

Twentieth Northern Marianas Commonwealth Legislature

IN THE HOUSE OF REPRESENTATIVES

Session, 2017

H. B. 20- 21

A BILL FOR AN ACT

To retire the CNMI deficit in a significant and consistent manner
via imposition of a 5% tax on gaming revenue in the
Commonwealth.

**BE IT ENACTED BY THE TWENTIETH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings.** In terms of actual revenues and expenditures, the
2 government overspent in most fiscal years in amounts that varied from \$800,000
3 in the early 80s to several millions of dollars in the more recent fiscal years.
4 Indeed, the CNMI government has been incurring a budget deficit since it first
5 became a Commonwealth in 1978 and then-CNMI Governor Carlos S. Camacho
6 ended his term in 1982 with a \$5 million in deficit. In the years following this
7 first term, a cumulative “unreserved” fund balance deficit arose in the amount of
8 \$25.3 million as of the end of fiscal year 1986, when single audit reporting was
9 finally implemented. By end of FY 1991, the deficit increased to \$19.5 million
10 but by FY 2000 it was already at \$69.5 million. Ten years later by the end of FY
11 2001, the deficit was up at \$87.9 million. The following fiscal year, FY 2002, the
12 deficit was over 100 million for the first time when it rose to \$104.4 million.

1 On a year-to-year basis, the overall deficit of the government per fiscal
2 year has included obligations to other agencies, reserves for encumbrances, related
3 assets, continuing appropriations for certain programs, and inventories. The
4 figures associated with the cumulative liability in terms of employer contribution
5 with the NMI Retirement Fund and the so-called Settlement Fund are substantial
6 and they, in part, led to the creation of the casino “industry” in the Third
7 Senatorial District. Significantly, this industry is largely un-taxed and the time
8 has come to tax the casino in a fair and reasonable manner. The exclusive license
9 fee that is paid currently is arguably a fair price for a legal monopoly, but even an
10 entity that enjoys exclusive gaming rights should be paying its fair share of taxes.

11 In the words of current CNMI Governor Ralph Torres, “When you
12 encourage casino gaming, you start an investment and eventually we should tax it.
13 No ifs, no buts, definitely we will tax them, but we need them to get the
14 investment started first before we start taxing them.” Governor Ralph Torres,
15 April 27, 2016.

16 According to Governor Torres, “Yes we do need to tax gaming, but now is
17 not the right time to do that. Whenever you look at the tax rate, you have to look
18 at the amount of investment and what the projected revenue is. That will be the
19 right time to discuss the tax.” The Governor then went on to ask: “Are we going
20 to propose 1 percent, 2 percent or a 10 percent tax? Eventually it may even go up
21 to 20 percent.” Based on the amount of the investment and the actual figures
22 being reported, a 5% tax would be fair, reasonable, and quite frankly, necessary.

1 The gaming tax proposed herein could average 5 million dollars in
2 additional revenue per month. If the Legislature can amend the law for the benefit
3 of the casino then we can amend the law for the benefit of the Commonwealth.
4 To allow for proper and adequate notice for all parties, this measure shall be
5 effective 24 months from its enactment into law.

6 **Section 2. Amendment.** Title 4, Division 1, Chapter 5 is amended by
7 adding the following new section:

8 **“§1512. Gaming Revenue Tax.**

9 (a) Gaming Revenue Tax. Notwithstanding any law to the
10 contrary, there is hereby imposed an annual gaming revenue tax of five
11 percent (5%) on the net gaming revenue of any person engaged in the
12 business of gaming.

13 (b) Non refundable Credit. A person may take a nonrefundable
14 credit against the tax imposed by §1512(a) in the amount of licensee fees
15 paid to the Commonwealth and any Senatorial District for the privilege of
16 engaging in gaming and gaming revenue taxes imposed by a Senatorial
17 District.

18 (c) Exemptions. The following activities are exempt from the tax
19 imposed by §1512(a):

20 (1) cockfighting, bingo and bato pursuant to a valid license
21 or permit.

1 (2) fundraising activities of an organization exempt from
2 taxation under Chapter 7 of this Division or comparable Federal
3 Law.

4 (3) an organization exempt from taxation under Chapter 7
5 of this Division or comparable Federal Law licensed or permitted
6 to engage in gaming activity in the Commonwealth.

7 (4) the Commonwealth Lottery and its contractors

8 (5) any machines licensed pursuant to 4 CMC 1503 or other
9 amusement devices already subject to taxation under this Act or
10 CNMI law.

11 **Section 3. Amendment.** 4 CMC Section 1103 is hereby amended by
12 adding the following definitions as follows:

13 “(gg) **“Gaming”** means engaging in the business of gambling as
14 defined in 6 CMC §3155.

15 (hh) **“Net gaming revenue”** means the total of all sums actually
16 received and given as credit from the conduct of gaming, less the total of
17 all sums paid out as winnings in respect of gaming.”

18 **Section 4. Special Account.** The Secretary is hereby legally authorized
19 to establish and create a Special Account into which all funds generated by this
20 Act shall be deposited by the Secretary of Finance for the purposes of retiring the
21 CNMI deficit. Upon the completion of the repayment of the CNMI deficit, all
22 funds generated by this Act and deposited into the account, shall thereafter be

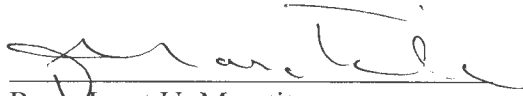
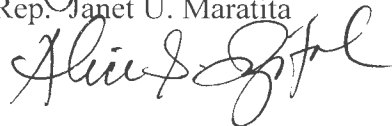
1 reserved for all salary adjustments and within-grade increases for eligible
2 employees of the CNMI government and the remainder, if any to the General
3 Fund.

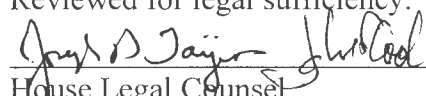
4 **Section 5. Severability.** If any provisions of this Act or the application
5 of any such provision to any person or circumstance should be held invalid by a
6 court of competent jurisdiction, the remainder of this Act or the application of its
7 provisions to persons or circumstances other than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

9 **Section 6. 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 7. Effective Date.** This Act shall take effect 24 months after its
17 approval by the Governor, or its becoming law without such approval.

Prefiled: 1/27/17 Introduced By:
Date: 1/27/17


Rep. Janet U. Maratita


Reviewed for legal sufficiency:

House Legal Counsel