

The Virgin Islands Consortium

Government Negotiating With Rum Companies To Keep Entire \$18.2 Million In Adjusted Rum Excise Taxes, Senator Says

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ST. CROIX -- Senator Kurt Violet on Thursday told The Consortium that negotiations were ongoing between the the Government of the Virgin Islands and the territory's two rum companies, for the government to keep all of the \$18.2 million in adjusted rum excise tax payments remitted to the G.V.I. [late last month by the U.S. Department of Interior.](#)

If Diageo USVI and Cruzan Rum -- the companies receive a generous percentage of the tax revenues -- agree to allow the government to collect the entire \$18.2 million, the monies would serve as an added lifeline to the government, whose finances remain

precarious, as it grapples with a structural deficit of over \$100 million.

Asked about bondholders receiving some of the funds, Mr. Violet said that the government had already met its debt obligation to its creditors with the over \$200 million in rum cover-over funds [the government received for fiscal year 2016](#).

In its release last month, Acting Interior Assistant Secretary for Insular Areas Nikolao Pula said D.O.I. recognized the territory's difficult financial position, and was moving quickly to make the funds available to the government.

"We recognize these funds are critical to government operations in the USVI and are working closely with Governor Kenneth Mapp and his staff to ensure the funds are transferred as quickly as possible," said Mr. Pula.

The announcement of the \$18.2 million remittance came on the heels of a press conference held by Mr. Mapp, where he [revealed austerity measures](#) that his administration had been considering as the government's liquidity crisis amplified. The G.V.I. is currently locked out of the bond market, and has a budget deficit of over \$100 million that must be offset. Some of the considerations included shutting government operations down one day every two weeks until September 30; a massive reduction in overtime spending at V.I.P.D. -- [which is already in effect](#) -- as well as overtime reductions at the V.I. Fire Service and Bureau of Corrections, among other considerations. The effort would amount to gov't employees working 72-hour work weeks instead of the full 80 hours.

Rum cover-over, or matching fund revenues are remittances paid by the federal government to the Virgin Islands' government, pursuant to U.S. statutes, of a portion of federal excise taxes collected on rum produced in the Virgin Islands and shipped to the US mainland. They have been paid to the government annually for over 50 years. Payments are made based on a "cover-over rate" set by Congress. Current statutes provide for a cover-over rate of \$10.50 per proof gallon. Congress has annually increased the cover-over rate to \$13.25 since 1999, in some cases retroactively.

According to the D.O.I., rum excise tax adjustments are calculated based upon amounts advanced from rum excise taxes derived from the USVI and collected by the federal government under the Revised Organic Act of the Virgin Islands (48 USC 1541). The USVI government submits its advance estimate of rum excise taxes to the D.O.I.'s Office of Insular Affairs on an annual basis so that payment can be made in September of each fiscal year.

The initial 2016 advance of \$213,325,000 was paid in September 2015. The actual taxes certified for 2016 totaled \$231,498,711. An advance payment of \$202,725,000 to the USVI was made in September 2016 for 2017 rum excise taxes, according to D.O.I.