



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

April 11, 2025

### MEMORANDUM

**TO:** Honorable Novelle E. Francis, Jr.  
Chairman, Committee on Budget, Appropriations and Finance  
36<sup>th</sup> Legislature of the Virgin Islands

**FROM:** Post Audit Division

**SUBJECT:** **Bill No.- 36-0008**-An Act amending Title 33, 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

### BACKGROUND AND HISTORY

Title 33 Virgin Islands Code, Chapter 89, Subchapter I, Section 2494 was created to provide a method of collection for delinquent taxes and public sewer system fees, such as payroll deduction, which by regulation, the Lieutenant Governor may prescribe for the payment of the outstanding taxes. The Lieutenant Governor may waive all penalties and interests.

### AMENDMENT

Amendment shall read as follows:

*Be it enacted by the Legislature of the Virgin Islands:*

**SECTION 1.** Title 33, Subtitle 2, Chapter 89, Subchapter I, Section 2494 is amended by designating the existing language as subsection (a) and adding subsection (b) to read:

“(b) Upon application by a taxpayer and certification of proof of debt, the Lieutenant Governor shall credit or offset the property tax liability against the full amount that the Government of the Virgin Islands owes to the taxpayer. As used in this subsection, the term “proof of debts” includes:

- (1) A certified judgement or order including a consent judgement, entered in favor of the taxpayer in civil litigation in which the taxpayer and the Government of the Virgin Islands, or any of its instrumentalities or semi-autonomous agencies, are the parties;

- (2) A settlement agreement signed by the Commissioner or head of any department, agency, semi-autonomous agency or instrumentality of the Government of the Virgin Islands, evidencing a debt owed to the taxpayer; and
- (3) Any other evidence of the Government’s indebtedness to the taxpayer accepted by the Lieutenant Governor”

## **ANALYSIS**

Debt offsetting by governments has been a long-standing and widely accepted practice. Research indicates that several U.S states, the District of Columbia, Puerto Rico and the U.S. territories have adopted the **Treasury Offset Program (TOP)** – a federal debt collection initiative operated by the U.S. Department of the Treasury. TOP encompasses five primary programs used to recover past-due debts owed to state and local governments. Some states also utilize the program to collect debts owed to the federal Government. (<https://fiscal.treasury.gov>)

TOP functions as a government-wide debt matching and payment offset system. It collects delinquent amounts by matching debtor information with federal and state payments – such as federal tax refunds – that are legally eligible for offset. When a match is identified, the corresponding funds are withheld and redirected to the appropriate agency to satisfy the outstanding debt. (<https://fiscal.treasury.gov>)

The five programs under TOP include:

Child Support Services  
State Income Tax Program (SIT)  
Supplemental Nutrition Assistance Program (SNAP)  
Unemployment Insurance Program (UI)  
State Reciprocal Program (SRP)

**Exhibit I** displays delinquent monies collected nationwide utilizing TOP programs in 2024.

<b>Exhibit I</b>	
<b>Programs</b>	<b>Amount Collected (Millions)</b>
Child Support Services	<b>1.4</b>
State Income Tax Program (SIT)	<b>720.9</b>
Unemployment Program (UI)	<b>343.7</b>
State Reciprocal Program (SRP)	<b>76.2</b>

The success of TOP in other jurisdictions provides a strong model for local implementation in the Virgin Islands, reinforcing the rationale for the adoption of **Bill No. 36-0008**.

**NB: By law, TOP may offset a state income tax debt with a federal tax refund. A State Reciprocal Program relates to the agreement between two (2) or more states in which a resident is allowed to pay income tax only where they live rather than where they work.**

An excerpt from Working Paper WP20JD1 authored by Jeanna DeAngelo of Lincoln Institute of Land Policy (2020), highlights that the State of Delaware enacted legislation permitting authorities to deduct delinquent property taxes directly from a property owner's wages. This approach functions similarly to wage garnishment used for other types of debt and serves as an alternative enforcement mechanism to recover outstanding property tax liabilities.

Bill **36-0008** seeks to establish a more effective mechanism for the collection of outstanding property taxes. According to historical data provided by the Office of the Lieutenant Governor, as of May 2022, the estimated delinquent property tax balance was **\$87.9 million**. By March 2025, this figure has increased to approximately **\$124.0 million** – representing a rise of **\$36.1 million**, or **41%**. As of March 7, 2025, the actual outstanding delinquent amount stood at **\$123,994,957.41**.

### **SUMMARY**

Property taxes remain one of the primary sources of revenue for the Government of the Virgin Islands. As such, the persistent non-payment of these taxes significantly reduces the government's spending power and shifts the fiscal burden onto compliant taxpayers. To address this challenge, the Post Audit Division recommends the approval of **Bill No. 36-0008**. This measure proposes the implementation of a program modeled after the **Treasury Offset Program (TOP)**, designed to alleviate financial constraints faced by taxpayers with delinquent property taxes. By authorizing the Government of the Virgin Islands to offset outstanding property tax liabilities against funds owed to the property owner, this initiative would not only promote timely payments but also provide a structured and enforceable mechanism to reduce the growing delinquency rate without the need for additional enforcement resources.



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Post Auditor