

I Mina'trentai Sais Na Lihelaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
53-36 (COR)	Joe S. San Agustin Tina Rose Muña Barnes	AN ACT TO <i>ADD</i> A NEW ARTICLE 7 TO CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO IMPOSING A GENERAL SALES TAX IN GUAM; AND TO <i>AMEND</i> § 26202 OF ARTICLE 2, CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO DECREASING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO THREE PERCENT (3%).	2/2/21 3:41 p.m.	2/3/21	Committee on General Government Operations, Appropriations, and Housing			Request: 2/3/21 2/23/21	



Vice Speaker

TINA ROSE MUÑA BARNES

CHAIRPERSON, COMMITTEE ON RULES

I Mina'trentai Sais Na Liheslaturan Guåhan

GUAM CONGRESS BUILDING
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February 23, 2021

MEMO

To: Rennae Meno
Clerk of the Legislature

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

Re: Fiscal Note

Buenas yan Håfa adai.

Attached, please find the fiscal note for the following bill:

Bill No. 53-36 (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. 53-36 (COR)

AN ACT TO ADD A NEW ARTICLE 7 TO CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO IMPOSING A GENERAL SALES TAX IN GUAM; AND TO AMEND § 26202 OF ARTICLE 2, CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO DECREASING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO THREE PERCENT (3%).

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 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:	Special Fund:	Total:
FY 2020 Unreserved Fund Balance	\$0	\$0	\$0
FY 2021 Adopted Revenues	\$0	0	0
FY 2021 Appro. (P.L. 35-99)	\$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? / / Yes /X/ No
If yes, will the program duplicate existing programs/agencies? /X/ N/A / / Yes / / 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: Jason Baza Date: 2/19/21 Director: Lester L. Carlson, Jr. Date: **FEB 23 2021**
 Jason Baza, BMA Supervisor Lester L. Carlson, Jr., Director

Notes:
1/ See attached comments.

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 53-36 (COR)

The proposed legislation intends to do two things: 1) reduce the Business Privilege Tax (BPT) from five percent (5%) to three percent (3%) upon enactment of the proposed legislation; and 2) create a new tax levy, to be known as the General Sales Tax (GST), of two percent (2%) on tangible property and any service business, excluding banking and lending services, foreign currency services, and insurance services to be effective October 1, 2021 (FY 2022).

The legislation does not incorporate a specific date of implementation for the proposed BPT reduction to 3%. Per the January 2021 Consolidated Revenue & Expenditure Report (CRER), BPT is tracking to collect \$285.9M at the current tax levy of 5%, or \$18.4M below the adopted level of \$304.4M. Additionally, the General Fund as a whole is projecting to experience a shortfall of \$25.2M, primarily due to reduced economic activity as a result of the COVID-19 pandemic. Per the January 2021 CRER, actual BPT collections amounted to \$82.1M from October 2020 to January 2021. This means the remaining BPT to be collected from February 2021 through September 2021 is estimated to be approximately \$203.8M at the current tax levy of 5%. Should the tax levy be reduced to 3% for the remainder of FY 2021, the estimated reduction in BPT is approximately \$81.5M as a result of the proposed legislation during FY 2021.

The Department of Revenue and Taxation (DRT) provided estimated effects of the reduced BPT rate for FY 2022. DRT's preliminary estimated reduction in BPT collections amounts to \$112.8M in FY 2022. However, DRT also provided a preliminary estimate of revenues generated from the proposed GST to be effective October 1, 2022, which amounts to a potential \$95.8M. The projected net deficit in revenues collected amounts to \$16.9M per DRT's preliminary estimate in FY 2022.

While the proposed legislation provides an offset to potential reduced revenues collected as a result of the decreased BPT tax levy in FY 2022 through the implementation of the GST, the legislation does not provide such offset in FY 2021. The January 2021 CRER indicates a projected General Fund shortfall of approximately \$25.2M, which would be compounded to approximately \$106.7M should the proposed measure become law in FY 2021. 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 further compounding the shortfall in Government of Guam cash flow.