



COMMITTEE ON RULES

Senator Chris Barnett, Chairperson
I Mina'trentai Siette Na Liheslaturan Guåhan
37th 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. 4-37 (COR)**

Håfa Adai yan Biba Guåhan!

Find the attached, Fiscal Note for the following bill:

Bill No. 4-37 (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. 4 -37(COR)**

AN ACT TO TEMPORARILY SUSPEND THE BUSINESS PRIVILEGE TAX ON FOOD AND MEDICINE, FOR TWELVE (12) CONSECUTIVE MONTHS.

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:	\$13,555,858
Department's Other Fund appropriation(s) to date: Banking and Insurance Enforcement Fund (\$433,783); Better Public Service Fund (\$1,251,802); Tax Collection Enhancement Fund (\$704,824)	\$2,389,409
Total Department/Agency Appropriation(s) to date:	\$15,945,267

Fund Source Information of Proposed Appropriation

	General Fund:	Special Fund:	Total:
FY 2022 Unreserved Fund Balance	\$0	\$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	\$0	1/	1/	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	1/	1/	\$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? /X/ Yes // No
If no, indicate reason: // Other
// Requested agency comments not received by due date:

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

Bureau of Budget & Management Research
Comments on Bill No. 4-37(COR)

Bill No. 4-37 is an act to temporarily suspend the Business Privilege Tax (BPT) on food and medicine, for twelve (12) consecutive months. As per the AS400 system, amounts collected for BPTs fall under several categories ranging from wholesaling, retailing, services, rental, profession, commission, insurance, contracting, insurance, etc.

The impact of exempting BPTs from the costs of food and medicine may fall within the wholesaling and retailing categories of the BPT. Fiscal comments received from the Department of Revenue and Taxation (DRT) note that the department does not have administrative or sales data to ascertain the dollar value of food or medicine sold by local retailers to measure its overall fiscal impact on government tax revenues. They further conclude that the overall fiscal impact would be a reduction in BPT revenues, however, the department is not able to accurately measure its impact should the bill become law.

Additionally, based on comments received from the Guam Economic Development Authority (GEDA), they note that Bill No. 4-37 would expressly violate the BPT bond indenture which states:

“as long as any Bonds remain outstanding, the Government shall not reduce the rate of levy and collection of the pledged business privilege tax below three percent (3%), nor shall the Government reduce the services, products or activities to which the pledged business privilege tax applies, nor shall the Government upwardly adjust any exception or exclusion, or otherwise impair, the pledged business privilege tax.”

GEDA further adds that the breach of this covenant can lead to an event of default, which would have broad financial implications on the government to include, among other things, an acceleration of the bond payments to be due immediately. As of January 17, 2023, the outstanding principal amount for BPT bonds is approximately \$645M.