



OFFICE OF SENATOR
Eulogio Shawn Gumataotao

38th Guam Legislature | *I Mina'trentai Ocho Na Liheslaturan Guāhan*

Senator Gumataotao to Colleagues on Bill 11-38 (COR): Support Lower Taxes and Invest in ALL of Guam.

*Overwhelming Support at Public Hearing for Legislation aimed at
Regaining Public Trust through Restoration of lower BPT rate*

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A public hearing was held on Senator Shawn Gumataotao's Bill 11 which if approved lowers taxes for families across Guam, by restoring the Business Privilege Tax (BPT) rate from 5% to 4%.

Increased by the 34th Guam Legislature in 2018, the now 7-year-old 5% BPT rate was described at the time as a temporary solution to replace revenue lost as a result of the Tax Cuts and Jobs Act of 2017.

As a candidate for public office, Senator Gumataotao made a commitment during the 2024 campaign to work on restoring the 4% BPT rate and with Bill 11 he remains eagerly prepared to work alongside other decision makers to carry out the difficult but necessary work of prioritizing government finances moving forward. In the face of federal funding cuts and a visitor industry still struggling to recover, Senator Gumataotao understands the importance of supporting the backbone of our economy, Guam's businesses and the thousands of women and men and their families who make up our private-sector.

"Bill 11 recognizes that when businesses continue to struggle and ultimately decide to close up shop, adjust staffing levels, or forgo employee benefits, this means less revenue for the government," said Senator Gumataotao. "Unfortunately, despite collecting more taxes and paying its workforce more than ever before, including higher employer rates for retirement and medical insurance contributions, the Government of Guam needs the vision and urgency to prioritize tourism recovery and improvements to the delivery of critical public healthcare, safety, and education services."

"What is my solution?," said Senator Gumataotao. "I say give back the temporary one percentage point in BPT to the very people and organizations that will multiply that money and generate much-needed economic activity benefiting all of Guam."

Baldyga Group Chairman and CEO Mark Baldyga supports Bill 11 offering that, "Despite our best efforts to rebuild, visitor arrivals – and therefore our revenues – remain under 50% of pre-COVID levels. Meanwhile, fixed costs such as payroll, utilities, and maintenance are only increasing with inflation. The result is that many tourism businesses, including ours, are operating at a loss. This situation is made worse by the fact that federal funds intended to support the sectors hardest hit by COVID — especially tourism — have been diverted to government projects that have nothing to do with COVID impact. We are now left trying to regrow the island's primary economic engine with minimal resources and a disproportionate tax burden."

“We welcome Bill No. 11-38’s targeted, broad reach, and intention to bring Business Privilege Tax relief to island businesses. Enactment of Bill No. 11-38 presents a wide range of options for potential reinvestment of BPT tax savings, including workforce new hires and retraining; customer service and other operating efficiency upgrades and enhancements; as well as a host of needed capital improvements,” added Guam Travel and Tourism Association Chairperson Jovyna Lujan and members of the Association’s leadership team.

Mr. Ernie Galito, Guam Chamber of Commerce Immediate Past President, wrote that Bill 11, “will benefit all levels of our society by allowing businesses like mine to reinvest in ways that matter – by creating jobs, training our workforce, and improving infrastructure such as our fleet and facilities. These investments ultimately translate to better products and services for our island’s consumers.”

Guam Contractors Association Chairman Matthew S. Hunter submitted testimony in support of Bill 11 and addressed one of the primary points that opponents of the measure have made that lowering the BPT will not result in lower costs to our people. Mr. Hunter wrote that, “While this argument may be true for some businesses this doesn’t speak for all of the businesses and even if businesses choose not to lower their prices, they are more likely to do other things with that 1% such as raise salaries and wages for their employees, hire additional employees, re-invest into their businesses such as renovations, clean-ups, carrying additional stock and inventory, invest in more training for their employees, technology upgrades, expansions and opening new locations, etc. all of these possibilities would help drive more economic activity within the island and drive additional taxes as well, which would offset any perceived loss in tax revenues anyway. The businesses that do actually lower their prices will in turn be more competitive.”

In her analysis of Bill 11 UOG Professor and Dean of the School of Business and Public Administration Roseann Jones wrote that, “BPT functions as a gross receipts tax affecting all business transactions, with costs typically incorporated into consumer pricing. A reduction from 5% to 4% would reduce business tax liability, saving businesses one-fifth of their current BPT obligation. Based on standard economic models, this should result in benefits to both businesses and consumers. Consumers would expect to see lower prices. The extent to which businesses pass tax savings to consumers depends on market competition levels, which vary significantly across sectors in Guam’s economy.”

“Let’s support our businesses because when they succeed, we all succeed,” said Senator Gumataotao. “When businesses make money, guess what? For better or for worse, the local government collects money through taxes that are assessed on our entrepreneurs – the very people who have sacrificed so much by believing and investing in Guam.”

According to comments from Finance Committee Chairman Christopher Duenas, the public hearing on Bill 11-38 (COR) will continue on a later date and relevant public notices will be made available once a schedule is confirmed.

For more information, please contact Senator Gumataotao’s office at (671) 647-1409/1411 or via email at office.senatorshawn@guamlegislature.gov.