



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

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

OFFICE OF THE LEGISLATIVE SECRETARY
ACKNOWLEDGMENT RECEIPT

Received By: [Signature]

Time 10:33 am

Date 3-27-00

Dear Legislative Secretary Brown:

Enclosed please find Bill No. 240 (LS), "AN ACT TO AMEND §26202(j) OF ARTICLE 2, CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO ALLOWING 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 GRT UPON EACH ENTITY'S PROCEEDS", which I have signed into law today as **Public Law No. 25-117**.

There is a current practice where those who offer tours or other visitor services on Guam establish trust accounts off-Guam, in Japan, for money paid to off-island tour wholesalers for tours and services taking place on Guam. These accounts are not subject to Gross Receipts Tax. This cumbersome procedure siphons off local dollars to foreign locations for tours and services that are unredeemed.

To retain funding on our island, this legislation imposes the Gross Receipts Tax rate of 4% on the net basis for Guam tour agents, travel agencies, or persons offering tourism-related services on Guam. The tax is prorated between the provider of services on the one hand and the agency or packager on the other hand.

Very truly yours,

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

U-844

cc: The Honorable A.R. Unpingco
Speaker

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

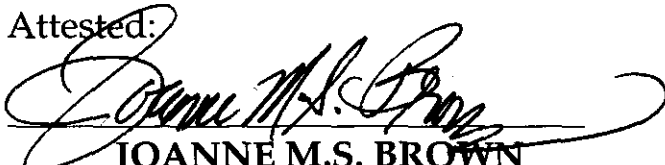
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Bill No. 240 (LS) "AN ACT TO AMEND §26202(j) OF ARTICLE 2, CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO ALLOWING 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 GRT UPON EACH ENTITY'S PROCEEDS," was on the 9th 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'lahen Guahan* this 15th day of March, 2000,
at 12:40 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: 3-24-00

Public Law No. 25.117

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

Bill No. 240 (LS)

Introduced by:

S. A. Sanchez, II
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
L. F. Kasperbauer
A. C. Lamorena, V
C. A. Leon Guerrero
V. C. Pangelinan
J. C. Salas
A. R. Unpingco

**AN ACT TO AMEND §26202(j) OF ARTICLE 2,
CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE
GUAM CODE ANNOTATED, RELATIVE TO
ALLOWING 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 GRT
UPON EACH ENTITY'S PROCEEDS.**

1 between the provider of the services on the one hand and the travel
2 agency or tour packager on the other hand, a tax equivalent of four
3 percent (4%) shall be imposed on each person with respect to such
4 person's respective portion of the proceeds, and no more.

5 Where transient accommodations are furnished through
6 arrangements made by a travel agency or tour packager, the gross
7 income is divided between the provider of the transient
8 accommodations on the one hand and the travel agency, or tour
9 packager, on the other hand, a tax equivalent of four percent (4%) shall
10 be imposed on each person with respect to such person's respective
11 portion of the proceeds, and no more.

12 (1) As used in this Subsection 'tourism-related services'
13 shall mean dinner cruises, transportation included in a tour
14 package, sight seeing tours, dinner shows, extravaganzas, cultural
15 and educational facilities, and other services rendered directly to
16 the customer or tourist.

17 (2) As used in this Subsection 'transient accommodations'
18 shall mean hotel, lodging facility, or similar facility located on
19 Guam and subject to the provisions of §30101 of Division 2,
20 Chapter 30 of Title 11 of the Guam Code Annotated."

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



COPY

March 15, 2000


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



Dear *Maga'lahi* Gutierrez:

Transmitted herewith are Bill Nos. 240(LS) and 339(COR) and Substitute Bill No. 381(COR) 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 (3)

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. 240 (LS) "AN ACT TO AMEND §26202(j) OF ARTICLE 2, CHAPTER 26, DIVISION 2 OF TITLE 11 OF THE GUAM CODE ANNOTATED, RELATIVE TO ALLOWING 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 GRT UPON EACH ENTITY'S PROCEEDS," was on the 9th day of March 2000, duly and regularly passed.



