

7/22



EDDIE BAZA CALVO  
Governor

RAY TENORIO  
Lieutenant Governor

*Office of the Governor of Guam*

July 18, 2012

Honorable Judith Won Pat  
Speaker  
*I Mina' Trentai Unu na Liheslaturan Guåhan*  
155 Hesler Place  
Hagåtña, Guam 96932

31-12-1692  
Office of the Speaker  
Judith T. Won Pat, Ed. D.  
Date 7/24/12  
Time 4:16 pm  
Received by [Signature]  
2012 JUL 24 PM 4:32 X

Dear Madam Speaker,

Transmitted herewith is Bill No. 470-31 (LS), entitled: **“AN ACT TO AMEND §50103 OF CHAPTER 50 OF DIVISION 2, TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE INCOME TAX REFUND RESERVE FUND,”** which I signed into law on June 5, 2012, as **Public Law 31-214**.

The Calvo-Tenorio Administration is committed to righting the fiscal ship that has struggled to stay afloat in a sea of unfunded mandates, including the payment of tax obligations from prior years. The passage into law of Bill 470-31 provides another tool with which the Administration may chip away at a deficit which includes 2011 tax refunds still due and owing. Through a combination of bond proceeds and by using current year cash receipts, the Government has paid over \$312M in tax refunds for tax years 2011 and prior. We are grateful that the Legislature recognized the logic and simple mathematics associated with paying down the short term 2011 tax debt before setting aside funding for the 2012 taxes a year before they become due.

By allowing the tax reserve fund to be used to pay 2011 tax refunds, we realize savings in terms of eliminating interest payments, and we are able to provide our citizens with much needed financial relief, and increase their confidence in the ability of the government to serve its citizens. My Administration is hopeful that the executive and legislative branches may continue on this positive track as we work to reduce the deficit and as we approach the upcoming budget discussions.

In fiscal year 2011, the preliminary unaudited financials of the General Fund show a deficit of over \$300M – attributable to overly optimistic financial projections that drove unrealistic appropriation levels. This Administration has been diligently developing a plan to reduce the deficit, but the deficit will not magically disappear with the start of a new fiscal year. Simply put, the cash collected today is used to pay for obligations of yesterday and to fund current operations, which in turn does not allow the ability for the Government to set aside funds for tomorrow.

Recently, I issued a directive to department heads from the various executive branch agencies to identify \$43M in governmental expenditures that will be considered for elimination in the FY2013 budget. My aggressive approach to cost containment and reduction has led to the implementation of fiscal programs and policies to include improved cash management, budget reform, fiscal discipline and

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numerous economic development initiatives. We have already begun to see the benefits of our hard work, but the journey to financial stability and, eventually, prosperity for the government of Guam is far from over.

We call upon the Legislature to support initiatives to address the gap that exists regarding our deficit. We look forward to our branches' continued collaboration towards a brighter economic future for our island, starting with the most basic task of timely paying the Government's obligations and striving never again to fall behind on returning citizens' hard earned money to them.

*Senseramente,*

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Eddie Baza Calvo.

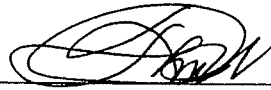
**EDDIE BAZA CALVO**  
**Governor of Guam**

Attachment: copy of Bill

**I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN**  
**2012 (SECOND) Regular Session**

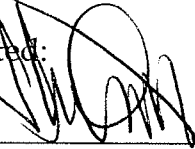
**CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN**

This is to certify that Bill No. 470-31 (LS), "AN ACT TO AMEND § 50103 OF CHAPTER 50 OF DIVISION 2, TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE INCOME TAX REFUND RESERVE FUND", was on the 4<sup>th</sup> day of June, 2012, duly and regularly passed.



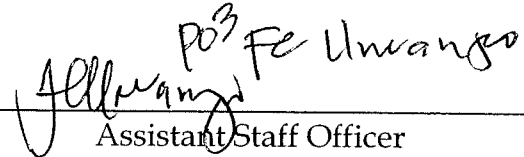
Judith T. Won Pat, Ed.D.  
Speaker

Attested:




Tina Rose Muña Barnes  
Legislative Secretary

This Act was received by *I Maga'lahaen Guåhan* this 4 day of June, 2012, at 7:35 pm o'clock p.M.



