The Virgin Islands Consortium

Governor Denies Extension Of E.D.A. Tax Benefits To Paving Company Island Roads

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ST. THOMAS -- Governor Kenneth Mapp has disapproved an application from Islands Roads for a ten-year extension on tax benefits from the Economic Development Authority (E.D.A.), Government House made known via press release this afternoon. According the release, the paving company had enjoyed local tax exemptions for the previous 20 years.

The governor stated the people of the Virgin Islands should not be foregoing tax revenues from Island Roads, when they are primarily working on federally funded highway projects.

“A review of Island Roads' application led me to a wider public policy review of the efficacy of granting tax holidays to paving companies of the territory,” Mr. Mapp wrote in his disapproval message to E.D.A. Interim Chairman Jose Penn. “Through this process, we learned that the single largest customer of the paving companies is the Government of the Virgin Islands and the largest share of the government’s purchases from the paving companies are for projects that are supported by federal funds. We also learned that all reasonable competitive costs for road projects could and generally do include reasonable fees and taxes due the government."

He continued: "Given this circumstance, the Government of the Virgin Islands, when it grants exemption from taxes to paving companies, provide a savings in the cost of the project that inures to the benefit of the treasury of the United States. In short, the tax savings contemplated by the of E.D.C. benefits would ordinarily be covered within a project funded by the Federal Highway Administration and those taxes paid for as part of the costs would ultimately be deposited in the treasury of the Government of the Virgin Islands. By a grant of exemption, why are the people of the Virgin Islands foregoing these revenues?"

Last December the E.D.A. Commission voted favorably on extending Island Roads' tax breaks, which include a 100 percent exemption from gross receipts, excise and property taxes and a 90 percent exemption on income taxes. The sitting governor, however, has ultimate approval over all tax benefit agreements, according to Virgin Islands Code.