

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVE

Regular Session, 2026

H. B. 24-95

A BILL FOR AN ACT

To enhance economic opportunities for small businesses and local farmers by establishing new gross revenue tax exemptions, clarifying export treatment, simplifying tax administration in the CNMI; providing for phased implementation to ensure administrative feasibility and fiscal stability; and for other purposes.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that small
2 businesses, including emerging "pop-ups," micro-businesses, and local farmers, are
3 critical drivers of the Commonwealth's economy, providing essential goods,
4 services, and employment opportunities. Many of these enterprises operate on
5 limited revenue margins, and the burden of certain taxes, coupled with complex
6 filing requirements, disproportionately impacts their viability. This burden can
7 impede their ability to grow, expand, and reinvest in their operations, thereby
8 limiting overall economic diversification and resilience within the Commonwealth.
9 The Legislature finds that allowing small businesses and local farmers to
10 retain a greater portion of their earnings will encourage them to reinvest in their

1 operations, foster innovation, support the establishment of new ventures, and
2 stimulate local economic circulation. Therefore, it is the intent of this Act to provide
3 targeted economic relief and simplify administrative processes for eligible small
4 businesses and local farmers, enabling them to reinvest capital, create jobs, and
5 contribute more robustly to the Commonwealth's prosperity. The Legislature
6 further finds that for these benefits to be realized sustainably, the implementation
7 of these tax reforms must be carefully managed, allowing the Department of
8 Revenue and Taxation (DRT) sufficient time and resources to develop clear
9 guidance, establish effective systems, and ensure fiscal responsibility. Clear
10 statutory definitions and robust dispute resolution mechanisms are essential to
11 minimize ambiguity and potential litigation.

12 The Legislature finds that it has come to the attention of the CNMI
13 Legislature that the Commonwealth Department of Revenue and Taxation has
14 misconstrued the taxation imposed on goods produced or manufactured in the
15 Commonwealth solely for export to destinations outside of the Commonwealth. In
16 this time of economic hardship, as the Commonwealth attempts to attract new
17 foreign investment with the creation of a Free Trade Zone and the offering of
18 various tax incentives, the actions taken by the Department of Revenue and
19 Taxation have the potential to damage investment attraction efforts. Notably, the
20 Department has imposed double taxation on companies producing and
21 manufacturing goods for export, by assessing both the Gross Revenue Tax of 4

1 CMC §1301 and the Customs Certification User Fee of 4 CMC §1421 on export
 2 goods.

3 The Legislature wishes to clarify that the production or manufacture of
 4 goods in the Commonwealth intended for shipment to buyers outside of the
 5 Commonwealth does not, and has never, subjected the producer or manufacturer to
 6 the Gross Revenue Tax or any similar flat tax under CNMI tax statutes.

7 **Section 2. Repeal and Re-enactment.** Title 4, Division 1, Chapter 3,
 8 Section 1301 is hereby repealed and enacted to read as follows:

9 **“§ 1301. Tax on Gross Revenue.**

10 (a) Except as otherwise provided, there is imposed on every person, a
 11 yearly tax on the person’s total gross revenue. The tax shall be determined
 12 in accordance with the following schedule:

<i>If the yearly total</i>	<i>The tax on the yearly</i>
<i>gross revenue is between:</i>	<i>total gross revenue is:</i>
(1) \$0 to \$50,000	No tax
(2) \$50,001 to \$100,000	1.5 percent of the amount over \$0.
(3) \$100,001 to \$250,000	Two percent of the amount over \$0.
(4) \$250,001 to \$500,000	2.5 percent of the amount over \$0.
(5) \$500,001 to \$750,000	Three percent of the amount over \$0.
(6) \$750,001 and over	Five percent of the amount over \$0.

1 Provided, that the 'No tax' exemption for \$0 to \$50,000 of yearly total gross
2 revenue shall apply only to persons whose total gross annual revenue did not exceed
3 Five Hundred Thousand Dollars (\$500,000) in the most recent CNMI government
4 fiscal year unless otherwise provided by rule. For purposes of this subsection, a
5 person without a prior year of operation shall be deemed to have met the preceding-
6 year revenue test unless the Department determines otherwise based on available
7 records. The Department of Revenue and Taxation may adopt rules for verification
8 of the preceding fiscal year revenue.

9 (b) Aggregation. A person who during the year conducts two or more
10 separate and distinct businesses, sells more than one property, or is entitled to
11 distributive shares from more than one partnership shall include the combined
12 total gross revenue of all such businesses, sales, and distributive shares in
13 computing the yearly tax under this section. The Department shall adopt rules
14 to determine aggregation, including treatment of related parties and entities,
15 and to prevent avoidance.

16 (c) Notwithstanding subsection (a), the production or manufacture in the
17 Commonwealth of goods that are exported and for which export is
18 documented under subsection (d) shall not be subject to the gross revenue
19 tax imposed under this section with respect to such production or
20 manufacture. This subsection does not exempt gross revenue derived from
21 sales or services performed within the Commonwealth that are not exported.

1 (d) To claim the exemption in subsection (c), a person must maintain
2 and provide upon request records demonstrating that the goods were
3 exported, including but not limited to customs export declarations, bills of
4 lading, commercial invoices showing non-Commonwealth buyers or
5 shipping destinations outside the Commonwealth, and any other
6 documentation required by Customs or the Department. The Department
7 may issue administrative guidance specifying acceptable documentation
8 and record retention periods.

