

**VIRGIN ISLANDS RUM EXCISE TAX COVER OVER**  
**Briefing Paper for Senior Plenary Session on Interagency Group on Insular Areas**  
**March 1, 2011**

**I. INTRODUCTION**

In September of every year, the Office of Insular Affairs remits to the government of the Virgin Islands the amount of rum excise taxes which the Governor of the Virgin Islands has estimated will be collected in or derived from the Virgin Islands and collected under the Revised Organic Act of the Virgin Islands [48 U.S.C. 1541 et seq.] during the next fiscal year, except for those sums covered directly upon collection into the treasury of the Virgin Islands. OIA deducts from or adds to the amounts so remitted, as may be appropriate, at the beginning of the fiscal year, the difference between the amount of rum excise taxes actually collected during the prior fiscal year and the amount of such taxes as estimated and remitted at the beginning of that prior fiscal year. (In accordance with Title 48, Chapter 12, Subchapter VII, Section 1645, Remittance of duties, taxes and fees to be collected in next fiscal year)

In order to determine the amount of the adjustments owed, OIA utilizes reports of the actual monthly rum excise tax collections from the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau.

**II. BACKGROUND**

- In fiscal year 2010, the Virgin Islands Government received approximately \$141,000,000 for rum excise taxes collected and adjustments on liquor anticipated to be produced in the Virgin Islands in fiscal year 2011.
- The payment is made in advance of each fiscal year.
- Up to December 31, 2001, the Virgin Islands Government received \$13.25 of the full excise tax of \$13.50 on each proof gallon of rum produced in the Virgin Islands and shipped to the United States customs territory.
- Congress did not change the law prior to December 31, 2001; therefore the amount on each proof gallon reverted back to \$10.50.
- House Ways and Means Committee intended to include an extension until December 31, 2002, of the current \$13.25, as part of the national economic stimulus package. All extenders were tied up with the stimulus package.
- Congress did extend the \$13.25, until December 31, 2003.
- Congress has continued to sporadically extend the \$13.25, on January 1, 2010 the cover over rate changed from \$13.25 to \$10.50 per proof gallon. On December 17, 2010 the President signed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (PL 111-312) which contained a provision to temporarily increase the cover over rate once again to \$13.25. The rate increase was retroactive to spirits brought into the U.S. since 1/1/2010, and will continue in effect until 1/1/2012.

**III. POINTS TO BE MADE:**

- The Virgin Islands wants and badly needs a cover over of the full \$13.50 per proof gallon.
- OIA fully supports the cover over of the full \$13.50 per proof gallon.

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