

logo not found or type unknown

# Rum Cover-Over Funds Decrease to Be Rectified By End of 2022, Plaskett Assures as She Assails Violet For Fear-Mongering

Government / **Published On August 27, 2022 05:03 AM /**

Ernice Gilbert **August 27, 2022**

Image not found or type unknown



## Delegate to Congress Stacey Plaskett.

Delegate to Congress Stacey Plaskett early Saturday issued a statement on the recently released \$226.1 million in rum cover-over revenues remitted to the U.S. Virgin Islands by the U.S. Dept. of Interior.

Rum cover-over funds are taxes collected on rum made in the USVI — Cruzan Rum and Diageo — and sold on the U.S. mainland. The money is provided to the territory annually and used for a number of obligations, including some of the territory's covenants with bondholders. The advance remittance represents 2023 estimated rum tax cover-over payments for the USVI and will be made

the week ending September 9.

[Earlier this year](#), the Bryan administration reached a 30-year historic bond sale agreement that was billed as the savior of the Government Employees' Retirement System, as it is expected to provide \$3.8 billion to G.E.R.S. during a 30-year period.

The agreement, which utilizes a special type of corporate entity called the Matching Fund Special Purpose Securitization Corporation, was specifically authorized by the Legislature to issue bonds based on rum tax revenues at a rate of \$13.25 per proof gallon. However, the base rate as written into federal law is \$10.50 per proof gallon, though the Virgin Islands and Puerto Rico have historically been provided with tax extenders that carry the tax rate to \$13.25. Following Hurricanes Irma and Maria, the USVI and PR received a five-year extender that expired in December 2021, and the Dept. of Interior in its recent remittance to the U.S. Virgin Islands calculated the tax rate at the base level of \$10.50. This resulted in a shortfall of \$59.2 million, according to Senator Kurt Vialet, funds slated to be provided to G.E.R.S. as part of the securitization deal to stabilize the pension system.

"Vialet's main concern is the recent Special Purpose Vehicle which was structured at a rate of \$13.25. Reimbursement based on a rate of \$10.50 leaves a void of \$59,233,700 which was earmarked for the Government Employees' Retirement System. The Senator encourages the Administration and the Delegate to Congress to petition Congress to permanently reinstate the rate of \$13.25," reads a release issued Friday from Mr. Vialet's office.

Ms. Plaskett says her office along with Puerto Rico Delegate to Congress Jenniffer Gonzalez-Colon will seek another extender until legislation they've sponsored jointly to make the \$13.25 rate permanent, HR 1425, becomes law. Additionally, the tax extender carrying the rate to \$13.25 should be approved by year's end, according to the congresswoman, and the \$59.2 million current shortfall will be provided retroactively to the territory.

Ms. Plaskett explained, "Since 1984 and the passage of the Deficit Reduction Act (P.L. 98-369), the cover-over was capped and limited to \$10.50. After that time, through various 'tax extender' pieces of legislation, those in Washington fighting for the interests of the Virgin Islands and Puerto Rico have been able to temporarily increase the cap to first \$12.50 and then to \$13.25 for short periods of time (usually one, two or three-year periods).

"After Hurricanes Irma and Maria, we were able to place a 5-year increase of the cover over to \$13.25 in the Bipartisan Budget Act of 2018 (P.L. 115-123), which is the public law that gave the Virgin Islands and Puerto Rico the unprecedented funding to rebuild the territories. That temporary increase in cover over expired in December of 2021. As some may recall, the rum cover over cap issues were included in the Build Back Better legislation. Unfortunately, that entire legislation did not make it through the Senate.

"I and my colleague, Congresswoman Jenniffer Gonzalez-Colon have offered legislation to lift the cap permanently through H.R. 1425. We are confident that until such permanency becomes law, when tax extender legislation is taken up in this Congress, as has happened previously, the additional rate (bringing the cover over to \$13.25) will be given for the period of the tax extender and the additional funds will be given retroactively to the Virgin Islands Government going back to the last expiration. My confidence that such tax extender legislation will be taken up comes from the many tax credits and other tax provisions that have or will expire by the end of this year that need to be extended – such as low-income housing credits, pharmaceutical company credits and others."

Regarding the refinancing deal, Ms. Plaskett said it would have been prudent to use the base rate of \$10.50 as part of the agreement for recent bonding or valuation purposes, as it should have been known by local lawmakers and the Bryan administration that the extender was set to expire on Dec. 31, 2021.

"As a member of the Ways and Means Committee, which has jurisdiction over all tax-writing measures, we would have been happy to share our evaluation of the legislative process and dates of expiration," the congresswoman said. "Be that as it may, we are where we are now and I'm happy to work with all parties to support our Virgin Islands' financial needs and believe that through the extender process we will get the \$13.25 rate and retroactive funding."

Ms. Plaskett also chided Mr. Violet for what she deemed alarmist behavior whose purpose is to frighten Virgin Islanders without cause. "Additionally, while I know we are in a heightened political season, it is disappointing when those who are supposed to be legislators do not do the work of legislators but merely act as alarmists, frightening Virgin Islanders rather than doing the research to understand the federal legislative history and process or picking up the phone and calling my office to ask for an explanation," she jabbed.

The congresswoman concluded by stating, "As I stated earlier, I am confident the tax extender legislation will bring us to the \$13.25 rate and bring retroactive funds to GERS, and I welcome the support of my fellow elected officials to work together to amplify and support the needs of our fellow Virgin Islanders."