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Bryan Calls for Internet Sales Tax, Warns Retail Trade in USVI “Is Dying”

During OMB's the Spring Revenue Estimating Conference, Governor Albert Bryan Jr. warned that “retail trade is dying in our territory” and urged consideration of an internet sales tax to offset declining revenues from local in-store purchases.

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Retail giants like Temu, Amazon, and Walmart, with expansive online operations, continue to see growing sales from the USVI.

“I don't expect that we're going to have a problem with revenue for the next 10 to 15 years. The problem will be expenses,” said Governor Albert Bryan Jr. during his opening remarks at the annual Spring Revenue Estimating Conference, which took place on Friday.

Despite his initial optimistic remarks, towards the end of the conference Governor Bryan acknowledged that the territory needs to look into ways to ensure that a larger proportion of its revenue comes from funds directly under its control. He noted that the “unpredictability of the administration” at the federal level, with the concomitant uncertainty about “the president and what they're going to do next,” underscored the need to boost local revenue, which currently largely relies upon gross receipt taxes from businesses.

However, “retail trade is dying in our territory,” Governor Bryan declared at the event, organized by the V.I. Office of Management and Budget. With consumer behavior steadily shifting away from in-person retail shopping to making online purchases, government revenues from gross receipt taxes are falling proportionate to the dwindling sales figures from local businesses.

“We need to consider an internet sales tax, because we no longer get the benefit of all the purchases,” said the governor. He asked those in attendance on Friday to “think about everything you have on you right now, how much it's worth and what percentage of that is actually bought in a store in the Virgin Islands.” The tough business environment that many small retailers complain about “is not really because of the economy,” Governor Bryan argued, “but it's because trends have made it so now we are ordering our stuff from Amazon or from somewhere else online.”

The change in behavior is not necessarily driven by lower price points alone, but because there is a wider variety of items available from online outlets, the governor noted. “And that's not going away. It's going to get worse,” he predicted, as shipping logistics become more streamlined and delivery times are reduced. As a result, “our retail base is in serious jeopardy.”

As a result, the territory now has to begin to pivot to other sources of revenue – Governor Bryan mentioned the focus on development of the free trade zone, having the refinery on St. Croix come back online, supplying low cost industrial energy, and creating free borders between the U.S. and the British Virgin Islands as “all future things that we have to do” in order to secure the territory's economic future.