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Benjamin J.F. Cruz <senator@senatorbjcruz.com>

Guam Tax Commission Meeting May 08, 2018

2 messages

Joanne Quinene <joanne.senatorsa@gmail.com> Mon, May 7, 2018 at 12:51 PM
To: Bobby Shringi <b.shringi@moylans.net>, Bryon 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>, John Camacho <john.camacho@revtax.guam.gov>, 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>, Robert Steffy <bob@cpasteff.com>, "Senator James V. Espaldon" <senjvespaldon@gmail.com>, Senator Joe S San Agustin <senatorjoessanagustin@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>, Vince Arriola <vince.arriola@doa.guam.gov>, mandrade@guamopa.com

Please see attachment of the Minutes February 05, 2018 4th Meeting and the Agenda for the May 08, 2018 Meeting.

Please confirm receipt. Thank you and hope to see you all at the 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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GL#34-18-1862
Speaker Benjamin J.F. Cruz

MAY 08 2018
Time: 12:01 AM / PM File No
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2 attachments

- **4th Guam Tax Commission Feb. 06, 2018 Round table - Minutes.pdf** 98K
- **May 08, 2018 Guam Tax Commission AGENDA .pdf** 108K

Benjamin J.F. Cruz <senator@senatorbjcruz.com> Tue, May 8, 2018 at 12:02 PM
To: Guam Legislature Clerks <clerks@guamlegislature.org>
Cc: "<rennae@guamlegislature.org>" <rennae@guamlegislature.org>, BENJAMIN CRUZ <speaker@senatorbjcruz.com>

05/07/18	05/07/18	Office of Senator Joe S. San Agustin	Guam Tax Commission Meeting May 08, 2018: Meeting agenda for May 08, 2018; Meeting minutes for February 06, 2018. *Emailed	34-18-1862

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2 attachments

- **4th Guam Tax Commission Feb. 06, 2018 Round table - Minutes.pdf** 98K
- **May 08, 2018 Guam Tax Commission AGENDA .pdf** 108K

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2018 GUAM TAX COMMISSION

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

Fourth (4th) Meeting
Tuesday, February 06, 2017 (2:00 Pm.)
Public Hearing Room
Guam Congress Building
****

Meeting Minutes

Attendees:

Senator Joe S. San Agustin, Chairman
Speaker B. J. Cruz, Vice Chairman
Senator James Espaldon
Mr. Joseph Bradley
Mr. Joe Arnett
Mrs. Patricia Salas
Mrs. Marie Benito
Mr. Jon Calvo (ex-officio)
Mrs. Doris Flores Brooks (ex-officio)
Mr. John Camacho (ex-officio)
Mr. Edward Birns (ex-officio)
Mr. Lester Carlson (ex-officio)
Mr. Carl Dominguez (ex-officio)
Mrs. Mona Silva Taijeron (ex-officio)
Mr. Robert Steffy (ex-officio)

Not Present:
Mr. Byron Evaristo
Mr. Bobby Shringi
Mr. Lawrence Barusch
Mrs. Elizabeth Barrett Anderson (ex-officio)
Dr. Sam Mabini (ex-officio)
Dr. Doreen Crisostomo

Motion to approve minutes of November 21st. Move to approve by Mr. Joe Arnett and second by Mr. Bob Steffy. No objections stated, so approved.

Unfinished Business:

Standing rules - Tabled.

Old Business:

Mrs. Benito and Mr. Steffy – Economic Model from vendor - Analyzed the new Trump tax cuts. Identified the 2018 changes and the impact for our citizens. Several meetings with vendor, pending quota.

Mrs. Salas – Guam's Women's Chamber of Commerce (GWCC) – Survey conducted on December 2017. We asked companies if their tax rate was reduced by 10% to 15% what would you do with the money not spent on taxes. We also asked them to rank it. Would they save it?

Would they reinvest it in the business? Would they disperse it, some as dividends? Or money back to the owners? Response, in ranking order: companies would reinvest the money back into their business by #1-increasing employee salary or benefits, #2-facility improvements, and #3-new equipment purchases.

The top three majority or consensus from the companies surveyed was reinvesting into their businesses.

Of the companies surveyed, 73% said they would spend more than 50% of the money (not spent on taxes) on reinvesting into their business and 18% of the companies said they would spend 75% of the money (not spent on taxes) reinvesting into their business. The last question asked was, should changes to Guam's tax structure require approval by the people via a referendum? 59% said yes and 41%, said no.

Chairman requested a copy of the survey be provided to all Commission members.

Mr. Camacho – Ready list discussed in our last meeting. Not available this meeting.

