

SPECIAL ACCOUNTING SERVICE MEETING

February 24, 2010

DOCUMENTATION OF MINUTES

AGENDA	DISCUSSION/TOPIC	ACTION/STATUS
<p>Attendance</p> <p>Previous Minutes</p> <p>Call to Order</p> <p>ARRA, GRT Pre-Award Collection</p>	<ul style="list-style-type: none"> • Henry Cruz (OFB) • Alfred Duenas (OFB) • Paul Terlaje (DRT) • Miki Leon Guerrero (BSP) • Albert Perez (BSP) • Elaine Ayuyu (DOA) • Goody Rosario (DOA) • Euglenn Diaz (BBMR) • Gary Hiles (DOL) <p>Paul Terlaje moved to accept the minutes (11/19/2009) as presented, motion carried by membership.</p> <p>Meeting was called to order at 9:30 am by Henry Cruz.</p> <p>OFB recommends to establish a policy to collect the GRT allocations for all the ARRA grants. (Once a contract has been awarded with notification to proceed, there would be a stipulation to pay the GRT for the entire project period.) Contracts include those for infrastructure and education facilities.</p> <p>Paul Terlaje advised the group that DRT has been meeting with NAVFAC to discuss military contracts where the naval base commander stated that anyone who has a contract in or outside the base, the contracts will be worded where the total amount of the GRT will be paid up-front. If the contractor fulfills tax filing requirements upon completion of the contract, then the contractor will get whatever was “fronted up” like a bond or collateral. The goal is to discourage off-island contractors from</p>	

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<p>Explanation of variance report</p> <p>Data from DRT</p> <p>Response of Auditors regarding formula to determine GovGuam income tax liability</p> <p>Aggregate Income Tax Data Discussion</p>	<p>performing work on Guam and leaving without paying taxes. The DRT is working with the Navy to figure out the language to include this agreement before a contract is signed and awarded. The Navy and the DRT Legal Counsel are still working together on this effort.</p> <p>Discussion took place regarding how a new policy would affect grants apart from ARRA since most ARRA contracts have already been awarded, etc. Miki Leon Guerrero asked how a new law would be effective if the ARRA contracts have already been awarded. Alfred Duenas explained that while most ARRA contracts may already been in place, the new law or policy will set precedence for all other contracts for the GRT to be paid up front.</p> <p>No comments</p> <p>Paul Terlaje explained that the formula used to calculate the income tax liability is based on a historical trend of what was paid out in prior years. By taking an average of the last 3 years, calculating it with some credits including the Earned Income Tax Credit and corporate tax refunds, the result was about \$100 million. (Historical reports from the last three years and average the total by three.) DRT looks at all the qualifying EIC taxpayers, a report is generated to get the count of the total number of taxpayers and the total number of EIC paid out.</p> <p>Paul Terlaje pointed out that per the minutes from the last meeting, this item has already been discussed--“reports of future tax liability...” The latest report as of February 22nd, “How much was offset from taxpayers who elected not to receive</p>	

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<p>Discussion for FY2011 Executive Request</p> <p>DEIS Comments made By Agency (of member) related to SAS matters</p> <p>NEW BUSINESS</p> <p>Recent reporting of collection revenues</p>	<p>Documents were handed to Glenn Diaz for feedback to be submitted at a later date.</p> <p>The SAS group was invited to provide feedback or comments.</p> <p>...</p> <p>Sixteen million dollar shortfall. Henry called on the group to offer comments or opinions on the shortfall.</p> <p>Paul Terlaje inquired with DOA as to what the difference in the shortfall would be if there was an opportunity to tally up the property taxes collected as of today. Elaine Ayuyu explained that it would fall under the Special Funds and that the funds collected would not reduce the shortfall because what was collected was not for the General Fund—instead, it reimburses the Special Funds that were transferred into the General Fund.</p> <p>Glenn advised that it’s still too early to determine the revenues for the first quarter.</p> <p>Miki Leon Guerrero says the military was too optimistic with the timeline thus leading to our anticipation of the buildup until the DEIS was released. The Real Estate market is starting to move up. The optimism that existed a year ago is no longer in existence. Treasury taking in the funding coming in to the Government of Guam due to DOC’s problem, while grant money/payments coming in to the</p>	

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	<p>Government of Guam and Treasury keeps the money.</p> <p>Goody explained that in December/January, the feds began to garnish funds but reimbursed the government later.</p> <p>Back in December/January, the feds garnished funds, but payment arrangements were made. The garnishment was reimbursed with the exception of the last reimbursement. When the governor's office requested it, the Department of Justice said that it was necessary for the funds to be withheld while we continue to make the \$250-thousand payment each month. This was as of January 31st.</p> <p>Income tax collection is up, because the withholding. Aside from the interest rates, a lot employees tend to increase the exemptions. Most of those tax payers don't realize that they'll end up paying, and we can tell from the individual income tax collection that we're up. In tax filing season, we're hoping that as people file we can expect another increase in the individual and corporate income tax. People may end up having to pay for the withholding to be adjusted.</p> <p>Paul: The problem is with allocating the forecast for the next 12 months. If the forecast is adjusted during the lift months, there's not a real \$16 million dollar hold.</p> <p>Glenn: Anomalies are not included in the forecast model.</p> <p>Miki: the greater impact is on leveling out the GRT with whether or not the workers will have money to spend in the community.</p>	<p>Goody Rosario to discuss with Kathy Kakigi and Director Lou Perez</p> <p>Glenn Diaz to review reports and provide feedback to OFB by Wednesday (03/03/10) Copies handed out to group</p>

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<p>Tax credit of \$5000 per new employee hire</p> <p>Attendance</p> <p>Adjournment</p>	<p>Gary: The FY08 projects are continuing, FY09 not very many, FY10 projects are just starting out.</p> <p>Al: Congress doesn't intend to fund any military buildup project without the completion of the EIS.</p> <p>The president's tax credit of \$5000 per new employee hire proposal doesn't have any exclusions for foreign workers; H2 workers will be eligible for the tax credit. If you combine that with the military, the new hires aren't going to be very much. But if you look at the buildup as planned, with hiring 5000 new people, they'll get a tax credit of \$5000 a piece per new employee. Not only that, there's also a tax credit for increased wages. The employers will be eligible for the tax credit. The new tax credit will be a lot more than the additional revenue. There have been other proposals for other tax credits. What should happen is to have someone go to the congresswoman's office.</p> <p>Paul will relay this information to Art Illagan for further discussion. The goal is to make sure that we get into the same reimbursement program as with the other credits.</p> <p>Paul suggested to include the names of those in attendance in the minutes.</p> <p>Meeting adjourned at 11:33 am</p>	