

The Virgin Islands Consortium

Under Pressure, Mapp Calls On Business Community To Support Sin Taxes

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Under pressure from business leaders territory-wide who have [vehemently opposed](#) his five-year economic growth sin tax bill, and with mounting pressure from bondholders local and on the U.S. mainland who are watching closely the government's ability or lack thereof to enact legislation that would raise revenues and help offset a \$110 million budget deficit, Governor Kenneth Mapp late Monday called on the territory's business leaders to support the five-year plan, which has been projected to raise some \$250 million over five years. Mr. Mapp says the five-year plan and complimentary bills were carefully crafted to lay a firm foundation for the territory's fiscal health.

The plea comes as a coalition of St. Thomas business leaders, to include the St. Thomas Chamber of Commerce, Indian Association, bar and restaurant groups, hotel and timeshare associations, liquor wholesalers, and others ready themselves to walk over to the Earl B. Ottley Legislative Hall at around 8:30 a.m. [in protest of the sin tax measure on Wednesday.](#)

In an attempt to move the topic away from the actual bill, Government House pointed to services that would be affected if the measure were to be derailed. The administration said basic human services needs, as well as programs for vulnerable children and the elderly, school bus services and lunch programs were all in danger of being curtailed.

"This government is wrestling with a structural imbalance that we inherited. To be fair, the previous administration had challenges from the abrupt departure of Hovensa and the crippling worldwide economic recession and borrowed more than \$800 million to close the gap," Mr. Mapp said.

Over the weekend, the administration announced that it had directed all department and agency heads to [cut operations by 10 percent](#) as a first step in dealing with the fiscal crisis. "While I am extremely empathetic about the issues raised by departments/agencies as a result of these required reductions, without the shared contribution and commitment by all branches and instrumentalities of government, our cash position will continue to erode and result in delays of government operations," the governor said on Saturday.

It would appear that the administration is coming to grips with the territory's fiscal reality, as the bond market remains closed to the USVI and leaders scramble for ways to maintain liquidity. In an interview with the Reorg Research Group last week, Andre Wright of the [Standard International Group](#), a longtime GVI consultant and Public Finance Authority advisor, said that the administration was considering alternate forms of borrowing, including a short-term revenue anticipation note (RAN) transaction against real estate property taxes. "Lenders have been willing to do it," he said, pointing to a 2015 transaction, according to Reorg.

Mr. Wright told the publication that property tax revenue adds up to "about \$50 million to \$60 million a year," and that the size of the deal would depend on "how much they would be willing to give us against that." He also revealed that the Government of the Virgin Islands was spending well over what it collects, generating on average \$1.5 million daily while its expenditures are about \$2.3 million daily.

"We need to size our budgets appropriately by cutting expenses, growing the economy and enacting new revenues in order to win the confidence of local and international financiers as well as restore fiscal health," Mr. Mapp said on Monday. "We took over a financial situation that was perilous from the very beginning of our tenure, and we kept our heads above water for the first two years, but we have to plot a longer course. We cannot ricochet from reef to reef because of the cries of special interests. This will not benefit the vast majority of the people of our community."

The governor's remarks, lately, have been twofold. On one hand he tries to paint a picture of a Virgin Islands that is leaping ahead, naming road projects, an [inching up of territory's gross domestic product](#) and other developments within his administration. And

when his Finance commissioner and Public Finance Authority executive director [laid bare the dire state of the territory's financial health](#) and the actions that were to be taken to allay the crisis, Mr. Mapp [denied Valdamier Collens's words](#), contending he'd never had such discussions -- the upcoming signing of an executive order that would authorize furloughs and layoffs, as well as deep cuts at departments and agencies -- with the commissioner. Yet, just last week, Mr. Wright told the respected finance publication, Reorg, that Mr. Mapp was indeed preparing [an executive order ahead](#) of a February 16 \$22 million government payroll.

In its release late Monday, Government House said the sin tax measure would not only raise revenue of about \$250 million over the next five years, but would also spur employment, eliminate the structural deficit, balance the budget, protect the environment and support public health.

"The bills under consideration positively impact our territory, but also safeguard the future of Virgin Islanders, and the stable prosperity of the businesses we depend on. I agree with the majority of the amendments [voted on in the Committee of Finance](#). With few exceptions, I believe the changes are a reasonable compromise," Mr. Mapp said.

According to Government House, Mr. Mapp believes that many administrations have been supportive of the private sector. Nonetheless, some of their recommendations, according to the governor, seek to hurt taxpayers.

"I received a number of recommendations from the combined Chambers of Commerce of both districts. A number of these recommendations for cutting costs are good; however, others call for imposing serious harm on our people and our economy. For example, the chambers are asking that we slash the salaries of all government workers by 30 percent; that we increase property taxes on residential and commercial property and that we impose an income tax surcharge on the salaries of all workers in the territory," Mr. Mapp said. "These are the draconian recommendations of the Chambers of Commerce to avoid the imposition of a 25 cents tax on a bottle of beer or a 50 cents tax on a bottle of rum. It's now time to put our people -- the people of the Virgin Islands first." Mr. Mapp emphasized that Virgin Islanders should continue to enjoy tax-free food, medicine and clothing under the territory's new rolling five-year plan.

The governor said he looks forward to continuing productive discussions with the private sector on matters of concern to all Virgin Islanders, and will implement a number of the Chambers' suggestions, including trimming government expenditures and increasing productivity.

"But I cannot agree to slash the salaries of workers, then impose a tax on what's left and also increase the tax obligations on their homes," he concluded.