



Guam – March 2020

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A MOVING TARGET': TAXPAYERS' DEBT TO GOVGUAM INCREASES FROM \$140M TO \$150M1

A moving target': Taxpayers' debt to GovGuam increases from \$140M to \$150M

Taxpayers owe the Government of Guam some \$150 million in outstanding and back taxes as of December 2019, higher than the \$140 million reported as of May 2019.

Department of Revenue and Taxation Director Dafne Shimizu said the amount of accounts receivables is "a moving target."

She said Rev and Tax has collected millions of dollars in back taxes because of aggressive efforts over the past year, but other taxes also become delinquent as months go by, so the total amount of tax debts change.

During the 2018 election season, candidates believed tax debts were at about \$200 million.

"Our team has been working to identify additional amounts that are out there to collect, and the (accounts receivables) balance is a continuing moving target, so this is something we continue to work on," Shimizu said in response to Sen. Sabina Perez's inquiry at a recent meeting of the Special Economic Services.

The meeting brought together fiscal experts from GovGuam and the private sector, along with senators, primarily to talk about the financial impact on Guam's economy of the ongoing coronavirus scare.

Rev and Tax over the past year worked with the Office of the Attorney General to pursue cases against delinquent taxpayers. Shimizu said this produced results, including a federal court decision ordering a businessman to pay \$3.7 million on delinquent taxes and penalties. Other cases are pending in court.

Shimizu gave senators some revenue collection updates, as well as collections resulting from the first law that Gov. Lou Leon Guerrero signed relating to higher taxes on real property improvements, or buildings, valued at \$1 million or more. This tax is separate from the one that applies to the land itself.

An inadvertent error in the fiscal 2019 budget law initially applied higher taxes only to property improvements worth exactly \$1 million, instead of those worth \$1 million "or more."

The law allowed for higher 2018 taxes retroactively applied to 524 property improvements worth \$1 million or more.

Property improvement taxes

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Shimizu said as of February 2020, collections as a result of this law were about \$5 million, still \$3 million below the anticipated \$8 million.

But Sen. Joe San Agustin, chairman of the Special Economic Services panel, pressed for more detailed data to show whether GovGuam actually collected more in taxes as a result of increasing the taxes on property improvements worth \$1 million or more.

Shimizu said the data will be provided to the panel later.

The Board of Equalization certified in October 2019 approximately \$37.5 million in real property taxes, and some \$20 million have so far been collected, Shimizu said.

In responding to Sen. Kelly Marsh's questions, Shimizu said Rev and Tax has designated workers focused solely on real property tax collections. Portions of these taxes go towards the Territorial Educational Facilities Fund.

The governor's fiscal team reminded senators that GovGuam has just entered a new tax season, so more updated data inclusive of real property taxes won't be available until a few months later.

More tax experts, training

Shimizu said Rev and Tax hired additional personnel as part of efforts to beef up revenue collection, including those on federal contracts. The hiring was also complemented by training.

For three weeks in November 2019, two IRS agents came to Guam to conduct training.

Shimizu said it's the first time in at least six years that IRS agents came to train local revenue personnel.

Four local tax investigators also received federal law enforcement training in South Carolina in December.

"That's something we haven't done in 20 years," Shimizu said.

The department also opened in October 2019 a tax collection section at the Business License and Permit Center in Tamuning, giving those applying for new or renewal business license the opportunity to pay taxes instead of making an additional trip to the Barrigada main office.

Sens. Therese Terlaje and Telo Taitague also requested the governor's fiscal team to provide data that shows the spending of fiscal 2019 revenues above appropriations level, or so-called "excess revenue."

Bureau of Budget and Management Research Director Lester Carlson said Adelup continues to use all resources available to reduce GovGuam deficit, so it's been asking senators not to appropriate 2019 revenues over adopted level.

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