

The Virgin Islands Consortium

Lots Of Questions Remain Unanswered About Plaskett's Purported \$100 Million Rum Cover-Over Windfall For Territory

Tourism / **Published On February 06, 2017 08:34 PM /**

Ernice Gilbert **February 06, 2017**



Delegate to Congress Stacey Plaskett

Update: 5:35 p.m. -- *Delegate Plaskett spoke with The Consortium following her teleconference this afternoon, giving further details about her discussions with the U.S. Treasury and Department of Interior, Office of Insular Affairs. She also spoke on Governor Kenneth Mapp's five-year economic growth plans and other matters. Stories are forthcoming Tuesday morning.*

Original Story: Delegate to Congress Stacey Plaskett announced on Monday that her office might have identified over \$100 million in rum cover-over funds that have been withheld over the years from the USVI because of U.S. Treasury miscalculations. She said in a [press release issued this afternoon](#) as well as in a teleconference with local media, that research conducted by her office had uncovered the possibility that Virgin Islands rum cover-over revenues since the Diageo agreement may not have been properly adjusted to reflect the new production of rum in the Virgin Islands — denying the territory of tens of millions of dollars over time.

The second-term delegate to Congress said that during meetings last week with House Speaker Paul Ryan and Department of Interior and Treasury Department officials, she was able to outline "our belief that the Virgin Islands had not received the accurate share of worldwide rum excise tax cover-over that we were owed."

As explained in the press release as well as on the teleconference, Ms. Plaskett said that under the Caribbean Basin Initiative (CBI) of 1983, Congress provided both Puerto Rico and the Virgin Islands with additional cover-over of rum excise tax revenues derived from rum imported into the United States by other nations. The allocation of these additional cover-over revenues is apportioned according to the relative import of rum into the United States by Puerto Rico and the USVI, she said. Treasury regulations provide that the Virgin Islands may earn between 12-49%, with Puerto Rico qualifying for approximately 51-88% (depending upon each territory's respective local production percentages) of these additional worldwide rum excise tax revenues, she explained.

And, similarly to what she said on the phone with reporters, Ms. Plaskett explained in her press release that, according to the Securities and Exchange Commission filings by the Puerto Rican government, the Government Development Bank of Puerto Rico has indicated that Puerto Rico's percent of production fell to approximately 49% with the Virgin Islands' increase in rum production. The CBI allocation to the Virgin Islands, however, has not changed as contemplated by the law, resulting over time in nearly \$100 million in lost revenues to the Virgin Islands, she said. Ms. Plaskett said she formally requested that the production amounts be reviewed and, if it is in fact determined to be the case, the correct allocation of monies be given to the Virgin Islands as soon as possible.

But many questions remain unanswered about the delegate's apparent calculation. She did not explain how her office came up with the "upwards \$100 million" estimate; she only took one question on a teleconference arranged to speak with reporters. The Consortium was not given an opportunity query the congresswoman.

Ms. Plaskett also did not say what was the response, if any, that she received from the U.S. Treasury about her office's calculations -- same goes for the Department of Interior, Office of Insular Affairs. And it is not known how long Ms. Plaskett had been researching the matter, and whether there were any errors behind her reasoning, or missing key points that she simply overlooked. The delegate did not stay on the call to respond to any such queries. The teleconference turned out to be exactly what the delegate said in her release.

And the only question Ms. Plaskett answered attempted to find out how the funds that she believes were given to Puerto Rico because of apparent miscalculations by the U.S.

Treasure, would be collected by the USVI. She said if the allocation to Puerto Rico was due to "inaccurate calculations of Treasury, then it's Treasury's fault and Treasury should be the one to reimburse or to give the Virgin Islands their proper amount of money. And it's incumbent on our government to aggressively go after and try and get the money back from Treasury." Ms. Plaskett said the U.S. Treasury has not been doing its due diligence and has shortchanged the USVI.

Her announcement comes amid a fiscal collapse in the USVI, as the territory — facing a \$110 million deficit and no access to the bond market — is being forced to cutback in a myriad of areas. Department of Finance Commissioner Valdamier Collens told The Consortium Wednesday that the [Mapp administration was preparing furloughs, layoffs and deep cuts at government departments and agencies](#); Mr. Mapp [later denied](#) that he'd spoken to Mr. Collens about such actions.

"It's not even an assumption anymore, we have to act in a way in which we don't have access until we demonstrate to ourselves — not to the bond market — that we want to fix our structural deficit. So for starters we know \$110 million is out of the budget, and so we have to act accordingly to adjust and revise our budget," Mr. Collens said.

If the money is indeed owed to the territory, it would serve as a saving grace for the USVI, as local leaders grapple with ways of offsetting the \$110 million shortfall. Currently going through the legislative process is Mr. Mapp's sin tax measure, which introduces or increases taxes on products such as tobacco, rum, sugary drinks and beers. Taxes on timeshare unit owners and an internet sales tax are also part of the measure.