



Dipattamenton Kontribusion yan

Adu'aña

DEPARTMENT OF

**REVENUE AND TAXATION**

GOVERNMENT OF GUAM

Gubetnamenton Guåhan

FELIX P. CAMACHO, Governor Maga'läh  
MICHAEL W. CRUZ, Lt. Governor Tiñente Gubetnado

ARTEMIO B. ILAGAN, Director  
Direkto  
PAUL J. PABLO, Deputy Director  
Segundo Direkto

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MEMORANDUM:

April 27, 2009

TO: Timothy F. Geithner, Secretary of the U.S. Department of the Treasury

FROM: Director, Guam Department of Revenue and Taxation (GDRT)

SUBJECT: The Guam Making Work Pay Tax Credit - ARRA 2009 Plan

### I. Introduction

The Congress of the United States passed the American Recovery and Reinvestment Act (ARRA) of 2009, which President Obama approved and became law. In 2009 and 2010, the Making Work Pay provision of the ARRA will provide a refundable tax credit of up to \$400 for working individuals and up to \$800 for married taxpayers filing joint returns. The tax credit will be calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with modified adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly. For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take home pay. The amount of the credit will be computed on the employees 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return. It is not necessary to submit a Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or a married couple whose combined income places it in a higher tax bracket should consult the GDRT and, if necessary, submit a revised Form W-4 to ensure enough tax is withheld.

The Guam Department of Revenue and Taxation (GDRT) is requesting for the recovery of tax monies lost as a result of its implementation. Guam, as a mirror-code possession, is seeking to recover all amounts equal to the loss as stated in section 1001 of Title 1 of Division B of the American Recovery and Reinvestment Act of 2009. For purposes of determining the amount of recovery, GDRT's 2007 income tax return data was provided to the U.S. Department of the Treasury to arrive at an estimate in the amount of \$36.3 million dollars.

II. Recovery Payments

GDRT is requesting that recovery payments totaling \$36,300,000.00 be prorated quarterly for the calendar year 2009 and prorated monthly beginning the calendar year 2010. The targeted payment dates of the recovery amounts, both quarterly and monthly, are requested no later than the fifth business day of that quarter or month. The only exception on this proposal will be Quarter ending JUN '09, of which that payment is requested no later than May 5, 2009.

			<b>\$ 36,300,000.00</b>
MONTH – YEAR	PAYMENT METHOD	RECOVERY AMOUNT	BALANCE
APR '09 – JUN '09	QUARTERLY	\$ 8,100,000.00	\$ 28,200,000.00
JUL '09 – SEP '09	QUARTERLY	\$ 8,100,000.00	\$ 20,100,000.00
OCT '09 – DEC '09	QUARTERLY	\$ 8,100,000.00	\$ 12,000,000.00
JANUARY 2010	MONTHLY	\$ 2,700,000.00	\$ 9,300,000.00
FEBRUARY 2010	MONTHLY	\$ 2,700,000.00	\$ 6,600,000.00
MARCH 2010	MONTHLY	\$ 2,700,000.00	\$ 3,900,000.00
APRIL 2010	MONTHLY	\$ 2,700,000.00	\$ 1,200,000.00
MAY 2010	MONTHLY	\$ 1,200,000.00	0
<b>TOTAL</b>		<b>\$ 36,300,000.00</b>	

III. Filing Obligation

Guam taxpayers must file their 2009 Guam Individual Income Tax Returns in 2010 in order to ensure that they are eligible to take the credit even if their income tax withholding was reduced during 2009.

IV. Coordination with the U.S. Government

A. Dual Filers

Individuals eligible to receive the credit from Guam and who are required to file on Guam are not eligible to receive a credit from the U.S. Department of the Treasury by filing with the Internal Revenue Service.

## B. Information Sharing

Guam will provide the Internal Revenue Service (IRS) on a monthly basis beginning February 2010, in electronic format, the following information for individuals claiming the credit from the previous month:

- Name and social security number(s) of credit claimants and spouses;
- Addresses of the claimants;
- Amounts of the credits issued;
- Date of issuance; and
- Filing status of claimant(s)

Guam will submit monthly reports by the 15<sup>th</sup> day following the close of the month. Any exchange of taxpayer information between Guam and the IRS will be conducted under the Agreement on Coordination of Tax Administration between the United States and Guam dated July 12, 1985 or as otherwise authorized by law.

## V. Deposit of Recovery Monies

### A. Establishment of Trust Fund Not Required

Guam will not be required to establish a separate trust fund as withholding taxes collected on Guam are directly deposited in the Government of Guam's General Fund account.

### B. Shortfalls

In the event that Guam is required to allow credits claimed that are in excess of the monies recovered, Guam will certify to the IRS on a monthly basis the additional amounts needed as of the last month to pay the aggregate credits under procedures similar to those used for purposes of implementing the Additional Child Tax Credit (Under IRC section 24(d)) in Guam. The U.S. Department of the Treasury shall make a payment to Guam of the amounts certified during the last month under procedures similar to those used for purposes of implementing the Additional Child Tax Credit in Guam. However, it is anticipated that Guam will submit requests for these additional funds no later than six months after the income tax returns are filed for which the Making Work Pay Credit is claimed.

C. Return of Unused Amounts

Guam shall not allow claims for Making Work Pay Credits except for tax year 2009 unless otherwise authorized by law. Guam shall reconcile all monies recovered from the U.S. Department of the Treasury and return all unused monies to the Secretary of the Treasury by January 30, 2011.

D. Liability of the United States

The parties to this agreement recognize that the United States has not waived its sovereign immunity for a suit by either Guam or residents of Guam in connection with credits allowed to residents of Guam or amounts paid by the U.S. Department of the Treasury to Guam.

