

**TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH**  
**LEGISLATURE**  
**IN THE HOUSE OF REPRESENTATIVES**

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

**H. J. R. 24-3**

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**A HOUSE JOINT RESOLUTION**

To urge the United States Congress to require all contractors and subcontractors performing federally funded work in the Commonwealth of the Northern Mariana Islands to register with the CNMI Department of Finance and certify compliance with CNMI tax laws as a condition of receiving federal payments, to request the U.S. Department of Defense to adopt a CNMI-specific clause in the Defense Federal Acquisition Regulation Supplement (DFARS) to institutionalize this requirement, and to affirm the CNMI's right under Section 703(b) of the Covenant to receive federal income tax revenues generated from contract work performed in the Commonwealth.

**WHEREAS**, allocation of federal income taxes derived from the Northern Mariana Islands is governed by Section 703(b) of the Covenant, which mandates that such taxes be returned to the treasury of the CNMI Government. These taxes are not federal transfers, but collections from private companies operating within CNMI borders; and

**WHEREAS**, contractors performing federally funded work in the Commonwealth of the Northern Mariana Islands currently do not register with the CNMI Department of Finance or comply with CNMI tax obligations, despite generating taxable income through physical labor, technical services, or contract oversight within the jurisdiction of the Commonwealth; and

**WHEREAS**, structural enforcement gaps—specifically the absence of federal procurement requirements that ensure tax registration and certification—have led to persistent tax leakage, depriving the CNMI of revenue necessary for fiscal self-sufficiency and placing compliant local contractors at a competitive disadvantage; and

**WHEREAS**, harmonization of federal acquisition protocols with CNMI revenue law is necessary to close these gaps. The Legislature therefore urges the United States Congress to require, as a condition of federal payment, that all contractors and subcontractors performing federally funded work in the CNMI register with the CNMI Department of Finance and certify compliance with local tax laws, and to request that the U.S. Department of Defense adopt a CNMI-specific clause in the Defense Federal Acquisition Regulation Supplement (DFARS) to enforce this obligation; and

**WHEREAS**, bolstering regional calls for stricter territorial tax enforcement, Vice Speaker Tony Ada of the Guam Legislature has requested that Congress incorporate a Guam-specific DFARS clause in the FY 2026 National Defense Authorization Act (NDAA), requiring contractor registration and tax compliance with Guam law, citing audit findings of underreporting and potential losses exceeding \$200 million in business privilege taxes. His request reflects a growing consensus that federal procurement rules must be updated to ensure territorial tax compliance. The CNMI Legislature affirms this approach and urges

that identical registration and certification protocols be required of all contractors and subcontractors performing federally funded work in the CNMI; and

**WHEREAS**, affirming the Guam legislator’s sentiment, CNMI Delegate to the United States Congress, the Honorable Kimberlyn King-Hinds, in a letter dated July 10, 2025 to the Secretary of the U.S. Department of the Treasury, also called attention to a serious gap in the enforcement of Section 703(b) of the Covenant, noting that despite over \$153 million in Department of Defense construction spending on Tinian, the CNMI collected only \$87,000 in tax revenue; and

**WHEREAS**, continuing failure to enforce CNMI-specific tax compliance requirements has allowed federally funded contractors to operate within the Commonwealth without registering with the Department of Finance or paying applicable taxes—resulting in structural revenue loss and undermining the CNMI’s ability to sustain critical public services and invest in long-term infrastructure; and

**WHEREAS**, knowledge of the Covenant and its fiscal terms is essential to understanding that the Commonwealth of the Northern Mariana Islands was established through a negotiated deal—approved by both sides, ratified by plebiscite, and enacted by Congress as federal law. That solemn and mutually binding deal is the Covenant—a mutual agreement meant to allow the CNMI to govern itself, generate its own revenue, and avoid dependence on federal handouts. Section 703(b) of the Covenant is part of that deal. It requires that federal income

taxes derived from work performed in the CNMI be returned to the CNMI Treasury. These taxes are not federal gifts—they are payments made by private contractors for work done in the CNMI. Keeping those revenues in Washington violates the terms of the deal. If the Covenant is to mean anything, its terms must be respected. Honor the agreement. Enforce the law.

1           **NOW, THEREFORE, BE IT RESOLVED** by the House of  
2 Representatives of the Twenty-Fourth Northern Marianas Commonwealth  
3 Legislature, the Senate concurring, that the Legislature respectfully urges the  
4 United States Congress to include in the FY 2026 National Defense Authorization  
5 Act a requirement that all contractors and subcontractors performing federally  
6 funded work in the CNMI register with the CNMI Department of Finance and  
7 certify compliance with CNMI tax laws as a condition of receiving federal  
8 payments;

9           **BE IT FURTHER RESOLVED** that the Legislature requests the United  
10 States Department of Defense to adopt a CNMI-specific clause in the Defense  
11 Federal Acquisition Regulation Supplement (DFARS), requiring registration with  
12 the CNMI Department of Finance and certification of tax compliance by all  
13 contractors and subcontractors receiving federal funds for work performed in the  
14 CNMI;

15           **BE IT FURTHER RESOLVED** that the Legislature requests that such  
16 registration and tax certification be documented and submitted as a condition for

1 receiving progress or final payments under applicable federal contracts and  
2 subcontracts for work conducted in the CNMI;

3 **BE IT FURTHER RESOLVED** that the Legislature expresses its full  
4 support for Delegate King-Hinds' July 10, 2025 letter to the U.S. Department of  
5 the Treasury and affirms that failure to remit federal taxes derived from the CNMI  
6 constitutes a material breach of Section 703(b) of the Covenant;

7 **BE IT FURTHER RESOLVED** that if, within a reasonable time following  
8 formal notice, the United States government fails to honor its obligations under  
9 Section 703(b) of the Covenant by remitting federal income taxes derived from  
10 CNMI-based contract work, the CNMI Legislature will demand enforcement of the  
11 Covenant and will call upon the Secretary of Finance and the Governor of the  
12 Commonwealth to initiate all lawful remedies available to uphold the terms of the  
13 agreement;

14 **BE IT FURTHER RESOLVED** that this resolution shall constitute formal  
15 and official notice by the House of Representatives and Senate of the  
16 Commonwealth Legislature, acting on behalf of the government of the  
17 Commonwealth of the Northern Mariana Islands, that full compliance with Section  
18 703(b) is expected, and that noncompliance will trigger all lawful legal and political  
19 remedies available to the Commonwealth;


20 **BE IT FURTHER RESOLVED** that certified copies of this resolution be  
21 transmitted to the Honorable Kimberlyn King-Hinds, CNMI Delegate to the U.S.

1 House of Representatives; the Honorable Mike Rogers, Chair of the U.S. House  
2 Armed Services Committee; the Honorable Roger Wicker, Chair of the U.S. Senate  
3 Armed Services Committee; the Honorable Pete Hegseth, Secretary of the U.S.  
4 Department of Defense; the Honorable Scott Bessent, Secretary of the U.S.  
5 Department of the Treasury; Gregory L. Masiello, Director of the Defense Contract  
6 Management Agency; the Honorable Arnold I. Palacios, Governor of the CNMI;  
7 and the Honorable Tracy Norita, Secretary of Finance of the CNMI.


Prefiled: 7/14/2025

Date:

Introduced by:

  
Rep. Blas Jonathan "BJ" T. Attao

Reviewed for Legal Sufficiency by:

  
Joseph L.G. Tajeron, Jr.,  
House Legal Counsel

