

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Regular Session, 2025

H. B. 24-63

A BILL FOR AN ACT

To amend Title 4 sections 1991 to 1995 relating to the 3% construction tax on gross revenues derived from certain non-residential construction projects and to enact a new section 1996 pertaining to Applicability; and for other purposes.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that Public Law
2 23-31 established a 3% construction tax. However, the scope and parameters for
3 this tax need to be further clarified for clear enforcement. Therefore, it is the
4 purpose of this Act to amend Public Law 23-31, codified as 4 CMC § 1991 et seq.,
5 to clearly impose the construction tax on all revenues received or accrued by
6 General Contractors beginning on the first day of the following calendar month in
7 which this Act becomes law.

8 **Section 2. Amendment.** The title of Title 4. Economic Resources, Division
9 1. Revenue and Taxation, Chapter 14. “Non-Residential Construction Surtax,” is
10 hereby amended to read: “Non-Residential Construction Surtax Tax”.

11 **Section 3. Amendment.** Title 4. Economic Resources, Division 1. Revenue
12 and Taxation, Chapter 14. Non-Residential Construction Surtax, Section 1991 is

1 hereby amended to add a new subsection (a), "Construction" and delete subsection
2 (b) "Qualification Construction Project". The amended statute shall read as
3 follows:

4 **"§ 1991. Definitions.**

5 For the purposes of this Chapter:

6 (a) "Construction" means any activity that creates, installs,
7 alters, repairs, improves, maintains, or demolishes any building,
8 structure, facility, infrastructure, system, or other improvement to
9 real property, including, without limitation, all related site work,
10 temporary works, mobilization, testing, commissioning, and change
11 orders; the leveling or clearing of land; the excavating of earth; and
12 the drilling of wells of any type, including seismograph shot holes
13 or core drilling.

14 (b) ~~"Qualifying Construction Project" means any~~
15 ~~construction project, other than construction of Residential Housing,~~
16 ~~with a total project cost of three hundred fifty thousand dollars~~
17 ~~(\$350,000.00) or more, inclusive of executed change orders,~~
18 ~~amendments, and modifications. A construction project is a~~
19 ~~Qualifying Construction Project if any additions or modifications~~
20 ~~resulting in changes to the total project cost cause that cost to meet~~

1 ~~or exceed the threshold of three hundred fifty thousand dollars~~
2 ~~(\$350,000.00).~~

3 (b) “General Contractor” means the primary entity that
4 contracts for the completion of an entire construction project and is
5 typically responsible for the hiring and coordinating the work of
6 subcontractors; ensuring that the project is completed on time,
7 within budget, and according to the agreed-upon specifications;
8 acting as the main point of contact between the client and the various
9 subcontractors; purchasing of materials; and ensuring that the
10 project adheres to all applicable local and federal laws.

11 (c) “Residential Housing” means single-family homes or
12 other standalone dwellings designed for individual households and
13 excludes multi-family units, such as apartments, condominium
14 complexes, commercial residential developments, or other similar
15 shared living structures.

16 (d) “Subcontractor” means a person or company hired by a
17 General Contractor to perform tasks or services as part of a larger
18 construction project. “Subcontractors” operate under a separate
19 contract from the one between the General Contractor and the
20 client.”

1 **Section 4. Amendment.** Title 4. Economic Resources, Division 1.
2 Revenue and Taxation, Chapter 14. Non-Residential Construction Surtax, Section
3 1992 is hereby amended to read as follows:

4 “(a) In addition to the tax imposed under Chapter 3 of
5 Division 1 of Title 4 of the Commonwealth Code, and unless
6 expressly exempted herein, a tax of 3% shall be imposed on the
7 gross revenues of a General Contractor that are directly attributed to
8 or derived from ~~a Qualifying Construction Project~~ Construction that,
9 in the aggregate, exceed \$350,000 in a taxable year.

10 (b) For the purposes of subsection (a), the gross revenue
11 ~~surtax~~ shall exclude revenues generated by or derived from
12 construction of Residential Housing.

13 (c) Revenues of a Subcontractor that are derived from
14 Construction performed ~~on a Qualifying Construction Project~~ for a
15 General Contractor subject to the tax imposed by this Section are
16 exempt from the tax imposed by this Section.

17 ~~(d) Revenues from construction activities derived from~~
18 ~~Qualifying Construction Projects arising from contracts awarded on~~
19 ~~or before January 15, 2025, are exempt from the tax imposed by this~~
20 ~~Section. The tax imposed by this Section shall apply to any and all~~

1 ~~Qualifying Construction Projects arising from contracts awarded or~~
2 ~~executed on or after January 16, 2025.~~

3 ~~Provided further that any change orders or modifications~~
4 ~~initiated, executed, or effective after January 16, 2025 shall subject~~
5 ~~the amended or modified contracts to this provision if the change~~
6 ~~order or modification brings the contract within the scope of the~~
7 ~~Qualifying Construction Project, including but not limited to~~
8 ~~retroactively applying to all contracts initiated, executed, or~~
9 ~~effective prior to January 16, 2025 that did not originally fall within~~
10 ~~the definition and scope of the Qualifying Construction Project~~
11 ~~absent the change order or modification.~~

12 **Section 5. Amendment.** Title 4. Economic Resources, Division 1. Revenue
13 and Taxation, Chapter 14. Non-Residential Construction Surtax, Section 1993
14 subsection (a) is hereby amended to read as follows:

15 “(a) A person may take the surtax imposed on gross revenue
16 under Section 1992 as a non-refundable tax credit against any taxes
17 imposed on Commonwealth source income under Subtitle A of the
18 NMTIT pursuant to Chapter 7 of Division 1 of Title 4 of the
19 Commonwealth Code (4 CMC §§ 1701 et seq.). No such credit shall
20 be allowed for any amount deducted in determining taxable income
21 under the NMTIT as shown on the taxpayer’s return.”

