



DIVISION OF REVENUE AND TAXATION
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
TERRITORIAL INDIVIDUAL INCOME TAX RETURN



Form 1040CM

(Please type or print in ink)

2006 | Do not write in this space

Name and Address	For the year Jan. 1- Dec. 31, 2006, or other tax year beginning _____, 2006, ending _____ 20, _____		
	Your first name and initial _____	Last Name _____	Your social security number _____
	If a joint return, spouse's first name and initial _____	Last Name _____	Spouse's social security number _____
	Home Address (number and street). If you have a P.O. Box, see page 16. _____	Apt. No. _____	♦ IMPORTANT ! ♦ You must enter SSN(s) above
City, town or post office, state, and ZIP code. If you have foreign address, see page 16. _____			

Filing Status <small>Check only one box</small>	1. <input type="checkbox"/> Single 2. <input type="checkbox"/> Married filing joint return (even if only one had income) 3. <input type="checkbox"/> Married filing separate return. Enter spouse's social security no. above and full name here. ▶ _____ 4. <input type="checkbox"/> Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____ 5. <input type="checkbox"/> Qualifying widow(er) with dependent child (year spouse died _____) (See page 17.)
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Exemptions <small>If more than five dependents, see page 19.</small>	6a. <input type="checkbox"/> Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.....	No. of boxes checked on 6a and 6b _____ No. of your children on 6c who: ▲ lived with you _____ ▲ did not live with you due to divorce or separation (see page 20) _____ Dependents on 6c not entered above _____ Add numbers entered on lines above <input style="width:40px;" type="text"/>																														
	6b. <input type="checkbox"/> Spouse. _____																															
	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:30%;">c. Dependents: (1) First Name</th> <th style="width:30%;">Last Name</th> <th style="width:15%;">(2) Dependent's social security number</th> <th style="width:15%;">(3) Dependent's relationship to you</th> <th style="width:10%;">(4) <input type="checkbox"/> If qualifying child for child tax credit (see page 19)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td align="center"><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td align="center"><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td align="center"><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td align="center"><input type="checkbox"/></td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td align="center"><input type="checkbox"/></td></tr> </tbody> </table>		c. Dependents: (1) First Name	Last Name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input type="checkbox"/> If qualifying child for child tax credit (see page 19)					<input type="checkbox"/>					<input type="checkbox"/>					<input type="checkbox"/>					<input type="checkbox"/>					<input type="checkbox"/>
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				<input type="checkbox"/>																												
				<input type="checkbox"/>																												
d. Total number of exemptions claimed. _____																																

SOURCE OF INCOME		A. INCOME WITHOUT <small>AND Income not subject to rebate</small>	B. INCOME WITHIN <small>AND Income subject to rebate</small>	C. TOTAL INCOME
7 Wages, salaries, tips, etc. Attach Form(s) W2 and W-2CM.....	7			
8a Taxable interest. Attach Schedule B if required.....	8a			
8b Tax-exempt interest. DO NOT include on line 8a.....[8b]				
9a Ordinary Dividends. Attach Schedule B if required.....	9a			
9b Qualified dividends. (see page 23).....[9b]				
10 Taxable refunds, credits, or offsets of state and local income tax (see page 24).....	10			
11 Alimony received.....	11			
12 Business income or (loss). Attach Schedule C or C-EZ.....	12			
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13			
14 Other gains or (losses). Attach Form 4797.....	14			
15a IRA distributions [15a] b Taxable amount (see page 25)	15b			
16a Pensions and annuities [16a] b Taxable amount (see page 26)	16b			
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E. (See supplemental instructions).....	17			
18 Farm income or (loss). Attach Schedule F.....	18			
19 Unemployment compensation.....	19			
20a Social security benefits [20a] b Taxable amount (see page 27)	20b			
21a Gambling winnings. Attach Form(s) W-2G.....	21a			
21b Other income. List type and amount (see page 29).....	21b			
22a Total income. Add amounts shown in all columns for lines 7 through 21b.....	22a			
22b Allocable percentage (see supplemental instructions).....	22b	_____ %	_____ %	100%

