

# Office of the Lieutenant Governor

Honorable Tregenza A. Roach, Esq.  
Lieutenant Governor



Division of Real Property Tax  
Testimony before the  
Committee on Budget, Appropriations & Finance  
On Bill No. 36-0008

April 15, 2025

Presenter: Brent A. Leerdam, Tax Collector

Good Morning, Chairman Novelle E. Francis, Jr., all other members of the Committee on Budget, Appropriations and Finance of the 36<sup>th</sup> Legislature of the Virgin Islands, all other senators present, listening and viewing audience. I am Brent Leerdam, Tax Collector, Office of the Lieutenant Governor.

Mr. Chairman, I am here today to provide testimony on Bill No. 36-0008, “[a]n Act amending title 33 Virgin Islands Code, subtitle 2, chapter 89, subchapter I, section 2494 requiring the Lieutenant Governor to offset a property owner’s property tax liability against any amount of money that the Government of the Virgin Islands owes to the property owner.” Specifically, Bill No. 36-0008 amends section 2494 of Title 33 of the Virgin Islands Code, by adding subsection (b) to state in pertinent part that “[u]pon application by the taxpayer and certification of proof of debt, the Lieutenant Governor shall credit or offset the property tax alibility against the full amount that the Government of the Virgin Islands owes to the taxpayer.” “Proof of debt” is defined as a Certified Judgment or Order including a Consent Judgment entered in favor of the taxpayer in civil litigation, a Settlement Agreement, or “any other evidence of the Government’s indebtedness to the taxpayer accepted by the Lieutenant Governor.”

Upon reading Bill No. 36-0008, the credit or offset proposed in this Bill, implies that actual money or revenue would not be coming into the coffers of Office of the Lieutenant Governor (“LGO”) and, by extension, the Government of the

Virgin Islands. For example, based on our understanding of the Bill, if a taxpayer receives a Judgment in the amount of Two Hundred Thousand Dollars (\$200,000.00) from a court or a government department or agency, or any of its instrumentalities or semiautonomous agencies and the taxpayer owes One Hundred Thousand Dollars (\$100,000.00) in real property tax arrearages, then \$100,000.00 would be credited to the taxpayer's account in LGO to offset the real property tax owed, in effect zeroing out real property tax arrearages.

Please note that the Office of the Lieutenant Governor, Division of Real Property Tax is not in favor of this Bill. Moreover, it is our position that the offset allowed under this Bill does not directly address the issue facing this Government in the administration of its fiscal obligations, which is, that there is a shortfall in overall revenue collection in the Territory, due in large part to inflation and the rising cost of living. While we acknowledge that the constraints resulting from this shortfall in making payments on debts owed by the Government may be the impetus for the drafting of this Bill, we believe that the focus at this time should remain on the enhancement of revenue collections.

Notwithstanding, we have conducted a thorough review of this Bill and have had discussions regarding its potential impact on the Division and, by extension, the Government of the Virgin Islands. Based on this review, the Office of the Lieutenant Governor, Division of Real Property Tax, offers the following in support of its

decision not to support this proposed legislation.

First, because under section (b)(3) of the legislation, the definition of “proof of debt” is so broad to include “any other evidence of the Government’s indebtedness to the taxpayer accepted by the Lieutenant Governor,” this language allows any individual or entity owed a debt by the Government to apply for an offset of the debt. Therefore, we ask you to consider that a debt could include the debt owed by this Government in retroactive wages to several unions in the Territory. Such costs could be exorbitant and place an undue burden on the collection of real property taxes and the reliance of the Government thereon in generating revenue and providing services. Further, there currently are debts owed by the Government of the Virgin Islands to companies that are vendors and contractors for services they provide to this Government. These debts can also be exorbitant. If real property taxes owed is used to offset these debts, this could result in a huge reduction in revenue generated by this Government, which would adversely affect services provided by the Government.

Second, because the offset allowed under this Bill will reduce LGO’s projected and highly anticipated revenue received from the collection of real property taxes, the Government’s heavy reliance on those projections in the administration of its fiscal obligations would also be adversely affected. This is significant, because there are certain periods during a fiscal year when there is a reduction in other revenues,

such as those derived from income and gross receipt taxes, when real property taxes are relied upon for payment of expenditures to fulfill obligations such as payroll and payment to vendors during the affected period.

Third, as it pertains to LGO and the Division of Real Property Tax, a reduction in the amount of real property taxes collected would also adversely affect the amount of money in the Office of the Tax Assessor's Revolving Fund utilized for the benefit of that Division for expenditures such as compensation to the vendor for the real property tax management system and customer online portal as well as for training and certifications for the members of the Division's staff. Please note that the cost of such services can be very expensive and is expected to increase. By statute, the fund is subsidized by 1% of the revenue collected in real property taxes.

Fourth, for LGO to accommodate the changes necessary to implement the requirements of this Bill to zero out debts owed to the Government, the existing real property tax management system, would have to be modified, which means that there will be an additional cost to LGO for the modifications. Currently, the features needed to accommodate the offset are not available in the property tax management system. As you may be aware, the cost for contractual services have increased enormously, and the Office of the Tax Assessors Revolving Fund mentioned above is unable to accommodate this cost. Therefore, an appropriation would be needed to effectuate any modifications to the current system.

Fifth, having such a credit/debit function without the generation of financial receipts, is a function that the Real Property Tax Division has recently and purposely abandoned with the adoption of the new property tax management system. If the Division of Real Property Tax retains credits beyond the amount due in property taxes, then the tax parcel owner should accrue interest until such credits are applied. Further, a property tax management accounting ledger is not appropriate for holding/transferring/applying credits and will cause larger issues affecting the integrity of our newly acquired property tax management accounting system.

Sixth, because of the inter-governmental agency collaboration between agencies with disparate technology systems, which agency will assume ultimate responsibility for the accuracy of the credit/debit process? This process will seemingly be fraught with auditor questions and one agency will not hold all the answers. The process may cause the integrity of GVI's financial audits to be called into question.

Last, but not least, in light of the matters addressed in this testimony, we recommend that, if the Office of Management and Budget as well as the Department of Finance have not yet been invited to provide input regarding the impact of this Bill, they should be so invited in order to provide a complete and thorough overview of the overall impact that the implementation of the requirements of this Bill will have on the revenue generated by the Government of the Virgin Islands and the

ability of the Government to fulfill its fiscal obligations.

For the reasons stated in this testimony, LGO is not in favor of Bill No. 36-0008. Mr. Chairman, thank you for the opportunity to testify on this measure. We are available to answer any questions that you or members of the Committee may have.