

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

August 29, 2025

2nd Regular Session, 2025

H. B. 24- 58

A BILL FOR AN ACT

To amend 4 CMC § 1305 to exempt services and the sale or exchange of securities and other similar assets from gross revenue tax; to amend 4 CMC § 1708 to allow rebates for exempted activities; to repeal 4 CMC § 1712; and for other purposes.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that the current
2 CNMI tax code presents impediments to attracting and retaining individuals and
3 businesses operating in the global digital economy and global financial markets.
4 Minor changes to the Business Gross Revenue Tax (BGRT) exemptions can help
5 remove these barriers and foster the growth of such industries in the
6 Commonwealth, potentially resulting in significant increases in overall tax
7 revenues.

8 Manufacturers and producers of physical goods that are produced in the
9 CNMI and exported outside the Commonwealth are currently exempt from the
10 BGRT. In contrast, a large and growing share of modern businesses—particularly
11 those in the digital economy—do not sell physical goods, but instead offer services

1 such as remote education, customer service, consulting, human resources support,
2 and memberships or subscriptions to online platforms. A CNMI-based business
3 exporting services provides comparable economic value to the CNMI as one
4 exporting physical goods. Accordingly, extending the BGRT exemption to
5 qualified export service businesses will increase the CNMI's attractiveness as a
6 domicile and tax residence for individuals and entities engaged in the global digital
7 economy.

8 The Legislature further finds that the current structure of the BGRT renders
9 it economically unattractive for financial businesses to establish operations in the
10 CNMI. Many of these firms generate revenue through the trading of securities or
11 other capital assets, which produce capital gains or losses and are ultimately taxed
12 under the Northern Marianas Territorial Income Tax (NMTIT). However, under the
13 current BGRT structure, the gross revenues from such trades are subject to
14 taxation—even if the trades result in a net loss. As a result, the effective tax burden
15 on such firms is prohibitively high, discouraging them from domiciling in the
16 CNMI. Exempting the sale or exchange of securities and similar financial assets
17 from the BGRT would allow the CNMI to compete for participation in global
18 financial markets, thereby unlocking an entirely new stream of tax revenue through
19 income taxation under the NMTIT.

20 For reference, the U.S. securities brokerage market is projected to grow
21 from \$196.99 billion in 2024 to \$242.33 billion by 2029, at a compound annual

1 growth rate of 4.23%. Capturing even a fraction of this market could yield
2 substantial tax revenue for the CNMI. Additional economic benefits would include
3 increased revenues from income, wage and salary, and earnings taxes paid by
4 employees and owners of firms domiciled in the Commonwealth.

5 The Legislature also finds that 4 CMC § 1712 , enacted by Public Law 5-
6 40 in 1987, imposes sourcing rules on former residents of the United States and
7 other U.S. territories that are inconsistent with the Internal Revenue Code (IRC),
8 which the CNMI adopted in mirror form as the NMTIT, as required by the
9 Covenant. Section 1712 predates the promulgation of Treasury Regulation § 1.937-
10 2 and deviates significantly from the sourcing rules in IRC § 865 and applicable
11 Treasury guidance. These federal provisions govern the sourcing of gains from the
12 sale of property by individuals who change residence to a U.S. territory and reflect
13 the current interpretation of applicable federal law. Because the CNMI is required
14 under the Covenant to maintain an income tax system that mirrors the IRC, the
15 substantive deviations created by § 1712 likely violate that mandate.

16 In addition to raising legal concerns, Section 1712 may serve as a deterrent
17 to relocation and investment by U.S.-based individuals and businesses, as it
18 imposes more burdensome tax consequences than those faced under federal law.
19 Repealing Section 1712 would restore consistency with the mirror code and
20 applicable federal sourcing rules, allowing qualifying capital gains to be treated as
21 CNMI-source income.

1 Accordingly, the purpose of this Act is to:

- 2 1. Amend 4 CMC § 1305 to exempt export services and the sale or exchange
3 of securities and similar financial assets from the Business Gross Revenue
4 Tax;
- 5 2. Amend 4 CMC § 1708 to ensure these exemptions are also eligible for
6 rebate treatment under the NMTIT; and
- 7 3. Repeal 4 CMC § 1712 in order to bring the NMTIT into conformity with
8 applicable federal sourcing rules and the requirements of the Covenant.