Adjusted Gross Income	23 Archer MSA deduction. Attach Form 8853.....	23			
	24 Certain business expenses of reservists, performing artists, and fee-based government official. Attach Form 2106 or 2106-EZ.....	24			
	25 Health savings account deduction. Attach Form 8889.....	25			
	26 Moving expenses. Attach Form 3903.....	26			
	27 One-half of self-employment tax. Attach Schedule SE.....	27			
	28 Self-employed SEP, SIMPLE and qualified plans.....	28			
	29 Self-employed health insurance deduction (see page 29).....	29			
	30 Penalty on early withdrawal savings.....	30			
	31a Alimony paid b Recipient's SSN _____	31a			
	32 IRA deduction (see page 31).....	32			
	33 Student loan interest deduction (see page 33).....	33			
	34 Jury duty pay you gave to your employer.....	34			
	35 Domestic production activities deduction. Attach Form 8903.....	35			
	36 Add lines 23 through 31a and 32 through 35.....			36	
	37 Subtract line 36 from line 22a, col. C. This is your adjusted gross income			37	

Tax and Credits

38 Amount from line 37 (adjusted gross income)..... 38

39a Check if: You were born before Jan. 2, 1942, Blind; Total boxes
 Spouse was born before Jan. 2, 1942, Blind. Checked..... ▶ 39a

b If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here. ▶ 39b

40 **Itemized deductions (from Schedule A) or your standard deduction.**
 People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34. All others:
 • Single - \$5,150 • Married filing jointly or Qualifying widow(er) - \$10,300
 • Head of household - \$7,550 • Married filing separately \$5,150.....

41 Subtract line 40 from line 38..... 41

42 If line 38 is over \$112,875, or you provided housing to a person displaced by Hurricane Katrina, see page 36. Otherwise, multiply \$3,300 by the total number of exemptions claimed on line 6d..... 42

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43

44 **Tax** (see page 36). Check if any tax is from a Form(s) 8814 b Form 4972..... 44

45 **Alternative minimum tax** (See page 39). Attach Form 6251..... 45

46 Add lines 44 and 45..... ▶ 46

47 Foreign tax credit. Attach Form 1116 if required..... 47

48 Credit for child and dependent care expenses. Attach Form 2441..... 48

49 Credit for the elderly or the disabled. Attach Schedule R..... 49

50 Education credits. Attach Form 8863..... 50

51 Retirement savings contributions credit. Attach Form 8880..... 51

52 Residential energy credits. Attach Form 5695..... 52

53 Child tax credit (see page 42). Attach Form 8901 if required..... 53

54 Credits from: a Form 8396 b Form 8839 c Form 8859 54

55 Other credits: a Form 3800 b Form 8801 c Form _____ 55

56 Add lines 47 through 55. These are your **total credits**..... 56

57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0-..... ▶ 57

Other Taxes

58 Self-employment tax. Attach Schedule SE..... 58

59 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137..... 59

60 Additional tax on IRAs, other qualified retirement plans etc. Attach Form 5329 if required..... 60

61 Advance earned income credit payments from Form(s) W-2 and W-2CM..... 61

62 Household employment taxes. Attach Schedule H..... 62

63 Add lines 57 through 62. This is your **total tax**..... ▶ 63

Payments

64a Federal income tax withheld from Forms W-2 and 1099..... 64a

b NMTIT (Chapter 7) withheld from Forms W-2CM and 1099..... 64b

65 2006 estimated tax payments and amount applied from 2005 return..... 65

66a **Earned income credit.** If you have a qualifying child, attach Schedule EIC..... 66a

b **Nontaxable combat pay election** [66b] _____

67 Excess social security and tier 1 RRTA tax withheld (see page 60)..... 67

68 Additional child tax credit. Attach Form 8812..... 68

69 Amount paid with request for extension to file (see page 60)..... 69

70 Other payments from: a Form 2439 b Form 4136 c Form 8885 70

71 Credit for federal telephone excise tax paid. Attach form 8913 if required..... 71

72 Add lines 64a, 64b, 65, 66a, 69 and 70. These are your **total payments**..... ▶ 72

Refund

73 If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you **OVERPAID** before Non-refundable credit and rebate offset..... ▶ 73

74 Amount of line 73 you want **REFUNDED TO YOU**..... ▶ 74

75 Amount of line 73 you want **APPLIED TO YOUR 2007 ESTIMATED TAX**..... 75

Amount You Owe

76 **Amount you owe.** Subtract line 72 from line 63. This the amount you OWE before the Non-refundable credit and rebate offset. (See additional instructions on page 62 and 85)..... 76

77 Estimated tax penalty. (See additional instructions on pages 62 and 85)..... 77

Do you want to allow another person to discuss this return with the Division of Revenue and Taxation (see page 63)? Yes. Complete the following. No.