Mr. Carlson – Special Economic Service (SES) specific data report not provided. However, data was discussed regarding the estimated tax and revenue loss. For the purposes of planning, using the numbers from BBMR, we believe we won't be able to collect $47.9 million for fiscal 2018 and $66.1 million for 2019 because of the tax situation.

Some offsetting impacts for 2019 is that there will be some spending, as mentioned by the GWCC, and Business Privilege Tax (BPT) amount will probably go up offsetting the impact of the $66 million.

Chairman inquired how did BBMR calculate $47.9? Not all businesses are at 35%. Some are a lot less and the tax bracket will now be at 21%. Mrs. Benito, myself and Mr. Steffy are working on obtaining better numbers before the end of the month.

Mrs. Brooks echoed Mr. Carlson's comment regarding the numbers being on the high side. The assumption is that all corporations are calendar-year corporations, but they're not. The number not calculated accurately was the effect on section 30 monies. Therefore, the amount stated is within a reasonable range.

The former Department of Administration (DOA) Director, Mrs. Christine Baleto, stated if the war claims payment is made, a conservative $10 million would be taken off the top of the section 30 money.

The section 30 money was not adjusted downward. The EITC was also not factored in. Deferred to Rev & Tax.

Mr. Camacho agreed with Mr. Carlson that the numbers should not be reduced. It is an acceptable estimation.

Taken into consideration, the increase in the provisions for the tax refunds, i.e. the benefits on the doubling of the child tax credit, introducing it as a new credit, the family tax credit, a $10 million increase to the provision for refunds in addition to the $66 million that was estimated.

New Business:

Chairman to the Commission members - Do we delink or not?

Mrs. Benito No. Stay status quo.

Mrs. Salas - No**.**

Senator Espaldon - No.

Mr. Arnett **–** Yes. There are decisions we need to make about which year and by the time we get through all that it'll be a year or two later.

Mr. Bradley - Yes and No. Yes - our economy is entirely different from the US (United States) economy. Our tax structure is different from their tax system. No - because building a new tax code during a fiscal crisis would lead to a crisis.

Vice Chairman – No. Concerns are: 1) do we have the capability of being able to write our own tax statute if and when we delink? 2) do we have the political will to make the changes?

Mr. Steffy - Yes. Base our tax code on a US tax code. Delink and freeze the code as of a certain date then make changes, like eliminating the income tax credit.

Mrs. Taijeron - No. How will delinking affect our bond covenants. What impact will it have. Status quo do not delink.

Mr. Dominguez - Undecided. What the alternatives would be and projections and what will be the consequences of delinking. I'm not against it.
Mr. Carlson - No. Taking the EITC into consideration, the financial concerns that the tax cut and job act of 2017 present and getting us through this fiscal year.

Mr. Birns - Undecided. Two stages- abandon the code all together and start off fresh or you can tinker around with the percentages. To deny the case, needs more study in it to determine what the results in all this is.

Mr. Camacho - No. Status quo.

Mrs. Brooks - No.

Mr. Calvo - No.

Sen Espaldon - Undecided.

Chairman – my stand on delinking; 1) when the President signed off the tax reform everybody started to make some money, 2) The businesses, based on the survey, are going to reinvest, 3) building the delinking policies in a year or two from today and whoever is going to vote on delinking may not have the political will to pass it, 4) economic study on the impact of delinking 5) economic model from Mrs. Benito, and 6) delinking is not an issue today.

Open Discussion:

Chairman - This commission was established for improving the tax structure policies, promoting economic efficiency, equity, simplicity, enforceability and accountability, and social responsibility.

GovGuam is in trouble, the people of Guam are in trouble, in general: discussion of a possible 2% increase on the BPT (Business Privilege Tax) or even a possible 2% increase on our sales tax. The QC (Qualified Certificate), is it automatically renewed or does a business they have to reapply? When the QC started, it was to start a new business or industry. It was not to keep giving the business or industry continuous credit where they got away with not paying taxes.

Mrs. Benito agreed with the Chairman. We need a quick infusion of cash, that's reality. We need to do something quickly because we are in trouble. Nobody wants a tax increase, but we need to increase tax.

Mr. Bradley commented that given a choice between raising the gross receipt tax by 2% or putting a 2% sales tax on top of gross receipts tax, I don't think there's any question your running two parallel taxes that perform in much the same way, but they're different things. I think the gross receipt tax is about the most deceptive tax I've ever come across. I walk into a store, the item on the shelf is a $1.00. I go to the cashier, I paid a dollar and I'm out. Well I didn't pay the cashier a $1.00, I paid the cashier .96¢ and paid the government .04¢. I don't notice that I'm paying that tax, its hidden and I think that it is a horrible flaw in the gross receipts tax. I would much prefer that we go from a 4% gross receipt tax to a 6% sales tax and eliminate the gross receipts tax all together.

