

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
177-36 (LS)	James C. Moylan Frank Blas Jr. V. Anthony Ada Christopher M. Dueñas	AN ACT TO ADD A NEW § 26203.3 TO CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO CREATING A TEMPORARY LIMITED EXEMPTION OF BUSINESS PRIVILEGE TAXES FOR CERTAIN SMALL BUSINESSES BY INCREASING THE GROSS THRESHOLD OF EXEMPTIONS FROM TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) TO FIVE HUNDRED THOUSAND DOLLARS (\$500,000).	8/12/21 12:54 p.m.	8/17/21	Committee on General Government Operations, Appropriations, and Housing			Request: 8/17/21 8/20/21	



Vice Speaker

TINA ROSE MUÑA BARNES

CHAIRPERSON, COMMITTEE ON RULES

I Mina'trentai Sais Na Liheslaturan Guåhan

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August 20, 2021

MEMO

To: **Rennae Meno**
Clerk of the Legislature

From: **Senator Amanda L. Shelton**
Acting Chairperson, Committee on Rules

Re: **Fiscal Notes on Bill Nos. 177-36 (LS) and 178-36 (LS)**

Håfa adai,

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

Bill No. 177-36 (LS)

Bill No. 178-36 (LS)

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. 177-36 (LS)

AN ACT TO ADD A NEW § 26203.3 OF CHAPTER 26 TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO CREATING A TEMPORARY LIMITED EXEMPTION OF BUSINESS PRIVILEGE TAXES FOR CERTAIN SMALL BUSINESSES BY INCREASING THE GROSS THRESHOLD OF EXEMPTIONS FROM TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) TO FIVE HUNDRED THOUSAND DOLLARS (\$500,000).

Department/Agency Appropriation Information

Dept./Agency Affected: Department of Revenue and Taxation (DRT)	Dept./Agency Head: Dafne Mansapit-Shimizu, Director
Department's General Fund (GF) appropriation(s) to date:	\$8,945,336
Department's Other Fund appropriation(s) to date: Banking and Insurance Enforcement Fund (\$479,765); Better Public Service Fund (\$1,410,919); Tax Collection Enhancement Fund (\$919,948)	\$2,810,632
Total Department/Agency Appropriation(s) to date:	\$11,755,968

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/	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$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? / / N/A /X/ 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: <u>Raymond Rieta, BMA II</u>	Date: <u>8/19/2021</u>	Director: <u>Lester L. Carlson, Jr., Director</u>	Date: <u>AUG 20 2021</u>
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Notes:
1/ See attached Comments.

Bureau of Budget & Management Research
Comments on Bill No. 177-36 (LS)

The proposed legislation seeks to add a new § 26203.3 to Chapter 26, Title 11, Guam Code Annotated (GCA) relative to creating a temporary limited exemption of Business Privilege Taxes (BPT) for certain small businesses by increasing the gross threshold of exemptions from Two Hundred Fifty Thousand Dollars (\$250,000) to Five Hundred Thousand Dollars (\$500,000). It should be noted that this section was previously repealed through the passage of Bill No. 74-36 (P.L. 36-27) which permanently increased the gross threshold for limited exemptions for certain small businesses from \$100K to \$250K on BPT remittances above 3% of the business's gross proceeds.

Based on comments received from DRT, Bill No. 177-36 makes an annual appropriation of approximately \$3.75M, in each of the next four fiscal years, from the Earned Income Tax Credit (EITC) reimbursements to offset any BPT revenue losses as a result of passage of the proposed legislation. Additionally, they add that revenue losses may be offset on a residual basis through the payment of income taxes on net operating profits once the economy rebounds from the COVID-19 pandemic. DRT concludes that the department has paid to taxpayers of record an average of \$53M in EITC reimbursements since 2017 and that Bill No. 177-36 does not affect this funding source nor impact the operations of the department.

The Bureau notes that there are other proposed legislations appropriating funds from the FY 2022 EITC reimbursements: Bill No. 121-36 (COR) - \$35,000,000 (Guam Memorial Hospital); Bill No. 148-36 (LS) - \$14,971,882 (University of Guam and Guam Community College); Bill No. 153-36 (COR) - \$5,000,000 (Department of Corrections); Bill No. 170-36 (LS) - \$250,000 (Guam Unique Merchandise and Art); and Bill No. 171-36 (LS) \$250,000 (Valley of the Latte, LLC). The total appropriations proposed from FY 2022 EITC reimbursements, inclusive of DRT's approximation of \$3.75M from this legislation, amounts to \$62,721,882.

The final amount to be reimbursed for EITC has yet to be determined as well as the timeframe in which the funds will be availed to the Government of Guam. Should the Internal Revenue Service and the U.S. Treasury avail EITC reimbursements via a trust account, those funds would not be subject to legislative appropriation.