Assistant Staff Officer  
Maga'laha's Office

APPROVED:

  
EDWARD J.B. CALVO  
*I Maga'lahaen Guåhan*

Date: JUN 05 2012

Public Law No. 31-214

*I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN*  
**2012 (SECOND) Regular Session**

**Bill No. 470-31 (LS)**

As amended on the Floor.

Introduced by:

Judith P. Guthertz, DPA

R. J. Respicio

T. C. Ada

Dennis G. Rodriguez, Jr.

B. J.F. Cruz

Aline A. Yamashita, Ph.D.

Sam Mabini, Ph.D.

V. Anthony Ada

T. R. Muña Barnes

Adolpho B. Palacios, Sr.

F. F. Blas, Jr.

M. Silva Tajeron

Chris M. Dueñas

V. C. Pangelinan

Judith T. Won Pat, Ed.D.

**AN ACT TO *AMEND* § 50103 OF CHAPTER 50 OF  
DIVISION 2, TITLE 11 GUAM CODE ANNOTATED  
RELATIVE TO THE INCOME TAX REFUND RESERVE  
FUND.**

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

2       **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds  
3 that the processing of income tax returns is prioritized pursuant to the date of  
4 filing by individual taxpayers. Accordingly, the priority of payments should be for  
5 obligations owed to the people of Guam. The timely payment of income tax  
6 returns is proper and should be an area of concern for the government of Guam.

1           The Income Tax Refund Efficient Payment Trust Fund requires a set aside  
2 for each subsequent tax year – in this instance, for tax year 2012 – regardless of  
3 current or past due tax liabilities, monies are accruing subject to provisions of law.  
4 These funds shall be deposited to the Income Tax Reserve Fund as requested by  
5 the Tax Commissioner as 2012 income tax returns are filed and become due.

6           The estimated liability of the government of Guam for the current 2011 tax  
7 year has been pegged at \$105 million. Recent success secured millions in Guam  
8 Bond proceeds, of which \$60 million will be dedicated to the drawdown of the  
9 2011 tax obligation. Still, for TY 2011 an estimated \$45 million shortfall will  
10 remain. This does not include recent filings of TY 2010 and prior years' claims  
11 and also does not include TY 2010 and prior years' "E" and "S" status claims that  
12 have since been converted to A Status. This amount is estimated to be \$22  
13 million. However, if the Administration is authorized to utilize the monies  
14 available in the Income Tax Refund Efficient Payment Trust Fund, which as  
15 reported by the Department of Administration, reflects a set aside of \$33 million  
16 as of May 2012, the government of Guam will be able to satisfy a total of \$93  
17 million in tax refund liabilities. Dedicating these monies to the 2011 and prior  
18 years' tax burden will further lessen the estimated amount owed by our  
19 government, provide a boost to our island economy and return, without delay, the  
20 people's money.

21           It is the intent of *I Liheslaturan Guåhan* to ensure that any reserves intended  
22 for a subsequent tax year be made available in order to ensure that any current or  
23 past due obligation is first settled. Reconciling the annual obligations of tax  
24 refunds owed to the people of Guam should be completed each year and any  
25 reserve in the Income Tax Refund Efficient Payment Trust Fund may be made  
26 available for this purpose.

1           **Section 2.** §50103 of Chapter 50 of Title 11 of the Guam Code Annotated  
2 is hereby *amended*.

3                   **“§ 50103. Formula for Reserve Funds for Income Tax Refunds,**  
4 **Earned Income Tax Credits, and Child Tax Credits.**

5           Each year, the Director of Revenue and Taxation, in consultation with  
6 the Director of Administration and the Director of the Bureau of Budget and  
7 Management Research, shall establish a formula for reserving income tax  
8 receipts to pay income tax refunds, earned income tax credits, and child tax  
9 credits. Such formula shall be derived from the statistical average of income  
10 tax refunds, earned income tax credits, and child tax credits issued in the  
11 previous three (3) years, and shall further provide for reserving income tax  
12 receipts, on a percentage basis, in order to accumulate sufficient cash  
13 reserves to pay projected income tax refunds, earned income tax credits, and  
14 child tax credits in a timely manner. Notwithstanding any other provision  
15 of law, such cash receipts may be used to pay for *prior years’* income tax  
16 refunds, earned income tax credits, and child tax credits.”

