

The Virgin Islands Consortium

Senate Democrats Have Voted In Favor Of The Sin Tax Bill; Measure Heads To Mapp For Signature

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ST. THOMAS -- Senate Democrats, as expected, tonight at the Earl B. Ottley Legislature voted by a 9-5 margin in favor of Governor Kenneth Mapp's five-year economic growth bill, commonly referred to as the sin tax measure, that will introduce or increase taxes on a variety of products, including rum, beer, tobacco and sodas, as well as timeshare unit owners. The Democrats also supported a measure that creates a base of \$360 on property tax exemptions. The combined measures have been projected by the Mapp administration to raise roughly \$250 million over a five-year period, which the administration says will help bolster bondholders confidence in the government's ability to address its structural deficit, currently over \$100 million, and also as a first step in the right direction relative to having access to the bond market in the future.

Voting along party lines, with the exception of Senator Janette Millin Young -- a Democrat who has joined the minority caucus -- the Democrats gave Mr. Mapp, an independent governor, a victory tonight by supporting the measure. Mr. Mapp will return to the territory from Washington, D.C. on Wednesday, and is expected to sign the measure into law immediately.

At his press conference [one week ago](#), Mr. Mapp suggested that taking action sooner rather than later on the measure would bode well for the government, while easing the austerity measures outlined by the governor during the press conference.

"That's going to have an impact in terms of our overall plan because the measures that the Legislature is working on, if they're enacted in early March, then the revenues that we would expect between March 1 and September 30 would increase... the bridge would be reduced, hence the ability not to implement some of these more difficult reforms," the governor said.

Voting in support of the sin tax measure were senators Kurt Vialet, Nereida Rivera-O'Reilly, Jean Forde, Myron Jackson, Novelle Francis, Neville James, Marvin Blyden, Brian Smith and Sammuel Sanes. Voting against the measure were senators Positive Nelson, Millin Young, Dwayne DeGraff, Alicia Hansen and Tregenza Roach. The senators voted in the same order on the property tax measure.

The final measure sees the price of a carton of cigarettes costing \$11, and increases the cost of beer by 25 percent. The new tax on rum stayed at 50 cents per bottle, or \$6 per case.

On real estate, residents claiming exemptions will not be able to reduce their property tax bill below \$360. However, an individual who makes less than \$30,000 annually, or a family earning less than \$50,000 annually, will be exempted from the new minimum base of \$360.

Timeshare unit owners will be charged a tax of \$25 per day. The hotel occupancy tax of 12.5 percent will also be assessed on the overall cost of the unit.

In an effort to gauge the bill's performance, an amendment by Senator Neville James appropriates \$25,000 to the Bureau of Economic Research to study the sin taxes' effect on the economy. The amendment was objected by Sen. Alicia Hansen, who said there was no need for that assessment. Her comments were bolstered by that of Sen. Positive Nelson, who contended that the analysis should have been done before the measure was adopted, not after.

Another amendment from Mr. James seeks to set aside \$600,000 from the Tourism Advertising Revolving Fund for marketing specifically geared towards highlighting the U.S.V.I. as a duty free shopping hub. During the sin tax bill's [hearing in the Committee on Rules and Judiciary](#), amendments aimed at cutting government spending were adopted. They include a reduction in the use of government vehicles by 30 percent; the use of teleconferencing where possible to minimize travel, and the halting off overnight stays at hotels for government officials during holidays, among other provisions.

Correction: March 1, 2017

Sen. Kurt Vialet said Gov. Mapp's internet purchase tax was not included in the final sin tax bill. As such, the story has been updated.

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