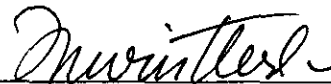
ANTONIO R. UNPINGCO
Speaker

Attested:



JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahaen Guahan* this 15th day of March, 2000,
at 12:40 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:

CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: _____

Public Law No. _____

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

Bill No. 240 (LS)

Introduced by:

S. A. Sanchez, II

E. B. Calvo

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**AN ACT TO AMEND §26202(j) OF ARTICLE 2,
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BETWEEN A TRAVEL AGENCY OR TOUR
PACKAGER AND THE PROVIDER OF TOURISM-
RELATED SERVICES OR TRANSIENT
ACCOMMODATIONS, AND TO IMPOSE GRT
UPON EACH ENTITY'S PROCEEDS.**

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

2 **Section 1. Legislative Findings and Intent.** Guam derives its major
3 source of revenue from the tourism industry. In recent times the tourism
4 industry has been faced with increasing competition from other tourist
5 destinations, such as Hawaii, Okinawa and other foreign venues. In order for
6 Guam to remain a competitive destination venue, it is incumbent that the
7 government of Guam provide incentives to businesses which fuel Guam's
8 economic engine.

9 Generally, tour agents receive funds from tour wholesalers or directly
10 from customers to cover package tour costs, such as hotel, restaurants, ground
11 transportation and other tourism-related activities. Currently, Guam tour
12 agents are subject to a four percent (4%) gross receipts tax on the gross
13 proceeds collected directly from customers and local or foreign tour
14 wholesalers without regard to deductions for amounts paid to the providers
15 of these tourism-related services. In addition, the providers of these tourism-
16 related services, such as hotels, restaurants, bus companies, etc., are also
17 subject to the four percent (4%) gross receipts tax on the amounts received
18 from the Guam tour agents. This tax structure creates a potential for a
19 pyramiding effect of the gross receipts tax and places Guam tour agents at a
20 competitive disadvantage from the standpoint of cost and pricing.

21 In response to this, many local tour agents have entered into agreements
22 with the off-Island tour wholesalers so that funds are placed in non-interest
23 bearing trust accounts. The funds in the trust accounts remain the property of
24 the off-Island tour wholesaler until they are disbursed by the local tour agent

1 for hotel, transportation and other tourism-related activities and services
2 provided to the customer. Excess funds, *if any*, in the trust account are then
3 returned to the off-Island tour wholesalers upon the disbursement of
4 pertinent costs and commissions.

5 These arrangements effectively place the local tour agents and service
6 providers on a net tax basis for gross receipts tax. *However*, the outflow of
7 funds for unredeemed services represents lost revenue for the Guam tour
8 agents which could otherwise be retained locally.

9 By amending the law to allow gross receipts taxation on a net basis for
10 Guam tour agents, the inequitable pyramiding effect of the gross receipts tax
11 will be reduced. Additionally, the need and incentive for trust account
12 arrangements will be eliminated. Guam tour agents will be encouraged to
13 receive payments from the off-Island tour wholesaler as reportable income
14 since they could then offset such income with deductions *not* otherwise
15 allowed. Additionally, funds for unredeemed services will be retained
16 locally, creating working capital for the Guam tour agents and generate
17 additional income tax revenue for the government of Guam.

18 **Section 2.** Section 26202(j) is hereby *added* to Article 2, Chapter 26,
19 Division 2 of Title 11 of the Guam Code Annotated to read as follows:

20 **“Section 26202(j). Tour Agencies.** Upon every person
21 engaging or continuing within Guam in the business of a tour agency or
22 travel agency, where tourism-related services are furnished to
23 consumers by independent vendors through arrangements made by a
24 travel agency, or tour packager, and the gross income is divided

1 between the provider of the services on the one hand and the travel
2 agency or tour packager on the other hand, a tax equivalent of four
3 percent (4%) shall be imposed on each person with respect to such
4 person's respective portion of the proceeds, and no more.

5 Where transient accommodations are furnished through
6 arrangements made by a travel agency or tour packager, the gross
7 income is divided between the provider of the transient
8 accommodations on the one hand and the travel agency, or tour
9 packager, on the other hand, a tax equivalent of four percent (4%) shall
10 be imposed on each person with respect to such person's respective
11 portion of the proceeds, and no more.

12 (1) As used in this Subsection 'tourism-related services'
13 shall mean dinner cruises, transportation included in a tour
14 package, sight seeing tours, dinner shows, extravaganzas, cultural
15 and educational facilities, and other services rendered directly to
16 the customer or tourist.

17 (2) As used in this Subsection 'transient accommodations'
18 shall mean hotel, lodging facility, or similar facility located on
19 Guam and subject to the provisions of §30101 of Division 2,
20 Chapter 30 of Title 11 of the Guam Code Annotated."

