



**EXECUTIVE SUMMARY**  
**Department of Revenue and Taxation Real Property Tax Assessments and Exemptions**  
**OPA Report No. 18-03, May 2018**

Based on data provided by the Department of Revenue and Taxation (DRT), the average assessed property value in Guam for 2016 was \$196,281 (after the mass revaluation in 2014), which is an increase of \$59,031 or 43% from 2011. However, Guam’s average residential home value of \$196,737 in 2016 is among the lowest in the United States. Coupled with the lowest effective tax rate of 0.17%, Guam collects far less in real property taxes in comparison with the 50 states and the District of Columbia. According to the Tax Foundation, property taxes were the largest source of state and local tax collections in the United States, comprising 31.3%. However, Guam’s real property taxes accounted for only 3.4% of all tax revenues.

With the lost opportunity of increased revenues resulting from low property tax rates, the Government of Guam (GovGuam) also had unrealized revenues of \$40.2 Million (M) in real property taxes for tax years 2012 through 2016, or an average of \$8.5M per year. The unrealized revenues stemmed from revenue leakages totaling \$18.8M due to uncollected/delinquent property taxes, unassessed and or unbilled John Doe properties, unpaid escaped assessments, unassessed and/or unbilled Chamorro Land Trust Commission (CLTC) leased properties, untaxed condominium units, and questionable decline in taxable values of hotel properties. GovGuam also had unrealized revenues totaling \$21.3M from exemptions, credits and abatements, which are granted by existing laws. See table below for details.

**Real Property Tax Unrealized Revenues for Tax Years 2012 to 2016**

Type of Property Tax Revenue Loss	Total Amount (2012 – 2016)	Average Per Year	Percentage to Category
<b>A. Revenue Leakage</b>			
1. Uncollected/Delinquencies	\$ 10,507,541	\$ 2,101,508	56%
2. Unbilled John Doe Properties	\$ 2,800,734	\$ 933,578 <sup>1</sup>	15%
3. Unpaid Escape Assessments	\$ 2,311,021	\$ 462,204	12%
4. Unbilled and unassessed CLTC Properties	\$ 1,926,067	\$ 385,213	10%
5. Unassessed Condo, Townhomes	\$ 862,249	\$ 172,450	5%
6. Questionable Taxable Value Reduction	\$ 445,740	\$ 148,580 <sup>2</sup>	2%
<b>Total Revenue Leakage</b>	<b>\$ 18,853,352</b>	<b>\$ 4,203,534</b>	<b>100%</b>
<b>B. Foregone Revenues</b>			
1. Primary Home Exemption	\$ 9,897,175	\$ 1,979,435	46%
2. Senior Citizen Credits	\$ 6,644,651	\$ 1,328,930	31%
3. A-F Exemptions (Government, Religious, Farm, etc.)	\$ 3,810,566	\$ 762,113	18%
4. Tax Abatements for Qualifying Certificates	\$ 824,086	\$ 164,817	4%
5. Citizens with Disability Credits	\$ 169,134	\$ 33,827	1%
<b>Total Foregone Revenues</b>	<b>\$ 21,345,612</b>	<b>\$ 4,269,122</b>	<b>100%</b>
<b>Total Unrealized Revenues</b>	<b>\$ 40,198,964</b>	<b>\$ 8,472,656</b>	

We also noted anomalies in the 2016 tax rolls with \$186K in questioned costs.

Revenue leakages occurred as: (1) DRT did not effectively monitor uncollected property taxes or aggressively collect on delinquent property taxes; (2) DRT systems’ inability to identify all owners of new properties (John Does) added after the 2014 mass re-appraisal; (3) The existing systems do not have the

<sup>1</sup> A three-year average was calculated for the John Doe properties since these only started to appear in TY 2014.

<sup>2</sup> A three-year average was calculated since the reduced taxable property values took effect in TY 2014.

ability to create Parcel Identification Numbers (PINs); (4) DRT, Department of Land Management (DLM), and Department of Public Works (DPW)'s systems do not interface; and (5) DRT and DLM did not strictly adhere to the Memorandum of Agreement (MOA).

### **Collection Efforts of Uncollected/Delinquent Property Taxes Continue**

Based on DRT's collection report, for taxes assessed from 2012 to 2016, unpaid property taxes totaled \$17.2M as of September 30, 2017. For the top 50 delinquent taxpayers alone (inclusive of CLTC and John Doe properties), unpaid property taxes amounted to \$6.7M. Some of these taxpayers have been consistently delinquent for three to five years.

### **DRT Systems' Inability to Identify Property Owners After 2014 Mass Re-appraisal (John Does)**

John Doe properties started to appear in the tax assessment rolls after the mass re-appraisals in 2014. We found that these are properties with new PINs added to the 2014 tax rolls. Without knowing the names of the property owners and due to the system, DRT is unable to collect taxes from these properties.

### **Fatal Flaw in PIN Creation within DRT and DLM Systems**

According to DRT-RPT and DLM personnel, the conversions to the Aumentum and LandWeb systems in 2012 led to an inability to create PINs, which are necessary to add properties into the tax rolls to be assessed and billed. Since then, several new multi-family dwelling properties (i.e., condominiums and townhouses) and other constructions were not taxed or had escaped assessments. The exact number of untaxed units cannot be determined, resulting in incomplete tax rolls. There is a lack of aggressive follow-up by DRT and DLM to correct this fatal flaw in the system, which has been known since 2012.

### **DRT, DLM, DPW Real Property Information Do not Interface**

DRT's Aumentum system does not interface with DLM's LandWeb system. Additionally, DPW's data on new construction and additional construction to existing units does not interface with DRT. Consequently, the exact number of condominium units constructed since 2012 could not be determined and neither DRT nor DLM has a complete inventory of all real properties in Guam. With the absence of system interface among these agencies, DRT's annual tax rolls will continue to be incomplete, resulting in a significant amount of unrealized property tax revenues.

### **Memorandum of Agreement (MOA) between DRT and DLM Not Strictly Enforced**

In May 2016, DRT and DLM executed an MOA to define their responsibilities in providing mutual assistance and cooperative sharing of real property information each agency collects. However, DLM did not provide a list of CLTC and GALC properties with leases and DRT did not regularly provide DLM the certified tax roll for property taxes assessed for CLTC and GALC properties.

### **Conclusion and Recommendation**

While Guam has the lowest effective tax rates among the United States, GovGuam also had unrealized revenues from property taxes due to inefficiencies in their system and assessment and collection processes. We recommend that DRT/DLM settle the PIN issue with the system provider and aggressively collect and enforce remedies provided by law for delinquent property taxes. We also recommend that DRT, DLM, and DPW ensure that real property information interfaces and adhere to the MOA. As even more revenues are forgone due to credits, exemptions, and abatements, we urge the Legislature to review these benefits. For example, over 5,000 homes are not assessed any tax and 25,000 homeowners pay less than \$100.

DRT disagreed with several findings and stated that DRT has been effective in administering the Real Property tax laws of Guam. DLM agreed with our findings and recommendations.

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