



PRESENTATION

ECONOMIC DEVELOPMENT

COMMISSION

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US VIRGIN ISLANDS

Economic Development Program



- The Economic Development Commission tax incentive program for companies located in the USVI is a competitive tax incentive program that is sanctioned by the U.S. Government.
- Section 934 of the IRC grants the Government of the Virgin Islands of the United States the authority to reduce the income tax liability on the USVI source or income effectively connected with the conduct of a trade or business in the USVI

ECONOMIC DEVELOPMENT GOAL

- **Goal of economic development is to have thriving communities with good quality of life for its residents**

- **ATTRACT INVESTMENTS**



- **CREATE REVENUES IN THE COMMUNITY**



- **CREATE JOBS WITH MEANINGFUL SALARIES**



PURPOSE

- **To promote the growth, development, and diversification of the economy of the US Virgin Islands**
- **To discover and develop human and economic resources**
- **To establish opportunity for gainful employment of USVI Residents**
- **To promote the formation of capital**
- **To contribute towards the development of the educational system and**
- **To preserve the environment, beauty, and natural resources of the USVI**

ELIGIBILITY

- In the case of a natural person, be a bona fide resident of the Virgin Islands with his principal place of business in the Virgin Islands and a citizen or legal resident of the United States;
- In the case of a partnership, limited liability company, trust or similar entity, be a partnership, limited liability company, trust or similar entity within the meaning of that term under the laws of the Virgin Islands with its principal place of business in the Virgin Islands;
- In the case of a corporation, be either incorporated under the laws of the Virgin Islands with its principal place of business in the Virgin Islands or under the laws of the United States, a state, territory, or commonwealth thereof, or a foreign country, and be duly registered to conduct business in the Virgin Islands.

ELIGIBILITY

- Meet the requirements of Section 934 and 937 of the Internal Revenue Code as amended, as applicable in the Virgin Islands.
- Be an actual investor in the enterprise for which industrial development benefits are sought (not a contractor, subcontractor or other person or corporation acting as an agent).
- Comply with all federal and local laws and regulations, including environmental laws.

BONA FIDE RESIDENT

Only required if owner seeks to claim personal income tax exemptions



- Section 937 of the Internal Revenue Code states that “except as provided in regulations,” the term “bona fide resident means a person:
 - 1. Who is present for at least 183 days during the taxable year in the Virgin Islands, AND
 - 2. Who does not have a tax home outside the VI during the taxable year AND does not have a closer connection to the US or a foreign country
- Taxpayers must meet the Presence Test, Tax Home and Closer Connection Tests
- Regulation §1.937-1, 2006-9 I.R.B. 524, provides greater details and examples of the new residency rules.



TAX INCENTIVES

90% Exemption on corporate income tax

90% Reduction on personal income tax

100% Exemption on gross receipt taxes

100% Exemption on property taxes

100% Exemption on excise taxes

1% Due on custom duties

ELIGIBLE ACTIVITIES

Category I:

Rum Production, Milk/Dairy Production, Watch & Jewelry Manufacturing & Assembly

Category II:

Product Assembly, Manufacturing, Repair and Maintenance and/or Export Operations, Marine Industry, etc.

Category III:

Facilities, Tourism and Communications Developments, etc.

Category IV:

Designated Service Business

Benefit Periods



- St. Croix District

- St. Thomas/St. John District

- One-Time Extension

- Investment greater than \$10M

- Investment greater than \$1M

The term for a participant in the Small Business Program is fifty percent of the otherwise applicable term that would apply to a participant in the Economic Development Program.

In Exchange for Incentives...



	REGULAR PROGRAM	SMALL BUSINESS PROGRAM**
Employment <i>Financial Services Businesses</i>	A minimum of 10 full-time employees <i>minimum of 5 full-time employees</i> 80% Residents of the Virgin Islands 20% Management / Supervisory / Technical Positions filled by V.I. residents	A minimum of 2 full-time employees; Hire one VI Resident for every \$1M of net income prior to salaries 80% Residents of the Virgin Islands 20% Management / Supervisory / Technical Positions filled by V.I. residents
Investment	A minimum of \$100,000	A minimum of \$20,000 <i>and Purchase or Build a home within 18 months of benefits</i>

**Small Business applicant must be certified by SBDA, now known as EDB, as meeting small business criteria

In Exchange for Incentives...



