

*I Mina'trentai Siette 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
<b>3-37 (COR)</b>	Jesse A. Lujan	AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 34-116 §26202 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED RELATIVE TO REDUCING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%). ALL LIMITED EXEMPTIONS ON THE BUSINESS PRIVILEGE TAX IN §26203.2 OF CHAPTER 26 TITLE 11, GUAM CODE ANNOTATED REMAIN IN EFFECT AND ARE NOT CHANGED BY THIS ACT.	1/6/23 11:55 a.m.	1/6/23	Committee on General Government Operations and Appropriations			Request: 1/6/23  1/24/23	




## COMMITTEE ON RULES

Senator Chris Barnett, Chairperson  
*I Mina'trentai Siette Na Liheslaturan Guahan*  
37<sup>th</sup> Guam Legislature

January 24, 2023

**To:** RennaeVanessa C. Meno  
Clerk of the Legislature

**From:** Senator Chris Barnett   
Chairperson, Committee on Rules

**Subject:** Fiscal Note for Bill No. 3-37 (COR)

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*Håfa Adai yan Biba Guahan!*

Find the attached, Fiscal Note for the following bill:

**Bill No. 3-37 (COR).**

I also request that the same be sent to the respective Chairperson of the Standing Committee, to which this bill has been referred. Kindly forward the same to Management Information Services (MIS) for posting on our website.



**Bureau of Budget & Management Research  
Fiscal Note of Bill No. 3-37 (COR)**

**AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 34-116 §26202 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED RELATIVE TO REDUCING THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%). ALL LIMITED EXEMPTIONS ON THE BUSINESS PRIVILEGE TAX IN §26203.2 OF CHAPTER 26 TITLE 11, GUAM CODE ANNOTATED REMAIN IN EFFECT AND ARE NOT CHANGED BY THIS ACT.**

**Department/Agency Appropriation Information**

<b>Dept./Agency Affected:</b> Department of Revenue and Taxation (DRT)	<b>Dept./Agency Head:</b> Dafne Mansapit-Shimizu, Director
<b>Department's General Fund (GF) appropriation(s) to date:</b>	<b>\$13,555,858</b>
<b>Department's Other Fund appropriation(s) to date:</b> Banking and Insurance Enforcement Fund (\$433,783); Better Public Service Fund (\$1,251,802); Tax Collection Enhancement Fund (\$704,824)	<b>\$2,389,409</b>
<b>Total Department/Agency Appropriation(s) to date:</b>	<b>\$15,945,267</b>

**Fund Source Information of Proposed Appropriation**

	<b>General Fund:</b>	<b>Special Fund:</b>	<b>Total:</b>
<b>FY 2022 Unreserved Fund Balance</b>	\$0	\$0	\$0
<b>FY 2023 Adopted Revenues</b>	\$0	\$0	\$0
<b>FY 2023 Appro. (P.L. 36-107)</b>	\$0	\$0	\$0
<b>Sub-total:</b>	\$0	\$0	\$0
<b>Less appropriation in Bill</b>	\$0	\$0	\$0
<b>Total:</b>	\$0	\$0	\$0

**Estimated Fiscal Impact of Bill**

	<b>One Full Fiscal Year</b>	<b>For Remainder of FY 2023 (if applicable)</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>General Fund</b>	1/	1/	1/	1/	1/	1/
<b>Special Fund</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	1/	1/	1/	1/	1/	1/

- |  |         |                            |                           |
|--|---------|----------------------------|---------------------------|
| <b>1. Does the bill contain "revenue generating" provisions?</b><br>If Yes, see attachment   |         | // Yes                     | /X/ No                    |
| <b>2. Is amount appropriated adequate to fund the intent of the appropriation?</b><br>If no, what is the additional amount required? \$ _____  | /X/ N/A | // Yes                     | // No                     |
| <b>3. Does the Bill establish a new program/agency?</b><br>If yes, will the program duplicate existing programs/agencies?<br>Is there a federal mandate to establish the program/agency? | /X/ N/A | // Yes<br>// Yes<br>// Yes | /X/ No<br>// No<br>/X/ No |
| <b>4. Will the enactment of this Bill require new physical facilities?</b>   |         | // Yes                     | /X/ No                    |
| <b>5. Was Fiscal Note coordinated with the affected dept/agency?</b><br>/X/ Requested agency comments not received by due date: GEDA   |         | /X/ Yes<br>// Other        | // No                     |

<b>Analyst:</b> <u>Raymond Rieta</u> Raymond Rieta, BMA III	<b>Date:</b> <u>1/23/23</u>	<b>Director:</b> <u>Lester L. Carlson, Jr.</u> Lester L. Carlson, Jr., Director	<b>Date:</b> <u>JAN 24 2023</u>
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**Notes:**  
1/ See Additional Comments.

**Bureau of Budget & Management Research**  
**Comments on Bill No. 3-37 (COR)**

The proposed legislation intends to reduce the Business Privilege Tax (BPT) from five percent (5%) to four percent (4%) to go into effect on the first (1<sup>st</sup>) day of the month following enactment.

The legislation does not incorporate a specific date of implementation for the proposed BPT reduction to 4%. Per the latest Consolidated Revenue & Expenditure Report (CRER) (November 2022), BPT is tracking to collection \$313.5M at the current tax levy of 5%, or \$11.4M above the adopted level of \$302.1M. Per the same CRER, actual BPT collections amount to \$58.9M from October 2022 to November 2022. This means the remaining BPT to be collected from December 2022 through September 2023 is estimated to be approximately \$254.6M at the current tax levy of 5%. Should the tax levy be reduced to 4% for the remainder of FY 2023, the estimated reduction in BPT is approximately \$50.9M as result of the proposed legislation during FY 2023.

As per comments received from the Department of Revenue and Taxation (DRT), businesses whose annual gross retail sales exceed Five-Hundred Thousand Dollars (\$500K) are currently assessed 5% BPT rate and if the Bill is enacted into law, these establishment's BPTs will be reduced by 20%. DRT further notes that business establishments that are assessed the full 5 percent BPT on retail sales account for approximately 89% of annual BPT tax revenues. The 20% reduction in the BPT tax rate for these establishments will impact the fiscal year revenues by approximately 18%. They also note that there may be minimal administrative and programming costs to implement this reduction should the Bill become law.

Based on their assessment of Bill No. 3-37, DRT concludes the following:

- FY2023 BPT Revenues (P.L. 36-107) \$302.1M
- Net 18% BPT revenue loss anticipated annually \$ 53.8M
- Average monthly BPT revenue loss anticipated upon enactment \$ 4.5M

The Bureau further notes that absent any revenue replacement for the loss of \$50M and no Fiscal Realignment Plan required in the Bill, this proposed reduction will impact the FY 2024 Debt Service increasing by \$22.5M per the Guam Economic Development Authority (GEDA) debt abstract, in addition to reducing funding available for government operations.