

The Virgin Islands Consortium

Senate Places Mapp Bill To Increase Revenue Through Taxes On 'Sin' Products On Hold

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ST. THOMAS -- Senators placed on hold Governor Kenneth Mapp's "Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017", a measure that seeks to raise some \$250 million in new revenue (it was adjusted down from Governor Kenneth Mapp's projection \$300 million at yesterday's session at the Earl B. Ottley Legislative Hall) through new taxes on "sin" products, to include alcohol and tobacco. The law would also increase taxes on sodas and timeshare unit owners.

Senators chose not to pass the measure yesterday even after being urged by Dept. of Finance Commissioner and Public Finance Authority Executive Director Valdamier Collens. The lawmakers contended that such a measure should not be passed without

input from the business community, and that they did not have enough time (some only had seen the measure a day before the session) to make a concrete and informed decision.

Speaking conservatively, Mr. Collens said the new law as written would raise about \$27 million annually through the sin taxes and another \$23 million through the timeshare unit taxation. The latter tax would match the hotel occupancy tax law already in place. The taxes would see the cost of rum, beer and cigarette products climb in the territory, with taxes of \$15 per carton of cigarettes and between \$12 and \$10 for a cases of beer. A tax of \$0.01 cent fluid ounce, or \$.32 cents increase for a large fountain soda, and 10 percent on liquor.

"You said you want us to pass this bill today and you put it out there, but today I'm going to rely on the governor's own language," said Senator Tregenza Roach, stating that the recently approved racino bill was done, according to the governor, without proper vetting, leading Mr. Mapp to return the measure back to the Senate to amend the changes made by senators that the governor said would hamper the growth of the horse racing industry.

"I think that's what you get when you rush," Mr. Roach said. He said he was inclined to support tax increases on the sin products, "But I think as my colleagues have said before, we really have to take into consideration the impact."

The Senate's refusal to pass the measure at yesterday's session, leaving more deliberations on the measure to the 32nd Legislature, will cause the markets to view the territory's bonds -- already at or near junk status -- with greater skepticism. The bill, a five-year plan to raise over a quarter of a billion dollars to stop the government from floating bonds annually to satisfy its structural deficit, was seen by ratings firms as a step in the right direction.

Mr. Collens said the continuous floating of bonds to finance the deficit has placed a great burden on the government. "We have issued in excess of \$1 billion in new debt since 2009," he said. "However, even that influx of cash has not solved the structural deficit, which we estimate will average approximately \$140 million annually for each of fiscal years 2017-2021." And that's without adding in monies needed to fund the government's pension system (GERS), which Mr. Collens said is only 19.1 percent funded presently.

Mr. Collens asked the Senate to find new sources of funding if it eventually decides to pass the measure with lower taxes.

All 14 senators present at the session voted to hold the measure. Senator Jean Forde was absent.