

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_ Session, 2025

\_\_\_\_\_ H. B. 24-40

A BILL FOR AN ACT

To amend Title 4 of the Commonwealth Code to clarify the application of business registration, licensing, and tax laws to foreign corporations engaged in land development, infrastructure development, or construction activities in the Commonwealth, including those related to development projects performed under or in connection with contracts, subcontracts, or agreements with the United States.

BE IT ENACTED BY THE 24<sup>TH</sup> NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:

1           **Section 1. Findings and Purpose.** The Legislature finds that numerous off-  
2 island companies have entered the Commonwealth to perform construction, land  
3 development, infrastructure development, engineering, and other related  
4 commercial services with funding provided by the United States government,  
5 including the Department of Defense. Despite operating physically and  
6 commercially in the CNMI, many of these entities fail to register with the CNMI  
7 Registrar of Corporations, do not obtain business licenses, and do not comply with  
8 local tax laws, such as the Developer Infrastructure Tax and the Gross Revenue  
9 Tax. This has resulted in a pattern of noncompliance that undermines public

1 revenue, distorts competition for local businesses, and weakens the  
2 Commonwealth's ability to regulate its own economic development.

3         This pattern of noncompliance persists despite the existence of clear  
4 statutory requirements. Under 4 CMC § 4291(k), a "foreign corporation" is defined  
5 as a corporation for profit incorporated under a law other than the law of the  
6 Commonwealth. Such corporations are required under 4 CMC § 4641 to obtain a  
7 certificate of authority before transacting business in the CNMI. Additionally, 4  
8 CMC § 5611 prohibits any person or entity from engaging in business without first  
9 obtaining a CNMI business license. The Developer Infrastructure Tax Act, set forth  
10 in 4 CMC §§ 1931–1939, further imposes a tax on land development to support  
11 public infrastructure.

12         However, despite these statutory provisions, foreign corporation  
13 compliance with local business and tax laws has remained inconsistent. The  
14 existing statutes do not explicitly state that foreign corporations performing work  
15 on federally funded development projects are engaging in business for purposes of  
16 CNMI business registration, licensing, and taxation. This lack of specificity may  
17 support off-island contractors' ostensible claims that they are exempt from  
18 registering, obtaining business licenses, and paying taxes in the Commonwealth.

19         This Act clarifies and confirms that foreign corporations—those organized  
20 under laws other than those of the Commonwealth—are deemed to be transacting  
21 and engaging in business when they provide construction, infrastructure

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1 development, land development, engineering, logistical, or similar services in the  
2 CNMI, even if such business is being conducted in connection with federally  
3 funded contracts. This Act further clarifies that foreign corporations performing  
4 construction, land development, or infrastructure development in the  
5 Commonwealth are subject to existing corporate registration, business licensing,  
6 and tax laws. It amends the Developer Infrastructure Tax Act to expressly apply  
7 these requirements to such entities, and it revises corporate registration provisions  
8 to reinforce the requirement that a foreign corporation must obtain a certificate of  
9 authority prior to transacting business in the Commonwealth.

10           Importantly, nothing in this Act authorizes taxation of the United States  
11 Government or its instrumentalities, consistent with Section 605 of the Covenant  
12 to Establish a Commonwealth of the Northern Mariana Islands in Political Union  
13 with the United States of America and other applicable federal law. Rather, this Act  
14 improves enforcement of business, licensing, and tax laws; protects the public  
15 interest; and preserves the Commonwealth's authority over commercial activity  
16 occurring within its borders.

17           **Section 2. Amendment.** Section 4641 of Article 1, Chapter 15, Part 2,  
18 Division 4, Title 4 of the Commonwealth Code is hereby amended by inserting a  
19 new subsection (d) to read as follows:

1           **“§ 4641. Authority to Transact Business Required.**

2           (a) A foreign corporation may not transact business in the Commonwealth  
3           until it obtains a certificate of authority from the Registrar of  
4           Corporations.

5           (b) The following activities, among others, do not constitute transacting  
6           business within the meaning of subsection (a) of this section:

7           (1) Maintaining, defending, or settling any proceeding;

8           (2) Holding meetings of the board of directors or shareholders or  
9           carrying on their activities concerning internal corporate affairs;

10          (3) Maintaining bank accounts;

11          (4) Maintaining offices or agencies for the transfer, exchange, and  
12          registration of the corporation's own securities or maintaining  
13          trustees or depositories with respect to those securities;

14          (5) Selling through independent contractors;

15          (6) Soliciting or obtaining orders, whether by mail or through  
16          employees or agents or otherwise, if the orders require acceptance  
17          outside the Commonwealth before they become contracts;

18          (7) Creating or acquiring indebtedness, mortgages, and security interests  
19          in real or personal property;

20          (8) Securing or collecting debts or enforcing mortgages and security  
21          interests in property securing the debts;

- 1 (9) Owning, without more, real or personal property;
- 2 (10) Conducting an isolated transaction that is completed within 30 days
- 3 and that is not one in the course of repeated transactions of a like
- 4 nature;
- 5 (11) Transacting business in interstate commerce.
- 6 (c) The list of activities in subsection (b) of this section is not exhaustive.
- 7 (d) Notwithstanding the foregoing, any foreign corporation that undertakes
- 8 construction, infrastructure development, land development,
- 9 engineering, or other related commercial services within the
- 10 Commonwealth, including, but not limited to, services related to public
- 11 infrastructure projects performed under or in connection with contracts,
- 12 subcontracts, or agreements with the United States, shall be deemed to
- 13 be transacting business in the Commonwealth for purposes of this
- 14 Section.”

