

FAQs for Limited Exemption for Certain Small Businesses (LECSB)

1. How does the new law regarding Limited Exemption for Certain Small Businesses (LECSB) impact small business? *The Dave Santos Act has been amended to reduce the GRT rate for a portion of the gross proceeds reported by small businesses whose gross annual income is at least \$50,000, but not over \$250,000.*
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 personal property rental income, 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 \$100,000 LECSB per activity? *No, the \$100,000 is the aggregate gross proceeds for activities from retail, service, rental of real property, insurance premiums, commission, and farming.*
5. Does the \$250,000 max gross annual income apply per activity? *No, it is 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 \$250,000 this year? *No, you only qualify based on your gross annual income from the most recent completed tax year. For example, your gross annual income in tax year 2019 will determine if you qualify for the LECSB in year 2020.*
7. If I don't qualify for LECSB this year, would I no longer qualify for future years? *No, you may still qualify assuming you meet the thresholds.*
8. What if this is my first year of doing business? *You would be entitled to the existing exemptions under the Dave Santos Act but not the \$100,000 under 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 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 GRTs every month or can I file a return in January to cover the prior year's income if I use the exemptions and don't owe GRT for the whole year? *You must file monthly returns.*
14. What is the process to claim LECSB? *Complete Worksheet A on the revised Form GRT-1 for LECSB to determine whether you are eligible for the reduced tax rate.*
15. When is the effective date of LECSB? *The LECSB is effective on January 1, 2020. The first GRT return is due on or before February 20, 2020. LECSB allowed in tax year 2020 will be based on gross income earned or received 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 \$100,000 of the aggregate gross proceeds earned or received from retailing, service, real property rental, insurance premium, commission, and farming activities per taxable year. For example, a taxpayer's aggregate gross proceeds from LECSB activities totaled \$75,000 as of February 2020. In March 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 March 2020 and cannot claim LECSB in the subsequent returns for the remaining taxable year.*
17. What if I already filed my GRT return for the month of January 2020? *You must file a manual amended return using the revised Form GRT-1 to claim LECSB, if you qualify. Amended returns cannot be filed electronically.*