*6*

# I MINA' TRENTAI UNU NA LIHESLATURAN GUÅHAN

2012 (SECOND) Regular Session

Date: 6/4/12

## VOTING SHEET

Bill No. 470-31(15)

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

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

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
ADA, Thomas C.	✓				
ADA, V. Anthony	✓				
BLAS, Frank F., Jr.	✓				
CRUZ, Benjamin J. F.	✓				
DUENAS, Christopher M.	✓				
GUTHERTZ, Judith Paulette	✓				
MABINI, Sam	✓				
MUNA-BARNES, Tina Rose	✓				
PALACIOS, Adolpho Borja, Sr.	✓				
PANGELINAN, vicente (ben) cabrera					EA
RESPICIO, Rory J.	✓				
RODRIGUEZ, Dennis G., Jr.	✓				
SILVA TAIJERON, Mana	✓				
WON PAT, Judith T.	✓				
YAMASHITA, Aline A.	✓				

TOTAL

14      0      0      0      1

CERTIFIED TRUE AND CORRECT:

*Fatima C. Santos*  
Clerk of the Legislature

\* 3 Passes = No vote  
EA = Excused Absence

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN  
2012 (SECOND) Regular Session

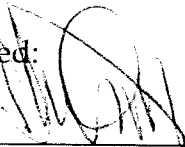
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This is to certify that Bill No. 470-31 (LS), "AN ACT TO AMEND § 50103 OF CHAPTER 50 OF DIVISION 2, TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE INCOME TAX REFUND RESERVE FUND", was on the 4<sup>th</sup> day of June, 2012, duly and regularly passed.



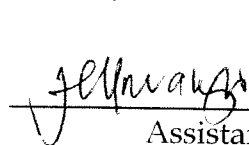
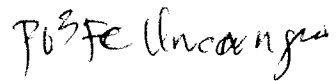
Judith T. Won Pat, Ed.D.  
Speaker

Attested:



Tina Rose Muña Barnes  
Legislative Secretary

This Act was received by I Maga'lahaen Guåhan this 4 day of June, 2012, at 7:35 o'clock P.M.

Assistant Staff Officer  
Maga'lahaen's Office

APPROVED:

EDWARD J.B. CALVO  
I Maga'lahaen Guåhan

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

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



***I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN***  
**2012 (SECOND) Regular Session**

**Bill No. 470-31 (LS)**

As amended on the Floor.

Introduced by:

Judith P. Guthertz, DPA  
R. J. Respicio  
T. C. Ada  

---

Dennis G. Rodriguez, Jr.  
B. J.F. Cruz  
Aline A. Yamashita, Ph.D.  
Sam Mabini, Ph.D.  
V. Anthony Ada  
T. R. Muña Barnes  
Adolpho B. Palacios, Sr.  
F. F. Blas, Jr.  
M. Silva Taijeron  
Chris M. Dueñas  
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Judith T. Won Pat, Ed.D.

**AN ACT TO *AMEND* § 50103 OF CHAPTER 50 OF  
DIVISION 2, TITLE 11 GUAM CODE ANNOTATED  
RELATIVE TO THE INCOME TAX REFUND RESERVE  
FUND.**

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

2           **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds  
3 that the processing of income tax returns is prioritized pursuant to the date of  
4 filing by individual taxpayers. Accordingly, the priority of payments should be for  
5 obligations owed to the people of Guam. The timely payment of income tax  
6 returns is proper and should be an area of concern for the government of Guam.

