

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
5-36 (COR)	James C. Moylan V. Anthony Ada Christopher M. Duenas Frank F. Blas Jr.	AN ACT TO AMEND §§ 26202(a), (c), (d), (e), (f), (g), (h), (i), (j)(1), AND (j)(2), ALL OF ARTICLE 2, CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO REDUCING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%).	1/4/21 11:05 a.m.	1/13/21	Committee on General Government Operations, Appropriations, and Housing			Request: 1/13/21 1/26/21	



Vice Speaker

TINA ROSE MUÑA BARNES

CHAIRPERSON, COMMITTEE ON RULES

I Mina'trentai Sais Na Liheslaturan Guåhan

GUAM CONGRESS BUILDING
163 CHALAN SANTO PAPA
HAGÁTÑA, GUAM 96910
TEL 671-472-2461
COR@GUAMLEGISLATURE.ORG

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.



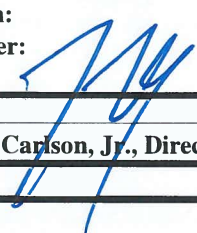
**Bureau of Budget & Management Research
Fiscal Note of Bill No. 5-36 (COR)**

AN ACT TO AMEND §§26202(a), (c), (d), (e), (f), (g), (h), (i), (j)(1), AND (j)(2), ALL OF ARTICLE 2, CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO REDUCING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%).

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

1. Does the bill contain "revenue generating" provisions? / / Yes / X / No
If Yes, see attachment
2. 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
3. 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
4. Will the enactment of this Bill require new physical facilities? / / Yes / X / No
5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / / Yes / X / 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

Notes:
1/ See attached comments.

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 5-36 (COR)

The proposed legislation intends to reduce the Business Privilege Tax (BPT) from five percent (5%) and to four percent (4%). The proposed legislation states the reduction will be retroactive to January 1, 2021.

Per the December 2020 Consolidated Revenue & Expenditure Report (CRER), BPT is tracking to collect \$291.7M at the current tax levy of 5%, or \$12.7M below the adopted level of \$304.4M in P.L. 35-99. Concurrently, the General Fund as a whole is projecting to experience a shortfall of \$11.2M. Per the December 2020 CRER, actual BPT collections amounted to \$61.5M from October 2020 to December 2020. This means the remaining BPT to be collected from January 2021 through September 2021 is estimated to be approximately \$230.2M at the current tax levy of 5%. Should the tax levy be reduced to 4% for the remainder of FY 2021, the estimated reduction in BPT is approximately \$46.03M.

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).

After combining the total General Fund tracking shortfall contained in the December 2020 CRER (\$11.2M) with the estimated reduction of BPT from 5% to 4% for FY 2021 (\$46.03M), the Bureau anticipates the General Fund may experience a shortfall of \$57.3M compared to the adopted level contained in P.L. 35-36. The Bureau also 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.

ESTIMATED IMPACT OF BPT REDUCTION FROM JANUARY 1, 2021 TO SEPTEMBER 30, 2020

A	B	C	D	E	F	G
Adopted BPT Level	Projected BPT Collection	YTD Collection	Remaining Projected Collection	Gross Receipts (D/5%)	BPT @ 4% (E*4%)	Variance (F-D)
\$304,439,509	\$291,705,890	\$61,524,673	\$230,181,217	\$4,603,624,340	\$184,144,974	(\$46,036,243)

ESTIMATED IMPACT OF BPT REDUCTION FOR FULL FISCAL YEAR

A	B	C	D	E	F	G
Adopted BPT Level	Projected BPT Collection	YTD Collection	Remaining Projected Collection	Gross Receipts (A/5%)	BPT @ 4% (E*4%)	Variance (F-A)
\$304,439,509	\$0	\$0	\$0	\$6,088,790,180	\$243,551,607	(\$60,887,902)