

# The Virgin Islands Consortium

## Mapp Administration To Residents: No Tax Refunds At This Time

Business / **Published On August 28, 2017 10:43 AM /**

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There will be no tax refunds being issued to residents of the U.S. Virgin Islands for some time, according to Dept. of Finance Commissioner and Public Finance Authority Executive Director, Valdamier Collens, because of the government's strained financial position.

Mr. Collens responded to a Consortium question about the refunds on Sunday night, as this publication sought an answer for multiple residents who have reached out over the course of the past months, wanting answers on the status of their refunds. Some were simply frustrated that they had to wait years to receive their money, while others were depending on the refunds, for example, to buy school supplies for their children.

"Could you guys try to find out for me if tax returns are going to be out before school starts? I'm a struggling mom and it's hard for me to make ends meet. It would make a big difference for me if the checks were out," wrote a Consortium reader, whose identity the publication will reveal. This mother is among many others currently struggling in the territory.

"Owing to our existing priorities and cash position, the Department of Finance is unable to process tax refunds at this time," wrote Mr. Collens. "As the government's cash position improves, tax refunds will be processed."

The government of the Virgin Islands is extremely strained financially, with one of the three major U.S. ratings firms suggesting that the G.V.I. may run out of operating cash, or liquidity, by the end of this fiscal year. "Current liquidity levels are about three days' cash, augmented in part by a significant amount of payables which continues to grow, and estimates show the territory could be facing a negative cash balance by the end of August without any additional cash flow management initiatives, which we believe leaves USVI vulnerable to a total depletion of cash before the end of the current fiscal year," said S&P Global Ratings credit analyst Oladunni Ososami in Fitch's latest downgrade of the territory's bonds [earlier this month](#).

Since then, Governor Kenneth Mapp said his administration [has sever ties with the ratings agencies](#), because he simply no longer wanted to hear from them. "I'm not taking on the issues of the rating agencies, they will not pretty much have more to write about the territory. We've severed our ties with them; there's no need," Mr. Mapp said on WSTA 1340 AM. "We don't have market access, so it makes very little sense for the rating agencies to come telling you every other month you can't borrow no money."

So when exactly the government's financial condition will improve is difficult to predict, but it doesn't look like it will be anytime soon. "We sincerely apologize for any inconvenience and thank our constituency for their patience and support," Mr. Collens said.

The Mapp team, early on, made it a part of its mission to release tax refunds in a timely manner, and has issued more refunds, during his two-year tenure, than his predecessor during the same time period. In fact, Governor John P. de Jong had placed a freeze on issuing tax refunds; when Mr. Mapp took office, he lifted the freeze and said his administration would "turn the faucet on."

"We are pleased to say to the public that the wholesale halting tax refunds, we're going to lift that veil and we'll start releasing some of these monies because we know most of these funds are going to end right back up in the economy, people have bills to pay, they certainly have spending that they want to do," [said](#) Mr. Mapp in February, 2015.

Since then, however, the territory's financial position has changed drastically, with the government having zero access to the market, and an annual structural deficit of \$100 million to bridge. The administration has implemented new taxes, added more securities to its bonds to satisfy bondholders, and has attempted to cut back on spending. However, those actions did not change the territory's trajectory in the eyes on the ratings agencies, as they continue to look at the G.V.I.'s debt of over \$2 billion, a retirement system with a \$4 billion unfunded liability, and a tax base that's very small as people

continue relocate to the U.S. mainland for better opportunities.

Then's there's the Puerto Rico Oversight Management and Economic Stability Act (PROMESA), which was enacted by Congress in 2016 and shelters Puerto Rico from creditor lawsuits while it seeks to reduce its debt as its financial crisis compounds. Creditors believe that the USVI would receive the same federal protection as its neighbor — both U.S. territories — if placed in a similar position.

“These security provisions have not been tested in a stress scenario where the government faces a severe lack of funds to provide basic services and we believe they do not protect bondholders in the event that the government is forced to restructure its debt,” said ratings firm [Moody's in January](#).