

SAIPAN CHAMBER OF COMMERCE

P.O. Box 500806 Saipan, MP 96950 • Tel: (670) 233-7150 • Fax: (670) 233-7151
www.saipanchamber.com info@saipanchamber.com

2009
Board of Directors

President

James T. Arenovski

Vice President

Doug A. Brennan

Treasurer

Michael S. Johnson

Secretary

Kathryn H. Barry

Directors

Mark E. Birmingham

Steve K. Jang

Alex A. Sablan

David M. Sablan, Sr.

John J. Santos

Executive Director

Kyle E. Calabrese

January 23, 2009

The Honorable Ray N. Yumul
Chair, House Standing Committee on Ways and Means
House of Representatives
16th Northern Marianas Commonwealth Legislature
Saipan, MP 96950

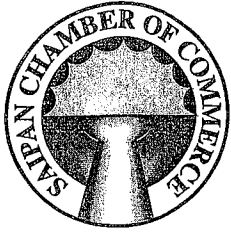
Re: House Bill No. 16-170

Dear Mr. Chairman:

Thank you for the opportunity to comment on House Bill 16-170, to suspend tax relief pursuant to 4 CMC § 1708 for calendar year 2009. The Saipan Chamber of Commerce's Government Relations Committee, co-chaired by Alex Sablan and Mike Johnson, has reviewed and discussed the bill. The Chamber disagrees with the intent of H.B. 16-170, and urges your committee to recommend that it be rejected by the House of Representatives.

While we appreciate the government's desire to generate revenues during these challenging economic times, we are certain that a tax increase imposed when businesses are experiencing declining sales, increased costs, and an uncertain future with regard to both the foreign labor pool and our tourism industry, would be disastrous. The Commonwealth economy needs more, not less, cash flow in the private sector. This bill would significantly and negatively impact individuals in largely the same way it will affect businesses: it would increase the taxes and decreases the net income of every family in the Commonwealth. We are unaware of any economic theory that supports the concept of increasing taxes in an effort to combat an economic depression.

While we strongly oppose an effective tax rate increase of any sort, we do need to point out the regressive nature of the increase that would be implemented pursuant to H.B. 16-170: the lowest-income taxpayers in the Commonwealth would, relative to their current effective tax rate, suffer the greatest. Taxpayers earning \$20,000 or less each year would pay ten times what they are currently paying in taxes. High income taxpayers would see a doubling of their tax liability. As you are likely aware, there are a number of high income individuals who might choose to live elsewhere in the United States or the world but who have chosen to



The Honorable Ray N. Yumul
January 23, 2009
Page 2 of 2

establish legal residence in the Commonwealth due, in large part, to our favorable tax structure. Tax revenue from these individuals is an important component of the Commonwealth's overall revenue base. Those residents would unquestionably move to more convenient locations if the Commonwealth's tax incentives were removed, which would partially offset the increased income generated by the tax increase.

I would be happy to answer any questions you have or provide any information your committee may need with regard to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "James T. Arenovski". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping tail.

James T. Arenovski
President