

The Virgin Islands Consortium

USVI Receives \$258 Million In Rum Cover-Over Funds From U.S. Treasury

Business / **Published On September 05, 2019 09:30 PM /**

Ernice Gilbert **September 05, 2019**



U.S. Dept. of Interior Assistant Secretary Doug Domenech announced this week that Interior will be signing over \$258,375,000 to the USVI in rum tax cover-over payments for the estimated FY 2020 rum tax collections.

The territory has received roughly the same amount in recent years, most of which is used to pay the territory's bondholders. Guam received \$69,928,937 for federal income tax advance payments under Section 30 of the Organic Act of Guam for fiscal year 2020.

"These funds are important to Guam and the Virgin Islands governments and my team at the Office of Insular Affairs always works hard to ensure the funds are transferred as

quickly as they are available,” Mr. Domenech said. “I expect the funds to be available by next week.”

According to Interior, under the Revised Organic Act of the Virgin Islands (48 USC 1541), any excise tax collected on USVI manufactured rum imported into the United States is transferred to or “covered-over” to the USVI. The USVI government submits an advance estimate of rum excise taxes to the Department of the Interior’s Office of Insular Affairs (OIA) on an annual basis so that a payment can be made in September of each fiscal year. Any adjustments necessary are calculated and paid later based upon amounts advanced from rum excise taxes derived from the USVI and actual receipts collected by the federal government.

Part of Governor Albert Bryan’s messaging during the 2018 gubernatorial campaign was to attract additional rum companies to the USVI so that the local government could receive more rum cover-over dollars to help stave off collapse of the Government Employees’ Retirement System and other struggling government arms.

“Let’s face it, even if we give up half of the revenues, we’re still going to make 40 to 50 million dollars. Forty to fifty million is enough money for us to secure another loan that would secure the G.E.R.S. and make it solvent again for a number of years,” Mr. Bryan said during an interview with The Consortium [at an event at Gertrude’s Restaurant](#) announcing then-Senator Tregenza Roach as his running mate.

But during an interview with The Consortium on May 23, Mr. Bryan said his administration was in talks with boutique rum companies, not the major operations that would result in enough revenue to make a difference.

“We’re actually talking to some boutique rum companies; they don’t produce a whole lot of revenue, but the revenues may be able to allow us to get hotel rooms, and that’s all I’ll say for now,” Mr. Bryan said. “We have some conversations going but not big enough to have the kind of impact on what we’re trying to do to get that funding source for G.E.R.S.”

The major campaign promise, it appears, is not panning out the way Mr. Bryan had hoped. But the governor spoke of a backup: With the law allowing the sale of marijuana for medical use now on the books — [signed by Mr. Bryan himself](#) — the governor has been working on a plan to extract tax dollars from the industry, once setup, and use it to help G.E.R.S.

“We got a big announcement coming in terms of funding. We’re going to be looking at the cannabis bill, and we’re going to be doing some of the things in terms of revenue generation that I talked about [on the campaign trail]. We’ve been having some good conversations with some attorneys on the legalities of some of the things that we want to do. So look for that within the next four to six weeks,” the governor said.

The governor’s plans appear to have been delayed, as it’s been over three months and an announcement has yet to be made.