



CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

OFFICE OF THE LEGISLATIVE SECRETARY  
ACKNOWLEDGMENT RECEIPT  
Received By [Signature]  
Time 10:33 AM  
Date 3.27.10

MAR 24 2000

The Honorable Joanne M. S. Brown  
Legislative Secretary  
I Mina'Bente Singko na Liheslaturan Guåhan  
Twenty-Fifth Guam Legislature  
Suite 200  
130 Aspinal Street  
Hagåtña, Guam 96910

Dear Legislative Secretary Brown:

Enclosed please find Bill No. 328 (COR), "AN ACT TO AMEND §26603 OF ARTICLE 6, CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO", which was enacted into law without signature of the Governor and is now designated as **Public Law No. 25-104.**

Very truly yours,

[Signature]  
Carl T. C. Gutierrez  
I Maga'Lahen Guåhan  
Governor of Guam

Attachment: copy attached for signed bill or overridden bill  
original attached for vetoed bill

cc: The Honorable A.R. Unpingco  
Speaker


00831

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN  
2000 (SECOND) Regular Session


CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Bill No. 328 (COR) "AN ACT TO AMEND §26603 OF ARTICLE 6, CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO," was on the 9<sup>th</sup> day of March 2000, duly and regularly passed.

  
ANTONIO R. UNPINGCO  
Speaker

Attested  
  
JOANNE M.S. BROWN  
Senator and Legislative Secretary

-----  
This Act was received by I Maga'lahaen Guahan this 10<sup>th</sup> day of March, 2000,  
at 4:45 o'clock P.M.

  
Assistant Staff Officer  
Maga'lahaen's Office

APPROVED:

\_\_\_\_\_  
CARL T. C. GUTIERREZ  
I Maga'lahaen Guahan

Date: March 24, 2000

Public Law No. 25-104  
*Became law without the signature  
of I Maga'lahaen Guahan, the  
Governor of Guam.*

**MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN**  
**2000 (SECOND) Regular Session**

**Bill No. 328 (COR)**

Introduced by:

L. F. Kasperbauer

E. B. Calvo

K. S. Moylan

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

M. G. Camacho

Mark Forbes

A. C. Lamorena, V

C. A. Leon Guerrero

V. C. Pangelinan

J. C. Salas

S. A. Sanchez, II

A. R. Unpingco

**AN ACT TO AMEND §26603 OF ARTICLE 6, CHAPTER  
26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE  
ANNOTATED, RELATIVE TO EQUALIZING THE  
TOBACCO TAX ON CIGARS TO A LEVEL  
COMPARABLE TO OTHER FORMS OF TOBACCO.**

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

2           **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan*  
3 finds that Guam ranks among the top ten percent (10%) in terms of taxes on  
4 cigars. Only five (5) states have higher tax rates than Guam. These states are

1 Massachusetts (75%), Alaska (75%), Washington (74.9%), Oregon (65%) and  
2 New Jersey (48%). Cigar sales by businesses operating in these States are  
3 non-existent, while mail order sales to their residents are the highest in the  
4 Nation. Six (6) States have rates as low as One Cent (\$0.01) to Sixty-four Cents  
5 (\$0.64) per ten (10) cigars, depending on the size of the cigar. The high taxes  
6 mean that cigar clubs in Guam's hotels typically retail cigars at prices between  
7 Fifteen Dollars (\$15.00) to Sixty Dollars (\$60.00) for high-end products, and  
8 Six Dollars (\$6.00) to Twelve Dollars (\$12.00) on the lower-end.

9 The manufacturer's suggested retail price of similar products on the  
10 high-end range from Eight Dollars (\$8.00) to Sixteen Dollars (\$16.00) and Two  
11 Dollars and Fifty Cents (\$2.50) to Four Dollars (\$4.00) on the lower end.

12 While Guam's economy depends on tourism and tourists purchasing  
13 products in local stores, Guam's tax rate of forty percent (40%) of landed costs  
14 make it virtually impossible for local businesses to sell cigars at prices  
15 competitive with other destinations, Internet/mail order companies or U.S.  
16 Military Exchanges and Commissaries. Included in the tax base is the cost of  
17 shipping that is traditionally higher than other commodities, as cigars are  
18 perishable items. Since Guam continues to be marketed abroad as a Duty  
19 Free destination, many visitors take advantage of the low taxes on  
20 commodities, such as alcoholic beverages, cigarettes, fragrances, jewelry,  
21 designer clothing and leather goods. Cigar tax rates comparable to other  
22 tobacco items would create similar export opportunities that Guam  
23 businesses enjoy with regards to the sale of alcoholic beverages and cigarettes  
24 to tourists.

