

I Mina'trentai Sais Na Liheslaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
22-36 (COR)	Mary Camacho Torres Telena Cruz Nelson Tina Rose Muña Barnes Amanda L. Shelton	AN ACT TO DECREASE THE BUSINESS PRIVILEGE TAX TO FOUR AND ONE HALF PERCENT (4.5%) BEGINNING ON OCTOBER 1, 2021 AND FOUR PERCENT (4%) ON OCTOBER 1, 2022; AND TO FURTHER DEPOSIT ONE EIGHTEENTH (1/18) OF THE AMOUNT OF BUSINESS PRIVILEGE TAX COLLECTED FOR THE PERIOD OF OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022 TO AN UNEMPLOYMENT COMPENSATION TRUST FUND; AND TO FURTHER ADD A NEW ARTICLE 4 TO DIVISION 1 OF CHAPTER 1, TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO THE ESTABLISHMENT OF THE COMMISSION ON UNEMPLOYMENT RELIEF AND EQUITY FOR THE DEVELOPMENT OF AN UNEMPLOYMENT INSURANCE PROGRAM IN GUAM UNDER THE U.S. UNEMPLOYMENT INSURANCE FEDERAL-STATE SYSTEM; AND TO FURTHER CITE THIS ACT AS THE "GUAM EMPLOYMENT ASSISTANCE AND RELIEF ACT OF 2021."	1/13/21 10:36 a.m.	1/14/21	Committee on General Government Operations, Appropriations, and Housing			Request: 1/14/21 1/26/21	



Vice Speaker

TINA ROSE MUÑA BARNES

CHAIRPERSON, COMMITTEE ON RULES

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January 26, 2021

MEMO

To: Rennae Meno
Clerk of the Legislature

From: Vice Speaker Tina Rose Muña Barnes
Chairperson, Committee on Rules

Re: Fiscal Notes

Buenas yan Håfa adai.

Attached, please find the fiscal notes for the following bills:

Bill No. 5-36 (COR)
Bill No. 22-36 (COR)

Please forward the same to Management Information Services (MIS) for posting on our website.

If you have any questions or concerns, please feel free to contact Mary Maravilla, Committee on Rules Director at 472-2461.

Thank you for your attention to this important matter.



Bureau of Budget & Management Research
Fiscal Note of Bill No. 22-36 (COR)

AN ACT TO DECREASE THE BUSINESS PRIVILEGE TAX TO FOUR AND ONE HALF PERCENT (4.5%) BEGINNING ON OCTOBER 1, 2021 AND FOUR PERCENT (4%) ON OCTOBER 1, 2022; AND TO FURTHER DEPOSIT ONE EIGHTEENTH (1/18) OF THE AMOUNT OF BUSINESS PRIVILEGE TAX COLLECTED FOR THE PERIOD OF OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022 TO AN UNEMPLOYMENT COMPENSATION TRUST FUND; AND TO FURTHER ADD A NEW ARTICLE 4 TO DIVISION 1 OF CHAPTER 1, TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO THE ESTABLISHMENT OF THE COMMISSION ON UNEMPLOYMENT RELIEF AND EQUITY FOR THE DEVELOPMENT OF AN UNEMPLOYMENT INSURANCE PROGRAM IN GUAM UNDER THE U.S. UNEMPLOYMENT INSURANCE FEDERAL-STATE SYSTEM; AND TO FURTHER CITE THIS ACT AS THE "GUAM EMPLOYMENT ASSISTANCE AND RELIEF ACT OF 2021."

Department/Agency Appropriation Information	
Dept./Agency Affected: Government of Guam Wide	Dept./Agency Head: Lourdes A. Leon Guerrero, Governor
Department's General Fund (GF) appropriation(s) to date:	\$630,111,951
Department's Other Fund (Specify) appropriation(s) to date: All Special Funds per P.L. 35-99	\$210,717,690
Total Department/Agency Appropriation(s) to date:	\$840,829,641

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2020 Unreserved Fund Balance		\$0	\$0
FY 2021 Adopted Revenues	\$0	\$0	\$0
FY 2021 Appro. (P.L. 35-99 thru)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2021 (if applicable)	FY 2022	FY 2023	FY 2024	FY 2025
General Fund	1/	\$0	\$0	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	1/	\$0	\$0	\$0	\$0	\$0

- Does the bill contain "revenue generating" provisions? / / Yes / X/ No
 If Yes, see attachment
- Is amount appropriated adequate to fund the intent of the appropriation? / X/ N/A / / Yes / / No
 If no, what is the additional amount required? \$ _____ / X/ N/A
- Does the Bill establish a new program/agency? / X/ Yes / / No
 If yes, will the program duplicate existing programs/agencies? / / N/A / / Yes / X/ No
 Is there a federal mandate to establish the program/agency? / / Yes / X/ No
- Will the enactment of this Bill require new physical facilities? / / Yes / X/ No
- Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / X/ Yes / / No
 / / Requested agency comments not received by due date / / Other:

Analyst: <u>Jason Baza</u> Date: <u>1/22/21</u> Director: <u>Lester L. Carlson, Jr.</u> Date: <u>JAN 26 2021</u>
Jason Baza, BMA Supervisor Lester L. Carlson, Jr., Director JAN 26 2021

Notes:
 1/ See attached comments.