The Guam Visitor Bureau (GVB) is concerned about applying a sales tax because we sell ourselves as being a duty-free port. We are a duty-free port. Japan has a sales tax of 8% and they're discussing increasing it. South Korea has a sales tax of 10%. These people know what a sales tax is, they know it's not an import duty and when they see the shelf prices of the items that they're buying, they see that they're paying a lower sales tax than they would be at home.

Chairman inquired of GEDA, who goes to the bond market and does borrowing, to comment about their bond covenant from BPT to sales tax.

Mrs. Taijeron stated that the portion of the BPT, which you cannot make any adjustment to and that it is tied directly to one of our bonds, is 3% of the BPT, three of the four points of the BPT.

Mr. Bradley added that bond covenants can be changed, provided you get majority of the bond holders to approve that change and if we would offer to substitute a 3% of half of the set of 6% sales tax for a 3% Gross Receipt Tax (GRT). Bondholders would not have any objection to that, they still have a verified source of payment.

Mr. Chairman - we can consider a 2% sales tax then slowly increase the sales tax by reducing the BPT? I know there's got to be several years to convince the bond market that the sales tax is working.

Mrs. Taijeron - It would be something worth considering. Nothing is impossible. We can present to the investors and if it's something they agree to then perhaps it is an option.

Mr. Chairman - comments regarding sales tax or BPT?

Mrs. Salas - our position: we would like to see the government collect the existing taxes and tighten its belt better.

Ms. Benito - 2% BPT and its sunset and sales tax.

Jim Espaldon - Undecided. Especially if those are the only two options.

Joe Arnett**:** Undecided. I tend to agree with the senator.

Mr. Bradley - Sales tax.

Mrs. Taijeron - 2% BPT and its sunset.

Mr. Steffy - a standalone sales tax, no GRT.

Mr. Dominguez - stick with the GRT and require all the vendors to show it on the receipt.

Mr. Carlson - immediate consideration of a 2% increase, raising the BPT from 4% - 6% and sales tax.

Mr. Birns - Sales tax.

Mr. Camacho - raising the BPT from 4% - 6% and sales tax.

Mrs. Brooks - Gov Guam needs to make some meaningful cuts and what I've not seen from the governor's executive order are the areas that do need to be looked at.

Chairman - to Mrs. Brooks… 1% is what you would support?

Mrs. Brooks - There is confusion now I think as will the second sales tax applies to all areas of businesses will wholesalers pay a sales tax or there already exempted now. A 2% or $120 million increase, I think, is just too much for me off the table.

Chairman - I spoke to Mr. Ross from GEDA (from the last Public Hearing we had) who commented that they can't touch the bond covenants until 2025.

Sen. Espaldon - discussion on implementing a sales tax on internet sales.

Mr. Chairman - Yes. Rev and Tax is supposed to be working to implement a sales tax with the folks on the internet.

Sen. Espaldon commented on the AirBNB industry.

Mr. Camacho responded that DRT is looking at some revision or amendment to clean out exemptions and meet with vendors, so DRT can collect the 4% tax.

Mrs. Brooks interjected with "when should you - DRT have proposed legislation or come back with all what needs to be done."

Chairman - Next meeting is scheduled for April 3, 2018. I will have a separate meeting with DRT prior to our Commission meeting.

Meeting adjourned at 3:08 pm.

2018 GUAM TAX COMMISSION

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

Fifth (5th) Meeting
Tuesday, May 08, 2018 (5:00 PM.)
Public Hearing Room
Guam Congress Building
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AGENDA

1. **Call to Order.**

2. **Roll Call.**

3. **Approval of February 05, 2018 Meeting Minutes.**

4. **Unfinished Business:**

   - ❖ The First Standing Rules of the Guam Tax Commission

5. **Old Business:**

   - ❖ Mrs. Marie Benito & Mr. Bob Steffy
     - Follow up on the Cost of the Economic Model, from the vendor.
   - ❖ The Guam's Chamber of Commerce
     - Mr. Shringi: Follow up on the polls with your business members of the Chamber.

6. **New Business:**

   - ❖ Mr. Bradley; Economic Forum Summit, Brief summary of the Economic Forum

- ❖ Mrs. Salas: The results of the Survey from the Polls conducted and presented on last meeting.

6. **Open Discussion:**

7. **Next Schedule Meeting:** July 03, 2018 TBD.

8. **Adjournment.**