CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 19, 2000

H.R. 2462
Guam Omnibus Opportunities Act

As ordered reported by the House Committee on Resources on June 28, 2000

H.R. 2462 would make several changes to laws affecting the island of Guam, a territory of the United States. First, it would give the government of Guam the right of first refusal to certain federal lands declared as excess on Guam. Under current law, the General Services Administration first offers excess real property to other federal agencies, before either donating it to an eligible entity for an approved public use or selling it. Second, the bill would require the government of Guam to tax the earnings of foreign investors at the same rates as those applied by the 50 states under U.S. tax treaties with foreign countries. Third, H.R. 2462 would allow individuals to import betel nuts grown on Guam into the United States for personal consumption. Finally, the bill would add to federal reporting requirements concerning the economic and social impacts on the U.S. territories and the state of Hawaii of the United States' Compact of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands.

Assuming the availability of appropriated funds, CBO estimates that implementing H.R. 2462 would cost less than $500,000 a year, primarily to cover the cost of the additional reporting requirements. Enacting the bill could affect offsetting receipts (a form of direct spending) from the sale of surplus real property; therefore, pay-as-you-go procedures would apply. But we think it is unlikely the federal government would sell any excess property on Guam under current law. Therefore, CBO estimates that enacting the bill would have an insignificant impact on offsetting receipts.

H.R. 2462 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act. Enactment of this legislation would result in both benefits and costs for the government of Guam. One set of provisions, the Guam Land Return Act, would benefit the government of Guam by allowing it to acquire, for public purposes, certain excess federal property at no cost.

Another set of provisions, the Guam Foreign Direct Investment Equity Act, would amend the Organic Act of Guam to change the rate at which income earned by foreign (i.e., non-U.S.

and non-Guamanian) investors is taxed under the Guam territorial income tax. Those changes would allow income earned in Guam by foreign investors to be treated the same way under the Guam territorial income tax as foreign investment income earned in the 50 states is treated under certain U.S. tax treaties. In the short term at least, those adjustments would result in a decrease in revenues from the Guam territorial income tax. In the long term, however, those losses could be offset to the extent that increased foreign investment in the territory generates increased tax revenues.

The remaining provisions of H.R. 2462 would impose no significant costs on Guam or on other state, local, or tribal governments.

The CBO staff contacts are John R. Righter (for federal costs), and Susan Van Deventer and Marjorie Miller (for the state and local impact). This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.