

113TH CONGRESS
2^D SESSION

H. R. 3821

To amend the Internal Revenue Code of 1986 to assist in the recovery and development of the Virgin Islands by providing for a reduction in the tax imposed on distributions from certain retirement plans' assets which are invested for at least 30 years, subject to defined withdrawals, under a Virgin Islands investment program.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2014

Mrs. CHRISTENSEN introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to assist in the recovery and development of the Virgin Islands by providing for a reduction in the tax imposed on distributions from certain retirement plans' assets which are invested for at least 30 years, subject to defined withdrawals, under a Virgin Islands investment program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Derek M. Hodge Vir-
5 gin Islands Improvement Act of 2013”.

1 **SEC. 2. TAX-FREE DISTRIBUTIONS FROM CERTAIN RETIRE-**
2 **MENT PLAN ASSETS INVESTED UNDER A VIR-**
3 **GIN ISLANDS INVESTMENT PROGRAM.**

4 (a) IN GENERAL.—Part I of subchapter D of chapter
5 1 of the Internal Revenue Code of 1986 (relating to pen-
6 sion, profit-sharing, stock bonus plans, etc.) is amended
7 by adding at the end the following new section:

8 **“SEC. 409B. TREATMENT OF DISTRIBUTIONS FROM CER-**
9 **TAIN RETIREMENT PLAN ASSETS INVESTED**
10 **UNDER A VIRGIN ISLANDS INVESTMENT PRO-**
11 **GRAM.**

12 “(a) IN GENERAL.—If an individual under the age
13 of 61 makes a one-time designation of an amount of quali-
14 fied retirement savings as being under investment by the
15 Virgin Islands Investment Program for at least 30 years,
16 then, as of the close of the 10th year, such amount (and
17 any earnings properly allocable to such amount) shall be
18 treated for purposes of this title—

19 “(1) as a designated Roth account in the case
20 of qualified retirement savings described in sub-
21 section (b)(1), or

22 “(2) as a Roth IRA in the case of qualified re-
23 tirement savings described in subsection (b)(2).

24 No amount shall be includible in gross income by reason
25 of the change in treatment under the preceding sentence.

1 “(b) QUALIFIED RETIREMENT SAVINGS.—For pur-
2 poses of this section, the term ‘qualified retirement sav-
3 ings’ means—

4 “(1) amounts attributable to elective deferrals
5 under an applicable retirement plan, and

6 “(2) amounts held in an individual retirement
7 plan which is not a Roth IRA.

8 “(c) VIRGIN ISLANDS INVESTMENT PROGRAM.—For
9 purposes of this section—

10 “(1) IN GENERAL.—The term ‘Virgin Islands
11 Investment Program’ means a program of the Virgin
12 Islands which meets the requirements of paragraphs
13 (2), (3), (4), and (5).

14 “(2) MAXIMUM AMOUNT ACCEPTED FOR MAN-
15 AGEMENT.—A program meets the requirements of
16 this paragraph if the amount accepted for manage-
17 ment under the program does not exceed
18 \$50,000,000,000.

19 “(3) FEES AND TAXES.—A program meets the
20 requirements of this paragraph if—

21 “(A) the fees charged by investment man-
22 agers under the program do not exceed the fees
23 customarily imposed by investment managers
24 for managing like qualified retirement savings
25 outside the Virgin Islands Investment Program,

1 “(B) the program imposes an annual tax
2 (in addition to the fees permitted under sub-
3 paragraph (A)) equal to—

4 “(i) 1.5 percent of the amount des-
5 ignated for management under the pro-
6 gram for the first 10 years of the account,
7 and

8 “(ii) 1 percent of the amount des-
9 ignated for management under the pro-
10 gram for the remainder of the life of the
11 account without regard to account balance,
12 and

13 “(C) the 1 percent tax is imposed notwith-
14 standing the Roth designation.

15 “(4) INVESTMENT MANAGER.—A program
16 meets the requirements of this paragraph if the in-
17 vestment managers under the program are chosen
18 by the Governor of the Virgin Islands.

19 “(5) SEPARATE ACCOUNTING.—A program
20 meets the requirements of this paragraph if the pro-
21 gram—

22 “(A) establishes separate accounts for each
23 type of qualified retirement savings held for the
24 benefit of each individual and any earnings
25 properly allocable to such assets, and

1 “(B) maintains separate recordkeeping
2 with respect to each account.

