

Blaz On Jones' Proposal

Tax Cut Could Hurt

By Pat McElroy
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Local entrepreneur Ken Jones' proposals on eliminating the gross receipts tax could cost GovGuam between \$4 million and \$15 million in annual revenue, according to Director of Revenue and Taxation Joaquin Blaz.

Jones is president of Jones and Guerrero Co.

Blaz said yesterday the gross receipts tax on food and drug items alone totals \$4 million this fiscal year. Eliminating the tax on all goods and services would mean a loss of \$15 million a year in revenue at current volume, he added.

Although it is supposed to be a businessman's tax, the gross receipts levy is passed on to the consumer indirectly in the form of higher prices.

Blaz, who labeled as "irresponsible" Jones' contention that high prices are caused mainly by the tax, said island residents are taxed much less than their Mainland counterparts. A replacement tax was not proposed by Jones.

Blaz noted that Guam does not have a sales tax and that the island's major sources of revenue are local income tax, which remains on Guam, and the gross receipts levy.

In an ad placed in Monday's editions of the Pacific Daily News Jones made the statement that the "single largest contributing factor to the high cost of food which has plagued the people of Guam is the 4 per cent gross receipts tax."

Jones' two-page ad also stated: "In many cases this tax runs as high as 8 per cent or more when commodities pass through distributors to retailers and then to the consumer."

Blaz argued yesterday that the tax is not the culprit in creating prices that climbed rapidly in the past year. He said it is not logical to assume that a tax which has existed for eight years could "suddenly raise prices now." Blaz said the 4 per cent gross receipts tax has remained the same since 1967.

Blaz labeled Jones' statements as "grossly irresponsible" and said at best Jones had not examined all the facts on high food prices.

Jones' prices are subject to only one gross receipts tax—4 per cent of gross profits of the corporation, according to Blaz. But Blaz said Jones' prices are the same as those of other retailers who must pay for items that have been taxed twice.

Blaz argued that Jones' profits have been high and if he "can afford to reduce prices by 8 per cent now, then he can do it forever."

Jones has stated that the 8 per cent reduction would last only a trial 60 days to urge the government to eliminate the gross receipts tax on food and drugs. Jones said if he does not receive tax breaks or other assistance, such as a federal subsidy on freight rates from the U.S. to Guam, "we cannot maintain this low-price structure at Payless Markets indefinitely."

Jones' position is that his company is adopting a GovGuam recommendation to reduce the markup on staple food commodities. But Jones stated in the ad "it is impossible for us to do the job alone." A cut in the gross receipts tax from food and drug items and government support in seeking a federal subsidy on freight cost here were proposed by Jones to help cut prices.

The receipts tax is tacked on to the gross revenue generated by a business or corporation here. This includes not only tangible consumer items, such as food and drugs, but also service-oriented business.

Blaz said the government is not "closing the door" on further negotiations. Those talks should center on a reduction of the wholesale gross receipts tax, but not its elimination, he said.

The Legislature also came under fire in the Jones ad, since senators act on all revenue bills. When bills are passed, they are handed to the Governor for action.

A bill to eliminate the gross receipts tax on both food and drug items was introduced six months ago by Sen. Al Ysrael, but it is still in the Finance and Taxation Committee, Ysrael said yesterday.

Ysrael said Jones' ad was directed at all "elected officials" to reduce the gross receipts tax to reduce prices here.

Blaz's main concern yesterday about eliminating the tax was that there was no suggestion to create another tax to fund government operations.

"People back there (on the Mainland) pay federal, state and municipal taxes, plus property and luxury taxes," Blaz said.

At one time the government supported a bill calling for a sales tax, but the Legislature decided against it. Instead, in 1967, the Legislature increased the gross receipts tax here from 2 to 4 per cent. It has not been increased the past eight years, although every other price has increased dramatically, Blaz said.