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BENJAMIN CRUZ <speaker@senatorbjcruz.com>

Messages and Communications

BENJAMIN CRUZ <speaker@senatorbjcruz.com>
To: 34th Guam Legislature Clerks <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>

Tue, Mar 27, 2018 at 9:01 AM

Hafa adai Clerk's: See attached consolidated Tax Commission November 6, 2017 minutes that was inadvertently sent to another office e-mail , I have converted the minutes to PDF. *Si Yu'os ma'ase'.*

3/27/18	9/1/17	Office of Senator Joe S. San Agustin	Tax Commission Minutes , September 05, 2017 and Meeting Minutes of July 12, 2017	34-18-1688

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OFFICE OF SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication

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Guam Tax Commission Minutes MC 1688.pdf
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Speaker Benjamin J.F. Cruz

MAR 27 2018
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Edward Pocaigue <epocaigue@senatorbjcruz.com>

Fwd: Tax Commission Minutes

Benjamin J.F. Cruz <senator@senatorbjcruz.com> Mon, Mar 26, 2018 at 5:02 PM
To: Edward Pocaigue <epocaigue@senatorbjcruz.com>

---------- Forwarded message ----------
From: **Joanne Quinene** <joanne.senatorsa@gmail.com>
Date: Mon, Nov 20, 2017 at 8:05 PM
Subject: Tax Commission Minutes
To: Bobby Shringi <bobby.shringi@moylans.net>, Byron Evaristo <byrone@bankpacific.com>, Carl Dominguez <carl.dominguez@bsp.guam.gov>, Cecile Suda <cecile.suda@dol.guam.gov>, Christine Baleto <christine.baleto@doa.guam.gov>, Doreen Crisostomo <doreentc@triton.uog.edu>, Doris Flores Brooks <dfbrooks@guamopa.org>, Elizabeth Barrett Anderson <puntalan@guamag.org>, Jay Rojas <jay.royas@investguam.com>, Joe Arnett <jarnett@deloitte.com>, "Joe S. San Agustin" <senatorjoessanagustin@gmail.com>, Joseph Bradley <jpbradley@bankofguam.com>, Karl Espaldon <kespaldon@guamag.org>, Lawrence Barusch <LBarusch@parsonsbehle.com>, Lester Carlson <lester.carlson@bbmr.guam.gov>, Mana Silva Taijeron <mana.silvataijeron@investguam.com>, "Marie M. Benito" <marie.benito@revtax.guam.gov>, Marie Matrir <marie.martir@dol.guam.gov>, Patricia Salas <patricia.salas@bankofguam.com>, Paul Pablo <paul.pablo@revtax.guam.gov>, Robert Steffy <bob@cpasteff.com>, "Senator James V. Espaldon" <senjvespaldon@gmail.com>, Shirley 'Sam' Mabini <sam.mabini@dol.guam.gov>, "Speaker Benjamin J. Cruz" <senator@senatorbjcruz.com>, Tina Garcia <tina.garcia@investguam.com>, Victoria Mafnas <helen.mafnas@dol.guam.gov>, John Camacho <john.camacho@revtax.guam.gov>

Attached is the Sept. 5, 2017 Tax Commission Meeting Minutes. Provided for you to review and to approve or not on tomorrow's meeting.

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Un Dångkolo Na Si Yu'os Ma'åse'

Very Respectfully,

Joanne B. Quinene
Policy Analyst Researcher
I Mina' Trentai Kuåttro na Liheslaturan Guåhan
(Thirty-Fourth Guam Legislature)
Senator Joe S. San Agustin
Committee on Education, Finance and Taxation
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Tax Commission Meeting Minutes, 5 Sep 2017.docx
561K

Senator Joe S. San Agustin, Chairman
Ran-Care Commercial Bldg., CBU #230
761 South Marine Corps Drive
Tamuning, Guam 96913

Speaker Benjamin J. Cruz, Vice Chairman
Guam Congress Building
163 Chalan Santo Papa
Hagåtña, Guam 96910

Second (2nd) Meeting
September 05, 2017, Tuesday, 9:00 AM
Public Hearing Room
Guam Congress Building

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MINUTES

Call to Order:

Chairman, Senator Joe S. San Agustin calls Commission to Order at 9:05 AM.

