

THE UNITED STATES VIRGIN ISLANDS – TAX CONSIDERATIONS ON SHORT-TERM ACCOMMODATIONS

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in the United States Virgin Islands ("**USVI**").

Tax can be tricky, and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in the USVI, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income tax
- Gross Receipts Tax
- Hotel Room Tax

Please understand that this information is for informational purposes only and should not be considered legal, tax, or any other type of advice. Please understand that this information is not comprehensive and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we don't update this information in real time, so you should confirm with your local tax advisor that the laws or procedures have not changed recently.

INCOME TAX

As a territory of the United States of America, the USVI operates under what is known as the mirror code with respect to its income taxes. Under this system, the United States Internal Revenue Code (the "Code") is used as the income tax code for the USVI by the substitution of the words "Virgin Islands" everywhere the words "United States" appears in the Code, and taxpayers pay income tax on income sourced in the USVI or effectively connected with a trade or business in the USVI to the Virgin Islands Bureau of Internal Revenue rather than to the Internal Revenue Service. Below is a brief outline of the tax that may arise on income earned

from short-term accommodations in the USVI and some information on how this tax can be paid over to the USVI tax authorities.

The USVI tax year for individuals runs from January 1 to December 31.

You are required to pay income tax in the USVI if you have:

- USVI sourced income
- Income from a trade or business in the USVI

Reporting tax in the USVI

A bona fide resident¹ of the USVI should file an annual income tax return (form 1040) in the USVI and pay the necessary taxes to the Virgin Islands Bureau of Internal Revenue.

A United States person with USVI income will file identical forms 1040 in both the USVI and the United States, allocating income tax between the two jurisdictions using IRS form 8689. This form is available at: <https://www.irs.gov/pub/irs-pdf/f8689.pdf>.

A foreign person with USVI source income or income from a trade or business will file form 1040-NR in the USVI and pay the necessary taxes to the Virgin Islands Bureau of Internal Revenue.

Reporting Tax – filing deadlines

Individual income tax returns filed with form 1040 are due by April 15 of each year (e.g., the tax return relating to income earned in 2023 has to be filed by April 15, 2024). An automatic six-month extension to October 15 is available by filing form 4868, but this does not give an extension to pay the estimated tax. Failure to pay the tax may result in interest and penalties. Taxpayers with reporting requirements in both the United States and the USVI should file form 4868 in both jurisdictions.

The due date for foreign persons that have to file the 1040-NR is the fifteenth day of the sixth tax month after your tax year ends, generally June 15. A four-month extension is available by filing form 4868.

IRS form 4868 is available at: <https://www.irs.gov/pub/irs-pdf/f4868.pdf>

If you have rental income, you may need to pay quarterly estimated taxes (prepayments). You should consult your tax adviser for further details.

¹ To become a bona fide resident under the Code, you must meet a physical presence test, a tax home test, and a closer connection test.

USVI Tax Authority Contact Details

The contact details for the USVI tax authorities are as follows:

- Website (which includes a useful tax booklet): <https://bir.vi.gov>
- St. Thomas/St. John: 340-715-1040
- St. Croix: 340-713-1040

USVI Income Tax Rates

Income tax rates for 2023 are:

Rate	Single	Married filing jointly ²	Head of Household ³
10%	Up to \$11,000	Up to \$22,000	Up to \$15,700
12%	\$ 11,001 to \$44,725	\$22,001 to \$89,450	\$15,701 to \$59,850
22%	\$44,726 to \$95,375	\$89,451 to \$190,750	\$59,851 to \$95,350
24%	\$95,376 to \$182,100	\$190,751 to \$364,200	\$95,351 to \$182,100
32%	\$182,101 to \$231,250	\$364,201 to \$462,500	\$182,101 to \$231,250
35%	\$231,251 to \$578,125	\$462,501 to \$693,750	\$231,251 to \$578,100
37%	Over \$578,125	Over \$693,751	Over \$578,100

The above-mentioned rates exclude U.S. social security and Medicare contributions.

USVI rules applicable to income earned from short term accommodations

Short term accommodations are considered to produce rental income from a tax perspective in the USVI. No tax distinction is made between long term and short term rental income.

Rental Income

Gross income will generally include the total amount of rent received for the use of the property and may also include payments for services such as cleaning, and additional items like cancellation fees, meals, or expenses paid by the tenant. The price of the accommodation refunded to a guest because of a cancellation is not included in gross income. Security deposits that are returned at the end of the stay in the accommodation are not included in gross income.