1           The facts are that with the tax on a carton of cigarettes being Seventy  
2 Cents (\$0.70), and other tobacco at Thirty-five Cents (\$0.35) per pound, the tax  
3 for a box of cigars with at similar volume and a landed cost, including  
4 shipping, of One Hundred Dollars (\$100.00) would be Forty Dollars (\$40.00).  
5 This is over a hundred times the tax on other tobacco, and over fifty-seven  
6 (57) times the tax on a carton of cigarettes. As an equalization of the tobacco  
7 taxes will make local retailers competitive with Internet/mail order  
8 companies and military commissaries and exchanges, as well create new  
9 markets for Island visitors, the process should result in an increase in gross  
10 domestic product and government revenues. It is the intent of *I Liheslaturan*  
11 *Guåhan* to simply equalize the tobacco tax on cigars to a rate comparable to  
12 other forms of tobacco based products that are based on volume, weight or  
13 quantity, and *not* on costs.

14           **Section 2.** Section 26603 of Article 6, Chapter 26, Division 2 of Title 11  
15 of the Guam Code Annotated is hereby *amended* to read as follows:

16           **"Section 26603. Rates.**       The following rates shall apply in  
17 computing, assessing and collecting Tobacco Tax:

18                   **(a) Cigarettes.**       A tax at the rate of Thirty-five Cents  
19 (\$0.35) per one hundred (100) cigarettes to be prorated in  
20 accordance with the number of cigarettes contained in the  
21 individual package taxed.

22                   **(b) Cigars.**       The tax rates for cigars shall be based on  
23 the following sizes:

24                           **(1) Mini Cigars: Five Cents (\$0.05) Per Cigar.**

1                    *'Mini Cigars'* are defined as cigars with a ring size of forty  
2                    (40) or less, or a length of less than four and one-half inches  
3                    (4 ½"), regardless of ring size as specified by the  
4                    manufacturer's label.

5                    **(2) Standard Cigars: Seven Cents (\$0.07) Per Cigar.**

6                    *'Standard Cigars'* are defined as cigars with a ring size of  
7                    more than forty (40), but *less than* sixty-four (64) as specified  
8                    by the manufacturer's label.

9                    **(3) Large Cigars: Ten Cents (\$0.10) Per Cigar.**

10                  *'Large Cigars'* are defined as cigars with a ring size of more  
11                  than sixty-four (64), or a length of more than eight inches  
12                  (8"), regardless of the ring size as specified by the  
13                  manufacturer's label.

14                  **(4)** Where no ring size or length is specified by  
15                  the manufacturer's label, the tax shall be Seven Cents (\$0.07)  
16                  per cigar.

17                  For purposes of this Section, ring size shall be defined as the  
18                  usually accepted measure used by cigar manufacturers for  
19                  determining the diameter of a cigar at its widest point. A ring size  
20                  of One (1) is equal to One sixty-fourth (1/64) of an inch.

21                  **(c) Other Tobacco Products.** A tax at the rate of Thirty-  
22                  five Cents (\$0.35) per pound for all other tobacco products to be  
23                  prorated in accordance with the size of the package to be taxed."

**MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN**  
**TWENTY-FIFTH GUAM LEGISLATURE**  
155 Hesler Street, Hagåtña, Guam 96910



COPY

March 10, 2000


The Honorable Carl T.C. Gutierrez  
*I Maga'lahaen Guåhan*  
*Ufisinan I Maga'lahi*  
*Hagåtña, Guam 96910*



Dear *Maga'lahi* Gutierrez:

Transmitted herewith are Bill Nos. 249(COR), 328(COR) and 346(LS) and Substitute Bill Nos. 174(COR), 197(COR), 233(COR) and 364(LS) which were passed by *I Mina'Bente Singko Na Liheslaturan Guåhan* on March 9, 2000.