1 [no changes to subsections (b) and (c)]

2 **Section 6. Amendment.** Title 4. Economic Resources, Division 1. Revenue
3 and Taxation, Chapter 14. Section 1994 subsection (b) is hereby amended to read
4 as follows:

5 “(b) Filing Returns and Payment. The monthly returns and
6 tax payments under subsection (a) of this Section shall be filed and
7 the tax paid, if any, on or before the last day of the month following
8 the close of each month, to wit: on or before February 28, March 31,
9 April 30, May 31, June 30, July 31, August 31, September 30,
10 October 31, November 30, December 31, and January 31. The
11 payment shall be based on the payors gross revenue ~~derived from~~
12 ~~Qualifying Construction Projects~~ in the preceding month, and the
13 amount of tax imposed by this Chapter shall be paid to the
14 Commonwealth government through the secretary or his appointee
15 or appointees. Each business shall, on or before the date provided
16 for payment of tax under this Section, make a full, true, and correct
17 return showing all such gross revenue ~~derived from Qualifying~~
18 ~~Construction Projects~~ that are received, accrued, or earned,
19 whichever is earlier, and the amounts deducted and set aside on
20 account during the preceding month. This return shall be filed with
21 the secretary and include such other information as may be required

1 or prescribed by the secretary. The secretary for good cause, may
2 extend the time for making payments and returns, but not beyond
3 the last day of the first month succeeding the regular due date.”

4 **Section 7. Amendment.** Title 4. Economic Resources, Division 1. Revenue
5 and Taxation, Chapter 14. Non-Residential Construction Surtax, Section 1995 is
6 hereby amended to read as follows:

7 “Special Gross Revenues from Qualifying Construction
8 ~~Projects (GRQCP)~~ GRQC Account.

9 (a) The Secretary of Finance shall establish a special Gross
10 Revenues from Qualifying Construction—~~Projects (GRQCP)~~
11 (GRQC) account separate from the General Fund. The funds in the
12 ~~GRQCP~~ account shall not be subject to fiscal year limitation and
13 shall be used for the implementation and enforcement of this
14 Chapter.

15 (b) All revenues raised pursuant to this Chapter shall be
16 deposited into the General Fund, except:

17 (i) ten percent shall be deposited in the special (~~GRQCP~~)
18 (GRQC) account established by this Section, for appropriation by
19 the Legislature as follows:

1 (1) twenty percent of the (~~GRQCP~~) (GRQC) funds shall be
2 appropriated for implementation and enforcement of this Chapter
3 and customs activities as follows:

4 (A) 2.5% shall be appropriated each to the First and Second
5 Senatorial District to the municipal Department of Finance, under
6 the expenditure authority of the respective Resident Department
7 Head; and

8 (B) 15% shall be appropriated to the Third Senatorial
9 District to the CNMI Department of Finance, under the expenditure
10 authority of the Secretary of Finance.

11 (2) eighty percent of the (~~GRQCP~~) (GRQC) funds shall be
12 appropriated for road maintenance, solid waste, and environmental
13 protection purposes in the First, Second and Third Senatorial
14 Districts as follows:

15 (A) 15% shall be appropriated each to the First and Second
16 Senatorial District to the municipal Department of Public Works,
17 under the expenditure authority of the respective Resident
18 Department Head; and

19 (B) 50% shall be appropriated to the Third Senatorial
20 District to the CNMI Department of Public Works, under the
21 expenditure authority of the Secretary of Public Works.”

1 **Section 8. Amendment.** Title 4. Economic Resources, Division 1. Revenue
2 and Taxation, Chapter 14. Non-Residential Construction Surtax, is hereby amended
3 by adding a new Section, 1996, titled, “Applicability; Transitional Rule,” that shall
4 read as follows:

5 (a) The tax imposed under Section 1992(a) applies beginning on the first
6 day of the following calendar month in which this Act becomes law. The tax does
7 not apply to gross revenues received or accrued in prior months; however, for
8 purposes of the \$350,000 annual threshold in Section 1992(a), a General
9 Contractor’s cumulative gross revenues from Construction for the taxable year shall
10 be taken into account.”

11 **Section 9. 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 10. 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


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

Prefiled: 9/30/2025

Date: _____

Introduced by: _____


Rep. John Paul P. Sablan

Reviewed for legal sufficiency by:


House Legal Counsel

Date: 9-27-25


R. V. Ch. J. All
M. A. W.
D. M. J. M.
P. B.