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

(Included in File w/ All Bills Transmitted)

BILL NO. 240(25)

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: _____

- 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

I MINA' BENTE SINGKO NA LIHESLATURAN GUAHAN

2000 (SECOND) Regular Session

Date: 3/9/00 6,

VOTING SHEET

Bill No. 240(COR)

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 14 0 0 0 1

CERTIFIED TRUE AND CORRECT:

Clerk of the Legislature

* 3 Passes = No vote
EA = Excused Absence



COPY

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

February 14, 2000

(DATE)

Memorandum

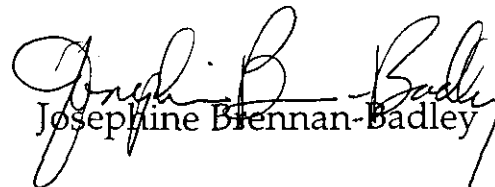
To: Senator SIMON A. SANCHEZ

From: Clerk of the Legislature

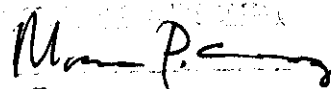
Subject: Report on Bill No. 240 (LS)

Pursuant to §7.04 of Rule VII of the 25th Standing Rules, transmitted herewith is a copy of the Committee Report on Bill No. 240 (LS) 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


12:01 PM
02-14-00



ina' Bente Singko Na Liheslaturan Gu n
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@lte.net
120 Father Dueñas Avenue, Capitol Plaza, Suite 109
Hagåtña, Guam 96910

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

February 1, 2000

The Honorable Antonio R. Unpingco
Speaker
I Mina' Bente Singko Na Liheslaturan Guahan
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. 240 (LS)** "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.", does hereby report back, with the recommendation **TO DO PASS**.

Votes of the Committee members are as follows:

To Pass	<u>6</u>
Not to Pass	_____
Abstain	_____
Off-Island	_____
Not Available	_____

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

Si Yu'os Ma'ase',


SENATOR EDDIE BAZA CALVO
Chairman

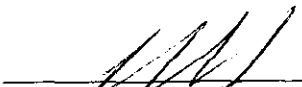



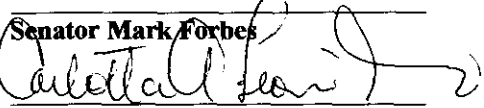

Attachments

**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

VOTING SHEET:

BILL NO. 240 (LS) "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."

<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 Kaleo S. Moylan Vice-Chairman				
Speaker Antonio R. Unpingco Ex-Officio Member				
 Vice-Speaker L. E. 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

COMMITTEE REPORT

ON

BILL NO. 240 (LS)

“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.”

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,
MUNICIPAL AND COMMUNITY AFFAIRS**

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

BILL NO. 240 (LS)

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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. 240 (LS)**. 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 12th, 17th and 19th.

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 was submitted to PPWTRRM&CA and are as follows:

<u>Testimonies</u>	<u>Testimony Presented</u>	<u>Herein Attached As</u>
Eloise R. Baza , President, Guam Chamber of Commerce	Written	Exhibit “A”
Akiji Ono , Chairman, Japan Guam Travel Association	Written	Exhibit “B”

*Both testimonies were in support of the measure. Please refer to attached written statements.

III. FINDINGS & RECOMMENDATION

Currently, tour agents have been unduly taxed a gross receipts tax of 4% on revenues collected directly from customers and local or foreign tour wholesalers. This is done without regard to deductions for amounts paid to the providers of these tourism-related services. Furthermore, providers of other tourism related services such as hotels, restaurants, bus companies, etc. are also subject to the 4% gross receipts tax on the amounts received from Guam tour agents. The result is a pyramiding effect that has forced many local tour agents to enter into arrangements with off-island tour wholesalers to have funds placed in non-interest bearing trust accounts. The funds in the trust accounts remain the property of the off-island tour wholesaler until they are disbursed by the local tour agent for hotel, transportation and other tour related activities and services provided to the customer. Excess funds in the trust accounts are then returned to the off-island tour wholesaler upon the disbursement of pertinent costs and commissions.

