

Guam hopes to recover lost real estate taxes

MAR-VIC CAGURANGAN
Journal Staff



Ilagan

Government of Guam stands to estimate \$20 million in lost real estate taxes and raise more revenues in the next year once the tax map is completed by the end of the year. The Department of Revenue and Taxation said Ilagan said the tax map will be used to determine if the current assessment roll matches the actual value of real estate. Mapping is being conducted by Brinkerhoff, which has been hired by DRT using \$900,000 of its share of proceeds from the \$117 million sold by the government of Guam. The first time Guam had real property taxes was in 1995 and several residential properties have since been rezoned to commercial designation, Ilagan said. Residential property is converted to commercial, the owner should be paying

higher taxes," Ilagan said. "PB did a preliminary survey, and they found that the government is losing \$1.3 million a year because we don't have information about building and zone changes, so several properties are not properly assessed."

Currently, Ilagan said, DRT does not receive information from the Department of Land Management and Guam Land Use Commission regarding land rezoning.

Ilagan said once the tax map is available, DRT will be able to track properties that have been rezoned for profitable use. Subsequently, property owners will be assessed based on the actual value of their properties from the time they were converted for commercial use, he added.

The tax map is a component of the department's Guam Property Assessment System, a project funded through the American Recovery and Reinvestment Act,

which will create a database for all land transactions, including sales, purchases and liquidations.

"Right now, we don't have data that allow us to appraise properties," Ilagan said. "This is what we do to raise revenues. Instead of raising taxes, we go after the ones that are not collected." **MBJ**

FSM woos Japanese investors

BY JULIAN RYALL
Tokyo Correspondent

TOKYO — A delegation from the Federated States of Micronesia pitched the emerging investment opportunities available in the islands, specifically in the field of captive insurance, during a seminar attended by representatives from more than 100 major Japanese corporations in Tokyo on Nov. 2.

The FSM delegation to the Japanese capital was headed by President Emmanuel Mori, who arrived two days ahead and was making a week-long official visit to one of the nation's key regional partners.

Accompanied by Lorin Robert, secretary of state for foreign affairs, Marion Henry, head of the Department of Resources and Development, and Sens. Dohsis Halbert, Peter Christian, Roger Mori, Peter Sitan, Joe Suka and Tiwiter Aritos, Mori presided over the seminar, which was held at the Royal Park Hotel in the Nihonbashi district.

The seminar consisted of a series of presentations designed to demonstrate the opportunities that exist in the FSM.

Mori gave an overview of the geographical and political make-up of Micronesia, underlining the historical ties that bind the islands to Japan, before pointing out that ongoing infrastructure projects in the islands — such as the

SEE FSM ON PAGE 10

State of the nation



Photo by Justin Green

Secretary of State Hillary Rodham Clinton made a brief visit at Andersen Air Force Base Guam Oct. 29. Present were first lady Joann G. Camacho; Clinton; Jannette Doucette, wife of Brig. Gen. John W. Doucette, commander, 2nd Installation Commander/Base Commanding Officer, AAFB; and Dona Bushong, wife of Rear Adm. Paul J. Bushong, U.S. Naval Forces Marianas and Joint Region Marianas.

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pitality Corp., is seeking claims against Premier Business Solutions Inc. and Pacific Solutions Inc. along with its owners Marie Toves and Jesse Toves, who were retained by the hotel management to provide payroll and tax processing services in 2002.

Both parties agreed to meet in federal court on Nov. 4 for the mandatory settlement conference before proceeding to a yet-to-be-scheduled jury trial.

The case stemmed from Hyatt's allegation that the defendants engaged in a "pattern of racketeering activity" to stiff

representations of facts and that [Hyatt], in reliance on these misrepresentations, did not make payments to the IRS and was damaged in having to pay the outstanding taxes as well as penalties," states the Hyatt's trial brief submitted to the court on Nov. 1.

Hyatt also accused the Toveses of misrepresentation by not disclosing the transfer of Pacific Business Solutions to Premier Business Solutions in 2006.

