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## **New U.S. Treasury Income Sourcing Rule A Boon For Economic Development Potential in the U.S. Virgin Islands**

*UVI Research and Technology Park to benefit from successful effort to achieve tax regulation clarification*

**St Croix, USVI, September 18, 2006** - The University of the Virgin Islands Research and Technology Park (RTPark) announced today that it has secured a key clarification from the U.S. Treasury Department regarding income sourcing guidelines for e-commerce businesses operating in the U.S. Virgin Islands (USVI). As a result, it has been determined that various types of income relative to e-commerce and licensing of software or intellectual property will be viewed as USVI-generated income for the purposes of U.S. tax law.

This clarification appears as Notice 2006-76 in Internal Revenue Bulletin No. 2006-38 released September 18<sup>th</sup> by the U.S. Treasury Department. E-commerce and software licensing scenarios set forth in the bulletin provide positive interim guidance for companies operating in the USVI and other insular territories, clarifying how the Internal Revenue Service (IRS) intends to treat related income sourcing for tax calculation purposes. Although U.S. territories generally “mirror” federal tax law, the effect of territory-specific tax incentives can result in substantially lower marginal tax rates for properly sourced income related to economic development priorities, prompting the need for clarification.

According to David M. Zumwalt, Executive Director of the RTPark, “We are very pleased to have achieved the support of the U.S. Treasury in making this important ruling. This development will significantly enhance our ability to garner interest from companies seeking to establish operations at the RTPark. Likewise, it will encourage businesses to consider the RTPark in their outsourcing decisions, and allow them to focus on the many near-shore advantages of the USVI and the RTPark.”

The USVI Legislature established the RTPark in 2002 to foster the development of a world-class, mixed-use, technology community leveraging the sizeable Global Crossing and AT&T subsea fiber switching centers located in the USVI. The RTPark is a cornerstone of the USVI’s economic development mission, and offers three unique advantages in terms of financial incentives, legal system and communications:

- Globally competitive incentives, including income tax credits for qualifying businesses, are available through the RTPark and the USVI Economic Development Authority.
- As a United States territory, the USVI is subject to federal law and is part of the federal court system providing protection for intellectual property, employment, banking and investment, and its labor force is comprised primarily of U.S. citizens.
- The USVI's geographic location has made it a significant global communications crossroads connecting the U.S. mainland, Europe, the Caribbean, and South America, with one of the largest concentrations of bandwidth in the western hemisphere.

“We couldn't be more pleased with the success of the RTPark team in achieving this important milestone,” noted Dr. Auguste E. Rimpel, Jr., Chairman of the RTPark Board of Directors and the University of the Virgin Islands (UVI) Board of Trustees. “This clarification allows the RTPark to leverage the territory's many assets and resources to broaden our economy and benefit the territory's economic development effort, and adds yet one more noteworthy reason for technology-based businesses to consider the USVI in any corporate relocation or expansion plans.”

#### About The University of the Virgin Islands Research and Technology Park

The University of the Virgin Islands (UVI) Research and Technology Park (RTPark) is a center for e-commerce and technology with a focus on providing an enabling environment for transaction-oriented, knowledge-based, and technology-driven businesses. Headquartered on St. Croix in the United States Virgin Islands (USVI), the RTPark provides a competitive environment to confidently conduct business backed by the U.S. legal system and applicable commercial, intellectual property and tax laws. Qualifying tenants with USVI-sourced income can receive significant income tax credits as well as other financial incentives.

This release does not constitute tax or legal advice. The applicability of tax incentives and regulatory guidance to a specific circumstance should be referred to appropriate professionals.

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