

## Solution to Rum Cover-Over Underfunding Could Come By Year's End; House Ways and Means Chair Optimistic

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Janeke Simon **October 03, 2023**

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Following his summer visit to the U.S. Virgin Islands, the chair of the Ways and Means Committee in the House of Representatives Jason Smith (R-MO) is now expressing optimism that a tax package, which will likely include a provision to “extend” the rate of excise tax that is “covered over” to Puerto Rico and the USVI, will be passed by the end of the year.

Rep. Smith, speaking at a recent media event, said that he had been having some “incredible conversations” with his counterpart in the Senate Ron Wyden (D-OR) and believes there is a pathway to hammer out legislation that could be passed before the year is over. He noted that popular bipartisan tax provisions, such as the rum cover-over extender, had expired, and that there was a growing eagerness to address the issue.

The USVI's Delegate to Congress Stacey Plaskett also recently [expressed her optimism](#) that the provision would not meet with much opposition from either side of the aisle. However, regarding Mr. Smith's comments on possible approval by year's end, the congresswoman has taken a more cautious approach.

"It is important to note that VI received a substantial share of rum cover over funds (\$212M) to date this year, and while our office had hoped that the extension of the \$13.25 would have been added in the disaster tax measure being marked up this week in the Ways and Means Committee, we are hopeful about our extension request being in a year-end tax bill (despite the fact that there are measures in the year-end tax bill which will be controversial and may make its passage in the Senate more difficult)," she told the Consortium Tuesday morning. "We will continue to work with the Governor's team team and the Ways and Means Committee to bring the extension of the rum cover over into law."

In his update to the territory on Monday, Governor Albert Bryan Jr. reminded the public that receiving the "extended" rate of \$13.25 per gallon instead of the current statutory maximum of \$10.50 was crucial for the survival of the Government Employees Retirement System. "I always want to make sure that people understand that we have been organizing it to give lump sums of money to this system," he said. "When we short-pay the system, what we're really doing is messing with the term that the system will be funded," the governor continued.

Despite the difference between calculations and current receipts, Governor Bryan says he is not concerned about the stability of GERS in the short-term. "For right now, the GERS is secure. We have no threat in terms of losing any funding, or anybody getting short-paid on checks." However, he acknowledged that the additional money would have been particularly useful under prevailing economic conditions. "We certainly would have appreciated to have it now, because the interest rates are really paying high," Mr. Bryan said.

Nevertheless, lobbying efforts continue on multiple fronts to ensure that language to permanently set the higher cover over rate is included in the next tax bill. Mr. Bryan said work is ongoing "with our delegate, our lobbyists, key people in Congress and the Senate and the White House, so that we get it approved."

Teri Helenese, the territory's State-Federal Relations Director and Washington Representative in the District of Columbia, stated, "The Washington team is relentlessly pursuing the passage of the vital rum cover over provision in the tax extension package before December 31, 2023." She expressed delight over Rep. Smith's recent statements in support of the measure, and said that the Washington team would leave "no stone unturned" in their advocacy on the matter.