



**GOVERNMENT OF  
THE VIRGIN ISLANDS OF THE UNITED STATES**  
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**VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE**



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**TESTIMONY OF  
DIRECTOR OF THE VIRGIN ISLANDS  
BUREAU OF INTERNAL REVENUE  
BEFORE THE COMMITTEE ON  
ECONOMIC DEVELOPMENT AND AGRICULTURE**

GREETINGS HONORABLE SENATOR HUBERT L. FREDERICK, CHAIRPERSON OF THE COMMITTEE ON ECONOMIC DEVELOPMENT AND AGRICULTURE, MEMBERS OF THE COMMITTEE, ALL OTHER SENATORS PRESENT, AND THE LISTENING AND VIEWING AUDIENCE. I AM JOEL A. LEE, DIRECTOR OF THE VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE. THANK YOU FOR ALLOWING THE BUREAU TO PRESENT TESTIMONY ON BILL NO. 36-0063.

THIS BILL SEEKS TO STRENGTHEN THE LANGUAGE OF VARIOUS SECTIONS OF TITLE 33 OF THE VIRGIN ISLANDS CODE. SECTION 1, SUB SECTIONS A-C OF THE BILL WILL IMPROVE THE EXISTING LANGUAGE OF THE VIRGIN ISLANDS CODE BY CLARIFYING THE FACT THAT EXCISE AND GROSS RECEIPTS TAXES APPLY TO ALL TYPES OF ENTITIES THAT PERFORM BUSINESS ACTIVITIES IN THE VIRGIN ISLANDS, EVEN IF THE ENTITIES ARE CREATED, FORMED, MANAGED OR EVEN HEADQUARTERED OUTSIDE OF THE USVI. THE CLARIFICATION WOULD PROVE USEFUL ESPECIALLY FOR THOSE ENTITIES THAT ARE FORMED OUTSIDE OF THE USVI THAT COME TO THE USVI FOR ECONOMIC GAIN.

SECTION D WILL CLARIFY THE APPLICATION OF THE GROSS RECEIPTS TAX ON ALL INCOME RECEIVED, ESPECIALLY FOR THOSE ENGAGING IN GOVERNMENT PROJECTS THAT INCLUDES REBUILDING THE VARIOUS STRUCTURES USING DISASTER RECOVERY FUNDING.

JUST FOR THE RECORD, GROSS RECEIPTS TAX IS A TAX THAT IS APPLIED TO THE GROSS SALES OF ANY ENTITY DOING BUSINESS, WITHOUT ANY DEDUCTIONS FOR EXPENSES. IT IS IMPOSED ON SOLE PROPRIETORS, CORPORATIONS, PARTNERSHIPS AND ANY OTHER TYPE OF ASSOCIATIONS CONDUCTING BUSINESS. IT IS KNOWN AS A TRICKLE-DOWN TAX. IT APPLIES ON EVERY LEVEL OF PAYMENT. IN A CONSTRUCTION EXAMPLE, THE GENERAL CONTRACTOR PAYS 5% ON THE FULL AMOUNT OF THE CONTRACT; THEN HE PAYS THE PLUMBER, WHO THEN PAYS 5% ON HIS FULL PAYMENT RECEIVED. THE CONTRACTOR AND PLUMBER SHOP IN A HARDWARE STORE – THAT HARDWARE STORE PAYS 5% ON THE MONEY RECEIVED FROM THE CONTRACTOR AND THE PLUMBER. NO ONE IS SPARED THE GROSS RECEIPTS TAX. SO, WHEN COMPANIES THAT ARE FORMED OUTSIDE OF THE USVI COME TO THE USVI TO WORK, THEY TOO MUST PAY THEIR FAIR SHARE OF THE GROSS RECEIPTS TAX.

THE BUREAU WELCOMES ANY OPPORTUNITY TO CLARIFY LANGUAGE IN THE LAW THAT WILL SERVE TO MAKE THE ADMINISTRATION OF THE TAX SIMPLER FOR THE TAXPAYER. I AM AVAILABLE TO ANSWER ANY QUESTIONS YOU MAY HAVE AT THIS TIME.