



Temporary Limited Exemption for Certain Small Businesses Frequently Asked Questions (FAQs)

1. How does the amendment to the Enhanced Dave Santos Small Business Enhancement Act impact small businesses?

The Dave Santos Small Business Enhancement Act also known as the Limited Exemption for Certain Small Businesses (LECSB) has been amended by Guam Public Law 35-90 to mitigate the impact on small businesses as a result of the COVID-19 pandemic. The temporary amendment to LECSB will allow taxpayers to apply a reduced GRT rate of 3% on the first \$250,000 of the aggregate gross proceeds from certain activities in the current year if the aggregate gross annual income from all activities is at least \$50,000, but not over \$500,000 in the prior year.

2. What are gross proceeds?

Gross proceeds shall mean gross income or gross receipts received as compensation from any activity without regard to deductions for business expenses, unless specifically stated under Section 26101(g) of Article 1, Chapter 26, Title 11 of the Guam Code Annotated (GCA).

3. Can I take the LECSB for gross proceeds from income as a Contractor, interest income, or income from amusement?

No, these particular types of gross proceeds do not qualify for the LECSB.

4. Do I qualify for the \$250,000 LECSB per activity?

No, the \$250,000 is the aggregate gross proceeds for activities from real property rentals, rental others, profession, retailing, service, commission, licensed insurance premium, and/or farming.

5. Does the \$500,000 maximum gross annual income apply per activity?

No, the \$500,000 maximum gross annual income applies to the aggregate of the gross annual income from all activities for the most recent completed tax year.



6. Do I qualify for LECSB next year if I make over \$500,000 this year?

No, you only qualify based on your aggregate gross annual income from all activities for the most recent completed tax year. For example, your aggregate gross annual income from all activities in tax year 2019 will determine if you qualify for the LECSB in tax year 2020.

7. If I do not qualify for LECSB this year, would I no longer qualify for future years?

No, you may still qualify for LECSB if you meet the threshold requirements.

8. If this is my first year of doing business, would I qualify for LECSB?

You would be entitled to the existing exemptions under the Dave Santos Act, but would not qualify for LECSB because your gross income prior to your first year of doing business would be \$0.

9. As a doctor, dentist or other service professional, would I qualify for LECSB?

Yes, as service income. Service income includes, but is not limited to, legal, medical, dental, accounting, consulting and engineering fees, commissions on real estate sales or property management, fees charged by barbershops, beauty parlors, shoe shining parlors, dry cleaning and laundry establishments, and automobile, appliance, electronics and computer repair shops. Service income does not include gross proceeds of a contractor as defined under Section 26101(b) of Article 1, Chapter 26, Title 11 of the GCA.

10. If I cancel my business license before the year ends, would I have to pro-rate the exemptions?

No

11. Would I qualify for LECSB even if I only have a temporary license?

Yes

12. I have multiple business licenses. Do I file a GRT for each license?

Please see Section 26110(f) & (g) of Chapter 26, Title 11 of the GCA.



13. Do I have to file GRT returns every month or can I file a return in January to cover the prior year's income if I use the exemptions and do not owe GRT for the whole year?

You must file monthly returns.

14. What is the process to claim LECSB?

Complete Worksheet A, *Enhanced Limited Exemption for Certain Small Businesses*, on the revised Form GRT-1, *Monthly Gross Receipts, Use and Occupancy Tax Return*, to determine whether you qualify for the reduced tax rate under LECSB.

15. What is the effective date of the LECSB amendment?

The LECSB amendment was effective upon enactment on June 26, 2020 and shall apply retroactively to January 1, 2020. The amendment shall expire on June 26, 2022, two years from the date of enactment.

LECSB allowed in tax year 2020 will be based on aggregate gross income earned or received from all activities for the period from January 2019 through December 2019 pursuant to §26110(e) of Chapter 26, Title 11 of the GCA.

16. If I don't claim LECSB in a particular month, can I claim it in the following month?

No, LECSB only applies to the first \$250,000 of the aggregate gross proceeds earned or received from real property rentals, rental others, profession, retailing, service, commission, licensed insurance premium, and/or farming activities per tax year.

For example, a taxpayer's aggregate gross proceeds from LECSB activities totaled \$225,000 as of May 2020. In June 2020, the taxpayer's gross proceeds from LECSB activities totaled \$25,000, which he did not apply the reduced GRT rate allowed under LECSB. The taxpayer must apply the 3% GRT rate on the \$25,000 gross proceeds from LECSB activities in June 2020 and cannot claim LECSB in the subsequent returns for the remaining tax year.

17. What if I already filed my GRT return for the months of January 2020 through June 2020?

You must file a manual amended GRT return using the revised Form GRT-1 to claim LECSB, if you qualify. Amended GRT returns cannot be filed electronically.