

SAIPAN CHAMBER OF COMMERCE

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2009

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June 19, 2009

The Honorable Arnold I. Palacios
Speaker, House of Representatives
16th Northern Marianas Commonwealth Legislature
Saipan, MP 96950

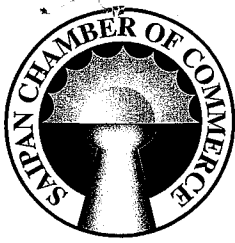
The Honorable Ray N. Yumul
Chair, House Standing Committee on Ways and Means
House of Representatives
16th Northern Marianas Commonwealth Legislature
Saipan, MP 96950

Re: House Bill No. 16-225

Dear Mr. Speaker and Mr. Chairman:

Thank you for the opportunity to comment on House Bill 16-225, to reduce the license fee for pachinko slot machines, and for other purposes. The Saipan Chamber of Commerce's Government Relations Committee has reviewed and discussed the bill. The Chamber disagrees with the intent of this bill.

We will refrain from addressing the social concerns related to encouraging a more widespread offering of pachinko slot machines and instead direct our comments toward larger policy and economic concerns. We believe it is inappropriate for the legislature to tinker with established fees in direct response to a request from a single company. Such action on the part of the legislature furthers the impression that the Commonwealth's business environment is unstable and that laws, regulations, and fees are driven more by well-connected investors than by a coherent legislative vision that equitably forms the framework for conducting business in our islands. There currently exists a program under which companies may apply for tax relief (which is essentially what this investor is seeking): the Qualifying Certificate Program. As we have said previously, and on numerous occasions, if the legislature believes that the Qualifying Certificate Program is flawed or not accomplishing economic development goals as envisioned by the legislature, then that program should be either legislatively fixed or repealed and replaced with a more effective program that offers economic development



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incentives across the entire Commonwealth economy, and not just for the benefit of one company.

Additionally, while we are loath to oppose reduced fees, we are concerned that in addition to this bill, there is a pending bill to eliminate gross revenues taxes for certain small businesses, and we understand there may be a bill forthcoming to reduce or eliminate income taxes for certain classes of taxpayers. At some point, a continual erosion of tax and fee income to the general fund, without a corresponding decrease in government labor costs and costs associated with non-critical projects or services, creates a very real danger to the Commonwealth government's ability to provide basic and necessary services to the community. Furthermore, the Commonwealth has been accruing an annual general fund deficit for a number of years and has been unable to make adequate or agreed-upon payments to the Retirement Fund for some time. Instead of continuing a parade of bills with contrary financial implications (see, for example, bills that would increase taxes or fees, such as HB 16-170 (suspending tax rebates), HB 16-216 (increasing Registrar of Corporations filing fees), HB 16-217 (increasing business license fees), and HB 16-221 (increasing amusement machine license fees), versus those that would cause tax or fee reductions such as HB 16-185 (decreasing the poker machine jackpot tax), HB 16-225 (reducing pachinko machine license fees), and HB 16-248 (eliminating gross revenues taxes for certain small businesses)), the legislature should work cohesively and with the administration to develop a sound fiscal plan for the Commonwealth that transcends whether one particular company should be granted a reduction in pachinko machine license fees.

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

Sincerely,

for:

James T. Arenovski
President