

Bipartisan Legislation Seeks to Secure Long-Term Rum Cover-Over Funding for USVI and Puerto Rico

The proposed legislation seeks to restore the rum cover-over rate to \$13.25 per proof gallon, retroactive to 2022 and extended through 2032, providing critical funding for economic development and government services in the territories.

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V.I. Delegate to Congress Stacey Plaskett and Congressman Ron Estes have introduced bipartisan legislation aimed at increasing the rum cover-over, a key source of funding for the U.S. Virgin Islands and Puerto Rico.

The measure, which was introduced in previous sessions of Congress [but failed](#), seeks to raise the amount transferred to the territories from the federal excise taxes collected on distilled spirits

produced in the USVI and Puerto Rico and imported into the United States mainland.

The rum cover-over program plays a crucial role in economic development and job creation in both U.S. territories. Following the devastation of Hurricanes Irma and Maria, Congress temporarily increased the cover-over rate from \$10.50 to \$13.25 per proof gallon under the Bipartisan Budget Act of 2018 (P.L. 115-123). That increase expired in December 2021. The newly introduced legislation would restore the \$13.25 rate retroactively from 2022 and extend it through 2032.

“The cover-over has been a fundamental part of the tax relationship between the United States and its territories going back over a century,” said Ms. Plaskett. “These funds, which represent nearly 25% of the Virgin Islands Government’s annual budget, are critical for stabilizing the government employees’ pension program, supporting infrastructure projects, and attracting investments to diversify the economy beyond tourism.”

Plaskett expressed appreciation for Republican Congressman Estes’ support, noting that the bipartisan nature of the bill underscores its significance. She also thanked Senate President Milton Potter, Senators Novelle Francis, Marvin Blyden, and Kurt Vialet, as well as GERS Administrator Angel Dawson and Chairman Dwane Callwood, for their advocacy during meetings in Washington, D.C.. The delegation engaged with members of the House Ways and Means Committee, Democratic leadership, and rum industry lobbyists to push for policies benefiting the Virgin Islands, according to Ms. Plaskett's office.

The proposed legislation comes as several temporary provisions from the 2017 Tax Cuts and Jobs Act (TCJA) are set to expire in 2025. Plaskett acknowledged that crafting this year’s tax bill presents challenges, particularly as Republican negotiators favor a 10-year limit on tax extenders. To comply with this framework, the bill applies retroactively from 2022 and extends through 2032.

“In my role on the Ways and Means and Budget Committees, I will continue to work with my Republican and Democrat colleagues to advocate for the increased rum cover-over rate, which is crucial to maintaining the long-term stability and economic growth of the U.S. Virgin Islands,” Plaskett said.

Under current law, the federal excise tax on imported rum is transferred to Puerto Rico and the U.S. Virgin Islands at a rate of \$13.25 per proof gallon, of which \$10.50 per proof gallon is permanently authorized. The additional \$2.75 per proof gallon requires periodic reauthorization by Congress. The proposed legislation would amend Section 7652 of the Internal Revenue Code of 1986, ensuring the full \$13.25 rate remains in place until 2032, providing long-term financial stability for both territories.