VI. Functional Plan for Implementation of the Making Work Pay Credits

IMPLEMENTATION

- Guam will comply with all federal guidelines and statutes to compute the Making Work Pay Credit.
- The validity of Social Security numbers are authenticated through a direct link with the Internal Revenue Service and their existing link to Social Security Administration (SSA).
- The Individual Income Tax Returns (1040 series) will be the documents to query all information to determine the eligibility for the credit.

VII. Outreach

Guam Department of Revenue and Taxation has communicated with and will continue to communicate with local media via radio, television, newspaper and its webpage to explain the credit eligibility and criteria process.

ARTEMIO B. ILAGAN  
DIRECTOR

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DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

JUN 16 2009

The Honorable Felix P. Camacho  
Governor of Guam  
Office of the Governor of Guam  
P.O. Box 2950  
Hagatna, Guam 96932

Dear Governor Camacho:

Thank you for your letter submitting the Guam Making Work Pay Tax Credit and American Opportunity Tax Credit Plan (the Plan). The American Recovery and Reinvestment Act of 2009, P.L. 111-5 (the Act), requires that the Treasury Department make payments to Guam in an amount equal to the loss to Guam by reason of the amendments made by section 1001 of the Act and the application of section 25A(i)(6) of the U.S. Internal Revenue Code of 1986, as amended (the Code).

In accordance with the Act, and as specified in the Plan, the Treasury Department will make payments to Guam to reimburse Guam for its loss due to the application of the Making Work Pay Credit for the 2009 and 2010 taxable years. Estimated payments to be made to Guam for the 2009 taxable year will total \$36.3 million. Separate payments will be made for the 2010 taxable year.

In the event that the Making Work Pay Credits properly claimed by residents of Guam exceed the payments made to Guam by the Treasury Department, the Treasury Department will reimburse Guam for any such additional amounts certified by Guam using procedures similar to those used for purposes of implementing the Additional Child Tax Credit in Guam. Guam will return to the Treasury Department any excess of amounts received over the Making Work Pay Credit amounts properly claimed.

In addition, the Treasury Department will reimburse Guam for its loss due to the application of the refundable portion of the American Opportunity Tax Credit, as certified by Guam using procedures similar to those used for purposes of implementing the Additional Child Tax Credit in Guam.

Sincerely,

Michael F. Mundaca  
Acting Assistant Secretary (Tax Policy)

**ARRA 2009 and 2010  
GUAM - REIMBURSEMENT SCHEDULE**

ARRA 2009 and 2010 - GUAM - REIMBURSEMENT SCHEDULE - \$ 24,300,000.00

2009 Period	Transfer Due Date	Actual Date	Amount
Apr - Jun 2009	Upon signature		\$ 8,100,000.00
July - Sep 2009	Friday, July 03, 2009		\$ 8,100,000.00
Oct - Dec 2009	Friday, October 02, 2009	Friday, October 02, 2009	\$ 8,100,000.00
CY09 Subtotal			\$ 24,300,000.00

  

2009 Period	Transfer Due Date	Actual Date	Amount
January-10	Monday, January 05, 2010		\$ -
February-10	Wednesday, February 03, 2010		\$ 2,400,000.00
March-10	Wednesday, March 03, 2010		\$ 3,600,000.00
April-10	Friday, April 02, 2010	Friday, April 02, 2010	\$ 2,400,000.00
May-10	Monday, May 03, 2010		\$ 1,800,000.00
June-10	Thursday, June 03, 2010		\$ 1,800,000.00
CY10 Subtotal			\$ 12,000,000.00

\*\* Indicates a TY2009 and TY2010 payment due at the same time

**ARRA 2009 and 2010  
GUAM - REIMBURSEMENT SCHEDULE**



2010 Period	Transfer Due Date	Actual Date	Amount
Jan - Mar 2010	Sunday, January 03, 2010	Monday, January 04, 2010	\$ 6,422,500.00
Apr - Jun 2010	Saturday, April 03, 2010	Friday, April 02, 2010	\$ 6,422,500.00
July - Sep 2010	Saturday, July 03, 2010	Friday, July 02, 2010	\$ 6,422,500.00
Oct - Dec 2010	Sunday, October 03, 2010	Friday, October 01, 2010	\$ 6,422,500.00
CY10 Subtotal			\$ 25,690,000.00

2010 Period	Transfer Due Date	Actual Date	Amount
January-11	Monday, January 03, 2011		\$ -
February-11	Thursday, February 03, 2011		\$ 2,202,000.00
March-11	Thursday, March 03, 2011		\$ 3,303,000.00
April-11	Sunday, April 03, 2011	Monday, April 04, 2011	\$ 2,202,000.00
May-11	Tuesday, May 03, 2011		\$ 1,651,500.00
June-11	Friday, June 03, 2011		\$ 1,651,500.00
CY 11 Subtotal			\$ 11,010,000.00

\*\* Indicates a TY2009 and TY2010 payment due at the same time

**ARRA TAX EFFECTS**  
(Estimates as of 6/17/2009)

<u>Type of Credit</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Making Work Pay Credit (based on 2007 returns filed)	N/A	\$28,762,519	\$28,462,519
American Opportunity Credit (estimate)	N/A	\$1,000,000	\$1,000,000
Earned Income Credit (based on 2007 returns filed)	\$35,839,774 (pre- ARRA)	\$40,276,948	\$44,714,122
1 <sup>st</sup> Time Home Buyer Credit (based on RPT applications for Home exemption in 2008)	\$2,625,000 (\$7500x350) (pre-ARRA)	\$2,800,000 (\$8000x350)	\$2,800,000 (\$8000x350)
Government Retirees Credit (based on 7,127 GGRF retirees as of 2008)	N/A	\$1,781,750	\$1,781,750