Roll Call:

The following members were present:

Chairman	Senator Joe S. San Agustin
Vice Chair	Speaker Benjamin J. Cruz
Minority Leader	Senator James V. Espaldon
Certified Public Accountant	Mr. Joe Arnett
Chamber of Commerce	Mr. Bobby Shringi
Women's Chamber of Commerce	Mrs. Patricia Salas
Governor's Office	Mrs. Marie Benito
Guam's Congressional Delegate Designee	Mr. Jon Jr. Calvo
Public Auditor	Mrs. Doris Flores Brooks
Guam Economic Development Authority	Mrs. Mana Silva Taijeron
Dept. Rev & Tax	Mr. John Camacho
Bureau of Budget and Management Research	Mr. Lester Jr. Carlson
Bureau of Statistics and Plans	Mr. Carl Dominguez
Dept. of Labor	Dr. Sam Mabini
Certified Public Accountant	Mr. Robert Steffy

The following members were not present:

Economist	Mr. Joseph Bradley
Gu. Bankers Association	Mr. Bryon Evaristo
Gu. Bar Association	Mr. Lawrence Barusch

Special Guests: Vice Speaker Therese Terlaje, Senator William Castro, Media - KUAM, PDN, & the Marianas Business Journal, Hon. Robert Klitzie, Mr. Paul Pablo, DRT, Deputy Tax Commissioner, and Mr. Manuel Cruz.

Note: Mr. Chairman, you have a quorum. Committee meeting begins.

Reference meeting agenda, September 5, 2017.

Review and approve the Standing Rules.

Copy of draft Standing Rules of the Guam Tax Commission issued to all members. Chairman, Senator San Agustin tabled approval of Standing Rules until next meeting for members to review, comment, and adopt the Standing Rules.

Frequency of meetings discussed and agreed upon that monthly meetings will be changed to every other month until Congress initiates action regarding the tax proposal. Notice will be sent to each member complying with the five (5) day notice to meet, in accordance with the law.

Impact on the business community and people of Guam due to President Trump's tax reform.

Director, John Camacho – Department of Revenue and Taxation (DRT) concentrated on the corporate side. If imposed rate is 15% and 20%, what would it do to our economy. Preliminary report is $55 to $57 million dollars on the 15% rate reduction based on taxable income reported. What would be imposed if at the 20% single rate? Looking at a 38% to $40 million-dollar reduction in tax just based on the 20%. Hopefully it would create more jobs and that it would generate the revenue to now hire more people. Not like in the states, one of the main things is to basically try to invite these different countries to come back and employ their businesses with the U.S

Chairman, San Agustin noted that we would be looking at a $55 to $57 million-dollar shortfall with the 15% proposed tax reform.

Director John Camacho continued - DRT gathered all the corporate returns (the 1120F) and gathered all the taxable income based on the reported taxable income of all these corporations. DRT took the taxable income and applied it to the single rate, that was based on 2015, to include 2014 and 2013. The trend was basically within that range. Looking at all the taxable income, it's not that much difference when we reviewed the other years, maybe a $10 million-dollar difference. I think there's a trend taxable income is increasing every year.

Vice Chair, Speaker Cruz emphasized the possibility of a loss ranging from $28 to $70 million dollars.

Director John Camacho reiterated that he was only speaking in terms of the corporate. The reduction will be roughly $38 to $40 million dollars.

Chairman, Sen. San Agustin asked Director John Camacho if he had anything else to present to the Commission members and the people of Guam to understand what we are looking at. Does the Department of Revenue and Taxation want to consider or recommend delinking or stay linked?

Director John Camacho stated he does not make those recommendations. He only reports on the facts.

Vice Chair, Speaker Cruz acknowledged Director Camacho's initial statement, that he (Director Camacho) hoped these corporations, with the savings they would receive as a result of this tax reduction, that they will reinvest all the money in their corporation and with that reinvestment it will employ more people and spur the economy. Speaker Cruz noted that that's one of the theories and is hoping the University representative here or the two chamber of commerce representatives could tell us what is it that they think that the business community will do or with all that money how much will they reinvest, or will they reinvest a 100% or less. How much would we get as a result of any reimbursement reinvestment, if any, to make up the shortfall? Is that substantial to $57 million dollars?

