

The Virgin Islands Consortium

Mapp Bill Seeks To Allow Hotels To Raise Occupancy Tax By Up To 20 Percent

Business / **Published On October 04, 2018 09:23 AM /**

Ernice Gilbert **October 04, 2018**



Governor Kenneth Mapp announced during a press conference at the Frenchman's Reef Beach Resort in St. Thomas on Wednesday, that he was sending a bill to the 32nd Legislature that would allow hotels to raise the occupancy tax --a tax on the rental of rooms that the government levies -- by up to 20 percent, which is 4.5 percent shy of a 100 percent increase on the occupancy tax currently paid by guests of hotels in the territory.

The governor explained the measure this way: "Imagine a hotel that elects to impose a 5 percent economic recovery fee to help fund renovations to a wing of guestrooms. Imposing the fee will effectively increase its occupancy tax from 12.5 percent to 17.5

percent. Upon collection, the additional 5 percent will be placed in an interest-bearing trust account, from which the hotel can withdraw funds to pay for expenses relating to the renovations. The hotel thus obtains a new revenue stream for funding improvements, without taking any existing revenues away from the government.”

And he said the bill, if ratified by the Senate, would help hotels damaged by the 2017 storms reopen faster. “With my proposed legislation, hotels will be able to open sooner, so I ask the Legislature for its prompt consideration and support to keep moving our territory forward,” Mr. Mapp said.

According Government House, the measure does not obligate government resources; instead, hotels would take the risk of raising the occupancy tax above the government-mandated 12.5 percent on their own accord.

But a few lingering questions remain: It was not clear how the measure would cause damaged hotels to reopen sooner, as the bill itself only works if a hotel has rooms available for rent. And it was not clear why the additional tax to recoup losses were being levied if these facilities were insured. And if they were, why guests would foot the bill for the cost to rebuild and expand is yet another unanswered question. Also unclear is whether Virgin Islanders, who themselves are recovering from the devastating storms, would be exempted from the additional tax -- and whether the new tax comes with an expiration date.

The territory's occupancy tax is already [among the highest in the Caribbean](#), with some of the USVI's closest tourism competitors, including St. Maarten, St. Kitts and Nevis, Bahamas and Barbados, having room taxes considerably lower than the territory's, according to Trip Savvy, a travel site written by experts, which is also a top-10 travel information site as measured by ComScore.

St. Maarten, for example, has a hotel occupancy tax of 5 percent, while the Bahamas's levy is 7.5 percent. Puerto Rico, the territory's closest neighbor, is at 9 percent.

The comparison becomes much starker when the USVI's occupancy tax is compared to U.S. mainland states. According to the [National Conference of State Legislators](#), among the 50 states, the District Columbia and Puerto Rico, only 3 jurisdictions have higher occupancy tax rates than the U.S. Virgin Islands: Connecticut with 15 percent, Hawaii with 13.25 percent, and the District of Columbia with 14.8 percent.

While the bill was announced as part of the reopening of the Frenchman's Reef Beach Resort, which has been set for 2020, there was no indication reopening would stall if the measure failed in the Senate.