Bill No. 240 (LS) seeks to allow for gross receipts taxation on a net basis for Guam tour agents. The Committee finds that this would curtail the pyramiding effect as well as eliminate the need and incentive for trust account arrangements. Guam tour agents will be encouraged to receive payments from off-island tour wholesalers as reportable income since they could then off-set such income with deductions not otherwise allowed. Furthermore, funds that otherwise would have been kept off-island in trust accounts, for unredeemed services, will be kept locally. The Committee further finds that this would create working capital for Guam tour agents and generate additional income tax revenue for the government of Guam. The Committee therefore, reports out **BILL NO. 240 (LS)**, to *I Liheslaturan Guåhan*, with the recommendation **TO DO PASS**.

JUN 17 1999

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

Bill No. 240 (CS)

Introduced by:

S. A. Sanchez II *SAS*
E. B. Calvo *EC*
K. S. Moylan *KSM*

**AN ACT TO AMEND §26202 OF ARTICLE 2,
CHAPTER 26, TITLE 11, GUAM CODE
ANNOTATED, TO ALLOW THE DIVISION OF
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RECEIPTS TAX ON EACH SUCH PERSON'S
RESPECTIVE PORTION OF THE PROCEEDS.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings and Intent. Guam derives its major source of revenue from the tourism industry. In recent times, the tourism industry has been faced with increasing competition from other tourist destinations such as Hawaii, Okinawa and other foreign venues. In order for Guam to remain a competitive destination venue, it is incumbent that the Government of Guam provide incentives to businesses which fuel Guam's economic engine.

Generally, tour agents receive funds from tour wholesalers or directly from customers to cover package tour costs such as hotel, restaurants, ground transportation and other tourism related activities. Currently, Guam tour agents are subject to a 4% gross receipts tax on the gross proceeds

1 collected directly from customers and local or foreign tour wholesalers
2 without regard to deductions for amounts paid to the providers of these
3 tourism related services. In addition, the providers of these tourism related
4 services such as hotels, restaurants, bus companies, etc., are also subject to
5 the 4% gross receipts tax on the amounts received from the Guam tour
6 agents. This tax structure creates a potential for a pyramiding effect of the
7 gross receipts tax and places Guam tour agents at a competitive disadvantage
8 from the standpoint of cost and pricing.

9 In response to this, many local tour agents have entered into
10 agreements with the off-island tour wholesalers so that funds are placed in
11 non-interest bearing trust accounts. The funds in the trust accounts remain
12 the property of the off-island tour wholesaler until they are disbursed by the
13 local tour agent for hotel, transportation and other tour related activities and
14 services provided to the customer. Excess funds, if any, in the trust account
15 are then returned to the off-island tour wholesalers upon the disbursement of
16 pertinent costs and commissions.

17 These arrangements effectively place the local tour agents and service
18 providers on a net tax basis for gross receipts tax. However, the outflow of
19 funds for unredeemed services represents lost revenue for the Guam tour
20 agents which could otherwise be retained locally.

21 By amending the law to allow gross receipts taxation on a net basis for
22 Guam tour agents, the inequitable pyramiding effect of the gross receipts tax
23 will be reduced. Additionally, the need and incentive for trust account
24 arrangements will be eliminated. Guam tour agents will be encouraged to
25 receive payments from the off-island tour wholesaler as reportable income

1 since they could then offset such income with deductions not otherwise
2 allowed. In addition, funds for unredeemed services will be retained locally,
3 creating working capital for the Guam tour agents and generate additional
4 income tax revenue for the Government of Guam.

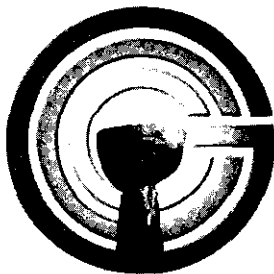
5 **Section 2.** Subsection (j) is hereby added to section 26202 Article 2,
6 Chapter 26, Title 11, Guam Code Annotated, to read as follows:

7 **“§26202(j). Tour Agencies.** Upon every person engaging or
8 continuing within Guam in the business of a tour agency or travel agency,
9 where tourism related services are furnished to consumers by independent
10 vendors through arrangements made by a travel agency or tour packager and
11 the gross income is divided between the provider of the services on the one
12 hand and the travel agency or tour packager on the other hand, a tax
13 equivalent of 4% shall be imposed on each person with respect to such
14 person’s respective portion of the proceeds and, no more.

15 Where transient accommodations are furnished through arrangements
16 made by a travel agency or tour packager the gross income is divided
17 between the provider of the transient accommodations on the one hand and
18 the travel agency or tour packager on the other hand, a tax equivalent of 4%
19 shall be imposed on each person with respect to such person’s respective
20 portion of the proceeds and, no more.

