

The Virgin Islands Consortium

Jean Forde Proposes Bill Adding \$3.75 Tax To Car Rentals; Raising Daily Surcharge To \$7.50

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ST. THOMAS -- The Committee on Finance on Tuesday will hear testimony on a bill proposed by Senator Jean Forde that seeks to raise taxes on car rentals, by adding what the bill describes as a "community surcharge" of \$3.75 to be allocated to the Government Employees' Retirement System."

"Every person who rents a drive-yourself car in the Virgin Islands, in addition to paying the motor vehicle rental surcharge imposed under section 425, shall pay a \$3.75 per day community surcharge for each rental," reads an amended version of the bill, found [here](#).

But the measure has vexed leaders in the car rental sector, who count themselves as mainstays in the tourism industry, contending that the legislation is ill-advised and would do lasting damage to their businesses; as there is currently a \$3.75 daily surcharge for car rentals; and that's before adding other taxes.

In a letter addressed to Senator Clifford Graham, chair of the Committee on Finance, Manuel Gutierrez, owner of Centerline Car Rentals, relayed in detail the harm that the surcharge would do to an already struggling sector. And he urged that the measure be abandoned altogether; calling it "unjust."

"We have polled every car rental company in the territory and all companies are united in opposition to the proposed bill," Mr. Gutierrez wrote. "We have also polled our staff who are the ones that must face the public and they are aghast and strongly opposed as well. We have polled our industry partners and they are also opposed to this new attack on the tourism industry. We expect that you will hear as much from both the St. Croix and St. Thomas Chambers of Commerce and the St. Croix and St. Thomas Hotel Association. The memory of having to explain the 85% increase in the daily car rental tax just a few years back is still fresh in all of our minds. The backlash was severe. The loss of customers, particularly long term customers, was startling. On St. Croix in particular we cannot sustain yet another shock to our fragile economy. Please do not support this unjust 100% tax increase."

Mr. Gutierrez said that customers were renting smaller vehicles and doing so for less days because of the current \$3.75 surcharge. "Where is the cutoff point of diminished returns for our government coffers or our community as a whole? Taxation without proper consideration is dangerous and counterproductive," he complained.

The car rental owner also included an illustration in his letter, seen [here](#), that sought to give lawmakers a visual on how heavily the car rental sector is already taxed in the Virgin Islands.

Currently, without adding taxes, a car rental costs \$40. However, when a driving permit tax of \$25 is added, along with an airport concession fee of \$3.60, daily surcharge of \$3.75 and, if passed, Mr. Forde's new surcharge of \$3.75 -- a 100 percent increase on the current surcharge -- the total would amount to \$76.10, and that's for base model rentals.

"How many transactions get killed by this high level of taxation?" Mr. Gutierrez asked rhetorically. "The answer is a lot. [It] indicates a 90 percent tax rate for a car rental transaction. This 90% just covers industry-specific taxes, not all the other taxes and fees that all businesses must pay. The car rental company that provides the asset and the service gets \$40.00 and the government gets \$36.10. Yet the car rental operator must pay a plethora of additional fees and taxes from this \$40 then start paying overhead," he further explained.

It remains to be seen how senators who make up the Finance committee will react to the measure come Tuesday.