

REPORT TO THE CONVENTION BY THE
COMMITTEE ON FINANCE AND OTHER MATTERS

Subject: Committee Recommendation No. 23

The Committee on Finance and Other Matters recommends that the Convention meeting in Committee of the Whole adopt the attached proposed constitutional amendment relative to real property taxes.

The Committee's recommended constitutional amendment would prohibit any real property tax on unimproved, agricultural, or single family residential real property unless approved by three-fourths of the votes cast in a referendum. The recommended constitutional amendment would permit taxes to be levied on real property (land and improvements) developed for resorts or other commercial purposes, without requiring prior approval by the voters. The assessee could be either the owner or lessee of the property.

A referendum on a real property tax could be called by the legislature at any time, since this type of referendum does not fall within the meaning of referendum under Article IX, Section 2 of the Constitution, which is intended solely to provide to voters with a means to overturn existing laws, not agree to new ones. For the legislature to enact laws contingent upon approval by the voters is fully within the law-making authority of the legislature.

Your Committee believes it is desirable to impose, in light of the growth of Commonwealth expenditures over the last seven years, a constitutional restriction on the power of the legislature to enact ~~Section 602 (Covenant)~~ taxes. Prohibiting the legislature from enacting a real property tax without the concurrence of a three-fourths vote in a referendum is sound public policy and provides adequate protection to the taxpayers.

Land is considered to be the only significant asset that the people of the Commonwealth have. Substantial social, economic, and cultural dislocation would follow inevitably should lands be lost through the nonpayment of taxes. Further, your Committee believes ownership of property is least desirable measure of the taxpayer's ability to support the government. A real property tax often bears no relationship to the taxpayer's ability to pay, is difficult to administer, particularly under the land tenure conditions existing in the CNMI, and often results in inequities and injustices between taxpayers. One chief obstacle of administration is determining the

value of the property. Assessors often find it extremely difficult to determine, as the law would undoubtedly require, the "full value", "fair value", or "market value" of various properties and improvements.

Delegate Proposals: The only delegate proposal relating to real property taxes referred to your Committee on Finance and Other Matters was Delegate Proposal No. 31-85. This Committee Recommendation conforms fully with the intent of that proposal.

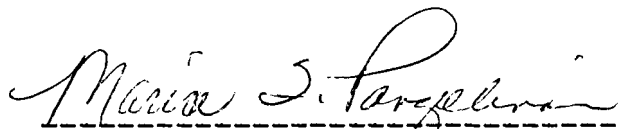
Therefore, your Committee strongly urges all delegates to support the attached committee recommendation.

Respectfully submitted,

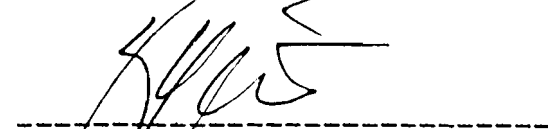
Delegate Lorenzo I. Guerrero
Chairman



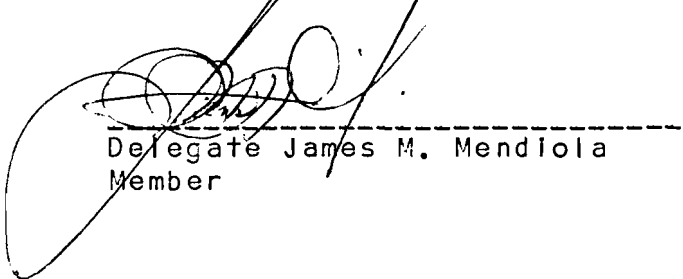
Delegate Rita H. Inos
Vice Chairperson



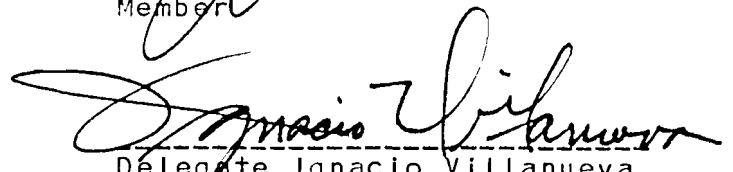
Delegate Maria T. Pangelinan
Member



Delegate David Igitol
Member



Delegate James M. Mendiola
Member



Delegate Ignacio Villanueva
Member

