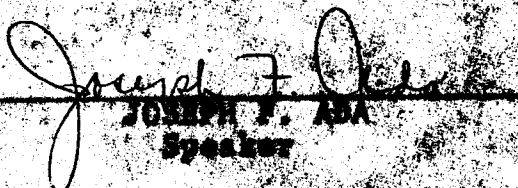



FOURTEENTH GUAM LEGISLATURE
1977 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 213, "An Act to add Chapter X to Title XX of the Government Code of Guam to authorize certain tax rebates to Guam residents whose income is derived from outside of Guam," was on the 11th day of May, 1977, duly and regularly passed.


JOSEPH F. ADA
Speaker


ATTESTED:


ERNESTO M. REFALSON
Legislative Secretary

.....
This Act was received by the Governor this _____ day of _____, 1977, at _____ o'clock _____ M.

RUTH F. WEN PAY
Assistant Staff Officer
Governor's Office

APPROVED:


RICARDO J. BORDALLO
Governor of Guam

DATED: 5-31-77
1:28 pm

P.L. 14-32

FOURTEENTH GUAM LEGISLATURE
1977 (FIRST) Regular Session

Bill No. 213
As Substituted by the
Committee on Manpower,
Resources & Economic
Development

Introduced by E. M. Calvo

AN ACT TO ADD CHAPTER X TO TITLE XX OF THE
GOVERNMENT CODE OF GUAM TO AUTHORIZE CERTAIN
TAX REBATES TO GUAM RESIDENTS WHOSE INCOME
IS DERIVED FROM OUTSIDE OF GUAM.

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

2 Section 1. Chapter X is hereby added to Title XX of the
3 Government Code of Guam to read as follows:

4 "CHAPTER X

5 TAX REBATES

6 Section 19900. Statement of Legislative purpose.

7 Section 19901. Income tax rebate on certain income;
8 definitions.

9 Section 19902. Determination of Guam residency.

10 Section 19903. Definition of earned income.

11 Section 19904. Treatment of deduction.

12 Section 19905. Procedure to claim rebated taxes.

13 Section 19906. Rebate fund.

14 Section 19907. Rules and regulations.

15 Section 19900. Statement of Legislative purpose. The
16 Legislature declares it to be the purpose of the Chapter to
17 promote the economic development of Guam by making it
18 possible for individuals who become Guam residents to pay
19 little income tax on their earned income derived from
20 sources outside of Guam. Since this Chapter is not
21 intended to encourage enterprises which have offices in
22 Guam from sheltering income earned in Guam, the benefits

1 of this Chapter are intended to apply only with respect to
2 income earned by residents of Guam from sources outside of
3 Guam, the United States, its states, territories, or
4 possessions.

5 Section 19901. Income tax rebate on certain income;
6 definitions. A rebate of seventy-five percent (75%) of
7 personal income tax payable by resident individual taxpayers
8 to the government of Guam on earned income derived from
9 sources outside of Guam, the United States, its states,
10 territories or possessions is hereby established and
11 declared. The term 'possessions' includes the Trust
12 Territory of the Pacific Islands and the Commonwealth of the
13 Northern Marianas. The term 'resident individual taxpayer'
14 means a U. S. citizen who resides in Guam within the meaning
15 of Section 935 of the Internal Revenue Code of 1954, as
16 amended. Such rebate shall be increased to one hundred per-
17 cent (100%) in the event of a final determination by
18 competent authority of the United States Internal Revenue
19 Service or a court of competent jurisdiction that such tax-
20 payer resides in the United States within the meaning of
21 said Section 935.

22 Section 19902. Determination of Guam residency. To
23 claim the rebate authorized by this Chapter, an individual
24 citizen of the United States shall establish to the satis-
25 faction of the Guam Economic Development Authority (the
26 'Authority') that he has been a bona-fide resident of Guam
27 within a taxable year in which case amounts received by

1 him from foreign sources (except amounts paid by the United
2 States, Guam or any agency thereof) which constitute earned
3 income attributable to services by him performed during
4 such period shall be eligible for the rebate authorized
5 by this Chapter.

6 Section 19903. Definition of earned income. For pur-
7 poses of this Chapter, the term 'earned income' means wages,
8 salaries, or professional fees, and other amounts received
9 as compensation for personal services actually rendered,
10 but does not include that part of the compensation derived
11 by the taxpayer for personal services rendered by him to a
12 corporation which represents a distribution of earnings or
13 profits rather than a reasonable allowance as compensation
14 for the personal services actually rendered. In the case of
15 a taxpayer engaged in a trade or business in which both
16 personal services and capital are material income-producing
17 factors, under regulations prescribed by the Director of
18 Revenue and Taxation (the 'Director'), a reasonable allowance
19 as compensation for the personal service rendered by the
20 taxpayer, not in excess of thirty percent (30%) of his
21 share of the net profits of such trade or business, shall be
22 considered as earned income.

23 Section 19904. Treatment of deductions. In any case
24 in which any amount of income is eligible for the seventy-
25 five percent (75%) rebate, there shall be disallowed as
26 deductions, or tax credits, any expenses, losses, or other
27 items otherwise deductible properly allocable to, or
28 chargeable against the amounts so eligible for rebate. Any
29 claims filed which relate to net operating loss carryovers
30 and carrybacks will be reviewed by the Director and to the

1 extent that they relate to income items previously subject
2 to rebate, refunds thereof will be repaid to the Authority
3 to the extent of any rebate paid, with any refund in excess
4 of the rebate to be repaid to the taxpayer.

5 Section 19905. Procedure to claim rebated taxes. A
6 taxpayer seeking a rebate under this Chapter shall attach
7 to his income tax return when filing the same, a form
8 furnished by the Guam Economic Development Authority re-
9 porting in detail all income and deductions therefrom upon
10 which the claim for a rebate is based, with such supporting
11 documentation as to residency and otherwise as is required
12 by regulations issued pursuant to Section 19907 of this
13 Chapter. The amount of tax on such foreign source income
14 prior to rebate shall be deposited with the government of
15 Guam at the time of filing the income tax return. The
16 Director shall immediately thereafter cause the return to be
17 reviewed and audited, and if the rebate is found in order
18 shall cause seventy-five percent (75%) of the amount
19 deposited to be returned to the taxpayer within ninety (90)
20 days from the date of deposit, without interest.

21 Section 19906. Rebate fund. Deposits for income tax
22 subject to rebate pursuant to this Chapter shall be placed
23 in a separate account in the Treasury of Guam, herein
24 designated as the 'Foreign Source Income Tax Rebate Fund'.

25 Section 19907. Rules and regulations. The Director of
26 Revenue and Taxation and the Board of Directors of the
27 Authority, subject to the approval of the Legislature, by
28 resolution, are authorized and directed to make and pro-
29 mulgate joint rules and regulations for the purpose of
30 implementing the provisions of this Chapter."