

*I Mina Trentai Kuattro Na Liheslaturan*  
**BILL STATUS**

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
264-34 (COR)	Régine Biscoe Lee	AN ACT TO ADD A NEW § 26705 TO ARTICLE 7 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, AS ADDED BY PUBLIC LAW 34-87; RELATIVE TO EXEMPTING BASIC NEED PRODUCTS FROM THE GENERAL SALES TAX; AND TO CITE THIS ACT AS THE "WORKING FAMILIES RELIEF ACT.	3/19/18 3:17 p.m.	3/26/18	Committee on Appropriations and Adjudication			Fiscal Note Request 3/26/18	
				3/28/18	Committee on Education, Finance and Taxation			Fiscal Note 4/5/18	

Senator Thomas C. Ada,  
Vice Chairperson

Speaker Benjamin J.F. Cruz,  
Member

Vice Speaker Therese M. Terlaje,  
Member

Senator Frank B. Aguon, Jr.,  
Member

Senator Telena C. Nelson,  
Member



**COMMITTEE ON RULES**  
**SENATOR RÉGINE BISCOE LEE, CHAIR**

*SIKRITARIAN LIHESLATURAN GUAHAN*  
*I MINA' TRENTAI KUATTRO NA LIHESLATURAN GUÅHAN*  
LEGISLATIVE SECRETARY • 34<sup>TH</sup> GUAM LEGISLATURE

Senator Dennis G. Rodriguez, Jr.,  
Member

Senator Joe S. San Agustin,  
Member

Senator Michael F.Q. San Nicolas,  
Member

Senator James V. Espaldon,  
Member

Senator Mary Camacho Torres,  
Member

April 5, 2018

# MEMO

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

**From:** Senator Régine Biscoe Lee  
Chairperson, Committee on Rules

**Re:** Fiscal Note

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*Buenas yan Håfa adai.*

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

**Bill No. 264-34 (COR)**

Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Jean Cordero, 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. 264-34 (COR)**

AN ACT TO ADD A NEW § 26705 TO ARTICLE 7 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, AS ADDED BY PUBLIC LAW 34-87; RELATIVE TO EXEMPTING BASIC NEED PRODUCTS FROM THE GENERAL SALES TAX; AND TO CITE THIS ACT AS THE "WORKING FAMILIES RELIEF ACT."

**Department/Agency Appropriation Information**

Dept./Agency Affected: Department of Revenue and Taxion	Dept./Agency Head: John Camacho, Director
Department's General Fund (GF) appropriation(s) to date:	10,943,191
Department's Other Fund (Specify) appropriation(s) to date:	3,196,935
<b>Total Department/Agency Appropriation(s) to date:</b>	<b>\$14,140,126</b>

**Fund Source Information of Proposed Appropriation**

	General Fund:	(Specify Special Fund):	Total:
FY 2017 Unreserved Fund Balance		\$0	\$0
FY 2018 Adopted Revenues	\$0	\$0	\$0
FY 2018 Appro. (P.L. 34-42 thru )	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Estimated Fiscal Impact of Bill**

	One Full Fiscal Year	For Remainder of FY 2018 (if applicable)	FY 2019	FY 2020	FY 2021	FY 2022
General Fund 1/	(\$9,521,989)	\$0	(\$9,521,989)	(\$9,521,989)	(\$9,521,989)	(\$9,521,989)
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>(\$9,521,989)</b>	<b>\$0</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>

1. Does the bill contain "revenue generating" provisions? / / Yes /X/ No  
If Yes, see attachment
2. 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
3. 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
4. Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
5. Was Fiscal Note coordinated with the affected dept/agency? If no response, indicate reason: /X/ Yes / / No  
/X/ Requested agency comments not received by due date / / Other:

Analyst: Jared N. Perez Date: 4/5/18 Director: [Signature] Date: **APR 05 2018**  
Jared Perez, Budget and Management Analyst I [Signature] Lester L. Carlson, Jr., Acting Director

Footnotes:  
1/ See attached for comments on fiscal impact.

**Bureau of Budget & Management Research  
Attachment to Fiscal Note No. 264-34 (COR)  
(for revenue generating provisions)**

Projected Multi-Year Revenues					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund 1/	\$0	(\$9,521,989)	(\$9,521,989)	(\$9,521,989)	(\$9,521,989)
Other Fund:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Total</b>	<b>\$0</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>	<b>(\$9,521,989)</b>

**Comments:**

1/ See attached comments for details on the potential fiscal impact to revenues.

