



GOVERNMENT HOUSE
UNITED STATES VIRGIN ISLANDS

FOR IMMEDIATE RELEASE

December 9, 2020

Press Contact

Richard Motta Jr.

340-474-2399

www.vi.gov

richard.mottajr@go.vi.gov

Governor Bryan Hails Court Decision To Lift Injunction Against Collecting Excise Tax

U.S. VIRGIN ISLANDS — Governor Albert Bryan Jr. on Wednesday praised the decision of U.S. District Court Judge Robert Molloy to lift the injunction that prohibited the Government of the Virgin Islands (GVI) from collecting excise taxes in the Territory.

In his ruling Wednesday, Judge Molloy said the GVI can resume collecting excise taxes beginning January 1, 2021, after the Bureau of Internal Revenue was able to show that it had adopted an electronic system that assigns excise tax equitably to importers as well as local manufacturers.

“This is certainly welcome news at a time when revenue for the GVI is in a precarious place because of the economic crash brought on by the COVID-19 pandemic,” Governor Bryan said. “Because the Bryan/Roach Financial Team successfully balanced the Fiscal Year 2021 budget with the expectation of not having excise tax revenue, this decision provides some leeway to use the additional revenue from excise taxes for critical government projects that are key to stabilizing the economy and the Government of the Virgin Islands.

BIR Director Joel Lee estimates that excise taxes account for about \$40 million in annual revenue for the GVI. Through November 2020, GVI excise tax revenues totaling more than \$84 million had been lost because of U.S. District Court Judge Curtis Gomez’s 2018 decision to halt the collection of excise taxes.

Excise tax collection from importers and local manufacturers will resume on January 1, Director Lee said.

Judge Molloy’s ruling Wednesday brings the case closer to a final resolution, and he has scheduled a follow-up hearing for February 3 to assess the resumption of excise tax collections, according to Attorney General Denise George.

“I want to thank OMB Director Jenifer O’Neal, BIR Director Joel Lee, Attorney General Denise George, the Office of Legal Counsel and their staffs for their persistence in resolving this vital and much-needed source of revenue for the U.S. Virgin Islands,” Governor Bryan said.

The collection of excise tax in the USVI was stopped in 2018, when the District Court enjoined the collection of excise taxes in Reefco’s suit filed against the GVI. In its lawsuit, Reefco claimed that it was owed a refund from the government for its excise taxes because the BIR had been taxing importers of manufactured goods but had not been taxing local manufacturers, thereby violating the Commerce Clause.

In October, a 3rd Circuit Court of Appeals panel remanded the case to the District Court to determine whether the GVI may have taken adequate steps to resume collecting excise taxes and directed the lower court to hold further proceedings to determine whether the injunction could be lifted, resulting in Judge Molloy's ruling on Wednesday.

“This is quite a victory for the territory. It was a long and challenging legal battle from the District Court to the Third Circuit and back,” said Attorney General George. “I must commend the outstanding work of our legal team working in conjunction with Director Lee and his team at the Bureau of Internal Revenue who built the process necessary to start collections again.”

The Bryan Roach Administration continues to be committed to transparency, stabilizing the economy, restoring trust in government and ensuring the disaster recovery is completed as quickly as possible.

###