

The Virgin Islands Consortium

Sin Tax Bill Breezes Through Rules Committee, Heads To Full Body For Final Vote

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ST. CROIX -- Senate Democrats Novelle Francis, Jean Forde, Myron Jackson and Sammuell Sanes, in the face of stiff opposition from the private sector and the community, pushed through Governor Kenneth Mapp's sin tax measure that will raise taxes on sodas, rum, tobacco products, as well as timeshare unit owners and internet purchases.

They also passed a measure [that creates a base of \\$360 on property tax exemptions](#).

Their decision to favorably forward the measures to the full Senate, where the bills will face a final vote before heading to the governor who is expected to sign them into law, came on Thursday at the Fritz Lawaetz Legislature in Frederiksted, against a backdrop of

a small group of business leaders protesting the bills.

St. Croix Chamber of Commerce Chair Kimberly McCollum expressed disappointment during her testimony that some lawmakers, she said, were avoiding to meet with the chamber. "This is more than disappointing, it is extremely discouraging that after the first, and might I add only meeting we had with you as a collective group at Government House on January 12, we have yet to have another such meeting to review the assignment we have given and so dutifully completed," she said. Ms. McCollum was challenged by Mr. Forde, who asked whether she had asked the majority leader, Neville James, for a meeting with his members. Ms. McCollum said she had not.

Attorney George Dudley, a partner of the law firm Dudley, Topper and Feuerzeig, LLP, said that for about 25 years, "despite the dramatic rise in tourism in the Caribbean, the only development that has occurred in the Virgin Islands has been timeshare development. And now that development, that creative energy, is about to be defeated and rendered useless by taxes imposed by [Bill No. 32-0005](#)," Mr. Dudley said, referring to the sin tax measure.

Pointing to two of the biggest resorts in the territory, Mr. Dudley said Wyndham Vacation Ownership and Marriott Vacations Worldwide have collectively invested over \$350 million in developing their timeshare products -- [Margaritaville Vacation](#) and [Frenchman's Cove](#) respectively.

Mr. Dudley then brought the Senate's attention to a law governing the Virgin Islands Economic Development program, which says in part, "In order to establish the incentives offered hereunder on a firm, realistic and sure basis, the Government of the Virgin Islands further declares that it considers each certificate granting industrial development benefits that may be issued under the provisions of this subchapter as being in the nature of a contract between such government and the beneficiary, and the government shall not adopt any legislation impairing or limiting the obligation of such contract." (VI Code Section 710 (c), Title 29)

"Let me repeat that last phrase: the government shall not adopt any legislation impairing or limiting the obligation of such contract," Mr. Dudley stressed. He said both Wyndham and the Marriott have kept their end of the contract by investing more than \$350 million to develop the two resorts. "The V.I. Government's adoption of \$25 per night occupancy tax severely harms -- if not completely destroys -- the right of the two companies to successfully market their timeshare developments," Mr. Dudley said.

But the attorney's testimony, dozens of emails sent to the Committee on Rules and Judiciary, along a testimony from the owner of balter -- a well-known restaurant on St. Croix that [recently placed in the top ten best restaurants of the Caribbean by USA Today](#) -- was not enough to sway the Democrats, seemingly locked in their thought to support the measure.

Mrs. Rivera-O'Reilly, mentioning the territory's current financial crisis and the need for lawmakers to act on revenue-generating measures, asked testifiers whether senators should place their tails between their legs and do nothing. Senator Marvin Blyden, who said he understood the business community's position on the matter, said something had to be done to allay the current fiscal challenges, and sought to ease tensions by stating,

"we are in the boat together."

Senate Democrats, as stressed in past hearings, said they have listened to the business community's suggestions, and have curtailed the bills relative to the percentage of taxation. These Democrats went further on Thursday, adding a slew of amendments that would work in tandem with the implementation of the sin tax law.

One of the amendments, proposed by Mr. Sanes, seeks to curtail government spending by mandating a reduction in the use of government vehicles by 30 percent; calls for the use of teleconferencing where possible to minimize travel, and halts overnight stay at hotels for government officials during holidays, among other provisions.

An amendment by Mrs. Rivera-O'Reilly aims to prevent EDC beneficiaries from converting property taxes to timeshares. The amendment would see those who violate the provision losing benefits.

The minority caucus has been consistent with their vote, with Janette Millin Young and Positive Nelson -- the only two minority members who are part of the Committee on Rules and Judiciary -- voting against the sin tax measure. Curiously, Mr. Blyden abstained from voting.

Mrs. Millin Young argued for revenue-generation that would not tax those already burdened by taxes, who she said are the same ones keeping the economy afloat: the business community. But the minority's voice -- or its small number of votes -- could not stop a majority that is controlled by Democrats who, if their voting trend remains persistent, will vote in favor of the measure once it arrives at the full body for a final vote.