Sincerely,

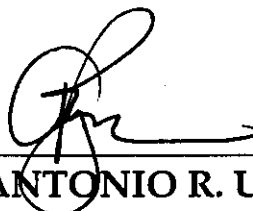
  
JOANNE M.S. BROWN  
Senator and Legislative Secretary

Enclosure (7)

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN  
2000 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

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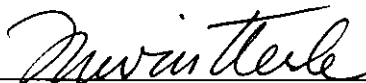
ANTONIO R. UNPINGCO  
Speaker

Attested



JOANNE M.S. BROWN  
Senator and Legislative Secretary

.....  
This Act was received by I Maga'lahaen Guahan this 10<sup>th</sup> day of March, 2000,  
at 4:45 o'clock P.M.



Assistant Staff Officer  
Maga'lahaen's Office

APPROVED:

\_\_\_\_\_  
CARL T. C. GUTIERREZ  
I Maga'lahaen Guahan

Date: \_\_\_\_\_

Public Law No. \_\_\_\_\_



**MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN**  
**2000 (SECOND) Regular Session**

**Bill No. 328 (COR)**

Introduced by:

L. F. Kasperbauer

E. B. Calvo

K. S. Moylan

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

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**AN ACT TO AMEND §26603 OF ARTICLE 6, CHAPTER  
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22           five Cents (\$0.35) per pound for all other tobacco products to be  
23           prorated in accordance with the size of the package to be taxed."

**CLERK OF THE LEGISLATURE  
TRANSMISSION CHECKLIST TO I MAGA'LAHEN GUAHAN**

(Included in File w/ All Bills Transmitted)

BILL NO. 328 (cop)

**FINAL PROOF-READING OF BLUEBACK COPY**

Initialed by:

and Date:

- EXHIBITS ATTACHED *None*
- CONFIRM NUMBER OF PAGES *4*
- CAPTION ON CERTIFICATION MATCHES BILL CAPTION
- ENGROSSED SIGN "\*" REMOVED FROM BILL
- 15 SENATORS IN SPONSORSHIP OR CONFIRM OTHERWISE
- CERTIFICATION SIGNED BY SPEAKER & LEGIS. SECRETARY
- EMERGENCY DECLARATION, if any *None*

Confirmed By: *[Signature]*

Dated: *2/10/2000*

- HAND CARRY BILL IN BLUEBACK (ORIGINAL & COPY)  
TO THE GOVERNOR. (DANNY, ROBERT OR OTHERS )
- ACKNOWLEDGED COPY W/ ORIGINAL BLUEBACK  
PLACED ON CLERK'S DESK. (Same copy given to Susan)
- FILED by: Danny, Robert or others

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN  
2000 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Bill No. 328 (COR) "AN ACT TO AMEND §26603 OF ARTICLE 6, CHAPTER 26, ARTICLE 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO EQUALIZI TO A LEVEL COMPARABLE TO OTHER FORMS O *Disim* ch 2000, duly and regularly passed.

\_\_\_\_\_  
ANTONIO R. UNPINGCO  
Speaker

Attested:

\_\_\_\_\_  
JOANNE M.S. BROWN  
Senator and Legislative Secretary

-----  
This Act was received by *I Maga'lahaen Guahan* this \_\_\_\_\_ day of \_\_\_\_\_, 2000,  
at \_\_\_\_\_ o'clock \_\_\_\_\_.M.

\_\_\_\_\_  
Assistant Staff Officer  
*Maga'lahi's Office*

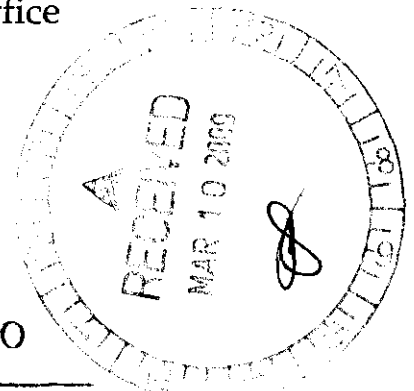
APPROVED:

\_\_\_\_\_  
CARL T. C. GUTIERREZ  
*I Maga'lahaen Guahan*

Date: \_\_\_\_\_

Public Law No. \_\_\_\_\_

Office of the Speaker  
ANTONIO R. UNPINGCO  
Date: 3-10-00  
Time: 1330 hrs.  
Rec'd by: [Signature]  
Print Name: Muru



