



DIVISION OF REVENUE AND TAXATION
 COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Guidelines for Withholding of Taxes from Employees Wages and Salary

Every person who pays wages and salaries is required to withhold taxes from his employee’s wages and salaries. The withholding tax is required for: a) the Wage and Salary Tax known as the Chapter 2 tax, and b) the income tax known as the Chapter 7 tax (NMTIT), a mirror of the U.S. income tax withholding.

1. For wages and salaries tax withholding, the employer shall use the Wage and Salary Withholding Tax Table below to compute and withhold for Chapter 2 tax. See column “B” in the examples below.
2. For income tax withholding on wages, the employer shall use the table in Circular E to compute the tentative income tax withholding amount for Chapter 7 tax. See column “C” in the examples below. Under the NMTIT, and employee is allowed a non-refundable credit on the Chapter 2 tax withheld against his Chapter 7 tax. As such, the actual Chapter 7 tax gets reduced by the amount of the Chapter 2 tax withheld. Thus, the actual Chapter 7 tax to withhold shall be the amount after the Chapter 2 non-refundable credit. See column “D” in the examples below.

EXAMPLES (all employees single with 1 allowance)

Example 1

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Employee Name:	Gross Wages [Bi-weekly]	Actual Chp 2 Tax WH [WST Table]	Computed Chp 7 Wh Tax [Cir E Table]	Actual Chp 7 Tax WH [C-B]	Total Taxes Withheld [B + D]
Employee A	\$400.00	\$16.00	\$17.00	\$1.00	\$17.00
Employee B	500.00	20.00	27.00	7.00	27.00
Employee C	700.00	35.00	66.00	31.00	66.00
Total WH		<u>\$71.00</u>	-	<u>\$39.00</u>	<u>\$110.00</u>

Example 2

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>
Employee Name:	Gross Wages [Bi-weekly]	Actual Chp 2 Tax WH [WST Table]	Computed Chp 7 Wh Tax [Cir E Table]	Actual Chp 7 Tax WH [C-B]	Total Taxes Withheld [B + D]
Employee D	\$1,200.00	\$84.00	\$131.00	\$47.00	\$131.00
Employee E	1,800.00	144.00	258.00	114.00	258.00
Employee F	2,000.00	180.00	308.00	128.00	308.00
Total WH		<u>\$408.00</u>	-	<u>\$289.00</u>	<u>\$697.00</u>

In example 2, employee D's actual Chapter 2 withholding tax amount (column B) was \$84.00. While his chapter 7 computed withholding tax amount (column C) was \$131.00, the actual Chapter 7 withholding tax (column D) was only \$47.00 [$\$131.00 - \84.00] as a result of the application of the Chapter 2 non-refundable credit of \$84.00. Employee D's total withholding tax was therefore \$131.00 [$\$84.00 + \47.00]. The combined withholding tax in example 2 was \$697.00 comprising of \$408.00 for Chapter 2 tax and \$289.00 for Chapter 7 tax.

Quarterly Reporting and Filing of Employer Withholding Tax Return

Form OS-3705, Employer's Quarterly Withholding Return shall be filed no later than the last day of the month following the close of the calendar as follows:

<u>Quarterly Period</u>		<u>Due Date</u>
1 st Quarter ending March 31	-	April 30
2 nd Quarter ending June 30	-	July 31
3 rd Quarter ending September 30	-	October 31
4 th Quarter ending December 31	-	January 31 of the following year

Annual Filing of Withholding Tax Reconciliation and Form W-2CM

At the end of the calendar year, an annual reconciliation of the total wages and salaries paid and withholding taxes withheld is required to be filed with the Division of Revenue and Taxation on or before February 28 of the following year. The annual reconciliation is prepared using Form OS-3710, accompanied by "copy 1" of the W-2CM, Wage and Tax Statement.

Withholding Tables

A. Wage and Salary Tax Withholding Table

If the payroll period is WEEKLY

From	To	Rate
-	19.24	0%
19.25	96.17	2%
96.18	134.66	3%
134.67	288.48	4%
288.49	423.09	5%
423.10	576.94	6%
576.95	769.24	7%
769.25	961.55	8%
961.56	And Over	9%

If the payroll period is BI-WEEKLY

From	To	Rate
-	38.49	0%
38.50	192.34	2%
192.35	269.26	3%
269.27	576.96	4%
576.97	846.19	5%
846.20	1,153.88	6%
1,153.89	1,538.49	7%
1,538.50	1,923.11	8%
1,923.12	And Over	9%

If the payroll period is SEMI-MONTHLY

From	To	Rate
-	41.70	0%
41.71	208.37	2%
208.38	291.70	3%
291.71	625.04	4%
625.05	916.70	5%
916.71	1,250.04	6%
1,250.05	1,666.70	7%
1,666.71	2,083.37	8%
2,083.38	And Over	9%

If the payroll period is MONTHLY

From	To	Rate
-	83.41	0%
83.42	416.74	2%
416.75	583.41	3%
583.42	1,250.08	4%
1,250.09	1,833.41	5%
1,833.42	2,500.08	6%
2,500.09	3,333.41	7%
3,333.42	4,166.74	8%
4,166.75	And Over	9%

B. Income Tax Withholding Table

For income tax withholding table, please refer to the current version (applicable taxable period) of Publication 15 (Circular E) Employer's Tax Guide, published by the Internal Revenue Service. You can download this table by accessing the IRS' website at www.irs.gov and keyword search for Pub 15.

(January 2008)