Third Party Designee
 Designee's name _____ Phone no. () _____ Personal identification number (PIN) ▶ [] [] [] [] [] [] [] [] [] []

Sign Here. Keep a copy for Your Records

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature _____ | Date _____ | Your occupation _____ | Daytime phone number () _____

▶ Spouse's signature. If a joint return, **BOTH** must sign. _____ | Date _____ | Spouse's occupation _____

Paid Preparer's Use Only

▶ Preparer's signature _____ | Date _____ | Check if self-employed | Preparer's SSN or PTIN _____

Firm's name (or yours if self-employed) and address and Zip _____ | EIN _____ | Phone no. () _____



DIVISION OF REVENUE AND TAXATION
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
ANNUAL WAGE AND SALARY AND EARNINGS TAX RETURN
 (For Form 1040CM)



(Please type or print in ink)

2006

Name and Address

Your first name and initial	Last Name	Your social security number
If a joint return, spouse's first name and initial	Last Name	Spouse's social security number
Home Address (number and street).	Apt. No.	◆ IMPORTANT ! ◆ You must enter SSN(s) above
City, town or post office, state, and ZIP code.		

(See Form 1040CM Instructions booklet for supplemental instructions)

PART A WAGE AND SALARY TAX COMPUTATION

A. YOURSELF

B. SPOUSE

1 CNMI wages and salaries from Form(s) W-2 and W-2CM.....1				
2 Other CNMI wages and salaries not included in line 1.....2				
3 Total CNMI wages and salaries. Add lines 1 and 2.....3				
4 Amount on line 3 not subject to the wage and salary tax (attach explanation).....4				
5 CNMI wages and salaries. Subtract line 4 from line 3.....5				
6 Annual wage and salary tax.....6				
7 Education tax credit (attach Schedule ETC).....7				
8 Wage and salary tax after credit. Subtract line 7 from line 6).....8				
9 Combined annual wage and salary tax (add line 8, columns A and B).....9				
10 Wage and salary tax withheld and/or paid (Form W-2CM).....10			()	
11 Total wage and salary tax due/(overpaid). Add lines 9 and 10.....▶ 11				

PART B EARNINGS TAX COMPUTATION

A. YOURSELF

B. SPOUSE

1 Gain from the sale of personal property.....1				
2 One half of the gain from the sale of real property.....2				
3 One half of the net income from leasing of real property.....3				
4 Interest, dividends, rents, royalties4				
5a Gross winnings from any gaming, lottery, raffle, etc.....5a				
b Less amount excludable (attach Form(s) W-2G).....5b				
c Balance. Subtract line 5b from line 5a.....5c				
6 Other income subject to the NMTIT, unless excludable under the earnings tax.....6				
7 Total income subject to the earnings tax. Add lines 1 thru 4, 5c, and 6.....7				
8 Annual earnings tax.....8				
9 Education tax credit (attach Schedule ETC).....9				
10 Earnings tax after credit. Subtract line 9 from line 8.....10				
11 Total earnings tax due. Add line 10, columns A and B.....▶ 11				

PART C TOTAL CHAPTER 2 TAX DUE/(OVERPAYMENT)

Total Wage and Salary and Earnings taxes due/overpayment. Add lines 11 of Part A and Part B.....▶		
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COMPLETE FORM OS-3405A -COMPUTATION OF NON-REFUNDABLE CREDIT AND APPLICATION FOR REBATE ON CNMI SOURCE TAX BEFORE COMPLETING PART D

PART D CHAPTER 7 TAX AND REBATE OFFSET

1 Chapter 7 tax underpayment after non-refundable credit. Enter amount from Form OS-3405A, line 16, part B.....1				
2 Chapter 7 tax overpayment after non-refundable credit. Enter amount from Form OS-3405A, line 15, part B.....2			()	
3 Rebate offset amount. Enter amount from Form OS-3405A, line 17, part B.....3			()	
4 Chapter 7 liability or (overpayment) after rebate offset amount. Add lines 1 through 3.....4				
5 Tax on overpayment of credits.....5				
6 Estimated tax penalty.....6				
7 Total Chapter 7 liability or (overpayment). Add lines 4, 5 and 6.....▶ 7				

PART E COMBINED DUE OR (OVERPAYMENT)