21 **(1)** As used in this subsection “tourism related services” shall mean
22 dinner cruises, transportation included in a tour package, sight seeing tours,
23 dinner shows, extravaganzas, cultural and educational facilities and other
24 services rendered directly to the customer or tourist.

1 **(2)** As used in this subsection "transient accommodations" shall mean
2 hotel, lodging facility, or similar facility located on Guam and subject to the
3 provisions of §30101, Division 2, Chapter 30, Title 11, Guam Code Annotated.



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

OFFICE OF SENATOR
EDDIE BAZA CALVO
Date: 11/3/00 Time: 4:30
Received By: [Signature]

1 9 2 4 - 1 9 9 9

December 15, 1999

SENATOR EDDIE BAZA CALVO
Chairman
Committee on Power, Public Works, Tax and Regulatory
Reform, Municipal and Community Affairs
I Mina'Bente Singko Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

RE: BILL NO. 240

Dear Mr. Chairman and Members of the Committee:

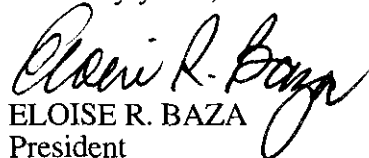
On behalf of the Guam Chamber of Commerce, I write to state our full support of passage of Bill No. 240, a measure that will put an end to the pyramiding effect of the Gross Receipts Tax on the gross incomes of travel agencies, tour packagers, and providers of tourism-related services or transient accommodations.

During these difficult economic times, it is crucial that policy makers and tourism industry leaders continue to work hand in hand to find new visitor markets as well as reduce our costs as a tourist destination.

Through a close working dialogue with the Guam Legislature and the Executive Branch, we expanded our visitor customer base last year to include U.S. military R&R tourists. The support of this same working partnership of cost-cutting initiatives such as Bill No. 240 is critical to our endeavors to make Guam a more competitive visitor destination.

We thank the sponsors of Bill No. 240 and the members of the Committee for being actively involved in our recovery efforts. Please let us know how we can assist you in encouraging all your colleagues to vote to pass Bill No. 240. Si Yu'us Maase.

Sincerely yours,


ELOISE R. BAZA
President

"EXHIBIT A"

Japan Guam Travel Association
c/o Suite 420, GITC Building
590 South Marine Drive
Tamuning, Guam 96911

OFFICE OF SENATOR
EDDIE BAZA CALVO
Date: 12/16/99 Time: 11:12
Received By: Adrienne

December 14, 1999

Honorable Eddie Baza Calvo
Chairman
Committee on Power, Public Works, Tax and Regulatory Reform,
Municipal and Community Affairs
25th Guam Legislature
155 Hessler Street
Hagatna, Guam 96910

Re: Support of Bill 240

Dear Mr. Chairman:

The Japan Guam Travel Association supports Bill 240 and believes that this amendment to the gross receipts tax law is a positive step in the right direction in simplifying the gross receipts tax law as applied to Guam tour agents.

The existing gross receipts tax law provides obstacles to the way business transactions are structured and as a result creates administrative burdens on Guam tour agents. Because of the pyramiding effect of the gross receipts tax under current law, tour agents utilize trust accounts with the tour wholesalers in Japan to ensure that they are taxed only on their portion of gross income. If Bill 240 becomes law, trust accounts would no longer be necessary. In addition to the reduced accounting and other administrative burdens associated with maintaining the trust account, Bill 240 would allow the local tour agent to more efficiently conduct business directly with the local tourism related service providers. This will give an incentive to the Guam tour agent to negotiate better rates with the local tourism related service providers. This reduction in tour costs would translate to overall lower tour prices and thus making Guam a more attractive tourist destination.

Obviously, a common objective of the members of JGTA is to increase the number of tourists that visit Guam and to maintain Guam as a popular tourist destination. We feel that Bill 240 will assist the Guam travel agents in increasing the tourist count and contribute positively to the economy of Guam.

If you have any questions, please let me know.