Director John Camacho confirmed and noted that the plan was supposed to employ more people. We would have to discuss what are the possibilities. If these corporations are paying lesser tax, which is what basically they are saying. What are they going to do with the extra money?

Internal Revenue Service (IRS) Model that relates to tax reform and grants available.

Chairman San Agustin asked Mrs. Marie Benito, the Governor's designee, what IRS models for a possible tax reform are available, to include grants?

Mrs. Marie Benito noted that she did communicate with the IRS and unfortunately, they do not carry that economic model. That model was not created or maintained at their office. It is maintained at the Congressional Budget Office and suggested that we can ask Mr. Jon Calvo to look into that. There are two grants available and unfortunately, we can't apply for it simultaneously. The first grant, the Economic Development Administrative Grant, is a continuous grant with a cap of $300,000. We hope to submit that grant within the next few weeks. The contract on that expires on 2019. The second is a Ted grant. We will apply for this grant on October 1st this coming fiscal year.

Chairman, Sen. San Agustin – reach out to Mr. Jon Calvo from the Congresswoman's office, to help us out in applying for the grant. Chairman San Agustin recalled that Mr. Robert Steffy brought up that we estimated a cost of about $2 million dollars to get an Economic Model going. With this grant, it would assist us on all other tax reform impacting our economy.

Mrs. Marie Benito commented that she is working with the state clearing house right now and Austin is making himself available to make sure this goes through.

UOG Research Center on studying the tax reform impact.

Dr. Doreen Crisostomo – noted from the last meeting, Kathleen Moore and two research areas in the University were mentioned. First, is the Research Center for the University of Guam. Dr. Crisostomo spoke to Kathleen who stated that they do have the pool of professionals to do the research and that they charge a 10% fee. The second, is Research Policy, under the School of Business & Public Administration (SBPA). They do forums and handle issues. Until I know more of what needs to be done, I can go back and get more information.

Chairman Sen. Agustin – inquired about the fees.

Chamber of Commerce thoughts and potential impact of changes abroad.

Mr. Bobby Shringi – referred to the Speaker's question earlier. But before he addressed that, the real question is based on what our thoughts are and potential impact? There hasn't been much of a discussion, nothing concrete on the table. Mr. Shringi spoke with Mr. Joe Arnett and there hasn't been much of a progress on that. As Mr. Camacho had stated, if there is a going to be a savings element, that should resonate back into boosting up the economy. Ideally, that would be the intent. We can't speak for every business out there. We would like, in a perfect situation, for that to occur, for the savings element to go back to hiring more people and infusing investing into businesses. At this point, there is not much to say in terms of what the thoughts are. To comment if we should delink or stay linked, at this point there hasn't been much on the table to really consider.

Ms. Patricia Salas commented that she and Bobby talked about this last week as well and they echo the same sentiments as well. As the Guam Chamber of Commerce, it is a little premature for them to take a position what their businesses will do with their savings. A lot of companies are struggling. Ms. Salas added that they could put it out there for the membership and poll them. What would you do or if there was windfall savings? It is a little premature for us to make any kind of stand at this time.

Chairman Sen. San Agustin – the Commission would like the Chamber of Commerce to conduct a poll and see where they stand. With the President looking at a 15% or 20% rate reduction, along with Speaker Cruz's minimum wage bill and other tax concerns, we're looking at pressing impacts to our economy.

Ms. Patricia Salas noted that the Chairman is correct. She also noted that Mr. Camacho's analysis was very simple. Look at your 2015 & 2016 tax returns of your taxable income. If there was a reduction, what would you do with that dollar amount?

Chairman Sen. San Agustin – When the Commission meets, we will have meaningful conversation and decide what direction we need to go? On our last meeting we talked about delinking. There were comments made that delinking may not be in favor for Guam because of the revenue loss. But at the same token, it was mentioned by some of the members to stay linked. The Office of Public Accountability (OPA) may comment about what we need to do.