# I MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN

2000 (SECOND) Regular Session

Date: 3/9/00  
6

## VOTING SHEET

Bill No. 328(200)

Resolution No. \_\_\_\_\_

Question: \_\_\_\_\_

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
AGUON, Frank B., Jr.		✓			
BERMUDES, Eulogio C.	✓				
BLAZ, Anthony C.					✓
BROWN, Joanne M.S.		✓			
CALVO, Eduardo B.	✓				
CAMACHO, Marcel G.	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
LAMORENA, Alberto C., V	✓				
LEON GUERRERO, Carlotta A.	✓				
MOYLAN, Kaleo Scott	✓				
PANGELINAN, Vicente C.		✓			
SALAS, John C.	✓				
SANCHEZ, Simon A., II	✓				
UNPINGCO, Antonio R.	✓				

TOTAL                      11      3                      0                      0                      1

CERTIFIED TRUE AND CORRECT:

\_\_\_\_\_  
Clerk of the Legislature

\* 3 Passes = No vote  
EA = Excused Absence



**FILE**  
**COPY**

**MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN**  
**TWENTY-FIFTH GUAM LEGISLATURE**  
155 Hesler Street, Hagåtña, Guam 96910

February 16, 2000

( DATE )

Memorandum

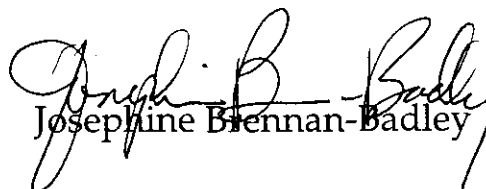
To: Senator LAWRENCE F. KASPERBAUER

From: Clerk of the Legislature

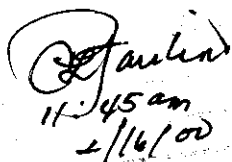
Subject: Report on Bill No. 328 (COR)

Pursuant to §7.04 of Rule VII of the 25<sup>th</sup> Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 328 (COR), for which you are the prime sponsor.

Should you have any questions or need further information, please call the undersigned at 472-3464/5.

  
Josephine Brennan-Badley

Attachment

  
Janet  
11:45 am  
2/16/00



I Mina' Bente Singko Na Liheslaturan Guåhan

TWENTY-FIFTH GUAM LEGISLATURE

SENATOR EDDIE BAZA CALVO

Chairman

COMMITTEE ON POWER, PUBLIC WORKS, TAX AND REGULATORY REFORM,  
MUNICIPAL and COMMUNITY AFFAIRS

E-Mail address: [sencalvo@ite.net](mailto:sencalvo@ite.net)  
120 Father Dueñas Avenue, Capitol Plaza, Suite 109  
Hagåtña, Guam 96910

Telephone: (671) 472-4040/4518  
Facsimile: (671) 472-4100

February 15, 2000

The Honorable Antonio R. Unpingco  
Speaker  
*I Mina' Bente Singko Na Liheslaturan Guåhan*  
155 Hesler Street  
Hagåtña, Guam 96910

via: Committee on Rules

Dear Mr. Speaker:

The Committee on Power, Public Works, Tax and Regulatory Reform, Municipal and Community Affairs, to which was referred **BILL NO. 328 (COR)** "AN ACT TO AMEND §26603 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO.", does hereby report back, with the recommendation **TO DO PASS**.

Votes of the Committee members are as follows:

To Pass	<u>7</u>
Not to Pass	_____
Abstain	_____
Off-Island	_____
Not Available	_____

A copy of the Committee Report is attached for your consideration.

*Si Yu'os Ma'åse',*

  
SENATOR EDDIE BAZA CALVO  
Chairman

Attachments




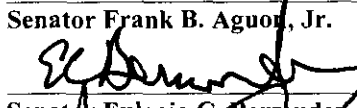
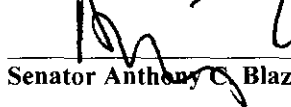




**COMMITTEE ON POWER, PUBLIC WORKS,  
TAX AND REGULATORY REFORM,  
MUNICIPAL AND COMMUNITY AFFAIRS**

*Mina Bente Singko Na Liheslaturan Guahan*  
155 Hesler Street, Hagåtña, Guam 96910

