



DIVISION OF REVENUE AND TAXATION  
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS



TERRITORIAL INDIVIDUAL INCOME TAX RETURN

Form **1040CM**

(Please type or print in ink)

**2007**

Do Not write in this space

Name  
and  
Address

For the year January 1 to December 31, 2007, or other tax year beginning		, 2007, ending		, 20	
Your first name and initial		Last name		Your social security number	
If a joint return, spouse's first name and intital		Last name		Spouse's social security	
Home Address (number and street). If you have a P.O. Box, see page 12.			Apt. No.		<b>▲ IMPORTANT ! ▲</b> You must enter your SSN(s) above
City, town or post office, state, and ZIP code. If you have foreign address, see page 12.					

Filing  
Status

Check only  
one box

1. ☐ Single
2. ☐ Married filing joint return (even if only one had income)
3. ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ► \_\_\_\_\_
4. ☐ Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here ► \_\_\_\_\_
5. ☐ Qualifying widow(er) with dependent child (See page 14)

Exemptions

If more than  
five  
dependents,  
see page 15.

6a. <input type="checkbox"/> <b>Yourself.</b> 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 _____
6b. <input type="checkbox"/> <b>Spouse</b> . . . . .		
c. Dependents:		
(1) First Name	Last Name	(2) Dependent's social security number
		(3) Dependent's relationship to you
		(4) <input checked="" type="checkbox"/> If qualifying child for child tax credit (see page 15)
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
d Total number of exemptions claimed . . . . .		Add numbers entered on lines above ► <input type="checkbox"/>

SOURCE OF INCOME

Income

Attach  
Form(s)  
W-2CM  
here.  
Also  
attach  
form(s)  
W-2G and  
1099-R if  
tax was  
withheld

If you did  
not get a  
W-2, or  
W-2CM,  
see page  
19

Adjusted  
Gross  
Income

A. INCOME WITHOUT AND Income not subject to rebate B. INCOME WITHIN AND Income subject to rebate 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 19) . . . . .	9b				
10	Taxable refunds, credits, or offsets of state and local income tax (see page 20) . . . . .	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 21)	15b				
16a	Pensions and annuities [16a] . . . . . b Taxable amount (see page 22)	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 24)	20b				
21a	Gambling winnings. Attach Form(s) W-2G . . . . .	21a				
21b	Other income. List type and amount (see page 24) . . . . .	21b				
22a	Total income. Add amounts shown in all columns for lines 7 through 21b . . . . .	22a				
22b	Allocable percentage (see supplemental instructions) . . . . .	22b		%	%	100%
23	Education expenses (see page 26) . . . . .	23				
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. 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 26). . . . .	29				
30	Penalty on early withdrawal savings . . . . .	30				
31a	Alimony paid b Recipient's SSN ► . . . . .	31a				
32	IRA deduction (see page 27) . . . . .	32				
33	Student loan interest deduction (see page 30) . . . . .	33				
34	Tuition and fees deduction. Attach Form 8917 . . . . .	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, column C. This is your <b>adjusted gross income</b> . . . . .	37				

Tax  
and  
CreditsATTACH  
FORM(S)  
W-2,  
W-2CM,  
W-2G  
AND  
1099-R  
HEREOther  
Taxes

## Payments

## Refund

Amount  
you oweThird  
Party  
Designee

## Sign Here

Joint Return?  
See page 13  
Keep a copy  
for  
Your RecordsPaid  
Preparer's  
Use Only

