

The Virgin Islands Consortium

In Face Of Massive Protest, Sin Tax Bill Advances

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ST. THOMAS -- The message could not have been any clearer on Wednesday, as a massive crowd of St. Thomas businesses owners and private citizens [overwhelmed 32nd Legislature senators outside the Earl B. Ottley Legislative Hall](#) here, screaming to the top of their voices words of opposition to Governor Kenneth Mapp's sin tax bill, which seeks to either introduce or raise taxes on tobacco products, rum, beer, sugary drinks, as well as internet purchases and timeshare unit owners.

It was one of the biggest turnouts for a protest against government in years, and it stunned lawmakers, who spoke on multiple occasions during yesterday's Committee on Finance hearing, where the bill was deliberated for over 9 hours.

In the end, the measure passed the Finance Committee, led by a group of Democrats who from the onset hinted that they would support the measure.

Voting yea were senators Kurt Vialet, chair of the committee, Neville James, the Senate majority leader, Marvin Blyden, Nereida Rivera-O'Reilly and newcomer Brian Smith. Voting nay were senators Tregenza Roach and Dwayne DeGraff, the latter being part of the minority caucus. The vote was a [replay of a previous Committee on Finance hearing](#) where the same sin tax measure was heard.



St. Thomas business owners and private citizens protest sin taxes on Wednesday, February 15, 2017.

Most testifiers who spoke during the session came in strong opposition of the legislation, making known to lawmakers why they believed the sin taxes would stifle the economy instead of growing revenues.

"Any which way you want to look at these revenue enhancements, the local private sector is going to be hit hard; our ways of life will change. Yes, charitable and nonprofit contributions will be reduced across the board and there will be a severe impact on the tourism sector," said Attorney David A. Bornn.

Adam Reeve, a native Virgin Islander whose father designed and built the legendary [Kon Tiki](#), which offers a sightseeing and beach cruise to tourists in St. Thomas and was winner of Trip Advisor Certificate of Excellence in 2013, testified against the measure as well, relaying to senators the potential harm the sin taxes would wreak on his business.

Explaining the importance of the marine tourism sector here, and its tight, competitive and mobile market that can easily be moved to more welcoming destinations, Mr. Reeve said the sin tax bill "could effectively take away the competitive advantage of U.S. Virgin Islands that attracts and encourages growth of our charter industry."

"Many vessels are already operating on lean margins, an incremental increase with introduction of a excise tax on alcohol and drinks will add another nail into the coffin of the charter yacht industry operating in the USVI. Charter yachts have a choice when choosing which island to provision their yachts. Alcohol is included in charter fees, and is a major contributing factor as to where these yachts choose to moor and provision," Mr. Reeve said.

"Charter yachts provisioning in the USVI cause a beneficial ripple effect in the local economy. Many services which support charter vessels provisioning here also benefit our local economy: docking fees in marinas; fueling; laundry; maintenance services and repairs etc.," he added.

Mr. Reeve was not alone; most testifiers spoke in grave terms of the problems the sin taxes would cause. And they were joined by many senators, to include Janette Millin Young, Alicia Hansen, Positive Nelson, Dwayne DeGraff and Tregenza Roach. But only two of the aforementioned senators are part of the Finance Committee: Mr. Roach and Mr. DeGraff, so while senators Nelson, Hansen and Millin Young may have added weight to the daylong discussion on Wednesday, where it really mattered, they had little authority.

Senators who did have voting authority, however, constantly pressed their case as to why the sin tax bill needed to become law.

Mr. Violet said while he understood the concerns of the business sector as well as residents, he said the bond market, whose dollars have sustained the territory's structural deficit for years, was tired of hearing talk. "We can't sit here, do nothing and believe we're going to solve the problems," Mr. Violet said. Mr. Violet reminded the public of the 31st Legislature's stalemate with Mr. Mapp, [when it opposed vehemently](#) the governor's plan to raise his department and agency heads' salaries by thousands of dollars, as a testament to the Senate's opposition to wasteful spending.

He also challenged Mr. Mapp to implement austerity measures in his administration, beginning with the elimination of retirees who hold top positions at departments and agencies. The committee chairman, pushing back against the notion that the Senate hadn't listened to the business sector's suggestions, brought up a slide revealing concessions that were made as a result of meetings with the private sector.

"If you look at the foreign beer, the governor's original proposal was the tax of \$14.08, and after meeting with the private sector, the amount was reduced to \$6.08, which is a 67 percent reduction," Mr. Violet explained while looking at the slide. "On domestic beer, the amount was \$11.55, the Senate reduced it to \$5, which once again is a 57 percent reduction. On rum and wine, we left the amount alone. On the timeshares, it went from \$30 to \$25 which is a 17 percent reduction... Carbonated drinks went from 1 cent per ounce to a half of a penny, which is a 50 percent reduction," Mr. Violet said.

Mr. James said the last thing that any senator wants to do is raise taxes. But, he went on, the current situation calls for difficult decisions — in his opinion, those that benefit the territory — to be made. And Mrs. Rivera-O'Reilly frowned on the thought of the territory's finances being managed by a federal control board, à la Puerto Rico. "We were told [that] the day we run out of cash, is the day we become the jurisdiction of a financial oversight

board,” she said.

The meeting carried on into the night with three segments, and brought out passionate discussions from all those present. But even with the bill's second hurdle being crossed -- it now moves to the Committee on Rules and Judiciary, headed by Senator Novelle Francis -- the financial uncertainty that has grabbed the territory remains palpable. The bond market is refusing to lend money to a government with a structural deficit of \$110 million, and overall debt of over \$2 billion. How will the government continue to make payroll and meet essential needs, is a question not even Mapp administration officials could ascertain on Wednesday. The governor, in his response to the crisis, has signed two executive orders in the span of days -- one giving Finance Commissioner and Public Finance Authority Director Valdamier Collens [vast power over the finances of the government](#), and [the other](#) cutting back on non-essential government travel, while placing a freeze on non-essential hiring.

These actions, the administration admits, were just a precursor for more difficult cost-cutting efforts to keep the government afloat, if monetary goals remain unattainable.

Feature Image: Protesters descend on the Earl B. Ottley Legislature on Wednesday in protest against sin taxes.