

TOTAL BUDGET
US$1.64 bn
FY2027 Executive Budget, all funds

GENERAL FUND
US$958.2 m
Proposed spending, FY2027

FY2026 BALANCE
–US$59 m
Projected General Fund shortfall

CARIBBEAN TAX SERVICE DESK · EASTERN CARIBBEAN

The United States Virgin Islands Budget Review FY2027

What the FY2027 Budget and federal measures mean for businesses and individuals

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FOREWORD

The FY2027 Budget, the last of the current administration, bets on growth from tourism, recovery construction and housing. It proposes no new taxes, but it starts the year with thin cash reserves after FY2026 revenue fell short.

The fiscal year began on 1 October 2026. The Executive Budget expects higher collections from income tax, gross receipts and excise, and sets aside a contribution to the Budget Stabilization Fund. For taxpayers, the main changes come from Washington: the 2025 federal tax act flows through the territory's mirror code, and the rum cover-over rate is now permanent. The minimum wage rises again in June 2027.

This review sets out the figures, the measures and their effective dates, and what they mean for each sector. It should be read with our Doing Business in the United States Virgin Islands guide and our United States Virgin Islands Tax Guide.

The United States Virgin Islands are served by Dawgen Global's Caribbean Tax Service Desk, managed from our headquarters in Kingston. We would be glad to help you work through the impact on your business.

Dr. Dawkins Brown, Ph.D., MCMI, ACFE

Executive Chairman, Dawgen Global

How to use this guide

This review summarises the FY2027 Budget and what it means for businesses and individuals in the United States Virgin Islands. It is general information, current to October 2026; measures may change as they pass into law. Our companion Doing Business and Tax Guides give the wider picture. Speak to us before you act.

OVERVIEW

01 Budget at a glance

As a US territory, the Virgin Islands set their own budget and local taxes, while income tax follows a mirror of the US Internal Revenue Code, so federal tax changes flow through. This review covers the territorial budget for the fiscal year from 1 October 2026, submitted by Governor Albert Bryan Jr. to the 36th Legislature on 30 May 2026, and the federal measures that apply.

TOTAL BUDGET	GENERAL FUND	INCOME TAX
US$1.64 bn	US$958.2 m	US$428 m
All funds, including US$543.3 million of federal funds	Proposed spending for FY2027	Individual income tax estimate, up about 2%

GROSS RECEIPTS TAX	RECOVERY SPENDING	STABILIZATION FUND
US$245 m	US$733.9 m	US$5 m
Estimate, up 6.3%	Disaster recovery outlays expected in FY2027	Proposed contribution for FY2027

Five key messages

- **No new taxes.** The Budget relies on growth in existing taxes from tourism, construction and housing.
- **Infrastructure, recreation and housing.** Roads, drainage, parks and housing partnerships head the priorities.
- **Thin cushion.** FY2026 revenue fell short of forecast, and the year was projected to end with a deficit of about US$59 million.
- **Federal changes flow through.** The 2025 federal tax act applies through the mirror code, and the rum cover-over is permanent.
- **Higher wages.** The minimum wage is US$12.00 an hour, rising to US$14.00 in June 2027.

ECONOMY

02 Economic context

Tourism is strong and recovery construction continues, but inflation, labour shortages and federal policy shifts weigh on the outlook.

VISITORS	HOTEL OCCUPANCY	UNEMPLOYMENT
2.6 million	73.8%	4.5%
2025; 2.1 million by May 2026	June 2026	June 2026

INFLATION	BIR COLLECTIONS	WORKFORCE
7.6%	US$610 m	41,350
2025	To May 2026, US$14 million above a year earlier	Projected labour force by 2027

Drivers of growth

The Budget points to tourism, new airlift, especially to St Croix, new hotel projects, housing development and recovery and mitigation construction funded by federal grants after the 2017 hurricanes.

Recovery funding

About US$733.9 million of disaster recovery spending is expected in FY2027, which the Government estimates will generate about US$36.7 million in local revenue.

Outlook and risks

The Government's financial team lists inflation, healthcare costs, personnel obligations, workforce shortages, global uncertainty and possible changes in federal funding as the main risks.

Costs of doing business

Energy, freight and housing costs are higher than on the mainland, and the labour market is small. The minimum wage rises in stages to US$15.00 by June 2028.

