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TESTIMONY OF LAURENT “TIPPY” ALFRED
President, I Grade Records, LLC
Committee on Economic Development
31st Legislature
RE: Bill 31-0009

February 23, 2015

Good Morning Chairwoman Millin-Young, Honorable members of the Committee on Economic Development, other members of the 31st Legislature in attendance, and fellow Virgin Islanders in the listening and viewing audience.

My name is Laurent “Tippy” Alfred, and I am a music producer, business-owner, and trained attorney from St. Croix. I am involved in the local music industry on multiple levels as a owner of I Grade Records, LLC and Riddims Music and Culture shop; as a recording engineer and producer at Aqua Sounds Studio; and as a musician and bandleader; and as an event promoter. I am also the co-producer and co-writer of “Virgin Islands Nice” by St. Thomas’ own Pressure Busspipe, released on I Grade Records in 2014. My record label has also released 9 albums with St. Croix’s reggae supergroup, Midnite, including last year’s *Beauty for Ashes* that was named iTunes Reggae Album of the Year for 2014. In addition to my musical and entrepreneurial work, I hold a law degree from Yale Law School, and currently serve as a legal researcher for Senator Terrence “Positive” Nelson.

I would like to first thank you and the Committee on Economic Development for inviting me to testify on Bill No. 31-0009, an act repealing and reenacting title

29 Virgin Islands Code, chapter 12, subchapter III – known as the STARS Act. The existing STARS Act that this new Bill seeks to repeal was signed by Governor DeJongh on March 7, 2012. I assisted in drafting the original STARS Act along with Attorney David Nissman, working closely with the office of Senator Louis Hill. I also testified on behalf of the original bill in the 29th Legislature.

The STARS acronym means Sustainable Tourism through Arts-based Revenue Streams. It is a law that is designed to utilize our unique resources and assets in the Virgin Islands to attract major audio recording and film projects, thereby generating a sustainable engine of buzz that supports and enhances our Territory's most important economic industry: Tourism. This existing law provides significant tax incentives for visiting artists, musicians, producers and filmmakers to come to the U.S.V.I. to create their audio or video content, with additional incentives for visiting musicians and performers to conduct live music concerts. The STARS Act was designed to help turn the Virgin Islands into a regional hub for recording, filming and performing, with all of the added economic activity, publicity and buzz that will occur when major stars in the music industry choose to come here to create and work. The STARS Act has already attracted the interest of major players in the music industry who recognize the potential of this program to drastically reduce the federal tax burden on the creators of musical intellectual property.

Both music and film are components of the existing STARS Act - a potentially groundbreaking tax incentive innovative program that none of the fifty states can replicate. The tax benefit structure of the current STARS Act is straightforward: just like the EDC program, approved beneficiaries are offered exempted or reduced tax rates for income from VI -sourced intellectual property

upon filing of their annual income taxes. Under the current legislation, there is no cash rebate system involved.

Under the existing STARS Act, the Economic Development Authority (EDA) is tasked with administering the regulations and application processes. Unfortunately, no regulations were ever promulgated or signed, and the STARS Act has yet to field its first applicant. The apparent reason for this long delay is that various stakeholders determined that the current law is unworkable for the film and video industries. On September 2, 2014, a teleconference meeting was organized by former EDA Assistant CEO, Jennifer Nugent-Hill, at the EDA's St. Croix office, with Senator Graham and his staff, along with representatives from Senator Sanes' office, the Department of Tourism, and various other stakeholders in the film and music industries, to discuss proposed changes to the STARS Act. At that meeting, it came to light that both the VIEDA and the USVI Department of Tourism feel that the current law is not appropriate for the film and video industries that typically utilize tax rebates and credits as incentive structure. However, instead of adjusting just the video and film components of the law, the replacement bill proposed by Senator Graham completely omitted the music/audio industry components and was entirely devoted to the film/video industry. This is a classic case of throwing the baby out with the bath water.

What is before this body today is a proposed "repeal and reenactment" of the STARS Act that effectively eliminates music and audio recording from the program and seeks to reformat the entire incentive structure and change it from one based on EDC-style income tax reductions and exemptions for qualified beneficiaries and replaces it with a very different program based on the awarding of tax credits and payouts of tax rebates. These tax rebates, of up to \$500,000 per film production, are funded from the Tourism Advertising and Revolving Fund,

with a total budget for cash rebates appropriated at a minimum of \$2.5 million dollars per year. Under the proposed Bill 31-0009, the new “Office of Film Tax Incentives” established within the VIEDA would work in coordination with the existing “Film Office” of the Department of Tourism to review applicants and administer and disburse these cash rebates.

I would like to be very clear: this proposed Bill, if passed in its current form, would entirely eliminate the music and audio recording components of the existing STARS Act. This wholesale elimination of the very industry that spearheaded and championed the original legislation makes absolutely no sense and is unnecessary, counter-productive, and disregarding of the great value that music has had and can continue to have in the economic revival of our Territory. It would serve no one’s interest to have a promising program that has demonstrated interest from major players in the music industry eliminated before it even has a chance to get off the ground. It certainly does not serve the interests of the people of the Virgin Islands.

