

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Session, 2026

H. B. 24- 89

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:

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

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

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

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

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

18 **Section 2. Short-Title.** This Act shall be known as the “Nonprofit
19 Transparency in Government Funding Act”.

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

1 **“Nonprofit Transparency in Government Funding Act.”**

2 **“§ 101. Definition. As used in this Act:**

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

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

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

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

18 **§ 102. Requirement of Disclosure.**

19 (1) Any Nonprofit Organization seeking or receiving Funding
20 appropriated by the Legislature or any legislative delegation shall submit Proof of
21 501(c)(3) Status with its funding application.

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

3 (3) Any government application form or request for proposal related to
4 such Funding shall include a mandatory field for the submission of Proof of
5 501(c)(3) Status.

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

9 **§ 103. Verification.**

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

13 (2) Verification shall include:

14 a. Review of the organization's IRS determination letter;

15 b. Confirmation through the Internal Revenue Service's Tax Exempt
16 Organization Search database; and

17 c. Cross-reference with the Department of Finance registry of
18 charitable and nonprofit entities.

19 **§ 104. Non-Compliance.**

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

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

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

10 **§ 105. Applicability to Legislative Delegations.**

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

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

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

1 **§ 106. Exemptions.**

2 (1) This Act shall not apply to:

3 a. Emergency funds disbursed pursuant to a declared state of
4 emergency or disaster; or

5 b. Funds appropriated directly to Commonwealth government
6 agencies or political subdivisions.”

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

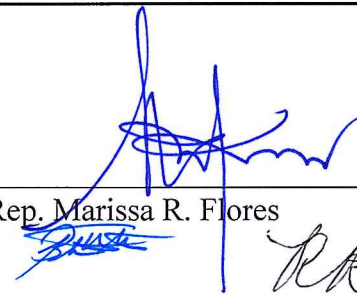


12 **Section 5. Savings Clause.** This Act and any repealer contained herein
13 shall not be construed as affecting any existing right acquired under contract or
14 acquired under statutes repealed or under any rule, regulation, or order adopted
15 under the statutes. Repealers contained in this Act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

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


Prefiled: 1/9/2026

Date: _____

Introduced by: _____

Rep. Marissa R. Flores

 

Reviewed for legal sufficiency by:


House Legal Counsel

Date: 1/9/26