

The background image shows the exterior of the Guam Congress Building, a modern structure with large glass windows and a prominent entrance. The text "GUAM CONGRESS BUILDING" and "The Guam Legislature" is visible on the building's facade.

FREQUENTLY ASKED QUESTIONS

Bill No. 1-35 (LS), As Amended by the Committee and further Amended on the Floor

“Targeted small and micro-business tax cuts are an investment, not a giveaway. Tax cuts boost business demand by increasing their after-tax cash flow, which can be used to expand activity, and by making hiring and investing more attractive.”

—Senator Régine Biscoe Lee

“What does Bill No. 1-35 (LS), as amended, do?”

Bill No. 1-35 (LS), as amended, holds the Dave Santos Act in place while adding a second benefit to slightly larger businesses. Under this measure, a business making more than \$50,000 a year but less than \$250,000 a year will pay a Business Privilege Tax (BPT) rate of 3% instead of the 5% (as presently required by law) on its first \$100,000 earned.

“Why was Bill No. 1-35 (LS) amended?”

After consultation with the Guam Economic Development Authority (GEDA), it was found that the initial version of Bill No. 1-35 (LS) violated current BPT bond covenants. The amended version of Bill No. 1-35 (LS) still provides the necessary help for small businesses, while ensuring that the language is in compliance with our bond covenants.

“Does Bill No. 1-35 (LS), as amended, change the Dave Santos Act?”

No. The current provisions of the Dave Santos Act remain the same. Businesses with a gross income of \$50,000 or less are still eligible for their first \$40,000 earned to be exempt from the BPT. Bill No. 1-35 (LS), as amended, just adds a second benefit to slightly larger businesses.

“How does Bill No. 1-35 (LS), as amended, help Guam’s small businesses?”

Bill No. 1-35 (LS), as amended, provides an effective tax cut for small businesses, allowing them to keep more of the dollars and cents they earn to invest in new equipment, salary increases, or the completion of improvement projects.

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“How many of Guam’s businesses fall under the \$50,000 to \$250,000 category?”

A total of 2,200 businesses fall under that category.¹

“What is the projected tax benefit for small businesses if Bill No. 1-35 (LS), as amended, were to become law?”

Small businesses that qualify under the provisions of Bill No. 1-35 (LS), as amended, essentially save \$2,000 in gross receipts taxes annually.²

“What is the projected fiscal impact to the government of Guam if Bill No. 1-35 (LS), as amended, were to become law?”

The passage of Bill No. 1-35 (LS), as amended, would result in the loss of \$4.4 million from the General Fund every fiscal year.³

“Why should Bill No. 1-35 (LS), as amended, pass with the projected loss in General Fund revenues?”

Targeted small and micro-business tax cuts are an investment, not a giveaway. Tax cuts boost business demand by increasing their after-tax cash flow, which can be used to expand activity, and by making hiring and investing more attractive. In turn, the \$4.4 million loss for the government of Guam (as projected by BBMR) due to the tax reduction would lead to increased economic activity. This is due to the *multiplier effect*. A dollar spent by a business is income for another. But if the business who receives that dollar is going to spend some of it, and save some of it, then this sparks a process that magnifies (or “multiplies”) that initial change.

¹ See “Fiscal Note of Bill No. 1-35 (LS) – As Amended.” *Bureau of Budget and Management Research*. April 9, 2019.

² Ibid. Please also note that the Fiscal Note on Bill No. 1-35 (LS) – As Amended shows that the estimated loss of taxes collected from Bill No. 1-35 (LS) per small business per annum would be \$1,000. The version of the Bill as it currently stands increases the amount to be taxed from \$50,000 to \$100,000, thereby doubling the impact to \$2,000.

³ Ibid.