



NEWS: Bill That Encourages Economic Growth Signed Into Law

A release from the Governor's Office • Contact Julius Santos at 475-9379 or Julius.Santos@Guam.gov

“Guam over these past few years has enjoyed stable growth. And in comparison to other economies, which are experiencing tough times, it’s an admirable position to be in. However, we can’t rest on our laurels. We understand this economy is tied to internal and external factors – so it’s important that we act aggressively on those under our control. Tourist numbers have continued to grow and we’ve reached capacity. It’s important to take that next step. Signing this bill into law is a part of that next step.”

– Governor Eddie Baza Calvo

[Bill 416-32 \(LS\) signed into Public Law 32-232](#)

At a time when our island is enjoying stable growth and anticipating more growth, Gov. Eddie Baza Calvo signed into law Bill 416-32.

Introduced by Sen. Dennis Rodriguez, the bill provides for special tax incentives specific to hotels as part of the Guam Economic Development Agency’s Qualifying Certificate program. These incentives aim to spur construction of an additional 1,600 hotel rooms, as well as allow for the improvement and expansion of existing rooms.

Guam’s visitor arrivals have grown over the last few years, hitting 1.3 million visitors in 2013. With further growth expected in the tourism industry, it is now necessary to meet the growing demand for hotel rooms.

In conjunction with the Guam Visitor’s Bureau’s “Tourism 20/20 Plan,” this public law will help us meet the goal to build 1,600 additional hotel rooms by 2020.

Lt. Gov. Ray Tenorio, who has worked closely with the Guam Visitors Bureau, continues to meet with tourism industry leaders in various countries. He noted the importance of increasing Guam’s tourism industry capacity.

“Guam has hit a critical time. This bill allows us to act on opportunities to grow our economy – creating jobs for Guamanians and improving revenues that will benefit Guamanians in the increased and improved services their government can provide,” stated Lt. Gov. Ray Tenorio.

Overview of Legislation

Tax benefits under the provisions of this legislation are pegged to 10% of construction costs, making clear to both the government of Guam and the developer the dollar amount of taxes to be rebated. The QC program, since its inception, has been a successful tool in GEDA's efforts to entice investment into Guam. This industry specific opportunity will make the program even more attractive.

The bill also has a sunset provision: it will remain in effect for either five years, until 1,600 rooms have been built, or the China Visa Waiver or China Visa Parole is declared. When one of these goals have been met the program will be reviewed and, based on public input, may be extended an additional two years by GEDA Board Resolution.

The benefits derived for both the investor, the government and the community are clear from the beginning to include the following:

- This new program will entice reluctant developers shying away because of naturally high development costs versus Asia;
- The new program provides flexibility to the QC beneficiary as the law sets forth a menu of tax benefits they can utilize at their discretion until the pre-determined benefit amount is exhausted. Research shows that the preferred forms of tax incentives are those that provide for faster recovery of investment costs.
- Community contribution amounts are more transparent at 0.5% of construction cost and further sets forth the limitations on use of those funds.

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