**VOTING SHEET:**

**BILL NO. 328 (COR) "AN ACT TO AMEND §26603 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO."**

<u>COMMITTEE MEMBERS</u>	<u>TO PASS</u>	<u>NOT TO PASS</u>	<u>ABSTAIN</u>	<u>TO PLACE IN INACTIVE FILE</u>
 Senator Eddie Baza Calvo Chairman	✓			
 Senator Kalso S. Moylan Vice-Chairman	✓			
Speaker Antonio R. Unpingco Ex-Officio Member				
 Vice-Speaker L. F. Kasperbauer		X		
Senator Frank B. Aguon, Jr.				
 Senator Eulogio C. Bermudes	✓			
 Senator Anthony C. Blaz				
Senator Marcel G. Camacho				
Senator Mark Forbes				
 Senator Carlotta A. Leon Guerrero	✓			
 Senator Simon A. Sanchez, II	✓			

**COMMITTEE ON POWER, PUBLIC WORKS,  
TAX AND REGULATORY REFORM,  
MUNICIPAL AND COMMUNITY AFFAIRS**

*Mina Bente Singko Na Liheslaturan Guåhan*  
155 Hesler Street, Hagåtña, Guam 96910

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**COMMITTEE REPORT**

**ON**

**BILL NO. 328 (COR)**

**“AN ACT TO AMEND §26603 OF CHAPTER 26, TITLE 11, GUAM CODE  
ANNOTATED RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS  
TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO.”**

**COMMITTEE MEMBERS**

Chairman: Senator Eddie Baza Calvo  
Vice-Chairman: Senator Kaleo S. Moylan  
Ex-Officio Member: Antonio R. Unpingco

Senator Frank B. Aguon, Jr.  
Senator Anthony C. Blaz  
Senator Mark Forbes  
Senator Carlotta A. Leon Guerrero

Senator Eulogio C. Bermudes  
Senator Marcel G. Camacho  
Vice-Speaker Lawrence F. Kasperbauer  
Senator Simon A. Sanchez, II

**COMMITTEE ON POWER, PUBLIC WORKS,  
TAX AND REGULATORY REFORM,  
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*Mina Bente Singko Na Liheslaturan Guåhan*  
155 Hesler Street, Hagåtña, Guam 96910

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**I. PUBLIC HEARING**

The Committee on Power, Public Works, Tax and Regulatory Reform, Municipal and Community Affairs (“PPWTRRM&CA”) called a public hearing to order at 9:00 a.m., Monday, November 22, 1999 to hear testimony on **BILL NO. 328 (COR)**. The hearing was held in the Public Hearing Room of *I Liheslaturan Guåhan* in *Hagåtña*. Notices were placed in the *Guam Variety News and Views* on November 12<sup>th</sup>, 17<sup>th</sup> and 19<sup>th</sup>.

The hearing was called to order by Senator Eddie Baza Calvo, Chairman of PPWTRRM&CA. Committee members present included Senators Carlotta A. Leon Guerrero, Simon A. Sanchez and Mark Forbes.

**II. TESTIMONY**

Although there were no individuals present to testify, written testimony **in support** of the measure was submitted. Please refer to attached written testimony for particulars.

<u>Testimony</u>	<u>Testimony Presented</u>	<u>Herein Attached As</u>
<b>Benjamin V. Salazar</b> , Salpat, Inc.	Written	Exhibit “A”

**III. FINDINGS & RECOMMENDATION**

The Committee finds that Guam’s excessive tax rate on cigars prohibits local businesses from selling such items at prices that are competitive with other destinations, internet or mail order companies, or United States Military Exchanges and Commissaries. Moreover, because the cigar tax is structured at a rate of forty percent (40%) of the value of cigars, retailers such as hotel cigar clubs charge exorbitant amounts to patrons (the higher the value of the cigar, the more charged.) By equalizing the tobacco tax on cigars to a

rate that is based on volume, weight or quantity, and not based on the value of the cigar, local retailers will be able to competitively vie for revenue (both local and tourist dollars) that otherwise would be lost to off-island competitors. Furthermore, cigar tax rates that are comparable to other tobacco items will allow for export opportunities that other Guam businesses currently enjoy. This will allow for the creation of new markets for island visitors, an increase in gross domestic product and an increase in government revenues. The Committee therefore, reports out **BILL NO. 328 (COR)**, to *I Liheslaturan Guåhan*, with the recommendation **TO DO PASS**.

