

111TH CONGRESS  
1ST SESSION

# H. R. 95

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 2009

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

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## 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 “Virgin Islands Im-  
5       provement Act of 2009”.

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 makes a one-  
13 time designation of an amount of qualified retirement sav-  
14 ings as being under investment by the Virgin Islands In-  
15 vestment Program for at least 30 years, then, as of the  
16 close of the 10th year, such amount (and any earnings  
17 properly allocable to such amount) shall be treated for  
18 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). No  
24 amount shall be includible in gross income by reason  
25 of the change in treatment under the preceding sen-  
26 tence.

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 1 percent of the  
4           amount designated for management under the  
5           program for the life of the account without re-  
6           gard to account balance, and

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

9           “(4) INVESTMENT MANAGER.—A program  
10          meets the requirements of this paragraph if the in-  
11          vestment managers under the program are chosen  
12          by the Governor of the Virgin Islands.

13          “(5) SEPARATE ACCOUNTING.—A program  
14          meets the requirements of this paragraph if the pro-  
15          gram—

16                 “(A) establishes separate accounts for each  
17                 type of qualified retirement savings held for the  
18                 benefit of each individual and any earnings  
19                 properly allocable to such assets, and

20                 “(B) maintains separate recordkeeping  
21                 with respect to each account.

22          “(d) USE OF 1 PERCENT ANNUAL TAX.—

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

1           “(A) IN GENERAL.—Revenues from the tax  
2 referred to in subsection (c)(3)(B) shall be col-  
3 lected, held, and distributed for the benefit of  
4 the Virgin Islands in a manner similar to sec-  
5 tion 7652(b) of the Internal Revenue Code of  
6 1986 (Rum Excise Tax).

7           “(B) DISTRIBUTIONS TO VIRGIN IS-  
8 LANDS.—Funds and accrued interest described  
9 in subsection (d)(1)(A) may be paid from es-  
10 crow to the Virgin Islands for expenditure only  
11 if—

12                   “(i) the expenditure is pursuant to a  
13 qualified infrastructure development plan,  
14 and

15                   “(ii) the expenditure is approved by  
16 the Secretary of the Interior as being pur-  
17 suant to such plan.

18           “(C) QUALIFIED INFRASTRUCTURE DEVEL-  
19 OPMENT PLAN.—For purposes of this para-  
20 graph, the term ‘qualified infrastructure devel-  
21 opment plan’ means a plan for improving and  
22 enhancing the infrastructure of the Virgin Is-  
23 lands which is—

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

4 “(ii) approved by the Governor of the  
5 Virgin Islands.

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

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

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

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

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

22 “(ii) with respect to which a vacancy  
23 is filled in the manner in which the origi-  
24 nal appointment was made.

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

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

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

17           “(C) MINIMUM HOLDING PERIOD.—No  
18 withdrawals may be made by an investor from  
19 the account during the minimum holding period  
20 of ten years. Should the investor choose to with-  
21 draw money from the account during the min-  
22 imum holding period, the investor would forfeit  
23 the tax advantages of the Fund; any funds  
24 withdrawn would be included in gross income

1 and subject to Federal income tax, minus pay-  
2 ments of the 1 percent tax.

3 “(3) EARLY WITHDRAWAL.—Should an investor  
4 withdraw the entire balance of the funds after the  
5 10-year minimum holding period but before the end  
6 of the 30 years, his account will be liable for the en-  
7 tire 1 percent tax for each of the remaining years.

8 “(e) OTHER DEFINITIONS.—For purposes of this  
9 section—

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

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

16 “(3) SECRETARY OF THE INTERIOR.—The term  
17 ‘Secretary of the Interior’ means the Secretary of  
18 the Interior or his designee.”.

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

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



1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the date of the enactment  
3 of this Act.

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