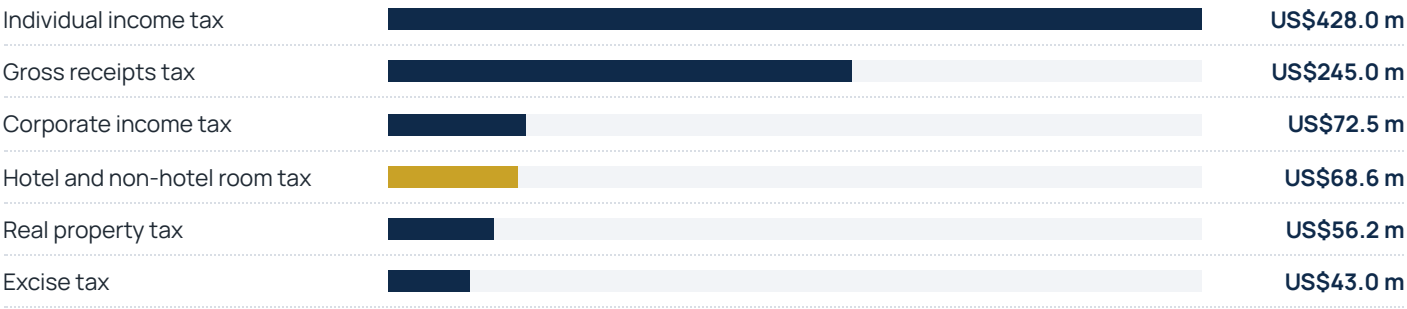
PUBLIC FINANCES

03 Fiscal framework

The Executive Budget totals US$1.64 billion across local and federal funds. Hotel tax revenue goes to the Tourism Revolving Fund rather than the General Fund.

US$ million	FY2027 Executive Budget	Share
General Fund	958.2	58%
Federal funds	543.3	33%
Other appropriated funds	93.4	6%
Non-appropriated funds	43.6	3%
Total	1,638.5	100%

Where the money comes from: main tax estimates, FY2027



The gold bar shows room tax, which funds tourism. The estimates exclude possible extra yields from recovery projects, which could add about US$72 million to income tax and US$30 million to gross receipts tax.

Outturn in FY2026

The Government's financial team told the Legislature in August 2026 that FY2026 General Fund revenue was forecast at US$804.0 million, US$10.7 million below budget, and that cash collections were running about 12% below forecast because US$116 million of expected recovery-project revenue had not materialised. It projected a General Fund deficit of about US$59.0 million.

BUSINESS TAX

04 Tax measures for businesses

The Budget proposes no new territorial taxes. The changes for businesses come from the 2025 federal tax act, applied through the mirror code.

Measure	What changes	Effective	Who is affected
Corporate rate	No change: 21% under the mirror code plus the 10% territorial surtax, about 23.1%	FY2027	All corporations
Full expensing	100% bonus depreciation for qualifying property, through the mirror code	Property acquired after 19 Jan 2025	Businesses investing
Research costs	Domestic research and experimental costs deductible as incurred	From 2025	Technology and R&D businesses
Interest limit	30% of adjusted taxable income, on an EBITDA basis	From 2025	Leveraged businesses
Collections	Closer pursuit of unpaid withholding by subcontractors on construction projects	FY2027	Contractors
Penalty amnesty	The 90-day amnesty on penalties and interest for overdue taxes has closed	Ended 17 Feb 2026	Taxpayers in arrears

Unchanged

Gross receipts tax 5%, with the monthly exclusion below US$225,000 a year; excise 2% to 25%; hotel room tax 12.5%; franchise tax; EDC benefits with a 90% income tax credit.

Global minimum tax

The territory has not enacted a domestic top-up tax. Groups with low-taxed EDC income should check whether other countries' rules reach it.

INDIVIDUALS

05 Tax measures for individuals and households

Individual rates mirror the US rates, which the 2025 federal act made permanent. New federal deductions for tips and overtime also apply in the territory.

Rate (2026)	Single, over	Married jointly, over
10%	US$0	US$0
12%	US$12,400	US$24,800
22%	US$50,400	US$100,800
24%	US$105,700	US$211,400
32%	US$201,775	US$403,550
35%	US$256,225	US$512,450
37%	US$640,600	US$768,700

Standard deduction US$16,100 single, US$32,200 married filing jointly. Bona fide residents file with the BIR.

Federal measures in 2026

- Temporary deductions for qualified tips and overtime pay, 2025 to 2028
- Social Security wage base US$184,500
- Medicare 1.45%, plus 0.9% above US$200,000

Minimum wage	Hourly
From 24 April 2026	US$12.00
From June 2027	US$14.00
From June 2028	US$15.00

Household costs

Prices rose 7.6% in 2025. Government health insurance premiums rise about 5.8% in FY2027, shared 73% by the Government and 27% by employees.

INDIRECT TAXES

06 Indirect taxes, customs and other revenue

There is no VAT or sales tax. Gross receipts and excise estimates rise with construction and imports; the room tax funds tourism promotion.

