



2026 Instructions for Form 3500CT-C1

CNMI Construction Tax Monthly Return

Use these instructions to complete Form 3500CT-C1. The form reports monthly construction gross revenue and determines any Construction Tax due.

General Instructions

Purpose of Form

Use Form 3500CT-C1 to report gross revenue derived from Construction and to determine the Construction Tax imposed under 4 CMC § 1992.

The Construction Tax is 3% of taxable construction gross revenue when the taxpayer's aggregate taxable construction gross revenue exceeds \$350,000 for the taxable year.

Although the \$350,000 threshold applies on an annual basis, Form 3500CT-C1 is filed monthly and any applicable Construction Tax is paid monthly.

Who Must File

You must file Form 3500CT-C1 if your business engages in an activity that falls within the definition of Construction.

The filing requirement applies regardless of the amount of construction gross revenue received, accrued, or earned during the month. You must file even if:

- You have no construction gross revenue for the month.
- All of your construction gross revenue qualifies for an exclusion.
- You reasonably expect your annual taxable construction gross revenue will not exceed \$350,000.
- No Construction Tax is due for the month.

If you have no construction gross revenue for the month, report zero on Form 3500CT-C1.

See "Construction" under Definitions to determine whether your business activity falls within the definition of Construction.

When to File and Pay

File Form 3500CT-C1 and pay any tax due on or before the last day of the month following the month for which the return is being filed.

Example. The return for January is due on or before the last day of February.

Definitions

Construction

"Construction" means any activity that creates, installs, alters, repairs, improves, maintains, or demolishes any building, structure, facility, infrastructure, system, or other improvement to real property.

Construction includes, without limitation, all related site work, temporary works, mobilization, testing, commissioning, and change orders, the leveling or clearing of land, the excavating of earth, and the drilling of wells of any type, including seismograph shot holes or core drilling.

Construction Gross Revenue

Construction gross revenue means gross revenue derived from Construction activities that are received, accrued, or earned.

Residential Housing

"Residential Housing" means single-family homes or other standalone dwellings designed for individual households.

Residential Housing does not include multi-family units, such as apartments, condominium complexes, commercial residential developments, or other similar shared living structures.

Subcontractor

“Subcontractor” means a person or company hired by a General Contractor to perform tasks or services as part of a larger construction project.

A Subcontractor operates under a contract with the General Contractor.

Special Rules for Tax Year 2026

Tax year 2026 is a transition year. Two different Construction Tax rules apply during the year.

January through March 2026

For the period governed by Public Law 23-31, the Construction Tax is determined on a project-by-project basis.

A non-residential construction project is a Qualifying Construction Project if the total project cost is \$350,000 or more, including executed change orders, amendments, and modifications. The 3% Construction Tax applies to the General Contractor’s gross revenue directly attributed to or derived from each Qualifying Construction Project.

The \$350,000 threshold under Public Law 23-31 applies to the cost of each project. It is not based on the General Contractor’s total annual construction gross revenue.

Use Form 3500CT-C to file for these periods.

April through December 2026

For the period governed by Public Law 24-30, the Construction Tax is based on the General Contractor’s aggregate taxable construction gross revenue.

The \$350,000 threshold under Public Law 24-30 is an annual threshold. For tax year 2026, taxable construction gross revenue for the entire taxable year is used to determine whether the \$350,000 threshold is exceeded. For purposes of the \$350,000 threshold the construction gross revenue for January through March 2026 should be included.

However, the 3% Construction Tax under Public Law 24-30 applies only to taxable construction gross revenue received, accrued, or earned beginning the period April 2026.

Example 1. In April, construction revenue is 100,000. If you reasonably expect your total gross construction revenue for the year to exceed 350,000, then the 100,000 is subject to the 3% tax. Otherwise, the 100,000 is not subject to the 3% tax.

Example 2. At any time, the construction gross revenue year-to-date total exceeds 350,000, then all construction gross revenue is subject to tax including all those not previously taxed.

Penalty Relief for Initial Filing Periods

Form 3500CT-C1 and the accompanying filing instructions were made available by DRT in October 2026. To provide taxpayers a reasonable period to comply with the new filing requirements, DRT will waive late filing and late payment penalties for the April through September 2026 tax periods, provided that all required returns are filed and any Construction Tax due is paid on or before November 2, 2026.