1	Amount due or (overpaid), Chapter 2 and Chapter 7. Add the amount on part C and line 4 of part D. If this amount is an overpayment, skip lines 2 through 4.....	1	
2	CHAPTER 2 :	(b) Failure to File..... 2b	
	(a) _____ Enter amount underpaid	(c) Failure to Pay..... 2c	
		(d) Interest Charge..... 2d	
3	CHAPTER 7 :	(b) Failure to File..... 3b	
	(a) _____ Enter amount underpaid	(c) Failure to Pay..... 3c	
		(d) Interest Charge..... 3d	
4	Total penalty and interest charges (add lines 2b, 2c, 2d, 3b, 3c, and 3d).....	4	
5	Total amount due/(overpaid), Chapter 2 and Chapter 7. Add lines 1 and 4 of this part, and lines 5 and 6 of part D.....	5	
6	If line 5 is an overpayment, enter amount you want credited to your 2007 ESTIMATED TAX	6	
7	Amount from line 5 you want credited to your 2007 BUSINESS GROSS REVENUE TAX	7	
8	Net overpayment.....	8	()

PART F BUSINESS GROSS REVENUE TAX CREDIT ALLOCATION

Enter the TIN and amount you want credited from line 7, Part E above. The total credit allocation shall be equal to the amount on line 7, Part E above.

TIN	TAX TYPE	AMOUNT	TIN	TAX TYPE	AMOUNT
	3105G			3105G	
	3105AF			3105AF	
	3105MW			3105MW	

PART G ADDITIONAL CHILD TAX CREDIT COMPUTATION

Special Notice

This Part is provided to enable the Division of Revenue and Taxation to process your claim of the Additional Child Tax Credit (ACTC). Please note that the ACTC is being paid by the U.S. Treasury, and the Division of Revenue and Taxation is only facilitating your ACTC claim as agreed upon between the CNMI Department of Finance and the U.S. Treasury. By applying for the ACTC Refund and allowing the refund to be processed by the Division of Revenue and Taxation, you are giving the Division of Revenue and Taxation authorization to release tax information to the Internal Revenue Service (IRS). See supplemental instructions for Part G, line 2 regarding rebate offset amount.

1	Additional Child Tax Credit. Enter the amount from line 13 of Form 8812. (Attach Form 8812).....	1	
2	Enter the amount underpaid from line 5, Part E above.....	2	
3	Additional Child Tax Credit refund. Subtract line 2 from line 1, but not less than zero.....	3	
4	Amount you still owe on this return after offset of the ACTC. Subtract line 1 from line 2, but not less than zero.....	4	

Third Party Designee Do you want to allow another person to discuss this return with the Division of Revenue and Taxation? Yes. Complete the following. No.

Designee's name Phone no. Personal identification number (PIN)

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here. Keep a copy for Your Records

Your signature Date Your occupation Daytime phone number ()

Spouse's signature. If a joint return, BOTH must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address and Zip EIN Phone no. ()

FOR OFFICIAL USE ONLY					
DATE FILED *	DATE PAID	AMOUNT PAID	RECEIPT NO.	VERIFIED BY	POSTED BY

Supplemental Instructions for Form 1040CM (2006)

Lines 7 through 21b

The rules for the determination of source of income are established in the Northern Mariana Territorial Income Tax Code ("NMTIT") sections 861 and 865 and related U.S. Treasury regulations. Taxpayers and/or professionals should consult these statutes and regulations for detailed guidance on determining sources of income. You must allocate the income you are reporting on these lines between income without and within the Commonwealth based on their sources. Enter the figure in the appropriate columns.

Line 8a

The tax on CNMI sourced interest income is not rebatable and must be entered under column A unless you elect to have this income subject to the earnings tax. You can elect to have this income subject to the earnings tax by entering the income under column B. If you enter the interest income under column B, be sure to also include such income on Part B, line 4 of the Annual Wage and Salary and Earnings Tax Return to avoid any discrepancies on your return.

Line 9

The tax on CNMI sourced dividend income is not rebatable and must be entered under column A unless you elect to have this income subject to the earnings tax. You can elect to have this income subject to the earnings tax by entering the income under column B. If you entered the dividend income under column B, be sure to also include such income on Part B, line 4 of the Annual Wage and Salary and Earnings Tax Return to avoid any discrepancies on your tax return.

Line 17

If you received CNMI source rental income, royalties or other similar income not in the course of carrying on a business, do not enter the income on this line. Enter such income on line 21b.

Line 21b

If you received CNMI source royalties or other similar income not in the course of carrying on a business, such income is not rebatable and must be entered under column A unless you elect to have this income subject to the earnings tax. You can elect to have this income subject to the earnings tax by entering the income under column B. If you enter such income under column B, be sure to also include them in the earnings tax section to avoid any discrepancies on your tax return.