9 (e) The exemption under subsection (c) does not alter or repeal the
10 Customs Certification User Fee enacted at 4 CMC §1421; however, the
11 Department and the Department of Homeland Security – Customs shall
12 coordinate to avoid duplicative taxation on the same economic activity.
13 Where a person demonstrates that the same activity has been subject to both
14 a gross revenue tax and the Customs Certification User Fee, the Department
15 may provide administrative relief consistent with this Chapter and
16 applicable law, including credit or refund where appropriate. The
17 Department shall not assess gross revenue tax on activity for which the
18 Customs Certification user fee has been imposed on the same transaction.

19 (f) Effective date. The amendments made by this Act shall take effect
20 upon enactment into law.”

21 **Section 3. Repeal and Re-enactment.** Title 4, Division 1, Chapter 3,

1 Section 1302 (a) is hereby repealed and enacted to read as follows:

2 **“§ 1302. Tax on Agriculture Producers and Fishing.**

3 (a) In lieu of the tax rates of 4 CMC § 1301(a), the tax imposed on
4 persons:

5 (1) registered or otherwise recognized by rule with the
6 Commonwealth Council for Arts and Culture as artists; or

7 (2) engaged in the business of producing agricultural products in the
8 Commonwealth, or fishing in the Commonwealth, or its waters,
9 for dietary consumption, shall be determined in accordance with
10 the following schedule:

11 <i>If the yearly total</i>	<i>The tax on the yearly</i>
12 <i>gross revenue is between:</i>	<i>total gross revenue is:</i>
13 (i) \$0 to \$50,000	No tax.
14 (ii) Over \$50,000	One percent of total gross revenues
15	in excess of \$50,000.

16 (b) 4 CMC § 1301(b) shall apply in determining the yearly total gross
17 revenue of persons subject to subsection (a) of this section. The Department
18 shall issue rules governing qualification, documentation, and aggregation
19 for person claiming benefits under this section.

20 (c) All persons subject to this section must file returns under 4 CMC §
21 1306 whether or not any tax is due. The Department shall provide a

1 simplified zero-return form for persons with no tax liability under this
2 section.”

3 **Section 4. Enactment.** Notwithstanding any laws or regulations to the
4 contrary and subject to proper codification by the CNMI Law Revision
5 Commission, under Title 4, Division 1, Chapter 3, a new Section 1314 is hereby
6 enacted:

7 **“§ 1314. Fiscal Impact Statement and Sustainability Review.**

8 (a) Fiscal Impact Statement. Prior to the effective date of any tax rate
9 changes or new exemptions detailed in this Act, the Department of Finance
10 shall prepare and submit to the Legislature a comprehensive fiscal impact
11 statement, projecting the estimated revenue loss or gain over the next five
12 (5) fiscal years. This statement shall include an assessment of the potential
13 impacts on the Commonwealth's budget and essential public services.

14 (b) Sustainability Review. The Legislature shall review the fiscal
15 impact statement and assess the Commonwealth's fiscal capacity to absorb
16 the revenue changes proposed by this Act. Based on this review, the
17 Legislature may, by subsequent concurrent resolution, adjust the phased
18 implementation timelines or specific tax rates/exemptions as deemed
19 necessary to maintain fiscal stability.”

20 **Section 5. Enactment.** Notwithstanding any laws or regulations to the
21 contrary and subject to proper codification by the CNMI Law Revision

1 Commission, under Title 4, Division 1, Chapter 3, a new Section 1315 is hereby
2 enacted:

3 **“§ 1315. Transitional provisions; claims for refund.**

4 (a) Transition and guidance. The Department shall adopt temporary and
5 final rules, forms, and written guidance necessary to implement the
6 amendments in §§1300–1302, including rules for verification,
7 documentation requirements for export exemptions, and simplified zero-
8 return procedures. The Department shall publish transitional guidance
9 within 45 days after this Act’s effective date and provide at least one public
10 webinar or in-person outreach session in the first 90 days.

11 (b) Procedural claims for refund. A person who paid gross revenue tax
12 for any taxable period prior to the effective date of this Act and who believes
13 such tax was erroneously imposed on production or manufacture of goods
14 exported from the Commonwealth may file an administrative claim for
15 refund with the Department within 180 days of the effective date of this Act.
16 The claimant bears the burden of demonstrating eligibility for a refund. The
17 Department may deny claims lacking required documentation; denials shall
18 inform claimants of appeal rights. Appeals shall be reviewed de novo based
19 on the administrative record.

20 (c) No retroactive impairment of vested rights. This Chapter shall not
21 be construed to impair vested contractual rights or to affect any proceeding

1 lawfully pending on the effective date; provided, however, that nothing in
2 this subsection shall prevent a claimant from pursuing a refund as provided
3 in subsection (b).”

4 **Section 6. 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 7. 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 8. Effective Date.** This Act shall take effect upon its approval by
17 the Governor, or its becoming law without such approval.

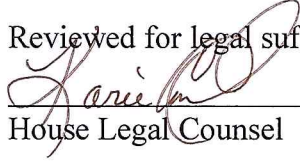
Prefiled: 2/6/2026

Date: _____

Introduced by: _____


Rep. Thomas J. DLC. Manglona

Reviewed for legal sufficiency by:



House Legal Counsel

Date: 2-5-26