1           The Income Tax Refund Efficient Payment Trust Fund requires a set aside  
2 for each subsequent tax year – in this instance, for tax year 2012 – regardless of  
3 current or past due tax liabilities, monies are accruing subject to provisions of law.  
4 These funds shall be deposited to the Income Tax Reserve Fund as requested by  
5 the Tax Commissioner as 2012 income tax returns are filed and become due.

6           The estimated liability of the government of Guam for the current 2011 tax  
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20 people's money.

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25 reserve in the Income Tax Refund Efficient Payment Trust Fund may be made  
26 available for this purpose.

1           **Section 2.** §50103 of Chapter 50 of Title 11 of the Guam Code Annotated  
2 is hereby *amended*.

3                   **“§ 50103. Formula for Reserve Funds for Income Tax Refunds,**  
4 **Earned Income Tax Credits, and Child Tax Credits.**

5           Each year, the Director of Revenue and Taxation, in consultation with  
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**OFFICE OF THE SPEAKER**  
**JUDITH T. WON PAT, Ed.D.**  
CHAIRPERSON OF THE COMMITTEE ON EDUCATION AND PUBLIC LIBRARIES

---

**VICE CHAIR**

COMMITTEE ON TOURISM,  
MUNICIPAL AFFAIRS,  
HOUSING AND  
RECREATION

COMMITTEE ON  
TAXATION,  
APPROPRIATIONS, PUBLIC  
DEBT, BANKING,  
INSURANCE, RETIREMENT  
AND LAND

June 4, 2012

To: Honorable Rory J. Respicio  
Chairman, Committee on Rules

**COMMISSIONER**

GUAM COMMISSION ON  
DECOLONIZATION

GUAM FIRST  
COMMISSION

**RE: Waiver of Public Hearing Request on Bill No. 470-31(LS)**

After careful evaluation for a request to waive the requirements for a public hearing on Bill No. 470-31 (LS)

**Bill No. 470-31 (LS) AN ACT TO AMEND § 50103 OF CHAPTER 50 OF DIVISION 2, TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE INCOME TAX REFUND RESERVE FUND.**

**VICE PRESIDENT**

ASSOCIATION OF  
PACIFIC ISLAND  
LEGISLATURES  
(APIL)

I certify that Bill No. 470-31 (LS) meets a condition set forth in 2 GCA §2103(a), and that the requirements for a public hearing on Bill No. 470-31 (LS).

**BOARD MEMBER**

PACIFIC RESOURCES FOR  
EDUCATION  
AND LEARNING  
(PREL)

Senseramente,

Judith T. Won Pat, Ed.D.  
Speaker

**LEGISLATIVE  
REPRESENTATIVE**

PACIFIC ISLAND  
DEVELOPMENT BANK  
(PIDB)

Cc: Clerk of the Legislature

FESTIVAL OF THE  
PACIFIC ARTS  
(FESTPAC)

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN  
2012 (SECOND) Regular Session

2012 JUN - 1 PM 3:40

Bill No. 470-31(LS)

Introduced by:

Judith P. Guthertz, DPA  
Romy J. Ruspicio  
T.C. Ada  
D.G. Rodriguez, Jr.  
B.J. Cruz  
A.A. Yamashiro  
S.A. Mabini  
A.B. Patacos  
Frank F. Plas, Jr.  
M. SILVA (AISELON)  
CHRIS M. DENAS

AN ACT TO AMEND § 50103 OF CHAPTER 50 OF DIVISION 2, TITLE 11 GUAM CODE ANNOTATED RELATIVE TO THE INCOME TAX REFUND RESERVE FUND. V. ANTHONY ADA

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19 obligations of tax refunds owed to the people of Guam should be completed  
20 each year and any reserve in the Income Tax Efficient Return Fund may be  
21 made available for this purpose.

1           **Section 2.** Sub section 50103 of Chapter 50 of Title 11 of the Guam Code  
2 Annotated is hereby amended.

3           “§ 50103. **Formula for Reserve Funds for Income Tax Refunds, Earned**  
4 **Income Tax Credits, and Child Tax Credits.**

5           Each year, the Director of Revenue and Taxation, in consultation with  
6 the Director of Administration and the Director of the Bureau of Budget and  
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