Line 22a

Total the amounts entered in each of the columns (A,B, and C) from lines 7 through 21b.

Line 22b

Make the percentage allocation of your income on line 22a by dividing the total in each column (A and B) by the total in column C.

$$\frac{\text{Line 22a, column A}}{\text{Line 22a, column C}} = \text{Percentage allocation for line 22b, column A.}$$

$$\frac{\text{Line 22a, column B}}{\text{Line 22a, column C}} = \text{Percentage allocation for line 22b, column B.}$$

Line 37

Subtract line 36 from line 22a, column C (total income).

Line 58

This item does not apply in the CNMI tax return. File with the U.S. Federal Government.

Line 59

This item does not apply in the CNMI tax return. File with the U.S. Federal Government.

Supplemental Instructions for Form 1040CM (2006)-continued

Line 62

This item does not apply in the CNMI tax return. File employment taxes with the U.S. Federal Government.

Line 64a

Total Federal Income Tax withheld (from Form(s) W-2 and/or Form(s) 1099 from **without** CNMI only. Do not include this amount on line 64b.

Line 64b

Total NMTIT withheld (Chapter 7 tax from Form(s) W-2CM and/or Form(s) 1099 from **within** CNMI). Do not include this amount on line 64a.

Line 67

This item does not apply in the CNMI tax return. File with the U.S. Federal Government.

Line 68

The Additional Child Tax Credit is calculated on page 2, Part F of the Annual Wage and Salary and Earnings Tax Return.

Line 71

This item does not apply in the CNMI tax return. File with the U.S. Federal Government.

Line 73

This amount may increase as a result of the application on Chapters 2, 3 and 4 tax credits.

Line 74

This amount may increase as a result of the application on Chapters 2, 3, and 4 tax credits.

Line 75

The amount of overpayment available for estimated tax may be more as a result of the non-refundable credit and tax rebates. Leave line 75 blank. This line is recalculated on Part E, line 6 of the Annual Wage and Salary and Earnings Tax Return.

Line 76

This is the tax you owe on your income tax before the non-refundable credit and tax rebate.

Line 77

Leave this line blank. This line is recalculated on Part D, line 6 of the Annual Wage and Salary and Earnings Tax Return.

Instructions for Form 1040CM(2006)-Wage and Salary Tax, Earnings Tax, and Chapter 7 Tax and Rebate Offset Calculations

PART A WAGE AND SALARY TAX COMPUTATION

1. Enter total wages and salaries received for work performed in the CNMI per Form(s) W-2 and W-2CM. If this is a joint return, your spouse must also enter the same information, if any, on column B.
2. Enter other wages and salaries received for work performed in the CNMI which Form(s) W-2 and W-2CM were not issued or received. i.e. tips, and freelance income, etc. If this is a joint return, your spouse must also enter the same information, if any, on column B.
3. Add lines 1 and 2 under each column.
4. Enter the amount not subject to the wage and salary tax. Attach explanation, i.e. housing benefits included in line 1, etc. This amount will be disallowed if no explanation is attached.
5. Subtract line 4 from line 3 under each column. This is your total CNMI wages and salaries that is subject to the wage and salary tax.

Instructions for Form 1040CM(2006)-Wage and Salary Tax, Earnings Tax, and Chapter 7 Tax and Rebate Offset Calculations-continued

6. Compute your wage and salary tax liability on income reported on line 5 of each column using the wage and salary and earnings tax table below.

TAX TABLE FOR WAGE AND SALARY AND EARNINGS TAX COMPUTATION

FROM	TO	RATE	FROM	TO	RATE
(a) 0	1,000.00	-0-	f) 22,000.01	30,000.00	6.0%
(b) 1,000.01	5,000.00	2.0%	g) 30,000.01	40,000.00	7.0%
(c) 5,000.01	7,000.00	3.0%	h) 40,000.01	50,000.00	8.0%
(d) 7,000.01	15,000.00	4.0%	i) 50,000.01	and over	9.0%
(e) 15,000.01	22,000.00	5.0%			

7. Enter the amount, if any, of cash contributions made during the taxable year to a qualified educational institution or other tax exempted educational institution located in the CNMI but not more than the maximum amount. The maximum educational credit allowable is the lesser of \$5,000.00 or your accumulated wage and salary tax, earnings tax or business gross revenue tax liability. If this is a joint return and your spouse has also made a contribution, your spouse must enter that information in column B. Attach Schedule ETC.
8. Subtract line 7 from line 6.
9. Add the tax on line 8, columns A and B.
10. Enter the total Chapter 2 tax withheld as shown in Form(s) W-2CM. Also, enter other Chapter 2, wage and salary tax payments made for wages and salaries.
11. Add lines 9 and 10. If this is an overpayment, place a bracket around the figure. This is the Chapter 2, wage and salary tax due/overpayment.