"Premier Business Solutions began processing Hyatt's payroll and tax payments," Hyatt's legal brief said. "Hyatt

identification numbers. "This was not caught right away and [for] roughly six to eight months went undetected," the defendants' legal brief said. "The result was that taxes were being paid under the old EIN and, although accruing under the new EIN, not being paid."

Upon eventual discovery of the technical mishap, both parties agreed that a reconciliation was in order.

They reached a compromise in which Premier agreed to pay Hyatt \$339,000, in 11 installments, to recover the hotel's losses for the unpaid taxes.

the defendants denied that fraud was deliberately committed.

Describing the case as "anemic," the defendants said Hyatt would fail in proving the alleged pattern of racketeering.

"Plaintiff will be unable to show the jury that the Toveses have any money, own a property, drive expensive cars or pay for private schools for their six children," the trial brief said. "What the evidence will show is that the Toveses are essentially destitute, living on public assistance and struggling to make ends meet and educate their children." **MBJ**

FSM: "Our task is to help the government of the FSM to establish Japanese companies in the federation and I would estimate that 90% of our effort is now focused on attracting firms to the captive insurance sector," said Mark Heath, chief financial officer for Micronesia Registration Advisors.

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recent completion of a fiber-optic communications system and the extension of the Pohnpei International Airport — potentially make the islands a key investment hub for Japanese corporations.

The single most important area that the delegation was keen to promote was captive insurance, the business of insurance companies that finance risks emanating from their parent group, as well as insuring the risks of the group's customers. The main reason for setting up a captive insurance unit, however, is to either reduce the premiums that would be paid to an outside insurer or retaining premiums at the same level and building up a fund that can later be invested.

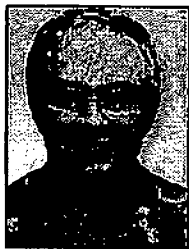
Other advantages include less juggling with an outside insurer when a claim is filed and the ability to write insurance agreements that are tailor-

made for a specific company's needs.

The utilization of a captive insurer is an effective risk management technique that many countries and states have created legislation to attract, including Bermuda, the Cayman Islands and Luxembourg. In the United States, Vermont alone has more than 800 licensed captive companies.

"Our task is to help the government of the FSM to establish Japanese companies in the federation and I would estimate that 90% of our effort is now focused on attracting firms to the captive insurance sector," said Mark Heath, chief financial officer for Micronesia Registration Advisors.

"At the moment, Japanese



Heath

firms are well behind other nations' companies when it comes to the captive insurance sector," he said, pointing out that while some 3,800 captive insurance companies are saving large amounts of money for corporations in the United States, only 100 Japanese companies are taking advantage of the system.

Local corporations are unable to form a captive insurance unit in Japan. They find dealing with such organizations in the United States or Europe a little intimidating and problematic because it is an area they are not familiar with, Heath said.

Those that have taken the plunge so far include the two major airlines, Japan Airlines and All Nippon Airways, which were followed by a number of travel companies and trading firms.

"We are targeting these 100 companies that already have captive insurance units in Singapore, Bermuda

or elsewhere and try to give them the information on the merits of moving that company to the FSM," Heath said.

To date, two Japanese firms have been granted permission to set up units in the FSM, while a third has been approved and will start operations in January. Heath declined to identify any of the firms involved, but added that "companies four, five and six will be setting up soon after that."

Another benefit of a captive insurer is that they do not require a physical presence in the registered domicile or a full-time staff. The insurer is run by a captive manager, who oversees the legal, accounting and actuary functions.

"The FSM recognizes that this is a starting point for the industry and we have to grow the expertise," Heath said. "And while there is no demand for a physical presence now, we certainly want to see that in the future." **MBJ**



**NISSAN CAR LEASE
CORPORATE LEASE PROGRAM**

SBA opens Small Business Awards competition

HAGÄTÑA, Guam — The U.S. Small Business Administration announced the start of the agency's prestigious, annual

Business Champion of the Year, SBA Young Entrepreneur of the Year, Veteran Small Business Champion of the Year,