Very truly yours,



Akiji Ono
Chairman

"EXHIBIT B"

NOTICE OF PUBLIC HEARING

Mina' Bente Singko Na Liheslaturan 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. 156(COR): AN ACT TO AMEND 699901(b) OF ARTICLE 9 OF CHAPTER 68 OF TITLE 21, GUAM CODE ANNOTATED RELATIVE TO THE SHARING OR REVENUE AND EXPENSES FROM THE OPERATIONS OF THE "DEDEDO BUFFER ZONE" (Introduced by: L.F. Kasperbauer)

Bill No. 240(COR): 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. 248(COR): AN ACT TO AMEND 26403 AND 26404(h), ADD 26403.1 OF CHAPTER 26, ARTICLE 4 DIVISION 2, TITLE 11 GUAM CODE ANNOTATED AND AMEND 26101(v) AND ADD 26101(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(COR): 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 (e) 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)(b)(c) AND ADD NEW SECTIONS 4105 (a)(b)(c)(d) and (e) 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(COR): 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 A REFUSE RECYCLING PROGRAM AT THE DEPARTMENT OF PUBLIC OF WORKS. (Introduced by: K.S. Moylan)

Bill No. 318(COR): AN ACT TO ADD A NEW SUBSECTION 40128(g) TO CHAPTER 40, DIVISION 4 OF 5 OCA RELATIVE TO THE POWERS, DUTIES AND RESPONSIBILITIES OF MUNICIPAL PLANNING COUNCIL AND TO AMEND 40131 RELATIVE TO THE MUNICIPAL LITTER AND DEFACEMENT FUND. (Introduced by: E.B. Calvo)

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. (Introduced by: L.F. Kasperbauer)

Hearing will take place in the Public Hearing Room of
 I Liheslaturan Guahan, 155 Hesler 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

NOTICE OF PUBLIC HEARING

Mina' Bente Singko Na Liheslaturan Guahan
 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

Bill No. 156(COR): AN ACT TO AMEND 699901(b) OF ARTICLE 9 OF CHAPTER 68 OF TITLE 21, GUAM CODE ANNOTATED RELATIVE TO THE SHARING OR REVENUE AND EXPENSES FROM THE OPERATIONS OF THE "DEDEDO BUFFER ZONE" (Introduced by: L.F. Kasperbauer)

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Hearing will take place in the Public Hearing Room of
 I Liheslaturan Guahan, 155 Hesler 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

YOUNIS ART STUDIO

~~BZ 10~~
(Rec'd 6/17 at 4pm) JUN 17 1999

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

Bill No. 240 (OS)

Introduced by:

S. A. Sanchez II *SAS*
E. B. Calvo *EC*
K. S. Moylan *KSM*

**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.**

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings and Intent. Guam derives

its major source of revenue from the tourism industry. In recent times, the tourism industry has been faced with increasing competition from other tourist destinations such as Hawaii, Okinawa and other foreign venues. In order for Guam to remain a competitive destination venue, it is incumbent that the Government of Guam provide incentives to businesses which fuel Guam's economic engine.

Generally, tour agents receive funds from tour wholesalers or directly from customers to cover package tour costs such as hotel, restaurants, ground transportation and other tourism related activities. Currently, Guam tour agents are subject to a 4% gross receipts tax on the gross proceeds

1 collected directly from customers and local or foreign tour wholesalers
2 without regard to deductions for amounts paid to the providers of these
3 tourism related services. In addition, the providers of these tourism related
4 services such as hotels, restaurants, bus companies, etc., are also subject to
5 the 4% gross receipts tax on the amounts received from the Guam tour
6 agents. This tax structure creates a potential for a pyramiding effect of the
7 gross receipts tax and places Guam tour agents at a competitive disadvantage
8 from the standpoint of cost and pricing.

9 In response to this, many local tour agents have entered into
10 agreements with the off-island tour wholesalers so that funds are placed in
11 non-interest bearing trust accounts. The funds in the trust accounts remain
12 the property of the off-island tour wholesaler until they are disbursed by the
13 local tour agent for hotel, transportation and other tour related activities and
14 services provided to the customer. Excess funds, if any, in the trust account
15 are then returned to the off-island tour wholesalers upon the disbursement of
16 pertinent costs and commissions.

17 These arrangements effectively place the local tour agents and service
18 providers on a net tax basis for gross receipts tax. However, the outflow of
19 funds for unredeemed services represents lost revenue for the Guam tour
20 agents which could otherwise be retained locally.

21 By amending the law to allow gross receipts taxation on a net basis for
22 Guam tour agents, the inequitable pyramiding effect of the gross receipts tax
23 will be reduced. Additionally, the need and incentive for trust account
24 arrangements will be eliminated. Guam tour agents will be encouraged to
25 receive payments from the off-island tour wholesaler as reportable income