PART B EARNINGS TAX COMPUTATION (Income Not Included in the Business Gross Revenue Tax)

1. Enter the amount, if any, of gain from the sale of personal property (not business property).
2. Enter one-half (1/2) of the amount of any gain from the sale of real property located in the CNMI that was not used in the course of carrying on a business. Exclude any gain from the sale of real property sold to the CNMI Government.
3. Enter one-half (1/2) of the net income from leasing of real property located in the CNMI including the assignment of any lease that was not in the course of carrying on a business.
4. You may elect to subject these items to the earnings tax thus making them eligible for rebate if you include the amounts on this line. Enter amount of interest, dividends, rents, royalties or similar income earned in the CNMI and received by a resident not in the course of carrying on a business. With respect to interest and dividends, if you entered such income under column B, lines 8a, or 9, page 1 of the return, be sure to also include such income in this section to avoid any discrepancies on your tax return.
- 5a. Enter the gross winnings from any gaming, lottery, raffle or other gambling activities in the CNMI.
- 5b. Enter the amount of poker machine jackpot winnings if jackpot tax was withheld. Attach a copy of Form(s) W-2G.
- 5c. Subtract line 5b from line 5a under each column.
6. Enter other income subject to the NMTIT, unless excludable under the earnings tax.
7. Add lines 1, 2, 3, 4, 5c and 6, under each column.
8. Compute your tax liability on earnings reported on line 7 of each column using the wage and salary and earnings tax table above.
9. Enter the amount, if any, of cash contributions made during the taxable year to a qualified educational institution or other tax exempted educational institution located in the CNMI but not more than the maximum amount. You must reduce the credit by the amount claimed on line 7, Part A. The maximum educational credit allowable is the lesser of \$5,000.00 or your accumulated wage and salary tax, earnings tax or business gross revenue tax liability. If this is a joint return and your spouse has also made a contribution, your spouse must enter that information in column B. Attach Schedule ETC.
10. Subtract line 9 from line 8.
11. Add line 10, columns A and B. This is your earnings tax due.

PART C TOTAL CHAPTER 2 TAX DUE /(OVERPAYMENT)

1. Add line 11 of Part A and line 11 of Part B. This is your total Chapter 2 tax due/(overpayment).

Instructions for Form 1040CM(2006)-Wage and Salary Tax, Earnings Tax, and Chapter 7 Tax and Rebate Offset Calculations-continued

COMPLETE SCHEDULE OS-3405A -COMPUTATION OF NON-REFUNDABLE CREDIT AND APPLICATION FOR REBATE ON CNMI SOURCE TAX BEFORE COMPLETING PART D

PART D CHAPTER 7 TAX AND REBATE OFFSET CALCULATIONS

1. Enter amount from Form OS-3405A, line 16, part B.
2. Enter amount from Form OS-3405A, line 15, part B.
3. Enter amount from Form OS-3405A, line 17, part B.
4. Add amounts in lines 1 thru 3 of this part. If amount is less than zero, place a bracket around the figure.
5. Enter the lesser of the sum of lines 66a and 70 of Form 1040CM or line 2 of this part. Ignore the bracket symbol.
6. Enter the underpayment of estimated tax penalty here based on the underpaid tax on line 1 of this part. This line supercedes the estimated tax penalty shown on line 77 of Form 1040CM.
7. Add lines 4, 5 and 6. This is your total Chapter 7 (NMTIT) due/(overpayment).

