



OFFICE OF PUBLIC ACCOUNTABILITY  
Doris Flores Brooks, CPA, CGFM  
Public Auditor

April 3, 2018

Honorable Benjamin J.F. Cruz  
Speaker and Committee on Appropriations and Adjudication Chairman  
34<sup>th</sup> Guam Legislature  
Guam Congress Building  
163 Chalan Santo Papa  
Hagatna, Guam 96910

Re: Bill 261-34 relative to increasing the real property tax rate

Hafa Adai Speaker Cruz and Committee Members:

With the expected dramatic decline in General Fund Revenues as a result of the Tax Cuts and Jobs Act of 2017, better known as the Trump Tax Cuts, the Government of Guam must look at every area to increase revenues, while correspondingly reduce expenditures. Based on our last audit of real property taxes, Report No. 13-03 issued August 2013, Guam's property tax rates ranked among the lowest of the 50 states. Guam also ranked the lowest among the 50 states in property values. Accordingly, we are in support of Bill 261.

Bill 261 proposes to increase the real property tax rate or more specifically the building tax rate from 7/18% or .003888889 to 7/9% or .007777778. Based on our estimates, this would bring in over \$22 million in additional real property tax revenues in FY 2019. While the effective date is not specified, you may want to clarify that the increase is effective for the next real property tax assessment. The Board of Equalization must approve the certified tax roll no later than October 31, 2018, if the new rate is to go into effect for the February and April 2019 payment due dates.

We want to caution Senators not to change the Assessed Value Rate, which is presently at 90%. Lowering the Assessed Value Rate would offset any proposed building rate increase.

OPA is currently conducting an audit of real property taxes. What we have found is that various legislation, such as P.L. 31-196, in effect lowered the overall real property tax rate rather than increased it. While this law increased the assessed value rate to 100% from 90%, it lowered the land and building tax rates thereby nearly nullifying any potential increase.

Similarly, P.L. 33-185 lowered the Assessed Value Rate from 100% to 90%; thus, nullifying any potential increase in revenues.

Unlike the special revenue funds of the Tourist Attraction Fund (TAF) and the Guam Highway Fund, which have annual financial audits, the Territorial Educational Facilities Fund (TEFF) is not annually audited. With the passage of this bill, estimated revenues of the TEFF will likely be comparable to the TAF, if not greater. We recommend that a provision be added to the bill to require an annual financial audit of the TEFF with payment of the audit to come from the same fund. This would ensure further accountability and transparency.

Senseramente,

A handwritten signature in blue ink, appearing to read 'Doris Flores Brooks', written in a cursive style.

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