15 **Section 3. Amendment.** Section 5611 of Article 1, Chapter 6, Division 5,

16 Title 4 of the Commonwealth Code is hereby amended by inserting a new

17 subsection (j) to read as follows:

18 “§ 5611. **Business License Fees.**

- 19 (a) *Business License Required.* Before engaging in or continuing in a
- 20 business, a person shall first obtain from the Secretary of the
- 21 Department of Finance a license to engage in or conduct that business.

1 [ . . . ]

2 (j) Private Contractor Obligations in Federally Supported Projects. For  
3 purposes of this Chapter, any person or entity performing work,  
4 providing services, or supplying materials in the Commonwealth,  
5 including services related to infrastructure projects performed under or  
6 in connection with contracts, subcontracts, or agreements with the  
7 United States, shall be deemed to be engaging or continuing in a  
8 business in the Commonwealth and shall be subject to the requirements  
9 of this Chapter. This subsection shall not be construed to authorize  
10 taxation of the United States or its instrumentalities but shall apply to  
11 private contractors and subcontractors to the extent permitted by the  
12 Covenant to Establish a Commonwealth of the Northern Mariana  
13 Islands in Political Union with the United States of America and other  
14 applicable federal law.”

15 **Section 4. Enactment.** Article 5 of Chapter 6, Division 5, Title 4 of the  
16 Commonwealth Code is hereby enacted to read as follows:

17 **“Article 5. Development and Construction.**

18 **§ 1107. Registration and Tax Compliance for Development and**  
19 **Construction Activities.**

20 (a) Any person or entity, including contractors and subcontractors, that  
21 provides infrastructure development, land development, construction,

1 or other related services in the Commonwealth under a contract or  
2 agreement connected to a project sponsored by or on behalf of the  
3 United States government shall:

4 (1) Register with the Registrar of Corporations pursuant to applicable  
5 CNMI law prior to the commencement of any work;

6 (2) Obtain a valid CNMI business license; and

7 (3) Comply with all tax obligations imposed under CNMI law,  
8 including but not limited to the Developer Infrastructure Tax, 4  
9 CMC §§ 1931 et seq., and the Gross Revenue Tax, 4 CMC §§ 5611  
10 et seq.

11 (b) Failure to register or comply shall subject the entity to:

12 (1) Penalties, as provided by law;

13 (2) Injunctive relief, including cease and desist orders; and

14 (3) Personal liability for officers or agents knowingly evading  
15 registration or tax obligations.

16 (c) The CNMI Department of Finance, Registrar of Corporations, and  
17 Department of Public Works shall coordinate to ensure that all persons  
18 and entities, including federal contractors and subcontractors, are in  
19 compliance with this Section.

20 (d) Nothing in this Section shall be interpreted to authorize taxation of the  
21 United States or its instrumentalities, except to the extent permissible

1 under Section 605 of the Covenant to Establish a Commonwealth of  
2 the Northern Mariana Islands in Political Union with the United States  
3 of America and applicable federal law.”

4 **Section 5. Severability.** If any provisions of this Act or the application of  
5 any such provision to any person or circumstance should be held invalid by a court  
6 of competent jurisdiction, the remainder of this Act or the application of its  
7 provisions to persons or circumstances other than those to which it is held invalid  
8 shall not be affected thereby.

9 **Section 6. Savings Clause.** This Act and any repealer contained herein  
10 shall not be construed as affecting any existing right acquired under contract or  
11 acquired under statutes repealed or under any rule, regulation, or order adopted  
12 under the statutes. Repealers contained in this Act shall not affect any proceeding  
13 instituted under or pursuant to prior law. The enactment of the Act shall not have  
14 the effect of terminating, or in any way modifying, any liability, civil or criminal,  
15 which shall already be in existence on the date this Act becomes effective.

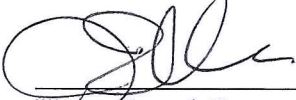
16 **Section 7. Effective Date.** This Act shall take effect upon its approval by  
17 the Governor, or it becoming law without such approval.

Prefiled: 07.11.2025

Date: 7/17/25

Introduced by:   
Rep. Marissa R. Flores

Reviewed for Legal Sufficiency by:

  
House Legal Counsel