This relief applies only to late filing and late payment penalties. It does not waive or reduce any Construction Tax due.

Important

Do not combine the tax calculations under Public Law 23-31 and Public Law 24-30. Each law uses a different \$350,000 threshold and applies to a different portion of tax year 2026.

\$350,000 Annual Threshold

The \$350,000 threshold applies to taxable construction gross revenue for the entire taxable year. Excluding construction gross revenue earned as a subcontractor as revenue derived from residential housing as defined above.

If your taxable construction gross revenue exceeds \$350,000 for the taxable year, the 3% Construction Tax applies to your taxable construction gross revenue.

Because Construction Tax returns and payments are made monthly, you must determine whether you reasonably expect your taxable construction gross revenue to exceed \$350,000 for the taxable year.

Reasonable Expectation

Your reasonable expectation should be based on the facts and circumstances known to you when you file your monthly return.

Consider construction gross revenue already received (including January through March) and construction gross revenue you reasonably anticipate receiving during the remainder of the taxable year.

Relevant information may include signed contracts, active construction projects, scheduled payments, approved change orders, work already performed, and other construction revenue you have a reasonable basis to anticipate.

Do not wait until you exceed \$350,000 before paying Construction Tax if you reasonably expect to exceed the annual threshold.

Example 1. You begin the taxable year with a \$500,000 contract for taxable Construction. You receive \$40,000 in January. Because the contract provides a reasonable basis to expect your annual taxable construction gross revenue will exceed \$350,000, you must report the January revenue and calculate the applicable 3% Construction Tax.

Example 2. You have \$100,000 of taxable Construction under contract and have no other active projects or contracts. Based on the facts and circumstances known to you, you reasonably expect your annual taxable construction gross revenue will not exceed \$350,000. You must report construction gross revenue received during the month, but no Construction Tax is due at that time.

If the facts and circumstances later change, you must reconsider whether you reasonably expect to exceed the \$350,000 annual threshold.

Part II. Prior Month Adjustments

Purpose of Part II

Use Part II when you previously reported taxable construction gross revenue but did not pay the 3% Construction Tax because you reasonably expected your annual taxable construction gross revenue would not exceed \$350,000.

Complete Part II if you later:

- Expect your annual taxable construction gross revenue will exceed \$350,000, or
- Have already exceeded \$350,000 in taxable construction gross revenue for the taxable year.

Part II allows you to calculate the 3% Construction Tax on taxable construction gross revenue that was correctly reported on earlier monthly returns but was not previously subject to the Construction Tax because of your reasonable expectation at that time.

Before completing line 5, use the table to indicate the period and amount to report previously unpaid construction tax as follows:

- Column B, enter the amount from line 3 of the respective month in Column A.
- Column C, multiply the amount on column B by 3% (.03).

Example. You correctly reported \$50,000 of taxable construction gross revenue in January and \$75,000 in February. You did not pay Construction Tax because you reasonably expected your annual taxable construction gross revenue would not exceed \$350,000. In March, you enter into an additional construction contract and now reasonably expect your annual taxable construction gross revenue will exceed \$350,000. Complete Part II of your March Form 3500CT-C1 to calculate the catch-up tax on the \$125,000 previously reported for January and February. Also calculate the applicable Construction Tax on your March taxable construction gross revenue in Part I.

A. Month	B. Taxable gross revenue (line 3)	C. Tax due
January	50,000	1,500.00
February	75,000	2,250.00

The same rule should apply when previous filings were not taxed and the cumulative on taxable gross revenue on the current filing exceeds 350,000.

If your total year-to-date taxable construction gross revenue exceeds the 350,000 threshold any previously not taxed construction gross revenue from earlier months becomes retroactively taxable.

Example. In March your taxable construction gross revenue equals 230,000. Your January and February taxable construction gross revenue of 50,000 and 75,000 respectively that was not taxed. Since your cumulative amount exceeds 350,000, the periods January and February become taxable. They have to be reported as shown in the table above.

Line 5. Add the amounts entered in column B and enter the total here.