38	Amount from line 37 (adjusted gross income)	38		
39a	Check if <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind, <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind, Total boxes Checked <input type="checkbox"/> 39a <input type="checkbox"/>			
b	if your spouse itemizes on a separate return or you were a dual-status alien, see page 31 and check here <input type="checkbox"/> 39b <input type="checkbox"/>			
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 31. All others: • Single - \$5,350 • Married filing jointly or Qualifying widow(er) - \$10,700 • Head of household - \$7,850 • Married filing separately \$5,350	40		
41	Subtract line 40 from line 38	41		
42	If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the worksheet on page 33	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 33). Check if any tax is from a <input type="checkbox"/> form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889	44		
45	Alternative minimum tax (see page 36). Attach Form 6251	45		
46	Add lines 44 and 45	46		
47	Credit for child and dependent care expenses. Attach Form 2441	47		
48	Credit for the elderly or the disabled. Attach Schedule R	48		
49	Education credits. Attach form 8863	49		
50	Residential energy credits. Attach Form 5695	50		
51	Foreign tax credit. Attach Form 1116 if required	51		
52	Child tax credit (see page 39). Attach Form 8901 if required.	52		
53	Retirement savings contributions credit. Attach Form 8880	53		
54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839	54		
55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> 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		
58	Self-employment tax. Attach Schedule SE	58		
59	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919	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, box 9	61		
62	Household employment taxes. Attach Schedule H	62		
63	Add lines 57 through 62. This is your total tax	63		
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	2007 estimated tax payments and amount applied from 2006 return	65		
66a	Earned income credit (EIC)	66a		
b	Nontaxable combat pay election <input type="checkbox"/> 66b <input type="checkbox"/>			
67	Excess social security and tier 1 RRTA tax withheld (see page 59)	67		
68	Additional child tax credit. Attach Form 8812	68		
69	Amount paid with request for extension to file (see page 59)	69		
70	Payments from a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	70		
71	Refundable credit for prior year minimum tax from Form 8801, line 27	71		
72	Add line 64, 65, 66a, and 67 through 71. These are your total payments	72		
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 offset rebate. See supplemental instructions	73		
74	Amount of line 73 you want refunded to you. If Form 8888 is attached, check here. See supplemental instructions.	74		
75	Amount of line 73 you want applied to your 2008 estimated tax. See supplemental instructions	75		
76	Amount you owe. Subtract line 72 from line 63. This is the amount you owe before the non-refundable credit and rebate offset. (See page 60)	76		
77	Estimated tax penalty (see instructions on page 61). Also, see supplemental instructions	77		
Third Party Designee	Do you want to allow another person to discuss this return with the Division of Revenue and Taxation (see page 61)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No. Designee's name <input type="checkbox"/> Phone No. <input type="checkbox"/> Personal Identification Number (PIN) <input type="checkbox"/>			
Sign Here	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.			
Joint Return?	Your signature <input type="checkbox"/> Date <input type="checkbox"/> Your occupation <input type="checkbox"/> Daytime phone number <input type="checkbox"/>			
Spouse's signature	Spouse's signature. If a joint return, both must sign. <input type="checkbox"/> Date <input type="checkbox"/> Spouse's occupation <input type="checkbox"/>			
Preparer's signature	Preparer's signature <input type="checkbox"/> Date <input type="checkbox"/> Check If self-employed <input type="checkbox"/>			
Firm's name	Firm's name (or yours if self-employed), address and ZIP code <input type="checkbox"/>			
EIN	EIN <input type="checkbox"/>			
Phone no.	Phone no. ( <input type="checkbox"/> ) <input type="checkbox"/>			



**DIVISION OF REVENUE AND TAXATION**  
**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**  
**ANNUAL WAGE AND SALARY AND EARNINGS TAX RETURN**  
(See supplemental instructions)



(For Form **1040CM**)

(Please type or print in ink)

**2007**

<b>Name and Address</b>	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.	<b>▲ IMPORTANT ! ▲</b> You must enter your 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). Subtract line 10 from line 9. (If zero or less, place a bracket around the figure) ►	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, royalties . . . . .	4				
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.

If less than zero, place a bracket around the figure . . . . . ►

**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 <b>Rebate offset amount.</b> 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)**

<b>1</b>	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 . . . . .	<b>1</b>	
<b>2</b>	CHAPTER 2 : (a) _____ Enter amount underpaid	(b) Failure to File . . . . . 2b (c) Failure to Pay . . . . . 2c (d) Interest Charge . . . . . 2d	
<b>3</b>	CHAPTER 7 : (a) _____ Enter amount underpaid	(b) Failure to File . . . . . 3b (c) Failure to Pay . . . . . 3c (d) Interest Charge . . . . . 3d	
<b>4</b>	Total penalty and interest charges (add lines 2b, 2c, 2d, 3b, 3c, and 3d) . . . . .	<b>4</b>	
<b>5</b>	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 . . . . .	<b>5</b>	
<b>6</b>	If line 5 is an overpayment, enter amount you want credited to your <b>2008 ESTIMATED TAX</b> . . . . .	<b>6</b>	
<b>7</b>	Amount from line 5 you want credited to your <b>2008 BUSINESS GROSS REVENUE TAX</b> . . . . .	<b>7</b>	
<b>8</b>	<b>Net overpayment</b> . . . . .	<b>8</b>	( )