9 **Section 2. Amendment.** Title 4, Economic Resources; Division 1, Revenue
10 and Taxation; Chapter 3, Gross Revenue Tax; Section 1305, Exemptions,
11 Subsection (a), is hereby amended to read as follows:

12 “Notwithstanding any other provision, 4 CMC §§ 1301(a), 1302 and
13 1303 shall not apply to the gross revenue:

14 (a) Derived from the revenue generated by the export of goods, or
15 services manufactured or originating in the Commonwealth,
16 including but not limited to resources, food, fish, ~~or~~ agricultural
17 products, and professional, technical, or digital services, and
18 exported by the provider, manufacturer, or producer, produced or
19 ~~manufactured in the Commonwealth and exported by the~~
20 ~~manufacturer or producer~~ regardless of whether or not the
21 ~~manufacturer or producer~~ such individual or entity is deemed the

1 'seller' of such goods, or services resources, ~~fish or agricultural~~
2 ~~products.~~"

3 **Section 3. Amendment.** Title 4, Economic Resources; Division 1, Revenue
4 and Taxation; Chapter 3, Gross Revenue Tax; Section 1305, Exemptions, is hereby
5 amended by adding a new Subsection (j) to read as follows:

6 "(j) Derived from the sale or trade of securities, virtual currencies, digital
7 assets, and other similar assets."

8 **Section 4. Amendment.** Title 4, Economic Resources; Division 1, Revenue
9 and Taxation; Chapter 1, General Provisions; Section 1708, Tax Relief, Subsection
10 (d), titled, "*Limitations*," is hereby repealed and re-enacted to read as follows:

11 "(d) Limitations.

12 (1) Notwithstanding subsection (a) of this section,

13 (i) A person is not entitled to any rebate offset with respect to any
14 accumulated earnings tax paid by the person pursuant to Section 531 of the NMTIT.

15 (ii) A person, who has any income from sources within the Commonwealth
16 that is not subject to any taxes under chapter 2 [4 CMC §§ 1201 seq.] or 3 [4 CMC
17 §§ 1301 et et seq.] of this division, shall not be entitled to any rebate offset under
18 this section with respect to the tax on such income. This subsection shall not apply
19 to income:

20 (A) Exempted from the definition of earnings under 4 CMC § 1202(b)(6).

21 (B) Exempted from the gross revenues tax under 4 CMC § 1305(a), or (d),

1 or j.

2 (C) Taxed under article 2 of chapter 4 of this division [4 CMC §§ 1421 et
3 seq.].

4 (D) From the sale of private land to the Commonwealth Government for
5 public purpose.

6 (2) Notwithstanding subsection (d)(1)(ii) of this section, a person, who has
7 any income from sources within the Commonwealth that is not subject to any taxes
8 under chapter 2 [4 CMC §§ 1201 et seq.] or 3 [4 CMC §§ 1301 et seq.] of this
9 division, may elect to have that income taxed as if it were subject to the applicable
10 tax under chapter 2 or 3 of this division. If a person so elects and pays the applicable
11 tax, such person shall be entitled to the rebate allowed under subsection (a) of this
12 section. A person shall make the election in a manner and on a form prescribed by
13 the secretary. This subsection shall not apply to income:

14 (i) Exempted from the definition of earnings under 4 CMC § 1103(f)(8).

15 ~~(A)(ii)~~ Exempted from the definition of earnings under 4 CMC §
16 1202(b)(6).

17 ~~(ii)(iii)~~ Exempted from the gross revenue tax under 4 CMC § 1305(a), ~~or~~
18 (d), or j.

19 ~~(iii)(iv)~~ Taxed under article 2 of chapter 4 of this division [4 CMC §§ 1421
20 et seq.].”

21 **Section 4. Repealer.** Title 4, Economic Resources; Division 1, Revenue

1 and Taxation; Chapter 1, General Provisions; Section 1712, titled, "Special
2 Sourcing Rules of Certain United States Individuals," is hereby repealed.

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

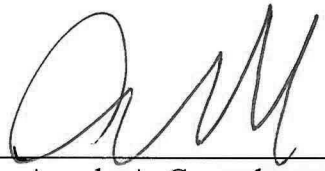
8 **Section 6. Savings Clause.** This Act and any repealer contained herein
9 shall not be construed as affecting any existing right acquired under contract or
10 acquired under statutes repealed or under any rule, regulation, or order adopted
11 under the statutes. Repealers contained in this Act shall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

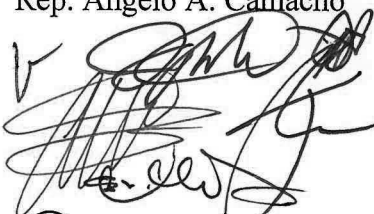
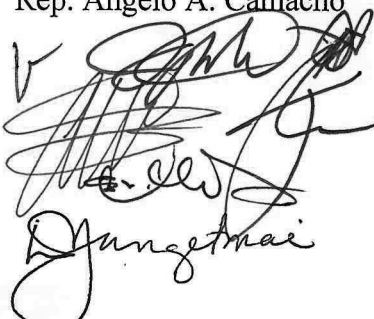
15 **Section 7. Effective Date.** This Act shall take effect upon its approval by
16 the Governor, or it becoming law without such approval.

Prefiled: 8/29/2025

Date: _____

Introduced by: _____


Rep. Angelo A. Camacho



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Reviewed for Legal Sufficiency by:

Joseph L.G. Taijeron, Jr. 8/29/25
Joseph L.G. Taijeron, Jr., House Legal Counsel