Dr. Sam Mabini – for the Chamber of Commerce and the Women Chamber of Commerce, should a survey be requested among businesses to examine what implications and what their reactions would be, what would they invest on? With the Department of Labor (DOL) they've had an increased interest in many businesses. For example, the apprenticeship program, that entails some of their businesses investments in building their workforce. The intent of the President's tax reform is to encourage businesses to stimulate businesses and that means not only investing in capital, how much human capital investment would they put in as well. That would give us the idea of how we're going to help our workforce considering the upcoming build up activities.

Chairman Sen. San Agustin noted that Commission members can reach out to Dr. Mabini for assistance. Chairman asked for any further discussion.

Mrs. Doris Flores Brooks – stated she is not in favor of delinking. The primary reason is because of the tax administration burden that is going to impose upon additionally to revenue and taxation. DRT, right now is barely processing the returns and getting out economic information that would be very helpful.

For instance, looking at a ten-year span of collected taxes. How much did we collect in corporate tax versus the individual income tax and see the changes there? Everybody knows the rules of engagement setting forth this new delink age and while it's supposed to be revenue neutral, what aspects are we going to have now, that there are a lot of unknowns for a new area like this. We're going to have to build up the capacity to support whatever changes in the law that is going to happen. Each time the law changes the tax rate for the returns, the people need to know. With our small community of less than 200,000 people, do we have the economic scale to have our own tax administration?

We may not like the aspects of the IRS, everyone knows the rules of engagement and that's what helped Guam developed a standard. It is compared to the rest of Micronesia and the rest of the south pacific. Having the rule of law is very important for the businesses to decide where to invest? The rule of law in the area is to have their own people make that evaluation. There are certain aspects of the IRS we don't know, but there might be areas where we still have to piggy-back on. Many states right mirror the IRS. We will only take away so many of this deduction or loss, like real property taxes like, Missouri or Hawaii. But fundamentally

having the IRS as its bases gives everybody knowledge on that. I'm not the proponent on delinking.

Chairman, Senator Joe San Agustin – if we have a baseline we would know where we're at, we don't need to reconfigure and guess where we need to go you when we have a solid baseline. But if the situation changes, we'll adjust as we need to and perhaps even create our own. Until we get some exact information on the true impact of what the President's tax reform is going to do, we won't know where we're going. Bureau Budget and Management Research (BBMR) could be looking at that and say, we don't have the money there, you need more money first.

Minority Leader, Sen. Espaldon - mentioned that there are a few people on the Commission that were involved with the efforts years ago to try to delink. What was the impediment that occurred that we didn't proceed with the delinking at the time or create a whole new tax code of our own?

Mr. Joe Arnett emphasized that there should be a way to adopt a simpler system that would not put too much pressure on the DRT in exercising 82,000 pages of the internal revenue code. Mr. Arnett also commented should we delink or continue to mirror the IRS tax code or write a new code.

Director Carl Dominguez stated that if we were to delink, would we have to switch from the Federal Court to the Superior Court to enforce the tax law? If so, would that be an additional burden to the Superior Court?

Chairman San Agustin summarized that we should reach out to Mr. Jon Calvo to assist this Commission in applying for grants to fund an econometrics model on the impact of the President's tax reform. We request the assistance of our Chamber of Commerce and perhaps our Department of Labor, to poll our businesses regarding the effects of the 15% imposed rate and where do they stand. Do they plan on investing back into our economy? We must also consider the minimum wage issues coming up soon and the increases and credits that were not reimbursed, like the Earned Income Tax Credit (EITC). Do we also consider creating a new tax law or stay within the current mirrored tax code? In addition, we should consider some issues with the Guam Economic Development Authority (GEDA), like the Qualifying Certificate (QC). We also anticipate the DOL assisting UOG and the business community in the research with of the impact. We have a lot of work ahead of us.

Our meetings will be scheduled every other month. Next meeting was scheduled on November 7, 2017. However, due to additional administrative requirements, the meeting date was moved to November 21, 2017, same place and time.

Meeting adjourned at 9:49 AM.