PART E COMBINED DUE/(OVERPAYMENT)

1. **AMOUNT DUE/(OVERPAID)**. Add line 1 of part C, and line 4 of part D. If this line shows a tax due and you filed on or before the deadline, continue on line 5. **HOWEVER**, if this line shows a tax due and you filed **AFTER** the deadline, proceed to line 2a. If this line is an overpayment, place a bracket around your figure and continue on line 5.
2. (a) Enter the lesser of line 1 of Part C or line 1 of this Part.
(b) **Failure to File Penalty for Chapter 2 taxes**: For returns filed and paid after the due date, a penalty of 5% of amount due (line 2a) shall be added for every month or fraction thereof, elapsing between the due date of this return until the date it is actually filed; not exceeding 25% in the aggregate. If the failure to pay penalty becomes applicable, the 5% failure to file penalty shall be reduced by 1/2 of 1%. Enter the total Chapter 2 failure to file penalty on this line.
(c) **Failure to Pay Penalty for Chapter 2 taxes**: A penalty of 1/2 of 1% per month, or fraction thereof, of the amount due (line 2a) shall be added for failure to pay taxes. Enter the total Chapter 2 failure to pay penalty on this line.
(d) **Interest on Chapter 2 taxes**: Interest at prevailing rate compounded daily, is imposed on the amount due (line 2a, 2b, and 2c). Enter the total Chapter 2 interest on this line. (**Note: The annual interest rate is subject to change as determined by the Commissioner**). The applicable interest table is available at the Division of Revenue and Taxation. The Division of Revenue and Taxation can compute the interest charges and bill you on it.
3. (a) If line 1 is a tax due, subtract line 2a from line 1. Enter amount on this line, but not less than zero.
(b) **Failure to File Penalty for Chapter 7 taxes**: A penalty of 5% is imposed of the net amount due (line 3a) up to one month, with an additional 5% for every additional month or fraction thereof, up to a maximum of 25%. If the failure to pay penalty becomes applicable, the 5% failure to file penalty shall be reduced by 1/2 of 1%. Enter the total Chapter 7 failure to file penalty on this line.
(c) **Failure to Pay Penalty for Chapter 7 taxes**: A penalty of 1/2 of 1% per month, or fraction thereof, of the amount due (line 3a) shall be added for failure to pay taxes. The aggregate amount shall be limited to a maximum of 25%. Enter the total Chapter 7 failure to pay penalty on this line.
(d) **Interest on Chapter 7 taxes**: Interest at prevailing rate compounded daily, is imposed on the amount due (line 3a, 3b, and 3c). Enter the total Chapter 7 interest on this line. (**Note: The annual interest rate is subject to change as determined by the Commissioner**). The applicable interest table is available at the Division of Revenue and Taxation. The Division of Revenue and Taxation can compute the interest and bill you on it.
4. Add lines 2b, 2c, 2d, 3b, 3c and 3d. This is the total penalty and interest charges applicable to Chapter 7 and Chapter 2 taxes.
5. Add lines 1 and 4 (if any) of this part, and lines 5 and 6 of part D. If it is a tax due, make your check payable to: "CNMI Treasurer". This is the combined due/overpayment for Chapter 7 and/or Chapter 2 taxes. If it is an overpayment, place a bracket around your figure and proceed to line 6.
6. Enter amount of overpayment on line 5, you want applied to your **2007 ESTIMATED TAX**, but not more than the amount on line 5. This amount supercedes your estimated tax election shown on line 75 of Form 1040CM.
7. Enter amount of overpayment on line 5, you want applied to your **2007 BUSINESS GROSS REVENUE TAX**, after deduction of your **2007 ESTIMATED TAX**, if any. See also Part F.
8. **Amount you want refunded**. Add lines 5, 6 and 7 of this part. This is the combined refund of Chapter 7 and/or Chapter 2 taxes.

Instructions for Business Gross Revenue Tax Credit Allocation and Additional Child Tax Credit

PART F BUSINESS GROSS REVENUE TAX CREDIT APPLICATION

Enter for every type of tax the Taxpayer Identification Number (TIN) and amount to be allocated. The total amount of credit allocation shall be equal to the amount on line 7, Part E (Combined due/(overpayment)).

PART G ADDITIONAL CHILD TAX CREDIT COMPUTATION

1. Enter the amount of your Additional Child Tax Credit (ACTC) from Form 8812, line 13. Attach Form 8812 to your return.
2. Enter the tax owed on your return as shown on line 5, part E, (Combined Due or (overpayment)). If you enter the amount as requested, you are authorizing an offset of your tax due on your return against your ACTC. If you do not authorize an offset of your tax due, you must pay the amount shown on line 5, Part E (Combined Due/(overpayment)). Otherwise, your ACTC refund may be delayed.
3. If line 1 is greater than line 2, subtract line 2 from line 1. This is your ACTC refund.
4. If line 2 is greater than line 1, subtract line 1 from line 2. This is the amount you owe on your return after offset of the ACTC. Pay this amount.