**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.

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

**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.

<b>Sign Here</b> 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
<b>Paid Preparer's Use Only</b>	Preparer's Signature	Date	Check if <input type="checkbox"/> self-employed	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address and ZIP code			EIN
				Phone no. ( )

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

**DEADLINE: APRIL 15, 2008**



**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** (For Form 1040CM) See instructions

**2007**

<b>Please Type or Print in Ink</b>	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.	<b>▲ IMPORTANT ! ▲</b> You must enter your SSN(s) above	
	City, town or post office, state, and ZIP code				

**PART A - Non-refundable Credits**

1	Wage and salary tax . . . . .	1										
2	Earnings tax . . . . .	2										
3	Business gross revenue tax											
	<table border="1"><thead><tr><th>Name</th><th>Tax ID No.</th></tr></thead><tbody><tr><td>a)</td><td></td></tr><tr><td>b)</td><td></td></tr><tr><td>c)</td><td></td></tr></tbody></table>	Name	Tax ID No.	a)		b)		c)				
Name	Tax ID No.											
a)												
b)												
c)												
4	User fees paid . . . . .	4										
5	Fees and taxes imposed under 4CMC §2202(h) . . . . .	5										
6	Total non-refundable credits (add lines 1 through 5) . . . . .	6										

**PART B - Rebate Computation**

7	Allocable percentage:		
	a Tax without the CNMI 7a _____%		
	b Tax within the CNMI 7b _____%		
8	Total NMTIT on all sources . . . . .	8	
9	Total NMTIT payments made . . . . .	9	
10	Tax on sources without CNMI (multiply line 8 by the percentage as shown on line 7a) . . . . .	10	
11	Tax on sources within the CNMI (multiply line 8 by the percentage as shown on line 7b) . . . . .	11	
12	Total non-refundable credits (enter amount from line 6, Part A) . . . . .	12	
13	<b>Rebate Base</b> (adjusted CNMI source tax). Subtract line 12 from line 11. If zero or less, enter -0) . . . . .	13	
14	Total CNMI and NON-CNMI source tax after non-refundable credits (add lines 10 and 13) . . . . .	14	
15	NMTIT overpayment (If line 9 is greater than line 14, subtract line 14 from line 9, otherwise, enter -0-) . . . . .	15	
16	NMTIT underpayment (If line 14 is greater than line 9, subtract line 9 from line 14, otherwise, enter -0-) . . . . .	16	
17	<b>Rebate offset amount.</b> Calculate this amount as determined by the rebate base (line 13) using the rebate table provided in Part B of the instructions . . . . .	17	

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.				
	Your signature		Date	Your occupation	Daytime phone number ( )
<b>Keep a copy for Your Records</b>	Spouse's signature. If a joint return, <b>BOTH</b> must sign.		Date	Spouse's occupation	
	Preparer's signature		Date	Check if <input type="checkbox"/> self-employed	Preparer's SSN or PTIN
<b>Paid Preparer's Use only</b>	Firm's name (or yours if self-employed), address, and ZIP code			EIN	
				Phone no. ( )	

# Instructions for Form OS-3405A -Computation of Non-Refundable Credit and Application for Rebate on CNMI Source Income Tax 2007

## PART A NON-REFUNDABLE CREDITS

1. Enter the wage and salary tax as shown on line 9, Part A of the Annual Wage and Salary and Earnings Tax Return.
2. Enter the earnings tax as shown on line 11 of Part B of the Annual Wage and Salary and Earnings Tax Return.
3. 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 22b column A of Form 1040CM.
- 7b. Enter the percentage (allocable ratio) of tax within the CNMI. This should be the percentage shown on line 22b column B of Form 1040CM.
8. Enter the tax as shown on line 63 of Form 1040CM.
9. Enter the total payments made for the taxable year as shown on 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.
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		
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

If filing by mail, please send to:

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

**DEADLINE: APRIL 15, 2008**



**DIVISION OF REVENUE AND TAXATION**  
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
Post Office Box 5234 CHRB, Saipan, MP 96950  
Tel. (670) 664-1000

# **2007 FORM 1040CM**

## **Supplemental Instructions Booklet**

- **Form 1040CM** (Use in conjunction with the 2007 Form 1040 Instructions - IRS Issue)
- **Wage and Salary Tax and Earnings Tax**
- **Computation of Non-refundable Credit and Application for Rebate on CNMI Source Income Tax**
- **Additional Child Tax Credit** (Form 8812)



## Form 1040CM Supplemental Instructions

### Lines 7 through 21b (*IRS Instructions pages 18 thru 24*)

The rules for the determination of source of income are established in the Northern Mariana Territorial Income Tax Code ("NMTIT") sections 861 through 865 and associated 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 your figure in the appropriate columns.

