

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Session, 2025

H. B. 24- **24**

A BILL FOR AN ACT

To enact 4 CMC § 1208 and 4 CMC § 1312 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, making it impossible to fully meet the needs of the eligible
15 population. While MLSC receives some federal funding and has occasionally been
16 awarded supplemental funds through local appropriations, these sources are
17 inconsistent and insufficient. As a result, the gap between the demand for free civil
18 legal services and MLSC's capacity continues to leave many residents without
19 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 for the purpose of establishing a Legal Services and Access to Justice
10 Tax Credit. This new credit is modeled on the Education Tax Credit but applies
11 specifically to qualifying nonprofit legal services organizations operating in the
12 Commonwealth. The credit will incentivize individuals and businesses to direct a
13 portion of their Wage and Salary, Earnings, and Gross Revenue Tax liability to
14 nonprofit legal services organizations, such as MLSC. By establishing this credit,
15 the Commonwealth creates a locally driven mechanism for public investment in
16 nonprofit legal services organizations that directly addresses the existing gap in
17 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 combined shall be the lesser of the sum of
15 the taxes imposed under 4 CMC §§ 1201–02 and 4 CMC
16 §§ 1301–04, or \$5,000.

17 (c) A “qualified legal services organization” under this section
18 means a nonprofit corporation that:

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

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

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

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

11 (2) A copy of the Letter of Determination with respect to the tax-
12 exempt status of the recipient institution."

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

15 **"§ 1312. Legal Services and Access to Justice Tax Credit.**

16 (a) A person may take cash contributions made during the tax year
17 to qualifying nonprofit legal services organizations as a
18 nonrefundable credit against the tax imposed by 4 CMC §§
19 1301, 1302, 1303, and 1304 to the extent provided by this
20 Section. No such credit shall be allowed for any amount
21 deducted in determining taxable income under the NMTIT as

1 shown on the taxpayer's return. The "tax imposed" for purposes
 2 of computing the credit under 4 CMC § 1308 is the tax net of
 3 any credit taken pursuant to this Section.

4 (b) The maximum credit available in any one year under this Section
 5 and 4 CMC § 1208 combined shall be the lesser of the sum of
 6 the taxes imposed under 4 CMC §§ 1201–02 and 4 CMC
 7 §§ 1301–04, or \$ 5,000.

8 (c) The term "qualifying nonprofit legal services organizations"
 9 under this Section has the same meaning as in 4 CMC § 1208(c).

10 (d) To obtain the credit, the taxpayer must furnish to the Division of
 11 Revenue and Taxation the information prescribed in 4 CMC
 12 § 1208(d)."

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

18 **Section 5. Savings Clause.** This Act and any repealer contained herein
 19 shall not be construed as affecting any existing right acquired under contract or
 20 acquired under statutes repealed or under any rule, regulation, or order adopted
 21 under the statutes. Repealers contained in this Act shall not affect any proceeding

1 instituted under or pursuant to prior law. The enactment of the Act shall not have
2 the effect of terminating, or in any way modifying, any liability, civil or criminal,
3 which shall already be in existence on the date this Act becomes effective.

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


Prefiled: 4/16/2025

Date: _____

Introduced by: _____

Rep. Marissa R. Flores

Reviewed for legal sufficiency by:



House Legal Counsel

Date: 4/16/25

