

## **GASOLINE EXCISE TAX, UNEMPLOYMENT INSURANCE TAX AND GOVERNOR'S BILLS GET FAVORABLE VOTE**

**Date** : September 17, 2019

ST. CROIX--The Committee on Finance chaired by Senator Kurt A. Vialet considered several proposed legislations on Tuesday at the Virgin Islands Cardiac Conference Room on St. Croix.

Bill No.33-0052, proposed by Senator Stedmann Hodge, Jr., a Resolution to petition the Governor of the Virgin Islands, and the Delegate to Congress, to join the 33<sup>rd</sup> Legislature in pursuing the return of a portion of the gasoline excise tax collection by the Federal Government.

Senator Hodge, Jr., speaking on his proposed legislation said, "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!" He added that, people of the Virgin Islands have suffered long enough, thus the Government must look for ways to recoup what it has lost.

Jenifer O'Neal, Director of the Office of Management and Budget (OMB), said she supported the initiative of Bill No.33-0052 in pursuing the return of a portion of the gasoline excise tax collected by the Federal Government. According to the Director, it is important to rectify the ambiguity of the language that has inhibited the return of much needed funds to the treasury of the Virgin Islands.

She pointed out that the

estimated structural deficit of the V.I. Government, is estimated to be between \$85 million and \$115 million per year. Therefore, with the expected amount of gasoline to be refined at the Limetree Bay Refinery on St. Croix, destined for US mainland markets, is expected to range from 45,000 to 53,000 barrels per-day (BPD). She added that since each barrel holds 45 gallons, the estimated amount of Federal Excise Tax revenue would range from \$370,575 to \$436,455 per day.

She added that if the Federal Government were to return only fifty percent of excise receipts, the Territorial Government could receive in a low case scenario (45,000 BPD), an amount approximately equal to \$67 million per year, and \$79 million in a high case scenario.

Donald Cole, Former Senator in the 24<sup>th</sup> Legislature, testified as a private citizen and spearheaded a legislative delegation to the Nation's capital to lobby the Congress to amend the Organic Act of 1954 and any other applicable Federal Law to authorize the refund to the Virgin Islands Treasury of at least a portion of the taxes collected by the Federal Government on refined oil.

He further stated that he firmly believes, now is the time to develop a unified strategy to approach the Congress and the White House to return the excise taxes on gasoline to the territory.

Other testifiers who supported the initiative of Bill No.33-0052 were Bill Simmons, Managing Director, Dutko Government Relations and Kirk Callwood, Sr., Commissioner, Department of Finance.

The Committee voted in favor of Bill No.33-0052 and sent it to the Committee on Rules and Judiciary for further consideration.

Bill No.33-0090 proposed by Senators Stedmann Hodge, Jr. and Myron Jackson is an Act amending the Virgin Islands Code to implement a new methodology for assigning individual employer Unemployment Insurance Taxes as administered by the Virgin Islands Department of Labor's Division on Unemployment Insurance.

Gary Molloy, Commissioner, Department of Labor said his agency is in favor of Bill No.33-0092 as proposed for three reasons: The Bill will bring the US. Virgin Islands back into compliance with Federal Law, will ensure future solvency of the Virgin Islands Trust Fund, and will be easier to administer.

According to Comm. Molloy, there are two areas they would recommend changes: (1) There should be an additional year added to the implementation dates; and (2) They also suggest that they amend the definition of a governmental body.

He pointed out that the Bill seeks to address and correct the financing imbalance and provide an automatic safeguard to ensure the Virgin Islands Unemployment Trust Fund (VIUTF) returns to solvency and remains solvent in the future. He added that as of September 11, 2019, the Virgin Islands outstanding Trust loan balance is \$63,408, 970.98. He added that they have \$4,438,528. 45 in their current Trust Fund to cover current benefits.

According to Molloy, the Bill will address several significant factors: the loan repayment and Trust Fund solvency; provides a financial structure that will bring VIUTF back into solvency and avert future deficits; assist with the time frame of repayment, which has a vital impact on the Federal Unemployment Tax Act credit for employers; employer's taxes will again be based on their own payrolls and contributions payment into the system, instead of a flat rate; and will promote economic growth.

Other testifiers on Bill No.33-0090

were, Nesha Christian-Hendrickson, Legal Counsel, (DOL), Elston George, Director of Unemployment Insurance (DOL), and Gary Halyard, Director, Bureau of Labor Statistics (DOL).

Bill No.33-0090 was amended

by Sen. Oakland Benta and voted out of the Committee with a favorable recommendation to the committee on Rules and Judiciary for further consideration.