### Line 8a (*IRS Instructions page 19*)

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 in the earnings tax section on page 3, part B of the return to avoid any discrepancies on your tax return.

### Line 9a (*IRS Instructions page 19*)

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 enter the dividend income under column B, be sure to also include such income in the earnings tax section on part B of the 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 rental income, 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 the rental income under column B, be sure to also include such income in the earnings tax section to avoid any discrepancies on your tax return.

### Line 22a

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

### 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.

Example: Percentage allocation for line 22b, column A

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

Percentage allocation for line 22b, column B

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

### Line 37 (*IRS Instructions page 31*)

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



Line 58

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

Line 59

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

Line 62

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

Line 64a

Total Federal Income Tax withheld. 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). 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. File separately with the U.S. Federal Government.

Line 68

The Additional Child Tax Credit Form 8812, is entered on page 2, Part G of the Wage and Salary and Earnings Tax Return. See instruction for Part G.

Line 73

This amount may be reduced or increased as a result of the application of the Chapters 2, 3, and 4 tax and credits. See part D, line 2.

Line 74

This amount may be reduced or increased as a result of the application of the Chapters 2, 3, and 4 tax and credits. See part D, line 3.

Line 75

The amount of overpayment available for estimated tax may be more or less as a result of the application of other taxes, tax credits, and rebates. Leave line 75 blank. See part E, line 6.

Line 76

This amount may be reduced or increased as a result of the application of the Chapters 2, 3, and 4 tax and credits. See part E, line 5.

Line 77

See part D, line 6. Leave line 77 blank.

## **Instructions for Form 1040CM Wage and Salary Tax, Earnings Tax, and Chapter 7 Tax and Rebate Offset Calculations**

### **PART A      Wage and Salary Tax Computation (Enter amounts as applicable in each column)**

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.
2. Enter in column A, 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.
3. Add lines 1 and 2.
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. This is the total CNMI wages and salaries subject to the wage and salary tax.
6. Compute your 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, cash contributions made during the taxable year to a qualified educational institution or other tax exempt educational institution located in the CNMI. The maximum educational credit allowable is the lesser of your cash contribution not to exceed \$5,000.00 or your combined wage and salary tax, earnings tax and 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. Educational tax credit claimed on other tax returns must be taken into account in determining the remaining maximum allowable credit. 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 paid for wages and salaries.
11. Subtract line 10 from line 9. If this is an overpayment, place a bracket around the figure. This is the Chapter 2, wage and salary tax due or overpayment.

**PART B**      Earnings Tax Computation - Income Not Included in the Business Gross Revenue Tax (Enter amounts as applicable in each column)

1. Enter the amount, if any, 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 amount 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 9a, page 1 of Form 1040CM, be sure to also include such income in this section to avoid any discrepancies on your tax return. Otherwise, the rebate on the tax of these incomes would be disallowed.

5a. Enter the gross winnings from any gaming, lottery, raffle or other gambling activity 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.

6. Enter other income subject to the NMTIT, unless excludable under the earnings tax.

7. Add lines 1 thru 4, 5c, and 6.

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, cash contributions made during the taxable year to a qualified educational institution or other tax exempt educational institution located in the CNMI. The maximum educational credit allowable is the lesser of your cash contribution not to exceed \$5,000.00 or your combined wage and salary tax, earnings tax and 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. Educational tax credit claimed on other tax returns must be taken into account in determining the remaining maximum allowable credit. Attach Schedule ETC.

10. Subtract line 9 from line 8.

11. Add line 10, columns A and B. This is your earnings tax liability.

#### **PART C      Total Chapter 2 (Wage and Salary and Earnings Tax) Due or Overpayment**

Add line 11 of part A and line 11 of part B and enter on this line. If the amount is less than zero, place a bracket around the figure.

**COMPLETE Form OS-3405A (APPLICATION FOR REBATE ON CNMI SOURCE TAX) BEFORE PROCEEDING TO 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. Note that the amounts on lines 2 and 3 are negative numbers.
5. Enter the lesser of the amount on line 66a of Form 1040CM or the amount on line 2 of this part.
6. To figure your estimated tax penalty on Form 2210, the tax amount is the amount shown on part B, line 14 of Form OS-3405A. If you want Revenue and Tax to compute this penalty for you, write "REVTAX" on the left side of this line. The penalty will be added to the amount you owe and will bill you.
7. Add lines 4, 5 and 6. This is your total Chapter 7 (NMTIT) liability or overpayment.