OCT 04 1999

**MINA' BENTE SINGKO NA LIHESLATURAN GUÅHAN  
1999 (FIRST) Regular Session**

Bill No. 328 (CAF)

Introduced by:

L.F. Kasperbauer *LJK*  
E.B. Calvo *EC*  
K.S. Moylan *KM*

**AN ACT TO AMEND §26603 OF CHAPTER 26, TITLE 11,  
GUAM CODE ANNOTATED RELATIVE TO EQUALIZING  
THE TOBACCO TAX ON CIGARS TO A LEVEL  
COMPARABLE TO OTHER FORMS OF TOBACCO.**

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

1  
2  
3     **Section 1. Legislative Findings and Intent.** I Liheslaturan Guåhan finds  
4 that Guam ranks among the top ten percent (10%) in terms of taxes on cigars.  
5 Only five states have higher tax rates than Guam. These states are Massachusetts  
6 (75%), Alaska (75%), Washington (74.9%), Oregon (65%), New Jersey (48%).  
7 Cigar sales by businesses operating in these states are non-existent while mail  
8 order sales to their residents are the highest in the nation. Six states have rates as  
9 low as one cent (\$0.01) to Sixty-four cents (\$0.64) per *ten* cigars depending on the  
10 size of the cigar. The high taxes means that cigar clubs in Guam's hotels typically  
11 retail cigars at prices between \$15 to \$60 for high-end products and \$6 to \$12 on  
12 the lower-end. The manufacturer's suggested retail price of similar products on  
13 the high-end range from \$8 to \$16.00 and \$2.50 to \$4.00 on the lower end.

1           While Guam's economy depends on tourism and tourists purchasing  
2 products in local stores, Guam's tax rate of Forty percent (40%) of landed costs  
3 make it virtually impossible for local businesses to sell cigars at prices  
4 competitive with other destinations, internet/mail order companies or U.S Military  
5 Exchanges and Commissaries. Included in the tax base is the cost of shipping that  
6 is traditionally higher than other commodities as cigars are perishable items.  
7 Since Guam continues to be marketed abroad as a Duty Free destination, many  
8 visitors take advantage of the low taxes on commodities such as alcoholic  
9 beverages, cigarettes, fragrances, jewelry, designer clothing and leather goods.  
10 Cigar tax rates comparable to other tobacco items would create similar export  
11 opportunities that Guam businesses enjoy with regards to the sale of alcoholic  
12 beverages and cigarettes to tourists.

13           The facts are that with the tax on a carton of cigarettes are Seventy cents  
14 (\$0.70) and other tobacco at Thirty-five cents (\$0.35) per pound, the tax for a box  
15 of cigars with at similar volume and a landed cost (including shipping) of \$100.00  
16 would be \$40.00. This is over a hundred times the tax on other tobacco and over  
17 fifty-seven times the tax on a carton of cigarettes. As an equalization of the  
18 tobacco taxes will make local retailers competitive with internet/mail order  
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20 for island visitors, the process should result in an increase in GDP and government  
21 revenues. It is the intent of I Liheslaturan Guåhan to simply equalize the tobacco  
22 tax on cigars to a rate comparable to other forms of tobacco products based that  
23 are based on volume, weight or quantity and not on costs.

24

25           **Section 2.** Section 26603 of Chapter 26, Title 11, Guam Code Annotated is  
26 hereby amended read:

1           “§26603. Rates. The following rates shall apply in computing, assessing  
2 and collecting Tobacco Tax:

3           (a) Cigarettes. A tax at the rate of Thirty-five Cents (\$0.35) per one hundred  
4 (100) cigarettes to be prorated in accordance with the number of cigarettes  
5 contained in the individual package taxed.

6           (b) Cigars. The tax rates for cigars shall be based on the following sizes: A  
7 ~~tax at the rate of forty percent (40%) of the value of all cigars. The term value, as~~  
8 ~~used in this Subsection, means the landed costs with respect to cigars imported~~  
9 ~~into Guam, and wholesale market value with respect to cigars manufactured or~~  
10 ~~produced in Guam.~~

11           (1) Mini Cigars: Five Cents (\$0.05) per cigar. Mini Cigars are defined as  
12 cigars with a ring size of Forty (40) or less or a length of less than four and one-  
13 half (4.5) inches regardless of ring size as specified by the manufacturer’s label.