² Additional rates for married persons filing separately may apply.

³ A Head of Household is a person who can file as a single taxpayer who has a qualifying dependent person living with them, typically a child or dependent parent.

The deposit will become income if kept, but expenses for repairs will be includable in your expenses.

Note that if you provide accommodations for fewer than 15 days during the year in the property that you use as a home, such income will not be included in your gross income, and no deductions attributable to rental are allowed.

Expenses related to providing short term accommodations

Common expenses include:

- Cleaning and maintenance
- Utilities
- Advertising and commissions (including the Airbnb Service Fee)
- Insurance
- Property taxes
- Mortgage interest
- Legal, management and other professional fees
- Local travel expenses
- Depreciation

A more complete and comprehensive explanation of expenses can be found in IRS publication 527, Residential Rental Property.

Note that expenses that you pay to increase the useful life, improve or otherwise add value may be subject to depreciation and thus may not be deductible in the current year.

If you use the property as your home and for providing short term accommodations, you will need to allocate the expenses for each activity by using the number of days the property is used for each purpose.

USVI Income tax obligations for a Bona Fide resident in receipt of foreign income

If you are a bona fide USVI resident, you must report and pay tax on your worldwide income.

If a bona fide USVI resident has income from providing short term accommodations outside the USVI, that income will be subject to income tax at normal rates. You can claim a credit for income taxes that are imposed by a foreign country or another United States possession.

Sample Tax Computation

Patricia owns a house with a downstairs apartment. She lists her downstairs apartment to

guests on Airbnb. The downstairs apartment is 40% of the total square footage of the house.

Patricia incurred the following expenses in relation to this house in 2023: Insurance \$6,000, property tax \$3,600, Electricity \$6,500.

She also spent \$600 to repaint the bedroom of the apartment, and \$250 to repair the bathroom. She earned \$15,500 from her short term accommodation activities in 2023.

Expenses for painting and repairing the bathroom relate exclusively to the apartment, and are fully deductible expenses for short term accommodation purposes.

Expenses for insurance, property tax and electricity are not exclusively for the space she shares on Airbnb. Patricia must pro-rate these based on a reasonable method, here square footage.

Gross Rental Income		\$15,500
Less allowable expenses:		
	Repaint bedroom	\$600
	Repair bathroom	\$200
	Insurance (\$6,000 x 40%)	\$2,400
	Property Tax (\$3,600 x 40%)	\$1,440
	Electricity (\$6,500 x 40%)	\$2,600
Net Taxable Short Term Rental Income		\$8,260

Gross Receipts Tax

Income from the accommodation price received by you may be subject to a gross receipts tax of 5%. This tax is calculated on all receipts without any deduction for costs or expenses. There is generally an exemption for the first \$9,000 of gross receipts per month, however, you should file a form 720-B each year, by 30 January of the following year, even if you owe no tax. This form is available at the following [link](#). If your annual gross receipts are greater than \$225,000, you are no longer eligible for the \$9,000 per month exemption, and you will be required to file a monthly form 720-VI, which is due thirty calendar days after the last day of the calendar month concerned (e.g., the form 720-VI for the month January 2024 should be filed by 1 March 2024. This form is available under the following [link](#).

Sample Tax Computation

In 2023, Patricia earned the following amounts from her short term accommodation activities:

Month	Rent	Less \$9,000 Exemption	5% tax
January	\$10,000	\$1,000	\$50
February	\$11,500	\$2,500	\$125
March	\$7,000	\$0	\$0
April	\$5,000	\$0	\$0
May	\$4,000	\$0	\$0
June	\$0	\$0	\$0
July	\$0	\$0	\$0
August	\$0	\$0	\$0
September	\$2,500	\$0	\$0
October	\$6,000	\$0	\$0
November	\$7,500	\$0	\$0
December	\$12,000	\$3,000	\$150
Total Tax			\$325

Hotel Room Tax

A guest renting out a short-term accommodation in the USVI is responsible for payment of a hotel room tax totaling 12.5% of the gross room rate or rental, which will include the room rate plus any additional fees such as energy surcharges or maintenance fees. This tax is collected and remitted to the USVI via the Airbnb platform via an agreement with the USVI government so you are not liable for collecting and remitting this tax if your listing is offered on Airbnb.