Do Not Use Part II to Correct a Prior Return

Do not use Part II to correct construction gross revenue, excluded revenue, or other information that was incorrectly reported on a previously filed Form 3500CT-C1.

File an amended Form 3500CT-C1 for the affected tax period instead.

Specific Instructions

Line 1. Total Construction Gross Revenue

Enter all construction gross revenue for the month.

Include all construction gross revenue before applying the Residential Housing or Subcontractor exclusions.

Example. If you receive \$100,000 from Construction during the month, including \$25,000 from qualifying Residential Housing, enter \$100,000 on Line 1. Report the qualifying \$25,000 as excluded revenue on Line 2.

Line 2. Excluded Construction Gross Revenue

Enter construction gross revenue that qualifies for exclusion from the Construction Tax.

- Residential Housing revenue.
- Subcontractor revenue.

Line 3. Taxable Construction Gross Revenue

Subtract Line 2 from Line 1. Line 3 represents the construction gross revenue potentially subject to the 3% Construction Tax.

Line 4. Construction Tax

If you reasonably expect your annual taxable construction gross revenue will exceed \$350,000, multiply Line 3 by 3% and enter the result on Line 4. If Part II does not apply, stop here. Pay this amount.

If you reasonably expect your annual taxable construction gross revenue will not exceed \$350,000, enter zero on Line 4.

Part II Table.

Complete Part II based on the instructions above Part II Prior Months Adjustments.

Line 5. Construction Gross Revenue Not Previously Subject to Tax

Line 6. Construction Tax on Prior Month Revenue

Multiply Line 5 by 3% (0.03) and enter the result.

Line 7. Total Construction Tax Due

If you are completing Part II, add Line 4 and Line 6. Enter the result on Line 7. This is the total Construction Tax due with your return.

Amended Returns

When To File an Amended Return

File an amended Form 3500CT-C1 if you discover that your Construction Gross Revenue reported on a previously filed Form 3500CT-C1 was incorrect.

- Construction gross revenue reported
- Excluded construction gross revenue reported.

How To Amend a Return

File another Form 3500CT-C1 for the tax period being corrected and check the "Amended Return" box.

Complete the amended return and report the correct amount on the respective tax period(s).

Example. You originally reported \$50,000 of taxable construction gross revenue for January. You later determine that the correct amount was \$75,000. File an amended January Form 3500CT-C1 and report the full corrected amount of \$75,000.

Tax Previously Paid

When computing the tax on line 4 do not subtract Construction Tax previously paid when completing an amended return.

Amount due on amended return. If the amount on line 4 computed on the amended return is greater than the tax paid on the original return, subtract the amount paid from the original return and enter the difference on line 7. Pay this amount.

Example. You originally reported \$50,000 of taxable construction gross revenue and indicated \$1,500 of Construction Tax on line 4 which you paid \$1,500. You later determine that the correct taxable construction gross revenue was \$75,000. On the amended return, report \$75,000 of taxable construction gross revenue and indicated the correct construction tax of \$2,250. Because you paid \$1,500 of the corrected \$2,250 of the amended return, the remaining tax to pay is \$750 ($2,250 - 1,500$). Enter the \$750 on line 7. DRT will credit the tax paid (\$1,500) on original return when determining any additional amount due.

Amount Overpaid on Amended Return. If the amount on line 4 computed on the amended return is less than the tax paid on the original return, enter zero on line 7. Any overpayment will remain on your Construction Tax account and will be addressed through the year-end reconciliation. Do not reduce the Construction Tax due on your next monthly return by any overpayment.

Example. You originally reported \$75,000 of taxable construction gross revenue and paid \$2,250 of Construction Tax. You later determine that the correct taxable construction gross revenue was \$50,000. File an amended return reporting the corrected \$50,000 and \$1,500 Construction Tax liability. The \$750 difference will be included in the amount paid in the December return.

Recordkeeping Requirements

You must maintain books and records necessary to determine your Construction Tax for at least three years after the date of the transaction.

Your records should support construction gross revenue reported on Form 3500CT-C1 and amounts reported as excluded construction gross revenue.

Books and records necessary to determine taxes must be maintained within the CNMI at the central office of the business operation.

If DRT requests the records for examination, the records must be made available no later than 10 days beginning with the date the request is received.