14           (2) Standard Cigars: Seven Cents (\$0.07) per cigar. Standard Cigars are  
15 defined as cigars with a ring size of more than Forty (40) but less than Sixty-four  
16 (64) as specified by the manufacturer’s label.

17           (3) Large Cigars: Seven Cents (\$0.10) per cigar. Large Cigars are  
18 defined as cigars with a ring size of more than Sixty-four (64) or a length of more  
19 than eight (8) inches regardless of the ring size as specified by the manufacturer’s  
20 label.

21           (4) Where no ring size or length is specified by the manufacturer’s label,  
22 the tax shall be Seven Cents (\$0.07) per cigar.

23           For purposes of this Section, ring size shall be defined as the usually  
24 accepted measure used by cigar manufacturers for determining the diameter of a  
25 cigar at its widest point. A ring size of One (1) is equal to One sixty-fourth (1/64)  
26 of an inch.

1           (c) Other Tobacco Products. A tax at the rate of Thirty-five Cents (\$0.35)  
2 per pound for all other tobacco products to be prorated in accordance with the size  
3 of the package to be taxed.”



# Salpat, Inc.

P.O. BOX 836, AGANA, GUAM 96992  
PHONES: (671) 646-1470 • 646-6598 • 646-4051 • 646-1559  
FAX: (671) 649-8188 • 646-4980

DATE: November 24, 1999  
TO: Senator L.P. Kasperbauer, E.B. Calvo, K.S. Moylan  
FROM: Benjamin V. Salazar  
RE: AN ACT TO AMEND S26603 OF CHAPTER 60, TITLE 11, GUAM CODE  
ANNOTATED RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS  
TO A LEVEL COMPARABLE TO OTHER FORM OF TOBACCO.

MESSAGE:

We are in favor of amending the cigar tax on the basis that it makes Guam more competitive to other market such as Japan, Korea, Taiwan, Hong Kong, and the Philippines. We are supposed to be a duty free destination and yet when it comes to this product, we are much higher or on the same level.

This tax is antiquated and needs to be revised in order for Guam to benefit for more volume of revenue. If we can make our price to be cheaper than the other countries, then the tourists that visit us will buy more as they do with other duty free products that are sold. Our market is only based on tourism, yet we are not making it enticing for our guests to enjoy the benefit of lower prices.

Why do we single out the cigars, what is the reasoning behind this higher tax? Is it because we are trying to protect our local population from the hazard of smoking. Then we are losing that battle as many of our locals are buying through the internet that Guam loses out from any revenue, the money goes out of our territory also the government does not get any tax money.

If we are worried about the young people smoking cigars, it is not likely to happen as the cost will still be high enough for most of their budget. Cigars are mostly for adults to enjoy. I have yet to see minors smoking even the cheapest cigars which are available in most places.

Our sales have drop dramatically since the Asian crisis. Even the local market has dried up because of the internet. We have not ordered any cigars for sometimes since our inventory is still good. This has a effect for the government as there would not be any revenue at all, nor for us as we have to lay-off some staff.

Please continue to push this through as our economy can benefit from our sales as with any other items sold to the tourists. We remain hopeful for this passage.

Yours truly,



Benjamin V. Salazar

# NOTICE OF PUBLIC HEARING

*Mina' Bente Singto Na Lihelaturan Guahan*  
Committee on Power, Public Works, Tax  
and Regulatory Reform, Municipal and Community Affairs  
- *Chairman, Senator Eddie Baza Calvo* -  
9:00 AM, MONDAY NOVEMBER 22, 1999