Tax	Position	FY2027 estimate
Gross receipts tax	5% of gross receipts; first US$9,000 a month excluded below US$225,000 a year	US$245.0 m (+6.3%)
Excise tax	2% to 25% of invoice value plus 5% on goods brought in	US$43.0 m (+14%)
Hotel room tax	12.5% for stays under 90 days, including short-term rentals	US$68.6 m
Real property tax	Annual, on assessed value	US$56.2 m (+2%)
Customs duty	6% on non-US goods; 1% on EDC raw materials	—
Rum cover-over	Federal rum excise returned at US$13.25 per proof gallon, now permanent	Federal transfer

Proposals

Proposed: a higher room tax on short-term rentals has been discussed. None is in the Executive Budget.

Administration

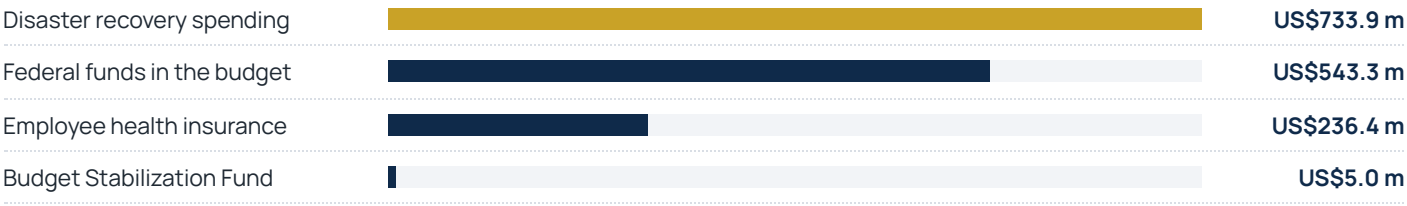
The BIR administers income, gross receipts, excise and hotel taxes. Keep a current tax clearance letter for licences and government work.

SPENDING

07 Spending priorities and capital programme

The Budget's theme is investing in infrastructure, recreation and housing. Most capital work is funded by federal recovery grants.

Selected FY2027 spending lines



Recovery spending runs alongside the budget through the Office of Disaster Recovery. Health insurance rises from about US$223.5 million in FY2026.

Priorities

- Roads and drainage
- Public facilities and utilities
- Parks and sports facilities
- Housing partnerships
- Fiscal stability

Spending restraint

Reviews of government leases, vehicles and fuel use.

Open appropriations

Of US$157.5 million appropriated since FY2021 as "available until expended", US$73.2 million was unspent in August 2026. The Government is also seeking to reprogramme proceeds of two legal settlements.

DEBT

08 Debt, financing and fiscal rules

Liquidity is tight. The Government relies on a line of credit that expires at the end of 2026 and is rebuilding its Budget Stabilization Fund.

Liquidity, August 2026

Line of credit	US$150.0 m
Drawn	US$124.8 m
Operating cash	US$34.5 m
Stabilization Fund	US$14.6 m

Operating cash covered about 8.7 days of spending. The line of credit has US$100 million for recovery and mitigation and US$50 million for operations.

Fiscal rules

The territory has no numerical fiscal rule. The Government aims to add at least US$5 million a year to the Budget Stabilization Fund. Debt service and pension contributions are set out in the Executive Budget.

Risks to watch

- Recovery-project revenue below forecast
- The line of credit expiring on 31 December 2026
- Health insurance and personnel costs
- Changes in federal funding
- Hurricanes and other climate shocks

SECTOR IMPACT

09 What it means for your sector

Sector	What the Budget means
Tourism and hospitality	Visitors and occupancy are strong. Room tax unchanged at 12.5%; a higher rate on short-term rentals has been discussed. New airlift and hotel projects are a stated growth driver.
Construction and recovery	About US$733.9 million of recovery spending in FY2027. Expect closer checks on subcontractor withholding and gross receipts.
Rum and manufacturing	The rum cover-over is now permanent at US$13.25 per proof gallon. EDC benefits continue.
Financial and professional services	Mirror code changes apply; EDC beneficiaries should check minimum tax rules abroad.
Real estate and housing	Housing partnerships are a Budget priority. Stamp tax and property tax unchanged.
Retail and distribution	Excise estimates rise 14% with imports. Gross receipts tax applies to turnover with no credits.
Government suppliers	Government accounts payable rose in FY2026; plan for payment timing and keep tax clearance current.
Employers generally	Minimum wage US$12.00 now, US$14.00 from June 2027. Apply the federal tips and overtime rules to payroll reporting.

