

The Virgin Islands Consortium

Sin Taxes Set To Affect USVI As B.I.R. Announces Increase In Excise Taxes For May 1

Business / **Published On April 07, 2017 08:21 PM /**

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The Virgin Islands Bureau of Internal Revenue (B.I.R.) on Friday announced that certain goods coming into the territory will soon see their excise tax increase from the current rates, as Governor Kenneth Mapp's Revenue Enhancement and Economic Recovery Act, widely known as the sin tax bill, takes hold.

B.I.R., which said that the increases will take effect on May 1, added that the announcement serves as a reminder to businesses, whose operations will be most affected by the excise tax increases.

The imported goods set to be affected by the increases are the following:

1. Foreign Beers - \$6.08 per case of 24-12 ounce containers or equivalent
2. U.S. Beers - \$5.00 per case of 24-12 ounce containers or equivalent
3. Foreign kegs - \$8.25 per keg
4. U.S. kegs - \$5.70 per keg
5. Cigarettes - \$11.00 per carton
6. Carbonated Drinks - \$1.44 per case of 24-12 ounce containers or equivalent
7. Rums, Liquors, vodka and other alcoholic beverages - \$6.00 per case

Mr. Mapp signed the sin tax bill into law March 22, effectively increasing taxes on the above-listed products. He said the measure would produce an additional \$8 million in revenue between May 1 and September 30. While noting that the Legislature had reduced the amount of taxes to be levied, the governor, nevertheless, [commended lawmakers](#) for their courage and understanding of the need for additional revenues, as the government continues to struggle for ways to offset a budget deficit of over \$100 million after the bond market refused to borrow money to the G.V.I. in December and earlier this year.

Mr. Mapp also mentioned the [over \\$18 million transmitted to the G.V.I.](#) by the Department of Interior as funds that would help with liquidity. The funds represented the final rum excise tax payment owed to the territory for fiscal year 2016 by the federal government. Out of that total, \$13 million will go directly to the local government, the governor said.

He also announced on March 22 that he would not furlough or layoff government employees, nor would he shorten the school days in a bid to cut costs, as the administration had found ways to keep the flow of government operations by and large uninterrupted -- even if, he said, the situation had to be monitored daily.

With the sin and property taxes among the reasons mentioned for the government's ability to maintain liquidity, the territory's leader also pointed to the 80 percent [reduction in overtime work at the V.I.P.D.](#), V.I. Fire Service, the Bureau of Corrections and the Department of Human Services — and [an executive order](#) suspending hiring and wage negotiations, among other actions.

Making known that there was over \$103 million in delinquent property taxes owed to the Government of the Virgin Islands, Mr. Mapp said the Office of the Lieutenant Governor (O.L.G.) has been tasked to collect no less than \$25 million by September. The O.L.G. recently published a listing of 1,953 delinquent parcels for property taxes totaling \$29.4 million. A subsequent sale will take place in June or July with an equal amount of property taxes, according to the governor.

“In order to make it to the end of the fiscal year without affecting working hours and any closure of schools, the lieutenant governor’s office is asked to bring in at least \$15 million of delinquent property taxes. But I have set a mandate that the Office of the Lieutenant Governor and the Tax Assessor, must produce \$25 million in delinquent property tax collections by September 30, 2017,” Mr. Mapp said. The governor said the goal of \$25 million will be achieved either by payment, coming into an agreement with the tax assessors, or sale of the delinquent property. “There will be no exceptions,” he said. “It is imperative that we collect this money to the end of the fiscal year to ensure the delivery of critical services the Virgin Islands community.”

And in what will sure to please residents perturbed by the lack of tax refunds, the governor said income tax refunds will be paid this year.

“The plan to September 30 also provides for the release and payment of additional income tax refunds,” the governor said. “We’re not going to finance this deficit on the backs of the taxpayers.” Mr. Mapp said his administration would pay an additional \$20 million in income tax refunds, and although he did not say when the refunds would be released, the governor confirmed that Banco Popular had approved a Revenue Anticipation Note (RAN) of \$40 million against 2017 tax collections to help the government make refund payments, as well as meet financial obligations to the hospitals and to the Government Employees’ Retirement System. Mr. Mapp said the government owed G.E.R.S. \$15 million as of March 22, for the current fiscal year.

During his talk at the March 22 press conference, the governor revealed that 25 percent of all of the G.V.I.’s revenues is collected in April. He also combined the projected \$8 million from the sin taxes, the \$13 million from the Department of Interior for rum excise taxes, as well as the projected \$15 million from delinquent property taxes for a grand total of \$36 million, which Mr. Mapp said were funds already accounted for in his administration’s current fiscal year revenue projection.