

The Virgin Islands Consortium

Sin Tax Measure Overcomes First Senate Hurdle, Heads To Rules Committee

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Senator Kurt Violet (Ernice Gilbert, VIC)

ST. THOMAS -- A majority of the senators who make up the 32nd Legislature's Committee on Finance, chaired by Senator Kurt Violet, approved Governor Kenneth Mapp's five-year economic growth legislation, dubbed the sin tax measure, during a hearing held at the Earl B. Ottley Legislative Hall on Tuesday.

The passage of the measure -- which aims to introduce or raise taxes on tobacco products, rum, beer, sugary drinks and timeshare unit owners as well as internet

purchases -- came amid strong opposition from the private sector, whose leaders have said the measure would work contrary to the governor's aim of eliminating the government's structural deficit by raising some \$250 million in five years. Instead, these leaders said, the measure would only stifle an economy that's already struggling, by burdening with more taxes the very people who are facilitating the small economic uptick: business owners and consumers.

At the onset of yesterday's hearing, Mr. Violet said he loathed the current position of the territory. But, he said, "While we're not in the business of over-taxation, the government has obligations it has to meet." Mr. Violet's remarks were not received well by invited private sector testifiers, among them representatives of the chambers of commerce, the timeshare industry, soda and rum distributors and others. The language came off as if to say when there's government inefficiency, instead of taking steps to downsize and reorganize itself, the government simply raise taxes.

The private sector argued that a notion floated by Mr. Violet and Senator Marvin Blyden that the business sector was not willing to bear its fair share of the problem, was ill-advised as businesses were already paying a myriad of taxes, to include gross receipt taxes, excises taxes and more. What really needs to happen, they contended, is a restructuring of government realistic to its budget.

"It is not possible that the private sector today can replace the \$100 million a year the refinery was generating," said St. Thomas Attorney George Dudley, who opined that the current crisis was caused by the closure of HOVENSA, which he said brought in an estimated \$100 million annually to the government. Mr. Dudley, like the others in the private sector, sees the overhauling of government whereby its costs of operation would be less than it is today, as the most prudent way forward. "At some point we need to acknowledge we can't afford the government we have," he said.

But even with all the opposition, a majority of the senators were willing to act favorably on the measure. They amended the \$30 per day timeshare unit owner tax to \$25 per night. Mr. Dudley said the timeshare unit tax equated to taxing someone for living in their own home even after they'd paid property taxes.

But Finance Commissioner and Public Finance Authority Director Valdamier Collens, opposed the \$5 reduction, stating that it would reduce the projected revenues by over \$17 million. The committee also removed an item in the measure that aimed to use some of the funds to repay teachers whose salaries were slashed by 8 percent by Governor John P. de Jongh. Without the language to repay the teachers, [Mr. Mapp's promise to do so](#) is no longer feasible.

Richard Berry, president of liquor distributor Bellows International, brought to the fore what he deemed as the five-year plan's high cost on local business owners. He said as a result of the proposed excise taxes, domestic beer would see an increase of 222 percent, while imported beer would shoot up 192 percent, and cigarettes by 167 percent.

The bill's passage, Mr. Mapp has said, will inject confidence in the bond market to lend money to the territory. He said the measure had been given a positive nod by bondholders, and that its passage, or something similar, was the only way to prevent a collapse of the territory's economy.

“If we do not act, I want you to know that by the second pay period in February, the Government of the Virgin Islands may not have enough money to make its payroll,” Mr. Mapp warned [during his State of the Territory Address on Monday](#). “If we do not act to authorize meaningful measures to eliminate our structural deficit, we will create a serious domino affect across our community. So let us take real action to bring our territory to fiscal health, not for the investment community, but for us now and generations to follow.

As if heeding the governor's dire assessment, a majority of the Finance Committee senators voted in favor of the measure, including Violet, Neville James, Blyden, Brian Smith and Nereida Rivera-O'Reilly. Voting against the measure were senators Dwayne DeGraff and Tregenza Roach. Senators also amended the governor's property tax bill by raising the minimum property tax on any given property from \$300 to \$360. That measure was also forwarded to the Committee on Rules and Judiciary, with senators voting in the same order as they did on the five-year plan sin tax measure.

Feature Image: Kurt Violet seat on stage during the 2016 Complex High School graduation. (Credit: Ernice Gilbert, VIC)