

Congress of the United States
House of Representatives
Washington, DC 20515

November 8, 2017

The Honorable Ralph DLG. Torres
Governor
Commonwealth of the
Northern Mariana Islands
Caller Box 10007
Saipan, MP 96950

Dear Governor Torres:

Because the Northern Mariana Islands is a mirror tax jurisdiction and the income tax provisions of the U.S. Internal Revenue Code apply in their entirety to taxpayers in the Marianas, I write to ask your help in analyzing the effects of H.R. 1, the tax reform bill, which the majority in the House has introduced.¹

A complete analysis of the impacts of this bill would be daunting and the measure is likely to change during the legislative process. Simply as an initial request, however, I would like to ask for information about certain deductions and credits in current law that are now available to Marianas taxpayers, but which H.R. 1 eliminates. If the CNMI Division of Revenue and Taxation could provide data on the number of Marianas tax filers who took each of these deductions or credits in the most recent tax year and the dollar amounts in aggregate for each, that information would be a useful starting point.

Deductions and credits proposed for elimination include:

- The deduction for teachers that allows them to reduce their taxable income by up to \$250 for professional training or supplies purchased for the classroom. 1040CM, line 23.
- The deduction for moving expenses that could be particularly important in the effort to encourage former residents and other U.S. workers to come to the Marianas for work opportunities. 1040CM, line 26.
- The student loan interest deduction, which helps reduce the cost of higher education. 1040CM, line 33.
- The credit for costs of dependent care assistance, for families paying for day care for their children or who are caring for aging parents. 1040CM, line 49.
- The personal exemption, which allows for \$4,050 to be deducted from income for the individual taxpayer, their spouse, and each dependent. 1040CM, line 42.

¹ Available at <https://waysandmeans.house.gov/wp-content/uploads/2017/11/20171106-Amendment-in-the-Nature-of-a-Substitute-to-H.R.-1.pdf>

- The exemption for seniors, which can increase the personal exemption by \$1,550 for single filers and \$2,500 for married couples. 1040CM, line 39.
- The adoption tax credit, which allows taxpayers to claim a credit of \$13,570 per eligible child they adopt. 1040CM, line 54.

A second category of deductions proposed for elimination are those used by taxpayers who itemize in lieu of the standard deduction. These include:


- Elimination of the medical expense deduction, used by taxpayers with particularly high costs associated with a disability, long-term care needs, or high dental expenses. Schedule A, line 2.
- A \$500,000 limit on homes eligible for the mortgage interest deduction. Schedule A, line 10.
- Elimination of the casualty loss deduction for damage, destruction, or loss of property as a result of a typhoon or other disaster. Schedule A, line 20.

Lastly, because H.R. 1 also provides for a \$600 increase in the Child Tax Credit (1040CM, line 52 and Part F), the number of Marianas tax filers who use this credit and the amount received by the CNMI from the U.S. Treasury to cover the cost would also be helpful to know.

Governor, along with other insular area Governors, you wrote to the Chairmen and Ranking Members of the House and Senate tax committees last month, asking that they take into consideration the potentially negative impacts of reform legislation on island jurisdictions. I share your concern about the impact that changes to the Internal Revenue Code could have on the fiscal condition of the Commonwealth. According to the analysis of Congress's Joint Committee on Taxation, the loss of revenue to the federal government, resulting from H.R. 1, will be \$114.1 billion in 2018, the first year most provisions are effective. As a mirror code jurisdiction, a similar, if proportionally smaller, decline in revenue could be expected for the Commonwealth, as well.

I look forward to working with you as this complex legislation develops and to reaching an end that is of greatest benefit to the people of the Northern Mariana Islands.

Sincerely,



GREGORIO KILILI CAMACHO SABLAN
Member of Congress