Guam Foreign Investment EQUITY ACT

Under the U.S. Internal Revenue Code, there is **a standard 30 percent** state income tax rate for foreign investors in the United States. It is common feature of tax treaties negotiated by the U.S. to provide for lower tax rates on the investment income derived from treaty countries investments in the U.S.

Since Guam's terrritorial tax law mirrors the rates established under the U.S. Code, the ***territorial income tax rate*** **for foreign investors in Guam is 30 percent**. Foreign investors fund 75 percent of Guam's commercial development and the passage of the Guam Foreign Investment Equity Act is an important economic incentive to Guam.

The **Guam Foreign Investment Equity Act, Public Law 107-212** was signed into law by President George Bush on August 21, 2002 and amends the Organic Act of Guam to provide the ***Government of Guam with the authority to tax foreign investors, at the*** **same rates** *that the 50 U.S. states* currently are able to access relative to existing tax treaties with certain foreign nations.

As an example, under a treaty with Japan, *the rate at which states may tax Japanese investors is* ***10 percent***. That means that ***a Japanese investor's income would also be taxed at a rate of 10 percent in Guam*** as in any of the fifty U.S. states.

EXCERPTS OF

PUBLIC LAW 107-212

AS IT PERTAINS TO *THE GUAM FOREIGN INVESTMENT EQUITY ACT*

SECTION 1. SHORT TITLE.

This Act may be cited as the "Guam Foreign Investment Equity Act".

SEC. 2. AMENDMENT TO THE ORGANIC ACT OF GUAM.

(a) IN GENERAL.—Subsection (d) of section 31 of the Organic Act of Guam (48 U.S.C. 1421i) is amended by adding at the end the following new paragraph:

"(3) In applying as the Guam Territorial income tax the income tax laws in force in Guam pursuant to subsection (a) of this section, the rate of tax under sections 871, 881, 884, 1441, 1442, 1443, 1445, and 1446 of the Internal Revenue Code of 1986 on any item of income from sources within Guam shall be the same as the rate which would apply with respect to such item were Guam treated as part of the United States for purposes of the treaty obligations of the United States. The preceding sentence shall not apply to determine the rate of tax on any item of income received from a Guam payor if, for any taxable year, the taxes of the Guam payor were rebated under Guam law. For purposes of this subsection, the term 'Guam payor' means the person from whom the item of income would be deemed to be received for purposes of claiming treaty benefits were Guam treated as part of the United States.".

Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties
https://www.irs.gov/PUP/individuals/international/Tax_Treaty_Table_1.pdf

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