Bill No.33-0033 proposed by

Senators Donna Frett-Gregory and Marvin Blyden, sought to add a new section to the Virgin Islands Code, in order to reenact the Virgin Islands Tax Study Commission, which will be tasked with reviewing the current laws and tax structure of the Virgin Islands for the purpose of initiating tax reform, and maximizes revenue in a fair and impartial manner.

The Bill was amended by

Senator Frett-Gregory and voted out of the Committee and sent to the Rules and Judiciary for further consideration.

Bill No.33-0146 proposed by

Senator Novelle E. Francis, Jr. by the request of the Governor, sought to amend the Virgin Islands Code, by changing the license renewal period from biennial to annual for an authorized delegate of a money transaction, check cashing, or currency exchange business.

Gwendolyn Hall Brady,

Director, Division of Banking, Insurance, and Financial Regulation told the Committee that Act No.8137 transferred responsibility for licensing of

authorized delegates for a money transmitter, check cashing or currency exchange business, from the Virgin Islands Department of Licensing and Consumer Affairs to the Office of the Lieutenant Governor, Division of Banking, Insurance and Financial Regulation.

She further stated that as of now, the licensing and regulatory entity, the Division finds that a requirement of annual licensing renewals subject to and conditioned by the applicant's mandatory submission of specific compliance reports, is unequivocally necessary. She added that in accordance with the Virgin Islands Code, conducting business without a license will result in fines of \$100 for each day after the suspension that the Director did not receive renewal report.

The Bill was technically amended by Senator Janelle K. Sarauv and favorably voted out of the Committee and sent to the Committee on Rules and Judiciary for further consideration.

Bill No.33-0147 proposed by Senator Novelle E. Francis, Jr., by the request of the Governor-An Act amending the Virgin Islands Code, by deleting from Section 232, the word "life" and "disability" by adding a new section 248, all to satisfy the accreditation standards established by the National Association of Insurance Commissioners and to provide more effective protection to the policyholders in the territory.

Director Brady said that new Section (248) added to Bill No.33-0147 states that the Bill does not apply to life and health insurers that become insolvent prior to January 1, 2020 or was otherwise insolvent in fact prior to January 2020.

According to Brady, if life and disability are left in Section 232, then the Insurance Guaranty Fund will

not include coverage to protect the policyholders in the U.S. Virgin Islands who are insured by life and health insurance companies that become insolvent. She added that if this Bill become law, and a health insurance company becomes insolvent after January 1, 2020. Then a valid claimant or insured at the time of insolvency shall have a covered claim payable for the Insurance Guaranty Fund.

The Bill was amended by Senator Blyden and favorable voted out of the Committee and sent to the Rules and Judiciary for further consideration.

Bill No.33-0148 proposed by Senator Novelle E. Francis, Jr., by the request of the Governor, sought to amend the Virgin Islands Code to reflect a change to the definition of a Third-Party Administrator Trust Fund Account as it appears in Act 7695.

Attorney Glendina P. Matthew, Assistant Director and Legal Counsel to the Division said in her testimony that the Division request the Committee's approval on Bill No.33-0148, which if enacted, will allow licensed TPAs to fully exercise their fiduciary duties based upon sound accounting principles in accordance with the Virgin Islands Code by maintaining a separate account for funds collected and a separate account for funds disbursed.

The Bill was amended by Senator Blyden and voted out of the Committee with a favorable recommendation and sent to the Rules and Judiciary for further consideration.

Bill No.33-00149, proposed by Senator Novelle E. Francis, Jr., by the request of the Governor, sought to amend the Virgin Islands code to add a new Chapter 20b entitled "Corporate Governance Annual Disclosure Act." It requires

the Territory's domiciled insurers and alien insurers, not doing business in any other U.S. jurisdiction, to submit to the commissioner of Insurance, a corporate governance disclosure report in accordance with the accreditation standards established by the National Association of Insurance Commissioners, and that all such reports and related documents, shall be kept confidential by law and privileged.

Atty. Matthew said the purpose of Bill No.33-00149 is that it requires U.S. Virgin Islands domiciled companies, which includes Dorchester Insurance Company, Guardian Insurance Company, and alien insurance companies which are not doing business anywhere else in the United States, to file a Corporate Governance Disclosure Report that has been prepared in accordance with the National Insurance standards. She pointed out that corporate governance is the system of rules, practices and processes by which an insurance company governs itself.

The Bill was amended by Senator Blyden and voted out of the Committee with a favorable recommendation and sent to the Rules and Judiciary for further consideration.

Senators at Tuesday's meeting were Chairman, Kurt A. Vialrt, Marvin A. Blyden, Oakland Benta, Janelle K. Sarauw, Dwayne M. DeGraff, Donna A. Fret-Gregory, Stedmann Hodge, Jr., and Novelle E. Francis, Jr.

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