Joint Committee on Taxation
December 22, 1982
JCX-59-82

**Summary of Revenue Provisions of H.R. 7093
(Income Tax Rate on Virgin Islands Source Income)
As passed by the House and Senate[1]**

Present Law

Under present law, the Virgin Islands Government contends that payments of passive investment income by V.I. persons to U.S. persons are subject to a 30-percent tax (on the gross amount of the payment) and a corresponding withholding obligation. Certain U.S. recipients of such income contend that such payments are subject to neither tax nor withholding.

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The Act provides that the rate of V.I. tax on payments of passive investment income from V.I. persons to U.S. persons shall not exceed 10 percent. This treatment will apply to dividend payments out of earnings and profits accumulated in taxable years beginning on or after the date of enactment. The Government of the Virgin Islands will be able to reduce this 10-percent rate in its discretion. The withholding obligation of the payor will in every case correspond to the substantive tax liability of the recipient. Payments to foreign persons will continue to be subject to the 30-percent tax and corresponding withholding.

Effective date.--The provision generally applies to amounts received after the date of enactment, in taxable years ending after that date. The withholding provision applies to payments made after the date of enactment.

Revenue effect.--This provision is estimated to have a negligible revenue effect.

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[1]The Conference Report on H.R. 7093 (H. Rep. No. 97-985, Dec. 21, 1982) was approved by the House and the Senate on December 21, 1982.