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U.S. Virgin Islands

Crypto Currency Opportunities

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The U.S. Territories (not states!)

- U.S. Virgin Islands
- Puerto Rico
- Guam
- Northern Mariana Islands
- American Samoa



U.S. Virgin Islands

- Unincorporated territory which means it is not a U.S. state.
- Political system: governor, unicameral legislature, courts
- Applicability of U.S. laws in general
- The mirror system of taxation: U.S. Internal Revenue Code applies as a local tax code, word substitution scheme
- Local tax administration: Bureau of Internal Revenue

U.S. Virgin Islands (continued)

- Special Provisions of the Internal Revenue Code:
 - Section 932: Coordination of U.S. and USVI income taxation
 - Section 934: Reduction of USVI income tax liability permitted in certain cases
 - Section 937: Anti-abuse provision, addresses territorial residence and source of income
- U.S. tax treaties do not apply to the U.S. Virgin Islands (or to any U.S. territory)

USVI Research and Technology Park Company

- University of the Virgin Islands Research and Technology Park (“RT Park”)
- Partnership between the private sector, the government of the US Virgin Islands and the UVI.
- RT Park’s stated mission is to establish the USVI as the business destination of choice for firms in knowledge and technology-intensive sectors

RT Park Company (continued)

- The RT Park entity may be formed as a corporation or a limited liability company
- 90% tax exemption in the USVI plus other local tax reductions and exemptions
- United States resident owners must address all applicable rules for ownership of a foreign company (CFC\PFIC\Foreign partnership, etc.)
- USVI currently on EU list of non-cooperative tax jurisdictions

RT Park Company Fees

- \$100,000 commencement fee after negotiation of the Park Tenant Agreement, 15-year term
- Negotiated management fee, generally 2%-4% of gross receipts
- Negotiated annual donation to University of the Virgin Islands (varies depending on the business and receipts)
- Two \$15,000 scholarships per year plus an additional \$15,000 scholarships per year for every \$1MM in receipts over \$2MM

Opportunities in Crypto Currency

- RT Park is appropriate for fintech and blockchain businesses, including crypto currency businesses:
 - “Areas where needs are plentiful and potential for disruption is great”
- RT Park generally more suitable for businesses with employees.
- In order for the income to be eligible for benefits, it must be effectively connected to the USVI or from USVI sources and must not be from United States sources or effectively connected to the United States (IRC Sec. 937 and regs thereunder).

Crypto Currency Business Examples

- Decentralized Finance (“DeFi”) platforms:
 - Lending in crypto currency (RT Park Company should not be the lender)
 - Interest payments on cryptocurrency deposits
- Development and maintenance of DeFi platforms from the USVI:
 - Subscription and user fees (revenue that potentially may be classified as from services under proposed SaaS regulations)
 - Commissions
- Crypto Currency exchanges maintained in the USVI

Thank You!

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