



SAIPAN CHAMBER OF COMMERCE

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2009

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August 14, 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

Dear Mr. Chairman:

Thank you for the opportunity to comment on House Bill 16-252, to repeal 4 CMC § 1501 in its entirety, and for other purposes. The Saipan Chamber of Commerce Government Relations Committee has reviewed the bill and opposes its intent.

The conclusory assertion that "funds not paid in bar taxes, however, would nevertheless be spent in the local economy and likely result in additional taxable income" seems questionable at best. In 2008, 27 states in the mainland contemplated increasing taxes on beer, wine, and liquor sales. We believe that the bar industry in the Commonwealth should be relieved that no further increases have been proposed for a sin tax that has remained unchanged for 13 years, instead of seeking an elimination of the tax.

As we have outlined in response to other tax-related legislation, there should, at a minimum, be a finding with respect to the real-world impact of this proposed tax elimination. How much does the current bar tax currently contribute to the Commonwealth's revenues? As you are aware, 25 cents in tax revenues to the general fund is worth more to our cash-strapped government than the tax yield of 25 cents "spent in the local economy." Without an analysis comparing the negative effect on the Commonwealth's tax base of the proposed tax reduction versus the speculative additional commerce that would result, we must oppose this measure.

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

Sincerely,

James T. Arenovski
President