

The Virgin Islands Consortium

U.S. Treasury To Reduce EDC Residency Requirement From 183 To 153 Days

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Governor Kenneth Mapp addressing members of the St. Croix Chamber of Commerce on Thursday, February 5

The U.S. Department of Treasury will soon be publishing new regulations to reduce the residency requirement of Economic Development Commission (EDC) beneficiaries from 183 to 153 days, Governor Kenneth Mapp announced March 5 while addressing the St. Croix business community at the Chamber of Commerce's annual meeting held at the Palms at Pelican Cove.

The governor said his administration took no credit for the changes being implemented by the Treasury, but was pleased, nonetheless, to share the news.

"And this is really very important for folks who are true EDC beneficiaries that have to travel and do the conduct of their business," Mapp said, adding that the Treasury's way of lessening the residency requirement days was not to simply subtract 30 days. Instead, it would do this by "creating a system where, once an individual truly establishes their bona fide residency in the territory, they will have access to be out of the territory more, and not have to have a physical presence."

Mapp also highlighted the recent [Inspector General's report](#) that revealed many areas in which the Economic Development Authority (EDA) had failed in its administration of the territory's economic development program, while giving recommendations that would make the important program better.

"The Inspector General report that was released recently on the Economic Development Authority is horrific," Mapp said. "I don't think many of us would argue about the need for improvements in that area."

The governor, however, said he had no intention to cast blame or point fingers at anyone, and reaffirmed his administration's support for the program.

"I am not here this morning to point fingers or to talk about blame or whose fault it is. For all intents and purposes, to me, it's really not relevant," Mapp said. "There are two key things that we believe is very important: one, that we reaffirm that the Mapp-Potter administration and Kenneth Mapp personally, are strong supporters, believe and understand the benefit of the Economic Development Commission program to growing the economy in the Virgin Islands. We will continue to support it and push it."

The governor said there needs to be a meshing of the EDA and EDC that would see both organizations working cohesively to ensure the seamless operation of the program, that would positively impact tax revenue and job creation in the territory.

"The next most essential issue is how do we reorganize, restructure and reformat EDA and EDC to work in a functional way that, in exchange for tax incentives and benefits, in exchange for revenues and giving up obligations for taxes to the people of the territory, that we get a true exchange of value in return," Mapp said.

He continued: "The creation of jobs, contribution of monies for our nonprofit community, building in the territory -- areas where we give up tax revenues and tax obligations in exchange for economic development and infusion."

In addition, the governor said there are "two or three opportunities in the next nine to twelve months in the [U.S.] Senate for some limited issue of tax clarification and legislation." He made mention of these opportunities because he said there needed to be local clarification for EDA and EDC companies on source income.

"Source income in terms of business and what provisions of income really are truly subject to the Commission benefits that we give, so that the business man or woman is clearly understanding what the rules are, what source of business income is subject to waiver of tax obligations," Mapp said, adding that the issue will be one of the focuses on

his administration.

Mapp then revealed that he recently met with several U.S. congressmen and senators to see how, through the opportunities soon to be addressed in Congress, changes could be made to the Jobs Act that would be beneficial to the territory.

And if the Treasury Department remains silent on the changes to the Jobs Act the governor is hoping would move through Congress in the upcoming months, it should not be taken as a sign of disapproval, Mapp said, because "the treasury doesn't support legislation that it does not promote itself. What it does is it agrees not to oppose."

Mapp also said, "The Treasury has agreed not to oppose our mutual understanding of legislation that will clarify source income, and [clarification in relation] to the [captive insurance industry](#). Because there's no real requirements for us to have any amendments to Virgin Islands law that drive captive business in the Virgin Islands. What will drive the captive insurance industry in the territory is the income issue and source income issues as a placement of funds, on federal legislation."

In concluding his remarks, the governor said his administration is "going to move to have some amendments to the Jobs Act that will allow us that, [which] can shift the domicile and the residency of captives that are born out of U.S. companies."