

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
348-36 (LS)	Telo T. Taitague Frank Blas Jr. Clynton E. Ridgell V. Anthony Ada Sabina Flores Perez Joanne Brown	AN ACT TO ADD A NEW § 58128.7 TO ARTICLE 1 OF CHAPTER 58, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO MITIGATING THE HOUSING AFFORDABILITY CRISIS BY AUTHORIZING TAX INCENTIVES FOR ELIGIBLE BUSINESS ENTITIES THAT CONSTRUCT A MINIMUM NUMBER OF AFFORDABLE HOUSING UNITS; AND TO CREATING THE AFFORDABLE HOUSING ASSISTANCE FUND; AND TO REQUIRING THE DEPOSIT OF AFFORDABLE HOUSING BUSINESS PRIVILEGE TAX PAYMENTS INTO THE AFFORDABLE HOUSING ASSISTANCE FUND.	10/24/22 11:11 a.m.	11/1/22	Committee on General Government Operations, Appropriations, and Housing			Request: 11/1/22 11/10/22	



Vice Speaker

TINA ROSE MUÑA BARNES

CHAIRPERSON, COMMITTEE ON RULES

I Mina'trentai Sais Na Liheslaturan Guåhan

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

November 10, 2022

MEMO

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

From: **Senator Joe S. San Agustin**
Acting Chairperson, Committee on Rules

Re: **Fiscal Note on Bill No. 348-36 (LS)**

Håfa adai,

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

Bill No. 348-36 (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. 348-36 (LS)

AN ACT TO ADD A NEW § 58128.7 TO ARTICLE 1 OF CHAPTER 58, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO MITIGATING THE HOUSING AFFORDABILITY CRISIS BY AUTHORIZING TAX INCENTIVES FOR ELIGIBLE BUSINESS ENTITIES THAT CONSTRUCT A MINIMUM NUMBER OF HOUSING UNITS; AND TO CREATING THE *AFFORDABLE HOUSING ASSISTANCE FUND*; AND TO REQUIRING THE DEPOSIT OF AFFORDABLE HOUSING BUSINESS PRIVILEGE TAX PAYMENTS INTO THE *AFFORDABLE HOUSING ASSISTANCE FUND*.

Department/Agency Appropriation Information

Dept./Agency Affected: Guam Economic Development Authority	Dept./Agency Head: Melanie Mendiola, CEO/Administrator
Department's anticipated revenues to date:	\$2,957,299
Department's appropriation(s) to date:	\$0
Total Department/Agency revenues to date:	\$2,957,299

Fund Source Information of Proposed Appropriation

	General Fund:	(Specify Special Fund):	Total:
FY 2022 Unreserved Fund Balance		\$0	\$0
FY 2023 Adopted Revenues	\$0	\$0	\$0
FY 2023 Appro. (P.L. 36-107)	\$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 2023 (if applicable)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund 1/	\$0	\$0	\$0	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total 1/	\$0	\$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: Joquin A.J. Guerrero II Date: 11/8/22 Director: Lester L. Carlson, Jr. Date: NOV 10 2022

Notes:
1/ See attached comments.

Bureau of Budget and Management Research
Comments on Bill No. 348-36 (LS)

The proposed legislation intends to add a new § 58128.7 to Article 1 of Chapter 58, Title 12 of the Guam Code Annotated (GCA) to authorize tax incentives for eligible business entities that construct a minimum number of affordable housing units through the establishment and issuance of a Qualifying Certificate (QC). The eligible beneficiary shall be allowed a tax rebate of up to one hundred percent (100%) of all income taxes paid to the government of Guam on income received from the construction of affordable housing in Guam, which may be issued for a period of twenty (20) consecutive years from the effective date of the QC. Further, the beneficiary will be authorized to claim up to one hundred percent (100%) in use tax exemptions with respect to constructing, furnishing, and equipping each new affordable housing unit. This exemption shall be claimed no later than one (1) year from the issuance of each affordable housing unit's occupancy permit. Lastly, the beneficiary's business privilege tax (BPT) payments connected to the construction of an affordable housing unit shall be deposited into a newly established *Affordable Housing Assistance Fund*, which shall be administered by the Guam Economic Development Authority (GEDA) and used as a revolving funding source to assist first-time borrowers with down payment and closing costs.

Per comments provided by GEDA, Guam statute currently allows for qualified beneficiaries to receive a QC for the construction of no less than twenty-five (25) affordable housing units. The Bill seeks to expand the QC program to establish an income tax rebate and use tax exemption for contractors and developers that construct no less than five (5) but fewer than twenty-five (25) affordable housing units. It also aims to route any BPT collections for these projects to a newly established fund to be administered by GEDA. However, GEDA recommends that the language in the proposed legislation be reviewed to determine that it does not interfere with existing BPT bond covenants. The QCs have minimal impact on existing tax revenues as most of them are issued for new revenue generating activities. Additionally, the income tax rebate offered in the proposed legislation is in line with existing law, and applies solely to income taxes due by a beneficiary on taxable income derived from the construction of new affordable housing units.

The Bureau notes that although the intent of the Bill will benefit the island community relative to affordable housing assistance, applying any income tax rebates or use tax exemptions and shifting certain BPT collections to a newly established fund will likely result in reduced financial resources for other government programs and services in the fiscal period(s) that the credits are claimed. Along with GEDA's concern regarding BPT collections, the Bureau cautions that any transfer of BPT funding may cause inconsistencies and interfere with current bond covenants.