If filing by mail, please send to:

**DIVISION OF REVENUE AND TAXATION
POST OFFICE BOX 5234 CHR
SAIPAN, MP 96950**

DEADLINE: APRIL 17, 2007



DIVISION OF REVENUE AND TAXATION

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

COMPUTATION OF NON-REFUNDABLE CREDIT AND APPLICATION FOR REBATE ON CNMI SOURCE INCOME TAX



Form OS-3405A

(SEE INSTRUCTIONS)

2006

Please Type or Print in Ink

Form section for personal information including name, address, and social security numbers.

PART A - Non-refundable Credits

Form section for non-refundable credits including wage and salary tax, earnings tax, and business gross revenue tax.

PART B - Rebate Computation

Form section for rebate computation including allocable percentage, total NMTIT on all sources, and rebate offset amount.

Sign Here. Keep a copy for Your Records

Form section for signatures and declarations, including taxpayer, spouse, preparer, and firm information.

Instructions for Form OS-3405A -Computation of Non-Refundable Credit and Application for Rebate on CNMI Source Income Tax

PART A NON-REFUNDABLE CREDITS

1. Enter the wage and salary tax as shown on line 7, Part A (Form 1040EZ-CM), or line 9, Part A (Form 1040A-CM or 1040CM) of the Annual Wage and Salary and Earnings Tax Return.
2. **If filing Form 1040EZ-CM, skip lines 2, 3, 4 and 5 of this part.** Otherwise, enter the earnings tax as shown on line 8 (if filing Form 1040A-CM), or line 11 (if filing Form 1040CM), of Part B of the Annual Wage and Salary and Earnings Tax Return.
3. **If filing Form 1040A-CM, skip lines 3, 4, and 5 of this part.** Otherwise, enter the amount of business gross revenue tax paid or accrued during the taxable year under 4 CMC Chapter 3. For partners and/or shareholders of sub-chapter S corporation, your share of BGRT should be in accordance with the percentage of profit or losses, or the equity, whichever is applicable. If you have more than one business name, list each one separately with its respective TIN and amount of BGRT. This is the tax under 4 CMC §1301.
4. Enter the amount of user fees paid during the taxable year under 4 CMC §1421.
5. Enter the amount of fees and taxes paid or accrued during the taxable year under 4 CMC §2202(h), in lieu of the tax under 4 CMC §1301.
6. Add all amounts shown in lines 1 through 5. This is your total non-refundable credit.

PART B REBATE COMPUTATION

- 7a. Enter the percentage (allocable ratio) of tax without the CNMI. This should be the percentage shown on line 15b of Form 1040A-CM or line 22b of Form 1040CM column A. If filing Form 1040EZ-CM, enter zero.
- 7b. Enter the percentage (allocable ratio) of tax within the CNMI. This should be the percentage shown on line 15b of Form 1040A-CM or line 22b of Form 1040CM column B. If filing Form 1040EZ-CM, enter 100.
8. Enter the tax as shown on line 11 of Form 1040EZ-CM, or line 37 of Form 1040A-CM or line 63 of Form 1040CM.
9. Enter the total payments made for the taxable year as shown on line 10 of Form 1040EZ-CM, or line 43 of Form 1040A-CM or line 72 of Form 1040CM.
10. Multiply the amount on line 8 by the percentage of tax without the CNMI as shown on line 7a. If using Form 1040EZ-CM, enter zero.
11. Multiply the amount on line 8 by the percentage of tax within the CNMI as shown on line 7b.
12. Enter the total non-refundable credits from line 6, part A.
13. Subtract line 12 from line 11. If zero or less, enter zero.
14. Add lines 10 and 13.
15. If line 9 is greater than line 14, subtract line 14 from line 9, otherwise, enter zero.
16. If line 14 is greater than line 9, subtract line 9 from line 14, otherwise, enter zero.
17. Calculate the rebate offset amount as determined by the rebate base (line 13) using the rebate table below. Enter the result here.

REBATE TABLE

NON-CORPORATE TAXPAYER		
IF REBATE BASE (line 13) IS:	THE REBATE OFFSET AMOUNT IS:	EXAMPLE:
• Not over \$20,000	• 90% of the rebate base	• Rebate base X 90%
• \$20,001-\$100,000	• \$18,000 plus 70% of the rebate base over \$20,000	• Rebate base - 20,000 X 70% + 18,000
• Over \$100,000	• \$74,000 plus 50% of the rebate base over \$100,000	• Rebate base - 100,000 X 50% + 74,000

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SAIPAN, MP 96950**

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