

Bill to Use Debt Owed by GVI in Lieu of Property Taxes Criticized for Only Aiding Gov't Employees; Measure Also Rejected by Tax Collector

Bill 36-0008 would let GVI employees owed retroactive wages use them to offset old property tax debt. Sen. Heyliger Francis criticized the bill for excluding non-GVI workers, while the Tax Collector rejected it over concerns about lost revenue.

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Nelcia Charlemagne **April 16, 2025**

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The Tax Collector in the Office of the Lieutenant Governor has firmly rejected Senate President Milton Potter's proposal to offset a property owner's property tax liability against any amount of retroactive payments that the Government of the Virgin Islands owes to the property owner.

On Tuesday, Senator Potter introduced Bill 36- 0008 before the Committee on Budget, Appropriations and Finance. “This is an opportunity for the Government of the Virgin Islands to reduce its obligations, while giving property owners an opportunity to make good on their property tax obligation,” he declared. “I think it’s a win-win.”

After listening to feedback from the Tax Collector and other members of the government’s financial team, Potter said he amended his draft bill to address “far-reaching concerns.” The bill will now only benefit government employees owed retroactive payments going back several decades. Additionally, so as to “not incentivize property owners to just not pay their taxes,” according to Mr. Potter, the bill is only relevant to property tax obligations from 2020 or before.

Bill 36-0008 “allows the property owners to live in a level of dignity to satisfy their property tax obligations, while reducing the government's liability that is on the books,” Potter argued. His proposal is a “creative way” to make a dent in owed retroactive payments exceeding \$100 million, he insisted.

Despite the adjustments to the language of the bill— which were not made available to Tax Collector Brent Leerdam until later in the meeting— the LGO found the measure difficult to support. “This bill implies that actual money or revenue would not be coming into the coffers of the Office of the Lieutenant Governor and, by extension, the Government of the Virgin Islands,” Mr. Leerdam pointed out. Further, he contended that “the offset allowed under this bill does not directly address the issue facing this government in the administration of its fiscal responsibilities.” According to Mr. Leerdam, the real challenge to the government's ability to pay its debts is a “shortfall in overall revenue collection,” partially attributed to “inflation and the rise in cost of living.”

“We believe that the focus at this time should remain on the enhancement of revenue collections,” argued Mr. Leerdam. He told lawmakers that the offset allowed under Bill 36-0008 would instead have the opposite effect. It would “reduce LGO’s projected and highly anticipated revenue received from the collection of real property taxes...The government's heavy reliance on these projections in the administration of its fiscal obligations would also be adversely affected.”

According to information provided by Mr. Leerdam, 50% of annual property tax collections – approximately \$33 million – are for delinquent taxes. Therefore, Senator Potter's concession limiting eligibility to taxes due in 2020 or before would still negatively affect GVI revenue collections. Mr. Leerdam also dismissed the lawmaker's assertion that it is more difficult to collect property taxes that have been outstanding for several decades. “We have no statute of limitations on when we can collect,” Mr. Leerdam replied. “If it's delinquent, it's delinquent. We have no delineation between five years old versus 50 years old.”

Additionally, Mr. Leerdam warned that if the bill is implemented, the LGO would be forced to incur new costs to update the property tax management accounting system, which cannot currently complete the relevant transactions outlined in the bill.

As Mr. Leerdam had not yet received a copy of the amended bill, he was unable to provide any analysis on how many government employees would qualify. He, therefore, could not quantify what the dollar impact would be, a request made by committee chair Senator Novelle Francis.

Senator Francis, who saw merit in the bill, told Mr. Leerdam that there’s a “level of fairness across the board that we're hoping to consider here... There should be some consideration that persons will not have their property sold consequential to monies owed to them.”

“There's a lot of pieces to this puzzle. The analysis has to be done. That's going to take time,” stated Mr. Leerdam. “The bill actually needs more work at this point.” For the tax collector, that work relies on having greater collaboration moving forward.

Senator Alma Francis Heyliger also declined to support the bill, at least in its current iteration. “By only doing retro, we have now limited [it] to just government employees, and I don't think that's a fair situation,” she said. Instead, she suggested allowing owed property tax to be offset against money owed to any individual, and implementing a cap on how much tax could be offset in this way. “We have to create legislation for the masses,” she advised.

Senator Marise James, meanwhile, viewed the bill as a “disadvantage” to the government. “It's only when the taxpayer wants to offset the amount that they're delinquent, then they're allowed to do so,” she observed. She agreed with Mr. Leerdam's assessment.

Senator Potter, the bill's sponsor, disagreed, “because we're talking about people who have been owed retroactive wages for decades.” “Quite frankly, what has happened here is that we've owed this money for so long that we no longer really believe that it is a legitimate obligation of the GVI,” he argued.

Following Tuesday's polarizing debate on Bill 36-0008, committee members voted to hold it and pursue further consultation. “Obviously, it is important for the government to clear its debt. In a perfect world, having unified systems, this may have been a good bill,” offered Mr. Leerdam.