**Comments on Bill No. 264-34 (COR)**

The intent of Bill 264-34 (COR) is to make exemptions to the General Sales Tax. The Bill proposes to exempt uncooked foods, pharmaceuticals, diapers, and feminine hygiene products.

Absent feedback from the DRT, data from the Bureau of Statistics and Plans' (BSP) 2016 Statistical Yearbook will be used to extrapolate the potential revenue lost as a result of these exemptions. Additionally, information provided on a similar Bill in the state of Arizona to exempt diapers and feminine hygiene products will be used to provide an estimated impact. All information mentioned will be compared to the Gross Domestic Product (GDP) in 2016. GDP is the measure of all goods and services from the island. A specific subset of the GDP provided by BSP known as Personal Consumption Expenditures for Goods will be utilized. This statistic measures all goods purchased specifically by consumers. This is working under the assumption that all business will purchase products through wholesale and thus be exempt from this tax. The total number for that is \$1,726,000,000.

The first proposed exemption is for uncooked foods. To calculate the potential revenue lost, the percentage of imports to Guam will be used as a starting point. The BSP estimates the total cost of goods imported into Guam was \$124,699,000. Of that amount, \$30,794,000 was food and non-alcoholic beverages. This means that it accounts for 24.7% of goods imported to the island. This number will now be applied to GDP. The reasoning behind this is that the vast majority of all goods sold on island are imported. Thus it stands to reason that the vast majority of goods purchased on island is imported. See the calculations below:

GDP Personal Expenditures for Goods	\$1,726,000,000
Percentage of Imports (Food)	x 24.7%
Estimated GDP from Food	\$426,188,390
General Sales Tax rate	x 2.0%
Estimated loss of revenue for uncooked foods	\$8,523,768

Pharmaceuticals, the next proposed exemption, are listed as \$2,053,000. This makes pharmaceuticals 1.6% of goods imported. The same methodology as was used for uncooked foods will be used here. See calculations below:

GDP Personal Expenditures for Goods	\$1,726,000,000
Percentage of Imports (Pharmaceuticals)	x 1.6%
Estimated GDP from Pharmaceuticals	\$27,616,000
General Sales Tax rate	x 2.0%
Estimated loss of revenue for pharmaceuticals	\$552,320

The next proposed exemptions are for diapers and feminine hygiene products. Unfortunately, there were no statistics on imports for these specific products. As a result, an article found on Tuscon.com titled "Bill to exempt feminine hygiene products, diapers from Arizona sales tax advances" will be used to project the impact of this exemption. The article stated that an estimated \$7 million per year would be lost from exemptions on diapers and feminine hygiene products from the state sales tax (Howard Fischer Capitol Media Services, 2018). Arizona collected a reported \$1,986,128,100 in sales tax for FY 2017 (Arizona Department of Revenue). When the estimated lost revenue is divided by the total amount of sales taxes we come to 0.35% of taxes. For this projection a different methodology will be used than those above. The reasoning for this is that the number provided is based on a percentage of sales tax

and not percentage of imports. Thus, the total estimated economic activity for Guam will need to be identified in order to estimate an amount of General Sales Tax. The 0.35% will then be applied to the projected amount. To do this, the adopted revenue for the Business Privilege Tax (BPT) identified in P.L. 34-42 will be used. See calculations below:

BPT Adopted Revenues		\$254,800,702
BPT Rate	÷	4%
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Total projected economic activity		\$6,370,017,550
General Sales Tax	x	2.0%
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Projected Sales Tax revenue		\$127,400,351
Pct of sales tax from diapers & feminine products	x	0.35%
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Projected loss revenue from diapers & feminine products		\$445,901.23

The total of all these exemptions comes to an estimated \$9,521,989.23 in revenue loss. This represents 7.5% of the of the estimated sales tax revenues shown above. It should be noted that these calculations only account for one year of activity and there is no calculation for any additional economic factors. Additionally, the number stated here as the projected sales tax revenue does not utilize the same assumptions the Office of Finance and Budget used during the Special Economic Session held on February 13, 2018 and was solely based on P.L. 34-42. The passage of this Bill would have a definite impact on Government of Guam operations as less tax revenues would require that additional budget cuts take place for FY 2019 in addition to those already undertaken by the federal Tax Cuts and Jobs Act of 2017.