EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor Of Guam

OCT 18 2017

GL#34-17-1109
Speaker Benjamin J.F. Cruz

OCT 18 2017
Time: 3:31 [ ] AM [ ] PM File No. 34053
Received By:

Honorable Benjamin J.F. Cruz
Speaker
I Mina'trentai Kuåttro Na Liheslaturan Guåhan
Guam Congress Building
163 Chalan Santo Papa
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 150-34 (COR), **"AN ACT TO *ADD* A NEW § 24116 TO ARTICLE 1, CHAPTER 24, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A NEW PROPERTY TAX RATE FOR REAL PROPERTY RESTRICTED TO THE REQUIREMENTS OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM, AND REAL PROPERTY WITH DEED RESTRICTIONS INVOLVING RENTAL CAPS MADE PURSUANT TO AGREEMENTS WITH EITHER THE FEDERAL OR LOCAL GOVERNMENT,"** which lapsed into law on October 13, 2017, as **Public Law 34-56.**

Senseramente,

EDDIE BAZA CALVO

2017 OCT 18 PM 4:28

1109

I MINA'TRENTAI KUÅTTRO NA LIHESLATURAN GUÅHAN
2017 (FIRST) Regular Session

Bill No. 150-34 (COR)
As corrected by the Prime Sponsor;
and amended on the Floor.

Introduced by: Joe S. San Agustin
Dennis G. Rodriguez, Jr.
Thomas C. Ada
FRANK B. AGUON, JR.
William M. Castro
B. J.F. Cruz
James V. Espaldon
Fernando Barcinas Esteves
Régine Biscoe Lee
Tommy Morrison
Louise B. Muña
Telena Cruz Nelson
Michael F.Q. San Nicolas
Therese M. Terlaje
Mary Camacho Torres

AN ACT TO *ADD* A NEW § 24116 TO ARTICLE 1, CHAPTER 24, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A NEW PROPERTY TAX RATE FOR REAL PROPERTY RESTRICTED TO THE REQUIREMENTS OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM, AND REAL PROPERTY WITH DEED RESTRICTIONS INVOLVING RENTAL CAPS MADE PURSUANT TO AGREEMENTS WITH EITHER THE FEDERAL OR LOCAL GOVERNMENT.

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. A new § 24116 is *added* to Article 1, Chapter 24, Title 11, Guam Code Annotated, to read:

"**§ 24116. Tax Rates Applicable to Property Restricted to the Federal Low-Income Housing Tax Credit or with Deed Restrictions Involving Rental Caps.**

The tax rate for real property restricted to the federal low-income housing tax credit (LIHTC) program, or real property with deed restrictions involving rental caps is computed according to the following Subsections.

(a) Notwithstanding any other provision of law, the assessed valuation of real property used for residential rental purposes wherein the land is restricted to requirements of the federal low-income housing tax credit (LIHTC) program, or the land contains deed restrictions subject to an agreement with a municipality, the state, the federal government, or an instrumentality thereof, which agreement restricts occupancy of those units to tenants who qualify in accordance with an income test, *shall* be determined using the income approach as applied to the actual net operating income, after deducting for reserves required by any federal, state or municipal programs.

(b) For the purposes of this § 24116, *net operating income shall* mean the actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted.

(c) The assessed valuation of real property used for such residential rental purposes *shall* be determined using the actual net operating income, and *shall not* include federal or local income tax credits, subsidized mortgage financing, or project grants, where such subsidies are used to offset the project development cost in order to provide for lower initial rents as determined by regulations promulgated by the Guam Housing and Urban Renewal Authority. To calculate

appraised property values for tax purposes, the property's net operating income *shall* be divided by a capitalization rate appropriate for tax credit properties. Initially this capitalization rate *shall* be 9.41%, but this rate may be adjusted from time to time by *I Liheslaturan Guåhan* based on demonstrable changes in actual market conditions. By way of example, if a property generates net operating income of $100,000, then that property would have a taxable value of ($100,000/.0941) = $1,062,699 x 70% (taxes are assessed at 70% of appraised value) = $743,889. Property taxes for this example property would be $743,889 times the applicable millage rate. For properties that have appealed prior year's property taxes that are affected by this Section, the property tax expense used in calculating net operating income will be calculated using the above calculation and the applicable millage rate.

(d) The Director of the Department of Revenue and Taxation *shall* report, on an annual basis, to *I Maga'låhen Guåhan* and to the Speaker of *I Liheslaturan Guåhan* regarding the impact of this program, if any, on property tax collections in Guam."

I MINA'TRENTAI KUÅTTRO NA LIHESLATURAN GUÅHAN
2017 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO *I MAGA'LÅHEN GUÅHAN*

This is to certify that **Bill No. 150-34 (COR), "AN ACT TO *ADD* A NEW § 24116 TO ARTICLE 1, CHAPTER 24, TITLE 11, GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING A NEW PROPERTY TAX RATE FOR REAL PROPERTY RESTRICTED TO THE REQUIREMENTS OF THE FEDERAL LOW-INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM, AND REAL PROPERTY WITH DEED RESTRICTIONS INVOLVING RENTAL CAPS MADE PURSUANT TO AGREEMENTS WITH EITHER THE FEDERAL OR LOCAL GOVERNMENT,"** was on the 29th day of September 2017, duly and regularly passed.

Benjamin J.F. Cruz
Speaker

Attested:

Dennis G. Rodriguez, Jr.
Acting Legislative Secretary

This Act was received by *I Maga'låhen Guåhan* this 2nd day of Oct, 2017, at 4:40 o'clock P.M.

Assistant Staff Officer
Maga'låhi's Office

APPROVED:

EDWARD J.B. CALVO
I Maga'låhen Guåhan

Date: OCT 14 2017

Public Law No. 34-56