**PART E**      **Combined Due or (Overpayment)**

1. AMOUNT DUE OR (OVERPAID). Add amount on part C and line 4 of part D. If this amount shows an overpayment, place a bracket around your figure and continue on line 5.
- 2(a). If the amount on line 1 is a tax due, enter the lesser of the amount on line 1 or the amount on part C, but not less than zero.
- 2(b). To compute the failure to file penalty for Chapter 2 taxes: A penalty of 5% is imposed of the net amount due (line 2a) up to one month, with an additional 5% for every additional month or fraction thereof, up to maximum of 25%. If the failure to pay penalty becomes applicable, the 5% failure to file penalty shall be reduced by  $\frac{1}{2}$  of 1 %. Enter the failure to file penalty on this line.
- 2(c). To compute the failure to pay penalty for Chapter 2 taxes: A penalty of  $\frac{1}{2}$  of 1 % per month, or fraction thereof, of the amount due (line 2a) shall be added for failure to pay up to a maximum of 25%. Enter the failure to pay penalty on this line.
- 2(d). To compute the interest on Chapter 2 taxes: Interest at prevailing rate compounded daily, is imposed on the amount due (line 2a). (NOTE: The annual interest rate is subject to change as determined by the Secretary). Enter the total Chapter 2 interest on this line. Applicable interest rate may be obtained from the website at [www.dof.gov.mp](http://www.dof.gov.mp).
- 3(a) If line 1 is a tax due, subtract line 2a from line 1 and enter amount on this line, but not less than zero.
- 3(b). To compute the 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 maximum of 25%. If the failure to pay penalty becomes applicable, the 5% failure to file penalty shall be reduced by  $\frac{1}{2}$  of 1 %. Enter the failure to file penalty on this line.
- 3(c). To compute the failure to pay penalty for Chapter 7 taxes: A penalty of  $\frac{1}{2}$  of 1 % per month, or fraction thereof, of the amount due (line 3a) shall be added for failure to pay tax up to a maximum of 25%. Enter the failure to pay penalty on this line.
- 3(d). To compute the interest on Chapter 7 taxes: Interest at prevailing rate compounded daily, is imposed on the amount due (line 3a). (NOTE: The annual interest rate is subject to change as determined by the Secretary. Enter the total Chapter 7 interest on this line. Applicable interest rate may be obtained from the website at [www.dof.gov.mp](http://www.dof.gov.mp).
4. Add lines 2b, 2c, 2d, 3b, 3c and 3d. This is the total penalty and interest charges on Chapter 2 and Chapter 7 taxes.

5. Add lines 1 and 4 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 amount supersedes your tax due on line 76 of Form 1040CM. If it is an overpayment, place a bracket around your figure and proceed to line 6. If you are claiming ACTC refund, see part G below.
6. Enter amount of overpayment on line 5, you want applied to your **2008** ESTIMATED TAX. This amount supersedes your estimated tax election shown on line 75 of Form 1040CM.
7. Enter remaining overpayment from line 5 (after deduction of your **2008** ESTIMATED TAX) you want credited to your **2008** BUSINESS GROSS REVENUE TAX.
8. Add lines 5, 6, and 7. This is your net combined overpayment (refund/rebate) that will be refunded to you.

#### **PART F**      **Business Gross Revenue Tax Credit Allocation**

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

#### **PART G**      **Additional Child Tax Credit Computation**

1. Enter the amount of your Additional Child Tax Credit from Form 8812, line 13. Attach Form 8812 to this return.
2. Enter the tax owed on this return as shown on line 5, part E. If you enter the amount as requested, you are authorizing an offset of your tax due on this 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, page 3, otherwise, it may delay your ACTC refund.
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 this return after offset of the ACTC. Pay this amount.

### **Filing and Deadline**

#### **Deliver return to Revenue and Tax Offices:**

Saipan	Division of Revenue and Taxation Joeten Dandan Commercial Building San Vicente, Saipan
Tinian	Division of Revenue and Taxation San Jose Village, Tinian
Rota	Division of Revenue and Taxation Songsong Village, Rota

**If filing by mail, please send to:** DIVISION OF REVENUE AND TAXATION  
POST OFFICE BOX 5234 CHRB  
SAIPAN, MP 96950

**Filing Deadline:**

**April 15, 2008**