


I MINA' BENTE NUEBI NA LIHESLATURAN GUÅHAN
2008 (SECOND) Regular Session

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Bill No. 261 (EC)

Introduced by:

Ray Tenorio

**AN ACT TO ADD A NEW ARTICLE 4 TO CHAPTER 4
OF TITLE 5, GUAM CODE ANNOTATED RELATIVE TO
ESTABLISHING *THE TRUTH IN FORECASTING ACT*.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

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3 **Section 1.** A new Article 2 is *added* to Chapter 4 of 5GCA to read:

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5 **“ARTICLE 2**

6 **THE TRUTH IN FORECASTING ACT**

7 **§4201. Short Title.** This Act shall be known and may be cited as *The Truth in*
8 *Forecasting Act*.

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10 **§4202. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds that current
11 forecasting methods used to evaluate changes in tax policy are often an obstacle to the
12 adoption of pro-growth tax policy. Current forecasting methods score a tax cut as a
13 "loss" to the government, while tax increases are scored as a "gain" to the government.
14 This assumption is in conflict with the empirical evidence that behaviors change in
15 response to tax changes. Consequently, a tax increase may bring in less revenue, due to
16 reduced economic activity, while tax cuts may bring in more revenue because of an
17 increase in economic activity. As legislators consider tax changes, it is important that

1 information on these behavioral changes is available for consideration.

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3 It is the intent of *I Liheslatura* to require a more accurate revenue estimate of proposed
4 budgets, budget amendments and changes in Public Law that affect Government
5 revenues.

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7 **§4203. Fiscal Impact Assessment**

8 (A) To the extent that any fiscal estimate prepared by any entity of the Government of
9 Guam regarding one or more proposed changes in Public Law, such Government of
10 Guam entity shall prepare the estimate on the basis of assumptions that estimate the
11 probable behavioral response of taxpayers, consumers, businesses, and other citizens to
12 those proposed changes and shall include in the fiscal estimate a statement identifying
13 those assumptions. The statement may also include the affects the proposed change
14 will have on the island's economy such as inflation, the propensities to save and
15 consume, employment, the *Gross Island Product* and the island's *Balance of Payments*.

16

17 (B) Every legislative instrument that would involve a change in Guam tax law shall
18 have attached to it, prior to its consideration by any committee of *I Liheslaturan*
19 *Guåhan*, a fiscal estimate using methodology pursuant to paragraph (A).