Legislature of the Virgin Islands

P.O. Box 1690, Emancipation Garden Station
St. Thomas, U.S. Virgin Islands 00804

TEL: (340) 774-2478

POST AUDIT DIVISION

November 10, 2025

MEMORANDUM:

TO: Senator Novelle E. Francis, Jr.
Chairperson
Committee on Budget, Appropriations, and Finance
36th Legislature

FROM: Post Audit Division

SUBJECT: **Bill No. 36-0030 –** An Act amending title 24 Virgin Islands Code, Chapter 1, Section 4, increasing the Virgin Islands minimum wage

BILL SUMMARY

Bill 35-0030 proposes a phased increase in the U.S. Virgin Islands' minimum wage from $10.50 to $16.00 per hour by 2028. This legislation addresses growing concerns about stagnant wages, rising living costs, and workforce emigration. With housing costs having doubled between 2017 and 2023 and the cost of living exceeding the U.S. average by 20–30%, the current wage no longer supports a basic standard of living. The proposed increase is expected to boost worker income, stimulate local consumer spending, improve job retention, and attract talent to the territory. While some small businesses may face short-term payroll pressures, a gradual rollout and supportive policies could mitigate negative impacts.

24 V.I.C. §4
Statutes current through Act 8856 of the 2024 session of the 35th Legislature, including all code changes through September 10, 2024
Virgin Islands Code Annotated
TITLE TWENTY-FOUR Labor (Chs. 1 – 20)
Chapter 1. Fair Labor Standards (§§1 – 23)

§ 4. Minimum Wages

(a) Except as otherwise provided in this chapter, every employer shall pay to each of his employees including employees who are less than 18 years of age or full-time high school students, at a rate not less than $~~8.35~~ 12.00 per hour beginning 90 days immediately following the effective date of this subsection, not less than $~~9.50~~ 14.00 per hour beginning ~~June 1, 2017~~ October 1, 2025, not less than $~~10.50~~ 16.00 an hour during the year beginning ~~June 1, 2018~~ October 1, 2026, and beginning ~~June 1, 2019~~ October 1, 2027, not less than the minimum wage determined in accordance with subsection (b) of this section; but tourist service and restaurant employees who are tipped employees, must be paid a minimum wage set in this subsection or in accordance with subsection (b) at a rate not less than 40% of the minimum wage. After ~~2020~~ 2028, the Virgin Islands Wage Board may, based on verifiable economic data, adjust the minimum wage for tourist service and restaurant employees who are tipped employees to a rate not greater than 45% of the minimum wage or less than the federal minimum wage for tipped employees which ever is greater.

(b) After ~~December 31, 2018~~ December 31, 2026, and in each succeeding year thereafter, the minimum wage rate in effect under subsection (a) of this section will be reviewed by the Virgin Islands Wage Board in accordance with the provisions set forth at Title 24, chapter 1, Virgin Islands Code. The Wage Board may determine a minimum wage rate equal to not more than 50 percent of the average private, nonsupervisory, nonagricultural hourly wage as determined by the Wage Board for the previous November, rounded to the nearest multiple of five (5) cents, but at no time less than the effective Federal Minimum Wage.

(c) In complying with Title 24, section 8, subsection (b), Virgin Islands Code, the Commissioner of Labor shall direct the Virgin Islands Department of Labor, Bureau of Labor Statistics, to submit data inclusive of the minimum wage rate in effect under subsection (a), together with the average, private, nonsupervisory, nonagricultural hourly wage and the Federal Minimum Wage Guidelines, to the Wage Board within 30 days of the request thereof.

Analysis

A phased minimum wage increase in the U.S. Virgin Islands represents a measured approach to enhancing worker incomes while allowing businesses time to adapt. This strategy aims to balance economic growth and social equity by distributing increases over a specified period. The phased approach also enables policymakers to monitor and adjust implementation as necessary, improving its political and practical feasibility. Compared to other U.S. territories, most of which have lower or only modestly increasing wage floors (as shown in Exhibit I), this bill positions the Virgin Islands as a regional leader in wage policy. Overall, if implemented with care, the increase could strengthen the economy, reduce poverty, enhance long-term workforce stability, and align the private sector with government efforts to improve living standards, notably following the 2025 increase in minimum government employee salaries from $27,040 to $35,000.

Territory	Current Minimum Wage (2024–2025)	Comments
Puerto Rico	$9.50 (2023), to reach $10.50 in 2024	Set to increase again to $11.00 in 2026 per Act 47-2021
Guam	$9.25 (as of 2021)	Bill passed in 2020 raised it from $8.75 to $9.25, with pressure to increase to $10.50
American Samoa	Varies by industry ($5.14–$6.19)	Gradual increases mandated by federal law; special exception due to economic conditions
Northern Mariana Islands (CNMI)	$7.25 (Federal rate)	Was exempt until 2007; now follows federal rate but faces economic strain
U.S. Virgin Islands (current)	$10.50 (since 2018)	Proposed to rise to $16.00 by 2028 via Bill No. 36-0030

Exhibit I

Financial Impact

The wage increase will raise annual earnings for private-sector full-time workers from $21,840 (at $10.50/hour) to $33,280 (at $16/hour), a 52% increase and an alignment with the current public-sector increase from $27,040 to $35,000. The government's wage increase and minimum wage bill will raise payroll tax and income tax revenues, potentially offsetting higher personnel expenditures. Phased wage increases help reduce fiscal shocks, allowing businesses and government budgets to adjust gradually. This change leads to higher payroll tax revenue but also increases employer expenses. Private sector businesses could see a 17% increase in payroll costs. In contrast, higher wages result in measurable gains in territorial revenue streams, such as income tax (averaging 8-10 million by FY 2027), gross receipts tax (averaging 5-8 million by FY 2027), and payroll taxes, partially offsetting the fiscal impact. Thus, this bill is fiscally neutral providing that the wage increases occur gradually.

Economic Impact

Increased disposable income is expected to stimulate local consumption, particularly in retail, food services, and housing, generating a multiplier effect on GDP. For low-income households, this could significantly reduce poverty rates and reliance on public assistance programs. Meanwhile, small and micro businesses, particularly in hospitality, retail, and food service, may face higher payroll costs (10–20% increases). Some may reduce hours or delay hiring. Studies cited in the bill and previous VIBER reports show that higher wages improved retention and productivity, offsetting some initial cost increases. Firms that depend heavily on minimum-wage labor may seek to automate or implement efficiency improvements to manage costs.

Conclusion

The proposed minimum wage increase complements the government's own salary adjustments, collectively aiming to stabilize household incomes, boost consumer confidence, and enhance labor market competitiveness. While short-term cost adjustments may strain small enterprises, the broader macroeconomic benefits, higher productivity, tax revenues, and consumer demand, are expected to outweigh fiscal risks with phased implementation.

Theodora Philip, DBA
Post Auditor