

SAIPAN CHAMBER OF COMMERCE

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2009
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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

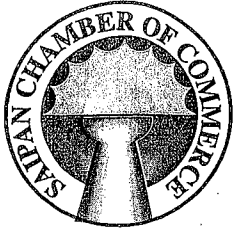
Re: House Bill No. 16-205

Dear Mr. Chairman:

Thank you for the opportunity to comment on House Bill 16-205, to simplify and enact a Commonwealth flat tax. 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. 16-205, and urges your committee to recommend that it be rejected by the House of Representatives.

This is the second of two recently-introduced bills that would increase the taxes paid by individuals and businesses in the Commonwealth. As with H.B. 16-170, we believe 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 decrease 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. Furthermore, the nature of the tax increase proposed by H.B. 16-205, would, similar to the increase proposed in H.B. 16-170, be regressive in nature and cause the greatest financial hardship on families and companies who can least afford it: the lowest income earners.

The concept of a flat tax may or may not be good in concept, but it is apparent that flat tax system proposed by H.B. 16-205 does not take into consideration the current state of the Commonwealth economy or the economic situation of those businesses and individuals which it would most severely affect. If the legislature is



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seriously considering a move to a flat tax system, we suggest that it would be prudent to reconstitute the former Flat Tax Commission so that the issue can be carefully studied by a group of public officials and private sector representatives who could seek the advice of economic experts in order to not further damage our economy.

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 "J. Arenovski". The signature is fluid and cursive.

James T. Arenovski
President