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 22-36 (COR)

The proposed legislation intends to do the following:

- 1) Reduce the Business Privilege Tax (BPT) levy from five percent (5%) to four and a half percent (4.5%) effective October 1, 2021 (FY 2022), and further reduce the BPT levy from 4.5% to four percent (4%) effective October 1, 2022 (FY 2023).
- 2) Create the Unemployment Compensation Trust Fund (UCTF).
- 3) Mandate a quarter percent (0.25%) of the new 4.5% BPT levy to be deposited into the UCTF thirty (30) days after every quarter effective October 1, 2021 through September 30, 2022.
- 4) Prohibit any transfers out of the UCTF.
- 5) Establish the Commission on Unemployment Relief and Equity (CURE).
- 6) Appropriate Fifty Thousand Dollars (\$50K) from the General Fund in FY 2022 to the Guam Department of Labor (DOL) to fulfill the mandates of the CURE.

The FY 2021 BPT adopted level in P.L. 35-99 is \$304.4M, which is reflective of the current BPT levy of 5%. Should the tax levy be reduced of a half percent (0.5%) to 4.5%, the estimated reduction in BPT collections is approximately \$30.4M. Concurrently, the legislation's mandate of a quarter percent (0.25%), or 1/18 of BPT collections at the 4.5% tax levy, into the UCTF is estimated to be approximately \$15.2M. Combining both the estimated reduction of 0.5% to the BPT tax levy (\$30.4M) as well as the proposed deposit into the UCTF (\$15.2M) is estimated to be a \$45.6M reduction in General Funds available for appropriations to fund Government of Guam operations.

Applying the same methodology to estimate the reduction of the BPT tax levy from 5% to 4% for a full fiscal year, based on the adopted level of \$304.4M, the estimated reduction in BPT collections is approximately \$60.8M. This does not take into account reduced economic activity due to the COVID-19 pandemic, which reflects a 17% reduction between October 2020 – December 2020 actual collections (\$61.5M) versus adopted levels (\$74.3M).

The Bureau notes this would force the Government of Guam to potentially suspend or completely abolish government programs that are dependent on the General Fund to run its operations. It should be further noted that the General Fund is also supporting Government of Guam departments/programs that historically were funded by the Tourist Attraction Fund (TAF) as well as the Customs & Quarantine Inspection Services Fund (CQF), but due to reduced hotel occupancy and passenger arrivals, these Special Revenue funds are not viable revenue sources to fund such operations, thus compounding the shortfall in Government of Guam cash flow.

Per correspondence from the Department of Administration, it is unusual for unemployment liabilities to be funded by a tax which is calculated on receipts rather than wages. Businesses who have few employees but have pass-through non-labor costs may be disadvantaged and there is no correlation to the amount of money to be deposited into the fund. The Internal Revenue Service does have a Federal Unemployment Tax Rate (FUTR) of 6%, which is calculated on the first \$7,000 of employees' wages and paid by the employer, or \$420 an employee. Once an employee makes \$7,000 in gross wages for the year, the requirement to contribute the FUTR, as it is a one-time payment per employee per year by the employer. Such a program would serve the purpose of the proposed UCTF.

ESTIMATED IMPACT OF BPT REDUCTION FOR FULL FISCAL YEAR @ 4.5%

A	B	C	D
Adopted BPT Level (FY21)	Gross Receipts (A/5%)	BPT @ 4.5% (E*4.5%)	Variance (C-A)
\$304,439,509	\$6,088,790,180	\$273,995,558	(\$30,443,951)

ESTIMATED DEPOSIT INTO UCTF

A	B	C	D	E
Adopted BPT Level (FY21)	BPT Level @ 4.5%	Deposit of 0.25% of BPT Level (B*1/18)	BPT Available for General Fund Ops (B-C)	Variance (D-A)
\$304,439,509	\$273,995,558	\$15,221,975	\$258,773,583	(\$45,665,926)

ESTIMATED IMPACT OF BPT REDUCTION FOR FULL FISCAL YEAR @ 4.0%

A	B	C	D
Adopted BPT Level	Gross Receipts (A/5%)	BPT @ 4.0% (E*4.0%)	Variance (C-A)
\$304,439,509	\$6,088,790,180	\$243,551,607	(\$60,887,902)