

The Virgin Islands Consortium

Bill To Eliminate Customs Duties Inches Closer To Becoming Law

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ST. THOMAS -- A [bill](#) sponsored by Senator Nereida Rivera-O'Reilly that seeks to eliminate customs duties, was voted favorably out of the Committee on Finance and forwarded to the Committee on Rules and Judiciary at a Senate hearing here on Thursday. Roughly \$12 million is collected annually from customs duties in the territory. Originally, most of the funds -- except a small portion that Customs and Border Protection (C.B.P.) kept for operations -- went to the Government of the Virgin Islands.

But following the creation of the Department of Homeland Security in 2003, C.B.P. started keeping all of the funds for its local operations.

Senators agreed on Tuesday that C.B.P. was in violation of an [agreement signed during the Governor John P. de Jongh administration](#) — which saw the parties agreeing to C.B.P. funding air passenger pre-departure clearance with federal funds, among other clauses. The agreement was to afford the Virgin Islands the ability to request new or enhanced C.B.P. services on a reimbursable basis, and set in place a reporting system that would allow the V.I. Government to track C.B.P.'s costs in the territory in order to ensure it is not overcharged for C.B.P.'s costs of collecting V.I. customs duties. But the agreement was never enforced.

Department of Finance Commissioner Valdamier Collens, who introduced a proposal similar to that of Mrs. Rivera-O'Reilly's in 2015, testified in favor of the measure during a [hearing on Tuesday](#), and asked that the bill, if approved, be amended to give the federal government 180 days to adjust. Mr. Collens was asked by Senator Novelle Francis, whether the local government had considered the ramifications that could follow such a move. Mr. Collens said agencies like C.P.B., Coast Guard and other Homeland Security arms that serve in the territory are already federally funded. And he said that federal employees that are currently dedicated to collecting customs duties, would be free "to do more for the territory; they don't have to collect duties anymore."

On Thursday, senators amended the bill to eliminate customs duties on all goods if the federal government does not allow the local government to either collect all the funds, or limit C.B.P.'s collection from the \$12 million to no more than 20 percent. The new rules would take effect following the expiration of the 2014 memorandum of understanding signed between C.P.B. and former Governor John P. de Jongh.

And an amendment added to the measure by Senator Kurt Vialet calls on the Bureau of Internal Revenue, no later than 90 days following the measure's implementation, to "prepare and deliver a report to the Legislature that proposes appropriate changes to excise taxes on import as a means of evaluating an alternative to customs duties as a revenue source." Mr. Vialet had suggested on Tuesday that the duties currently being collected should be lowered, but not completely eliminated, opining that it would help with the government's current deficit. "It's not like we're flush with money," he said.

Lawmakers had expressed uncertainty in what might happen with federal funding under a Donald Trump presidency. Mr. Vialet, for example, as well as Senator Clifford Graham, predicted an unpredictable federal government under the Trump administration. Mr. Trump said during the election cycle that the federal government needed to be curtailed.

"It's going to be an interesting next few months if we move with this," Mr. Graham said, "especially recognizing who is coming into the White House."

"We don't know what type of federal government we're going to be facing," Mr. Vialet said. "And we don't know what is going to happen after January in terms of a Trump presidency."

Even so, the measure was voted favorably by senators Sammuell Sanes, Marvin Blyden, Positive Nelson, Mr. Vialet and Mr. Graham. Tregenza Roach and Myron Jackson were absent.