I Mina'trentai Sais Na Liheslaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
306-36 (COR)	Joe S. San Agustin Tina Rose Muña Barnes Christopher M. Dueñas James C. Moylan	AN ACT TO *AMEND* §§ 58104(k) AND 58136 OF ARTICLE 1, AND TO ADD A NEW ARTICLE 3 TO CHAPTER 58 OF TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO THE ISSUANCE OF QUALIFYING CERTIFICATES TO CAPTIVE INSURANCE COMPANIES WHO WHOLLY UNDERWRITE INSURANCE RISKS OUTSIDE OF GUAM	5/17/22 4:35 p.m.	5/23/22	Committee on Economic Development, Agriculture, Power and Energy Utilities, and the Arts	9/2/22 9:00 a.m.	10/18/22 9: 23 a.m. As amended by the Committee on Economic Development, Agriculture, Power and Energy Utilities, and the Arts	Request: 5/23/22 6/3/22 Revised 10/21/22	

Vice Speaker
TINA ROSE MUÑA BARNES
CHAIRPERSON, COMMITTEE ON RULES
I Mina'trentai Sais Na Liheslaturan Guåhan

GUAM CONGRESS BUILDING
163 CHALAN SANTO PAPA
HAGÅTÑA, GUAM 96910
TEL 671-472-2461
COR@GUAMLEGISLATURE.ORG

October 21, 2022

MEMO

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

From: **Vice Speaker Tina Rose Muña Barnes**
Chairperson, Committee on Rules

Re: **Revised Fiscal Note on Bill No. 306-36 (COR)**

Håfa adai,

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

Bill No. 306-36 (COR)

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

If you have any questions or concerns, please feel free to contact Mary Maravilla, 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. 306-36 (COR) *Revised 10/21/22*

AN ACT TO AMEND §§ 58104(k) AND 58136 OF ARTICLE 1, CHAPTER 58, TITLE 12, AND TO ADD A NEW ARTICLE 3 TO CHAPTER 58, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO THE ISSUANCE OF QUALIFYING CERTIFICATES FOR CAPTIVE INSURANCE COMPANIES WHO WHOLLY UNDERWRITE INSURANCE RISKS OUTSIDE OF GUAM.

Department/Agency Appropriation Information	
Dept./Agency Affected: Guam Economic Development Authority	Dept./Agency Head: Melanie Mendiola, CEO/Administrator
Department's anticipated revenues to date:	$2,957,299
Department's appropriation(s) to date:	$0
Total Department/Agency revenues to date:	$2,957,299

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2021 Unreserved Fund Balance		$0	$0
FY 2022 Adopted Revenues	$0	$0	$0
FY 2022 Appro. (P.L. 36-54)	$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 2022 (if applicable)	FY 2023	FY 2024	FY 2025	FY 2026
General Fund 1/	$0	$0	$0	$0	$0	$0
Special Fund 1/	$0	$0	$0	$0	$0	$0
Total 1/	$0	$0	$0	$0	$0	$0

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, indicate reason: /X/ Yes / / No
   / / Requested agency comments not received by due date / / Other:

Analyst: _____ Date: 10/21/22
Joaquin A.J. Guerrero II

Director: _____ Date: OCT 21 2022
Lester L. Carlson, Jr.

Notes:
1/ See attached comments.

Bureau of Budget and Management Research
Comments on Bill No. 306-36 (COR)
Revised as of 10/21/22

The proposed legislation intends to amend §§ 58104(k) and 58136 of Article 1, Chapter 58, Title 12 of the Guam Code Annotated (GCA), and add a new Article 3 to Chapter 58, Title 12 GCA, for the establishment and issuance of a Special Qualifying Certificate (QC) for captive insurance companies who wholly underwrite insurance risks outside of Guam. The Bill sets provisions for the QC, which shall constitute conclusive evidence of entitlement to tax rebates and abatements once issued. The captive insurer shall be allowed a tax rebate and abatement to each beneficiary for the following taxes: (1) one hundred percent (100%) Corporate Income Tax for a period of twenty (20) consecutive years from the effective date of the QC; (2) rebate of one hundred percent (100%) of the income tax withheld from the shareholders of an insurance underwriting business on the dividends from such business for a period of twenty (20) consecutive years from the effective date of the QC; and (3) Business Privilege Tax **(BPT)** for a period of twenty (20) years from the effective date of the CQ. Applications for the QC shall be on a form prescribed by the Guam Economic Development Authority (GEDA) with all necessary supporting documentation submitted and appropriate fees first being duly paid prior to the acceptance of any application. All captive insurance companies domiciled in Guam are required to maintain minimum capitalization requirements on island, and a significant growth in the number of captive insurance companies may lead to more money circulating within the local economy.

Per comments provided by GEDA, the provisions contained in the proposed legislation align with the goals of the Governor's Economic Diversification Group, which actively participated in the drafting of the Bill and has been exploring the possibilities for the expansion of the captive insurance industry in Guam. If enacted into law, the Bill will require GEDA to dedicate financial resources to market and promote the new QC program. The Bill's focus on these wholly owned companies that only insure risks outside of Guam incentivizes increased investments from national and international companies off-island, which may boost the growth of the island's insurance and finance sectors without any impact to the existing tax base.

The Bureau notes that the BPT should remain at three percent (3%) to be consistent with current bond covenants. Further, under § 58303(a)(3) within the Bill, the provision of the QC for the abatement of BPT should be reconsidered to be changed to a rebate of these taxes.