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Dept. of Interior Approves \$226.1 Million in Rum Tax Cover-Over Payment to USVI, \$70.3 Million For Guam

Business / **Published On August 25, 2022 08:14 AM /**

Staff Consortium **August 25, 2022**

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The U.S. Department of the Interior’s Office of Insular Affairs has announced the approval of the payment of \$226,165,037 to the U.S. Virgin Islands and \$70,398,471 to Guam. The advance payments represent 2023 estimated rum tax-cover over payments for the USVI and 2023 federal income tax Section 30 advance payments for Guam and will be made the week ending September 9.

“These funds are critical to the governments in both Guam and the U.S. Virgin Islands to help address important needs. The Office of Insular Affairs is working closely with the Internal Revenue Service to provide accurate numbers for adjustment payments and ensure that we are abiding by current law in all calculations,” said Assistant Secretary for Insular and International Affairs Carmen G. Cantor.

According to Interior, under the Revised Organic Act of the Virgin Islands (48 USC Chapter 12 Section 1541), any excise tax collected on USVI manufactured rum imported into the mainland United States is transferred to or “covered-over” to the USVI.

The USVI government submits an advance estimate of rum excise taxes to OIA on an annual basis so that a payment can be made by 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.

The fiscal year 2023 advance payment to the USVI Government was calculated using the \$10.50 per proof gallon rate since the \$13.25 per proof gallon rate expired as of December 31, 2021.

Under Guam’s Organic Act, federal income taxes derived from active members of the United States Armed Forces and pensions paid to retired civilian and military employees of the United States, or their survivors, who reside in, or who are domiciled in Guam, are annually “covered-over” to the Guam Treasury to support the operations, activities, and programs of the local government ([48 U.S. Code 1421 Section h](#)).

Through changes made under the National Defense Authorization Act of 2017 ([U.S. Public Law 114-328, Section 1703](#)), along with technical corrections made in U.S. Public Law 116-132 (March 26, 2020), some Section 30 funds had been set aside for the Guam World War II Claims Fund at the U.S. Department of the Treasury (Treasury). Based on information received in August 2022, from the Treasury, it has been determined that OIA will no longer need to withhold additional funds for the Guam World War II Claims Fund.

The Assistant Secretary for Insular and International Affairs and the [Office of Insular Affairs](#) (OIA) carry out the Secretary of the Interior’s responsibilities for the U.S. territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands. Additionally, OIA administers and oversees federal assistance under the Compacts of Free Association to the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. OIA also administers a discretionary Technical Assistance Program for all the Insular Areas.