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94TH CONGRESS 1st Session } SENATE { REPORT No. 94-547

QUARTERLY PAYMENTS TO THE VIRGIN ISLANDS

DECEMBER 12, 1975.—Ordered to be printed

Mr. LONG, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 9432]

The Committee on Finance, to which was referred the bill (H.R. 9432), to amend the Internal Revenue Code of 1954 in order to provide for quarterly payment, rather than annual payment, to the government of the Virgin Islands of amounts equal to internal revenue collections made with respect to articles produced in the Virgin Islands and transported to the United States, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY OF THE BILL

The bill would provide a more even flow of revenues to the government of the Virgin Islands, and to offset a shortfall of $20 million in the fiscal year 1975 revenues by amending the Internal Revenue Code of 1954.

II. BACKGROUND AND NEED

Section 7652(b)(3) of the Internal Revenue Code of 1954 (title 26, United States Code) provides that the government of the Virgin Islands shall receive an annual payment from the U.S. Government to match the amounts equal to internal revenue collections made with respect to articles which are produced in the Virgin Islands and transported to the United States.

H.R. 9432 proposes no change in the amount of these payments to the Virgin Islands. It would change the payments from an annual basis to a quarterly basis, starting with the quarter of fiscal year 1975 ending September 30, 1975.

The change to quarterly payments will provide an immediate and a long-rang benefit to the government of the Virgin Islands. Receipt

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of funds will be on a current basis rather than on a 1-year delayed basis as is now the case. Also, the even flow of funds will make budget estimates more accurate and will facilitate more effective budget programming and planning.

At the present time, the depressed economy and inflation have had a severe impact on the Virgin Islands. Revenues for fiscal year 1976 are falling short of estimates by approximately $20 million causing severe fiscal problems for the government. The most important source of these revenues—tourism—has been severely affected by the depressed economy, with many tourists who formerly came to the Virgin Islands now vacationing in mainland United States. Enactment of H.R. 9432 will help resolve this financial dilemma by advancing payment of these revenues in a more orderly manner.

III. Section-by-Section Analysis

Section 1, paragraph 1 of H.R. 9432, changes the determination of revenues by the Secretary of the Treasury, imposed and collected, from an annual to a quarterly basis.

Section 1, paragraph 2 of H.R. 9432, changes the payment of the amounts so determined from an annual to a quarterly basis.

Section 1, paragraph 3 of H.R. 9432, is a conforming amendment concerning quarterly basis of payments in place of annual basis.

Section 2 provides that the above amendments shall apply to all taxes imposed and collected after June 30, 1975.

IV. Costs of Carrying Out the Bill and Effect on the Revenues of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill.

The bill, H.R. 9432, as amended, proposes only changes in administrative procedures. No changes in revenues or costs are proposed; consequently, no significant budgetary impact is contemplated other than that which will result from advancing the payment schedule already in effect.

V. Vote of Committee in Reporting the Bill

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a rollcall vote and without objection.

VI. Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 7652(b)(3), INTERNAL REVENUE CODE OF 1954 (68A Stat. 907) AS AMENDED (26 U.S.C. 7652(b))

* * * * * * *

(b) Virgin Islands.—

(1) TAXES IMPOSED IN THE UNITED STATES.—Except as provided in section 5314, there shall be imposed in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

(2) EXEMPTION FROM TAX IMPOSED IN THE VIRGIN ISLANDS.—Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

(3) DISPOSITION OF INTERNAL REVENUE COLLECTIONS.—[Beginning with the fiscal year ending June 30, 1954, and annually thereafter, the Secretary or his delegate shall determine the amount of all taxes imposed by, and collected during the fiscal year under, the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States.] *Beginning with the calendar quarter ending September 30, 1975, and quarterly thereafter, the Secretary or his delegate shall determine the amount of all taxes imposed by, and collected during the quarter under, the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States.*

The amount so determined less 1 percent and less the estimated amount of refunds or credits shall be subject to disposition as follows:

(A) There shall be transferred and paid over, *as soon as practicable after the close of the quarter*, to the government of the Virgin Islands from the amounts so determined a sum equal to the total amount of the revenue collected by the government of the Virgin Islands during the [fiscal year,] *quarter*, as certified by the Government Comptroller of the Virgin Islands. The moneys so transferred and paid over shall constitute a separate fund in the treasury of the Virgin Islands and may be expended as the legislature may determine: *Provided*, That the approval of the President or his designated representative shall be obtained before such moneys may be obligated or expended.

(B) There shall also be transferred and paid over to the government of the Virgin Islands during each of the fiscal years ending June 30, 1955, and June 30, 1956, the sum of $1,000,000 or the balance of the internal revenue collections available under this paragraph (3) after payments are made under subparagraph (A), whichever amount is greater. The moneys so transferred and paid over shall be deposited in the separate fund established by subparagraph (A), but shall be obligated or expended for emergency purposes and essential public projects only, with the prior approval of the President or his designated representative.

(C) Any amounts remaining shall be deposited in the Treasury of the United States as miscellaneous receipts. If at the end of any fiscal year the total of the Federal contribution made under subparagraph (A) [at the beginning] *with respect to the four calendar quarters immediately preceding the beginning* of that fiscal year has not been obligated or expended for an approved purpose, the balance shall continue available for expenditures during any succeeding fiscal year, but only for approved emergency relief purposes and essential public projects as provided in subparagraph (B). The aggregate amount of moneys available for expenditure for emergency relief purposes and essential public projects only, including payments under subparagraph (B), shall not exceed the sum of $5,000,000 at the end of any fiscal year. Any unobligated or unexpended balance of the Federal contribution remaining at the end of a fiscal year which would cause the moneys available for emergency relief purposes and essential public projects only to exceed the sum of $5,000,000 shall thereupon be transferred and paid over to the Treasury of the United States as miscellaneous receipts.