

# The Virgin Islands Consortium

## With Oil Refining Soon To Come Online At Limetree Bay, Lawmakers Seek To Collect Tens Of Millions In Gasoline Tax Received By U.S. Treasury

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With oil refining set to come online early next year at Limetree Bay, senators are eyeing an opportunity to secure tens of millions of dollars in annual revenue by collecting a portion of the gasoline tax remitted to the federal government from refined oil exports produced in the Virgin Islands to the United States.

[Bill No. 33-0052](#) -- which was approved in the Committee on Finance Tuesday -- was sponsored by Senator Stedmann Hodge and is simply a resolution to petition the governor of the Virgin Islands and the delegate to Congress to join the Legislature in pursuing the return of a portion of the gasoline excise tax collected by the Federal government.

If the resolution is pursued by the aforementioned parties, and the effort becomes successful, the remittance of tens of millions of dollars annually to the local treasury could help solve some of the manifold problems for a territory that continues to reel from financial hardship.

As it currently stands, the federal government receives the entirety of the taxes collected on the oil exports produced in the U.S. Virgin Islands. Local officials argue that at least a portion of it should be received by the local government.

The territory's structural deficit ranges between \$85 million to \$115 million annually, according to Office of Management and Budget Director Jenifer O'Neal. The idea is that the U.S. Virgin Islands, just as it receives the taxes collected on USVI rum exports to the United States -- [more than a quarter of billion dollars this year](#) -- it should receive the taxes on gasoline exports as well.

The government of the Virgin Islands has challenged the current standing in court. However, the United States Court of Appeals for the District of Columbia determined that the language in Section 28 (a) of the Revised Organic Act of 1954 is "ambiguous".

Still, local officials contend that the taxes should be collected by the G.V.I. and not the U.S. government. "I do believe the intent was to attribute the importation of petroleum products by the United States to be subject to tax revenues being returned to the territory," said Dept. of Finance Commissioner Kirk Callwood.

Dutko Government Relations, a bipartisan lobbying firm based in Washington, DC with a long history of working with state, municipal, and federal territory governments on issues impacting them in Congress, worked with the G.V.I. in the early 2000s educating Congress on the importance and benefits of the gasoline tax to the U.S. Virgin Islands -- back when HOVENSA was in its heyday.

"At the time, we estimated that the amount of the cover-over, based on production spanning 1996-2000, would average \$40.73 million per year in revenues returned to the territory," a Dutko official told lawmakers Tuesday.

According to Ms. O'Neal, oil exports at Limetree Bay is expected to range from 45,000 to 53,000 barrels per day. She said that since each barrel holds 45 gallons, the estimated amount of Federal excise tax revenue at 18.3 cents per gallon would range from \$370,575 to \$436,455 per day.

If the federal government were to remit 50 percent of the amount collected, the Government of the Virgin Islands could receive in a low estimate scenario (at 45,000 barrels per day), \$67 million annually, or \$79 million in a scenario where output is high.

"The financial state of the government is in disarray. GERS, our hospitals, our schools, compounded infrastructure needs, and having a utility company that has been unreliable

for decades with no real strategic plan. It is a challenge," said Mr. Hodge, the measure's sponsor, as he worked to relay the territory's dire financial straits as reason enough to attempt to collect the oil taxes.

The measure was approved by lawmakers in the Committee on Finance. It now heads to the Committee on Rules and Judiciary for further vetting, and then to the full body for a final vote before going to Governor Albert Bryan's desk for his approval or veto.

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