

The Virgin Islands Consortium

Senate Considering 35 To 40 Percent Tax On Cigarettes

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ST. THOMAS -- Members of the 31st Legislature's Committee on Finance, chaired by Sen. Clifford Graham, met at the Earle B. Ottley Legislative Hall in St. Thomas on Tuesday to consider a number of measures, among them Bill 31-0023 sponsored by Sen. Sammuel Sanes that seeks to add a 35 to 40 percent tax increase on cigarettes -- a move that would append around half a million dollars to the territory's coffers.

Sanes, while acknowledging that the amount raised from the tobacco tax hike won't add much to the GVI's general fund, said the territory needed every bit of money that it can collect, and mentioned the Virgin Islands Police Department, Waste Management Authority and the territory's hospitals as entities all cash-strapped -- and all in need of

financial injection.

Commissioner of Finance nominee Vladimir Collins testified in support of the bill, however he highlighted the predicament of less sales -- which would lead to a decrease in generated revenues. The tax hike would increase revenues by \$443,000, Collins said, but whether or not that amount would be more than what the territory stands to lose if sales fall remains uncertain.

There was also push back from Richard Berry of Leeward Islands Management Company, who testified against the bill and contended that it would only hurt the company he represents in an already anemic economy. Berry warned that if the bill is approved, the local tobacco industry would lose ground to St. Marten, which he suggested would become an attractive alternative to the Virgin Islands.

Berry also argued that the territory's allotment of the 1998 Master Settlement Agreement with tobacco companies would be lessened if Sanes' bill becomes law, stating that the funds are allocated based on the amount of tobacco imported into the islands.

[The Master Settlement Agreement](#) (MSA) "is an accord reached in November 1998 between the state Attorneys General of forty-six states, five U.S. territories, the District of Columbia and the five largest tobacco companies in America concerning the advertising, marketing and promotion of tobacco products," according to [Public Health Law Center](#). "In addition to requiring the tobacco industry to pay the settling states approximately \$10 billion annually for the indefinite future, the MSA also set standards for, and imposed restrictions on, the sale and marketing of cigarettes by participating cigarette manufacturers."

Contrary to Berry's testimony, the MSA gives each state a fixed percentage of the full payment.

Budget Director nominee Nellon Bowry, also present at the hearing, suggested that an economic impact study be conducted on the measure before any final decision is reached, and in a show of support for Bowry's suggestion, Sanes asked the Bureau of Economic Research to collect data capable of determining the bill's impact before being sent to the Committee on Rules and Judiciary for consideration.

The bill was later passed without opposition by the Committee on Finance with Kurt Violet, Graham, Myron D. Jackson, Tregenza A. Roach and Sanes all voting in the affirmative. Senators Terrence "Positive" Nelson and Marvin Blyden were absent.