Other requirements:

Local Procurement	Purchase goods & services locally from VI businesses (VIC 708(h))
Educational Assistance	Public School Assistance; Territorial Scholarship Fund (Monetary, Scholarship, Internship, Training, etc.)
Management Training Program	Include training budget and trainees
Employee Benefit Program	Pension Plan, Medical Insurance, Vacation, Sick, Paid Time Off, Donated and other leave required by law
Charitable Contribution	Local non-profits, and/or 501(c)3 entities, government programs
Other	Compliance with local and federal laws and rules

SMALL BUSINESS APPLICANT

is certified by the Small Business Development Agency (SBDA) as meeting the statutory criteria for being awarded a SBDA loan.

In order to receive the required certification, an applicant is required to submit to the SBDA evidence that they meet the residency requirements and demonstrate that such owner(s) are active in the management of the business on a full time basis and that the business is their principal means of support.

SBDA ELIGIBILITY REQUIREMENTS



A person shall be eligible if he or she:

- Owns at least fifty percent (50%) legal or equitable interest in small business concern, either established or to be established in the US Virgin Islands**
- Is active in the management or operation of a small business concern on a full-time basis and such small business concern is or will be his principal means of support**

SBDA ELIGIBILITY REQUIREMENTS

- Applicant was born in the United States Virgin Islands;
- or his mother or father was born in the USVI and he has been a bona fide continuous resident of the USVI for at least five years;
- or he has been a bona fide continuous resident of the United States Virgin Islands for at least 10 years.

A small business concern, including firms, partnerships of all kinds and corporations, shall be eligible if at least 50% legal or equitable interest therein is owned by a person or persons eligible under the above provisions.

Receipts from all sources of any year cannot reasonably be expected at the time of application for assistance to exceed \$4,000,000

- A. Receipts up to \$1,000,000, whose investments total \$20,000 and which employs at least two persons; or
- B. receipts exceed \$1,000,000 but are not more than \$1,500,000, whose investments total at least \$30,000 and which employs at least three persons; or
- C. receipts are more than \$1,500,000 but less than \$2,500,000, whose investments total at least \$40,000 and which employs at least four persons; or
- D. receipts exceed \$2,500,000 but are less than \$3,000,000, whose investments total at least \$50,000 and which employs not less than five persons; or
- E. receipts exceed \$3,000,000 but are not more than \$4,000,000, whose investments total at least \$60,000 and which employs not more than 50 persons.

The Application Unit

Reviews all applications for Economic Development Benefits and Eligible Virgin Islands Supplier status

Collaborates with the Legislative & Legal Unit in conducting background check

Prepares preliminary & evaluation reports and recommendations

Conducts industry research

Completes other reports as requested by the Commission.

OTHER PROGRAMS



INTERNATIONAL FINANCIAL SERVICES ENTITIES

HOTEL DEVELOPMENT

SUSTAINABLE TOURISM THROUGH ARTS-BASED REVENUE STREAM (STARS)

TAX INCREMENT FINANCING

APPLICATION FEES



Commencing 2001, the following fees are assessed against each applicant or beneficiary, other than a Participant in the Small Business Program.

	<u>Application Fee</u>	<u>Activation Fee</u>	<u>Annual Compliance Fee</u>
Category I	\$1,500	\$1,000	\$1,500
Category II	\$3,500	\$1,500	\$3,000
Category III	\$5,000	\$3,500	\$5,000
Category IV	\$7,500	\$2,500	\$7,500

STEPS IN THE APPLICATION PROCESS

- Pre-Application Meeting
- Intake and Evaluation of Applications
- Public Hearing
- Decision Meeting and/or Executive Session
- Acceptance of Terms by Applicant
- Execute Certificate of Benefit



For Additional Information Contact:

U.S. VIRGIN ISLANDS

ECONOMIC DEVELOPMENT AUTHORITY

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