

113TH CONGRESS  
2D 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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2014

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 "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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