

July 10, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

Dear Secretary Bessent,

I write to request your assistance in clarifying a key provision of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (“the Covenant”).¹ Specifically, I seek clarity on how the U.S. Department of the Treasury applies Section 703(b), which concerns the return of tax revenues collected from sources in the Commonwealth to the local government.

Section 703(b) states:

“There will be paid into the Treasury of the Government of the Northern Mariana Islands, to be expended to the benefit of the people thereof as that Government may by law prescribe, the proceeds of all customs duties and federal income taxes derived from the Northern Mariana Islands, the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in the Northern Mariana Islands and transported to the United States, its territories or possessions, or consumed in the Northern Mariana Islands, the proceeds of any other taxes which may be levied by the Congress on the inhabitants of the Northern Mariana Islands, and all quarantine, passport, immigration and naturalization fees collected in the Northern Mariana Islands, except that nothing in this Section shall be construed to apply to any tax imposed by Chapters 2 or 21 of Title 26, United States Code.”

Guam's Organic Act includes comparable language, though its application has remained limited.² The Covenant, adopted later, reflects a broader intention and scope. It has long been the view of the CNMI government that the comprehensive structure of Section 703(b) reflects a deliberate policy to return to the CNMI all federal income taxes and other federal taxes levied on its residents and activities within its jurisdiction.³

¹ Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (1975), Reprinted in 48 U.S.C. § 1801

² 48 U.S.C. § 1421h

³ MacMeekin & Woordworth. May 6, 1991. *Briefing Paper for the Special Representatives of the Governor of the Commonwealth of the Northern Mariana Islands on the Federal Tax Turnover Obligation under Section 703(b) of the Covenant.*

While nearly five decades have passed since this provision was adopted, its implementation remains unsettled. That ambiguity has become more urgent given two significant developments: the ongoing economic crisis in the CNMI due to the prolonged recovery from the COVID-19 pandemic, and the unprecedented surge in federal defense spending within the Commonwealth.

Although increased federal investment in the region is seen to be beneficial in principle, the translation of this activity into direct economic benefit for the CNMI has been minimal. During a recent CNMI legislative budget hearing, it was reported that of the more than \$153 million in Department of Defense construction activity on the island of Tinian, only \$87,000 was received by the CNMI government in tax revenue.⁴ Nearly all prime contractors are headquartered outside the CNMI, raising concerns that federal income taxes paid on income derived from contract performance in the CNMI are not being returned to the CNMI Treasury as the Covenant requires.

I believe this outcome is inconsistent with both the text and spirit of Section 703(b). The language regarding “federal income taxes derived from the Northern Mariana Islands” plainly encompasses income earned from work performed within the CNMI, even if those payments are received outside of the jurisdiction. As such, the taxes collected by the U.S. Treasury on this income should, under the Covenant, be remitted to the CNMI government.

To ensure the intent of the Covenant is upheld and that the people of the CNMI receive their rightful share of tax revenue associated with activities in their islands, I respectfully request your assistance in ensuring that Section 703(b) is applied in a manner consistent with its plain language and the intent of the Covenant. The economic activity taking place in the CNMI under federal contract is substantial, and the corresponding tax revenue should rightfully be remitted to the Commonwealth as provided by law. Your response and cooperation will be important not only in resolving this matter through executive action, but also in informing any legislative steps that may be necessary to support proper implementation moving forward.

Thank you for your time and consideration. I look forward to your response.

Sincerely,



Kimberlyn King-Hinds
Member of Congress

cc: The Honorable Pete Hegseth, Secretary of the U.S. Department of Defense

⁴ Thomas Manglona II. July 10, 2025. “*No legal authority to assess developers tax on military projects.*” Marianas Press. Available at <https://sites.google.com/marianaspres.com/marianaspres/news/no-legal-authority-to-assess-developers-tax-on-military-projects?authuser=0>