## AGENDA

- BILL No. 154(CORR): AN ACT TO AMEND 699901(b) OF ARTICLE 9 OF CHAPTER 68 OF TITLE 21, GUAM CODE ANNOTATED RELATIVE TO THE SHARING OF REVENUE AND EXPENSES FROM THE OPERATIONS OF THE "DEDEDO BUFFER ZONE". (Introduced by: *L.F. Kasparbauer*)
- BILL No. 245(CORR): AN ACT TO AMEND 26202 OF ARTICLE 2, CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED, TO ALLOW THE DIVISION OF GROSS INCOME BETWEEN A TRAVEL AGENCY OR TOUR PACKAGER AND THE PROVIDER OF TOURISM RELATED SERVICES OR TRANSIENT ACCOMMODATIONS AND TO IMPOSE GROSS RECEIPTS TAX ON EACH SUCH PERSON'S RESPECTIVE PORTION OF THE PROCEEDS. (S.A. SANCHEZ II)
- BILL No. 246(CORR): AN ACT TO AMEND 26403 AND 26404(b), ADD 26403.1 OF CHAPTER 26, ARTICLE 4 DIVISION 2, TITLE 11, GUAM CODE ANNOTATED AND AMEND 26107(w) AND ADD 26107(v) (1), (2) AND (3) OF CHAPTER 26, ARTICLE 1, DIVISION 2 OF TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE LIQUID FUEL TAX. (Introduced by: *C.A. Leon Guerrero*)
- BILL No. 262(CORR): AN ACT TO APPROPRIATE \$18 MILLION FROM THE GENERAL FUND TO ENSURE THAT THOUSANDS OF OUR PEOPLE RECEIVE THEIR EARNED INCOME CREDITS FOR TAX YEAR 1998 IN ACCORDANCE WITH LOCAL LAW. (Introduced by: *M. Forbes*)
- BILL No. 266(LS): AN ACT TO ADD A NEW SUBSECTION (g) TO 26112, OF CHAPTER 26, OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO NOT TAXING INTEREST INCOME EARNED FROM TAX REFUNDS. (Introduced by: *K.S. Moylan*)
- BILL No. 295(LS): AN ACT TO REPEAL SECTIONS 4105 (a)(9)(K) AND ADD NEW SECTIONS 4105 (a)(9)(K)(i) AND (j) TO CHAPTER 4, DIVISION 1, TITLE 11 OF THE GUAM CODE ANNOTATED RELATIVE TO CHANGING THE GOVERNMENT OF GUAM'S EARNED INCOME TAX CREDIT PROGRAM INTO AN EDUCATION AND JOB TRAINING PROGRAM TO HELP BREAK THE CYCLE OF POVERTY. (Introduced by: *C.A. Leon Guerrero*)
- BILL No. 298(CORR): AN ACT TO EXEMPT TIPPING FEES FOR "REFUSE GENERATORS" WHO SEPARATE THEIR REFUSE INTO RECYCLABLE MATERIALS AND TRANSPORT SEPARATED MATERIALS TO GUAM'S LANDFILLS AND TRANSFER STATIONS, AND THE ESTABLISHMENT OF A REUSE RECYCLING PROGRAM AT THE DEPARTMENT OF PUBLIC WORKS. (Introduced by: *K.S. Moylan*)
- BILL No. 319(CORR): AN ACT TO ADD A NEW SUBSECTION 40128(g) TO CHAPTER 40, DIVISION 4 OF 5 CCA RELATIVE TO THE POWERS, DUTIES AND RESPONSIBILITIES OF MUNICIPAL PLANNING COUNCIL AND TO AMEND 40131 RELATIVE TO THE MUNICIPAL LITTER AND DEFAECMENT FUND. (Introduced by: *E.B. Calvo*)
- BILL No. 326(CORR): AN ACT TO AMEND 26603 OF CHAPTER 26, TITLE 11, GUAM CODE ANNOTATED RELATIVE TO EQUALIZING THE TOBACCO TAX ON CIGARS TO A LEVEL COMPARABLE TO OTHER FORMS OF TOBACCO. (Introduced by: *L.F. Kasparbauer*)

Heating will take place in the Public Hearing Room of  
I Lihelaturan Guahan, 155 Healer Street, Hagatna, Guam.  
Those in need of Special Accommodations please  
Call 472-4040/4518 or fax us at 472-4100  
THE PUBLIC IS ENCOURAGED TO ATTEND

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Committee on Power, Public Works, Tax  
and Regulatory Reform, Municipal and Community Affairs  
- *Chairman, Senator Eddie Baza Calvo* -  
9:00 A.M. THURSDAY, NOVEMBER 18, 1999

## AGENDA

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25           **Section 2.** Section 26603 of Chapter 26, Title 11, Guam Code Annotated is  
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