3 “(d) USE OF 1 PERCENT ANNUAL TAX.—

4 “(1) REVENUES TO THE VIRGIN ISLANDS DUR-
5 ING FIRST 20 YEARS.—

6 “(A) IN GENERAL.—Revenues from the tax
7 referred to in subsection (c)(3)(B) shall be col-
8 lected, held, and distributed for the benefit of
9 the Virgin Islands in a manner similar to sec-
10 tion 7652(b) (relating to rum excise tax).

11 “(B) DISTRIBUTIONS TO VIRGIN IS-
12 LANDS.—Funds and acerued interest described
13 in subsection (d)(1)(A) may be paid from es-
14 crow to the Virgin Islands for expenditure only
15 if—

16 “(i) the expenditure is pursuant to a
17 qualified infrastructure development plan,
18 and

19 “(ii) the expenditure is approved by
20 the Secretary of the Interior as being pur-
21 suant to such plan.

22 “(C) QUALIFIED INFRASTRUCTURE DEVEL-
23 OPMENT PLAN.—For purposes of this para-
24 graph, the term ‘qualified infrastructure devel-
25 opment plan’ means a plan for improving and

1 enhancing the infrastructure of the Virgin Is-
2 lands which is—

3 “(i) developed and approved by the
4 committee described in subparagraph (D),
5 and

6 “(ii) approved by the Governor of the
7 Virgin Islands.

8 “(D) COMMITTEE.—The committee de-
9 scribed in this subparagraph is a committee—

10 “(i) comprised of 5 members, each
11 serving a term of either three or five
12 years—

13 “(I) 2 of whom are appointed by
14 the Governor of the Virgin Islands,
15 one for a 3-year and one for a 5-year
16 term,

17 “(II) 2 of whom are appointed by
18 the Virgin Islands legislature, one for
19 a 3-year and one for a 5-year term,
20 and

21 “(III) 1 of whom is appointed by
22 the Secretary of the Interior for a 5-
23 year term, and

1 “(ii) with respect to which a vacancy
2 is filled in the manner in which the origi-
3 nal appointment was made.

4 “(2) REVENUES TO THE UNITED STATES AND
5 THE VIRGIN ISLANDS.—

6 “(A) DURING FIRST 20 YEARS.—Revenues
7 from the fee referred to in subsection (c)(3)(B)
8 imposed on designated assets after the first 10
9 years under management by the Virgin Islands
10 Investment Program shall be collected by the
11 United States Treasury in a manner similar to
12 section 7652, upon which—

13 “(i) 26.67 percent of the proceeds
14 shall be distributed to the Virgin Islands
15 for the first 10 years of management, and

16 “(ii) half of the proceeds shall be dis-
17 tributed to the Virgin Islands for the next
18 10 years of management.

19 “(B) AFTER THE FIRST 20 YEARS.—Begin-
20 ning in the 21st year, the entire 1 percent tax
21 collected shall be retained by the United States
22 Treasury.

23 “(C) MINIMUM HOLDING PERIOD.—No
24 withdrawals may be made by an investor from
25 the account during the minimum holding period

1 of ten years. Should the investor choose to with-
2 draw money from the account during the min-
3 imum holding period, the investor would forfeit
4 the tax advantages of the Fund. Any funds so
5 withdrawn would be included in gross income
6 and subject to Federal income tax, minus pay-
7 ments of the 1 percent tax.

8 “(3) EARLY WITHDRAWAL.—Should an investor
9 withdraw the entire balance of the funds after the
10 10-year minimum holding period but before the end
11 of the 30 years, his account will be liable for the en-
12 tire 1 percent tax for each of the remaining years.

13 “(e) OTHER DEFINITIONS.—For purposes of this
14 section—

15 “(1) ELECTIVE DEFERRALS; APPLICABLE RE-
16 TIREMENT PLAN.—The terms ‘elective deferrals’ and
17 ‘applicable retirement plan’ have the respective
18 meanings given such terms by section 402A.

19 “(2) VIRGIN ISLANDS.—The term ‘Virgin Is-
20 lands’ means the United States Virgin Islands.

21 “(3) SECRETARY OF THE INTERIOR.—The term
22 ‘Secretary of the Interior’ means the Secretary of
23 the Interior or his designee.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for such part I is amended by adding at the end the fol-
3 lowing new item:

 “Sec. 409B. Treatment of distributions from certain retirement plan assets in-
 vested under a Virgin Islands investment program.”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on the date of the enactment
6 of this Act.

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