For some strange reason, the concerns of various stakeholders in the audio recording industry and the local film industry have been largely ignored in timeline of events that has brought this Bill 31-0009 before this committee. The September 2, 2014 tele-conference meeting organized by the EDA that announced the concerns about the tax incentive structure for the film industry and the proposed changes to the STARS Act was concluded with the agreed-upon plans that the VIEDA would collaborate with music industry stakeholders and Senator Graham’s office on drafting a revision of the Bill that would re-incorporate the audio/music components of the current STARS Act in a workable manner. Following the meeting EDA attorney Fred Handleman distributed, to a group of stakeholders and representatives from various offices involved, drafts of revisions

that re-incorporated most of the components of the bill and added an additional section to support local music and video production companies

At the status of this group's last correspondence from Senator Graham's Chief of Staff on September 24, 2014, we were assured that "having a comprehensive bill that satisfies all stakeholders interests is of the utmost importance to Senator Graham and the people of this Territory." Unfortunately, this was not the case as Senator Graham's office chose to proceed with a draft of this bill in the 30th Legislature, Bill No. 30-0417, that also sought to completely eliminate the music and audio recording components of the STARS Act. That bill 30-0417 was passed by the full body on the last day of session in the 30th Legislature with no testimony whatsoever and little knowledge on the part of Senators voting that they were actually eliminating music and audio recording from the STARS Act. Fortunately, Governor DeJongh vetoed Bill 30-0417 for the stated reasons that it unnecessarily eliminates music and audio recording from the program. Instead of addressing this concern that the wholesale elimination of music from the STARS Act is both nonsensical and counter-productive, Senator Graham's office has again proceeded to bring a Bill that eliminates music, is devoted entirely to film and video, and includes no support for local music or video production companies as was previously discussed and proposed.

It is my recommendation and that of Aqua Sounds Studio, one the four state-of-the-art accredited audio recording facilities in the Territory, that this Bill No. 31-0009 be revised to reinstate the STARS Act as it currently exists for music and audio recording. We have absolutely no problem with the restructuring of incentive benefits for the film and video industries in a way that is most appropriate and feasible for those industries. What we are urgently pleading is that the music and audio components of this legislation be fully reinstated and

separated out from the film and video components. The STARS Music program and STARS Film program can operate on separate tracks with separate administration, tax incentive structures, investment thresholds, hiring thresholds and application procedures. The music recording industry is very different from the film industry and has an entirely different set of considerations when producers, recording labels or recording artists chose their recording destinations. The music and audio industry decisions about recording projects happen with much smaller budgets and on much shorter time frames than the planning and pre-production that goes into major film studio projects. Furthermore, music and audio projects necessarily require a level of flexibility and speed to meet the demands of the current singles-driven music industry. It is imperative that the STARS Music program retain its streamlined and simplified application process if it is to be successful.

This Bill No. 31-0009 should be overhauled to include a STARS Music program as Subchapter III – which would essentially be the language from the current STARS Act, but without any references to film or video. A distinct STARS Film program can be codified as Subchapter IV and exist independently and separately from the STARS Music program. The regulations for the original STARS Act have already been drafted by the EDA, and it should not take long to begin fielding applications for the highly anticipated STARS Music program.

As you all consider this Bill, it is crucial that this body not lose sight of the fact that this major incentive program for visiting film and music production companies should also incorporate some level of support for local film and music production companies. As we debate the wisdom of a \$2.5 million minimum fund of cash rebates to off-island production companies, it would be a travesty for this body not to seriously consider the addition of simple provisions that support local music and film projects in the Territory. In fact, included in a previously

negotiated draft of this Bill was a grant program for local music and film production companies. This program would provide for the awarding of grants ranging from \$5,000 to \$50,000 to projects by local music and film production companies that employ Virgin Islands residents and promote the Virgin Islands.

Supporting local music and film production companies should be a no-brainer considering the immense impact achieved by our own Virgin Islands creative STARS. The Virgin Islands have produced an amazing number of talented musicians and recording artists, including international stars such as Pressure Busspipe, Dion Parsons, Rock City and Midnite. The artistic minds that our islands have produced have made an indelible impact on the world stage. Right here in our Territory resides one of the top touring bands in all of Reggae music: the Midnite Band who has released over fifty albums of original music. The music of Midnite, Dezarie and Bambu Station routinely draw concert goers in Brazil by the tens of thousands. "Virgin Islands Nice" by Pressure has become an unofficial anthem for our Territory's school age children, and our Department of Tourism has made the wise choice to include the song in a very successful national television advertising campaign for the Virgin Islands. The growing Dub in the Rainforest event series on St. Croix has attracted increasing numbers of off-island visitors to a one-of-a-kind musical event. Virgin Islands Soca acts like Pumpa and Rudy are making waves throughout the Caribbean. St Croix's Stanley and the Ten Sleepless Knights have recently been recorded by the Smithsonian Museum for preservation of their unique musical art form. St. Thomas' own Rock City and Verse Simmonds continue to write major hits in the pop, hip hop and R&B genres. The world is beginning to take notice that the Virgin Islands is a major force to be reckoned with in the music industry. It is my urgent plea and hope that this body and our Territory's leaders recognize this reality and use it to our advantage as we seek a path forward to economic revitalization.

Sincerely,

Laurent "Tippy" Alfred
President, I Grade Records LLC