act:

(1) "Government Entity" means any department, agency, office, board, commission, or other instrumentality of the Commonwealth of the Northern Mariana Islands, including public corporations and political subdivisions.

(2) "Nonprofit Organization" means any entity that is exempt from federal income taxation under Section 501(c)(3) of the United States Internal Revenue Code of 1989, as amended.

(3) "Funding" means any grant, subgrant, contract, appropriation, or other financial assistance provided by the Commonwealth Government, the Legislature, or any legislative delegation, including but not limited to the Saipan and Northern Islands Legislative Delegation, the Tinian and Aguiguan Legislative Delegation, the Rota Legislative Delegation, and any successor or equivalent legislative funding mechanism.

(4) "Proof of 501(c)(3) Status" means a valid and current determination letter issued by the Internal Revenue Service confirming the entity's qualification as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

§ 102. Requirement of Disclosure.

(1) Any Nonprofit Organization seeking or receiving Funding appropriated by the Legislature or any legislative delegation shall submit Proof of 501(c)(3) Status with its funding application.

(2) Applications submitted without the required documentation shall not be processed or considered for funding.

(3) Any government application form or request for proposal related to such Funding shall include a mandatory field for the submission of Proof of 501(c)(3) Status.

(4) For electronic submissions, the Government Entity shall provide a method by which applicants can securely upload or attach their Proof of 501(c)(3) Status.

§ 103. Verification.

(1) Each Government Entity responsible for the disbursement or administration of public funds shall verify the 501(c)(3) status of all applicant Nonprofit Organizations prior to the release of any funds.

(2) Verification shall include:

(a) Review of the organization's IRS determination letter;

(b) Confirmation through the Internal Revenue Service's Tax Exempt Organization Search database; and

(c) Cross-reference with the Department of Finance registry of charitable and nonprofit entities.

§ 104. Non-Compliance.

(1) Failure to comply with the requirements of this Act shall render an organization ineligible for Funding consideration.

(2) Any organization found to have submitted falsified, expired, or misleading documentation regarding its 501(c)(3) status shall be disqualified from receiving Funding, and any funds already disbursed shall be subject to immediate recovery.

(3) Any organization that submits falsified, expired, or otherwise false or misleading documentation regarding its 501(c)(3) status is guilty of a misdemeanor, punishable by a fine of not less than five hundred dollars ($500) and not more than one thousand dollars ($1,000), imprisonment, or both. Such conduct may also constitute an offense under other applicable laws of the Commonwealth.

§ 105. Applicability to Legislative Delegations.

(1) Notwithstanding any CNMI public or local laws to the contrary, all appropriations enacted by any legislative delegation pursuant to its local law authority shall include a requirement that recipient Nonprofit Organizations comply with the disclosure and verification provisions of this Act.

(2) Funds appropriated by the Legislature or any legislative delegation shall be disbursed consistent with applicable CNMI Public or Local Laws governing legislative appropriations.

(3) Nothing in this Act shall be construed to limit the authority of any legislative delegation to appropriate funds for qualified nonprofit organizations that comply with the requirements of this Act.

§ 106. Exemptions.

(1) This Act shall not apply to:

(a) Emergency funds disbursed pursuant to a declared state of emergency or disaster; or

(b) Funds appropriated directly to Commonwealth government agencies or political subdivisions."

Section 4. 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.

Section 5. Savings Clause. This Act and any repealer contained herein shall not be construed as affecting any existing right acquired under contract or acquired under statutes repealed or under any rule, regulation, or order adopted under the statutes. Repealers contained in this Act shall not affect any proceeding instituted under or pursuant to prior law. The enactment of the Act shall not have the effect of terminating, or in any way modifying, any liability, civil or criminal, which shall already be in existence on the date this Act becomes effective.

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

Prefiled: 1/9/2026

Date: _____ Introduced by: /s/ Rep. Marissa R. Flores
/s/ Rep. Blas Jonathan "BJ" T. Attao
/s/ Rep. Roman C. Benavente

Reviewed for legal sufficiency by:

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

Date: 1/9/2026