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Bipartisan Measure Reintroduced in Congress to Make Rum Cover Over Remittance Permanent at $13.25 Rate

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Janeka Simon May 12, 2023

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Federal lawmakers have re-introduced legislation that seeks to permanently raise the amount of rum over taxes remitted to Puerto Rico and the Virgin Islands from rum made in those jurisdictions and sold on the U.S. mainland.

Bill Cassidy (R-LA) and Bob Menéndez (D-NJ) in the Senate, as well as Jenniffer González-Colón (R-PR-AL) and USVI Delegate to Congress Stacey Plaskett in the U.S. House of Representatives have re-filed the proposed amendment to Section 7652 of the Internal Revenue Code of 1986. This would raise the statutory amount of excise tax transferred to the territories to $13.25 from the current rate of $10.50 per proof gallon.

Currently congressional authorization is needed to remit $13.25 per proof gallon, through temporary “extenders” which expire after a period of time. This leads to “funding cliffs” according to Senator Cassidy – periods between expiration and reauthorization of the extenders where the territories are receiving funds covered over at the lower figure. These cliffs “create uncertainty and jeopardize investment”, said Sen. Cassidy. “Just as Louisiana uses offshore energy revenue sharing to restore our coasts, these territories use this revenue to reinvest in their communities.”

The decreased funding also threatens the U.S. Virgin Islands' recent securitization agreement that heavily depends on the rum cover taxes being assessed at the $13.25 level, to fund the Government Employees' Retirement System for 30 years and stave off collapse.

Mr. Menendez argued that Puerto Rico and the Virgin Islands needed the benefit of the rum cover-over “to promote economic development and create good paying jobs” in the two territories. He noted that the draft bill “would also ensure that a portion of the funds covered over to Puerto Rico will be transferred to the Puerto Rico Conservation Trust Fund to support the islands’ sustainability and conservation efforts.”

In the USVI, repealing the limit imposed in 1984 on remitting the cover-over funds would, according to Representative Plaskett, “help to provide essential public services and to encourage production and employment on the islands as we recover from pandemic and economic downturn.”