ACTION PLAN

10 Action points and key dates

Businesses

- [ ] Plan capital spending to use full expensing
- [ ] Review interest deductions under the 30% limit
- [ ] Budget for the June 2027 wage increase
- [ ] Check subcontractor withholding on projects
- [ ] Confirm EDC compliance and minimum tax exposure
- [ ] Plan cash flow for government payment timing

Individuals

- [ ] Claim tips and overtime deductions where eligible
- [ ] Keep evidence of bona fide residence
- [ ] File 2026 returns with the BIR by 15 April 2027

Date	What happens
17 February 2026	Tax amnesty ended
24 April 2026	Minimum wage US$12.00
30 May 2026	FY2027 Executive Budget submitted
1 October 2026	FY2027 begins
15 December 2026	Final corporate estimated payment
31 December 2026	Line of credit expires
31 January 2027	W-2VI forms due
15 April 2027	Corporate and individual returns
June 2027	Minimum wage US$14.00
30 September 2027	FY2027 ends

Dates assume a calendar-year taxpayer.

YOUR PARTNER

11 How Dawgen Global helps

Our Caribbean Tax Service Desk, managed from Kingston, helps businesses and individuals turn the Budget and federal changes into a plan.

Budget impact assessment

Modelling the Budget, mirror code changes and wage increases against your plans.

Tax planning and restructuring

Expensing, interest limits, structure and US coordination.

Compliance updates and payroll changes

Minimum wage, tips and overtime reporting, withholding and W-2VI.

Incentives and concessions

EDC, enterprise zone and technology park benefits and compliance.

Cash flow and pricing reviews

Forecasts, gross receipts and excise costs, and receivables.

Engagement with the tax authority

BIR examinations, clearance letters and settlement of arrears.

Start with a conversation

Tell us how the FY2027 Budget affects your plans, and we will set out the steps for your situation. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request. Fees are tailored to each client's circumstances and set out in an engagement letter. Email **usvirginislands@dawgen.com** or **info@dawgen.global**, or call (876) 926-5210.

Talk to the Caribbean Tax Service Desk about the FY2027 Budget

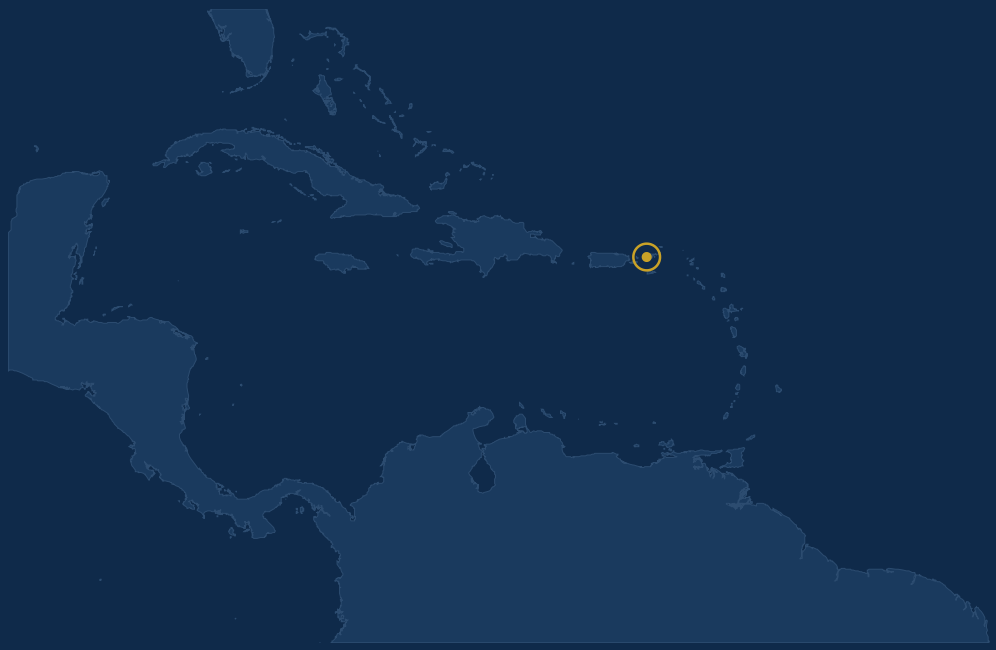
Contact

usvirginislands@dawgen.com

Dawgen Global, Dawgen Towers
47-49 Trinidad Terrace, Kingston 5, Jamaica
(876) 926-5210 · (876) 630-2011
(876) 929-3670 · (876) 929-3870
US toll free 855-354-2447
info@dawgen.global · dawgen.global

Key official sources

- Office of the Governor (vi.gov)
- Office of Management and Budget (omb.vi.gov)
- Legislature of the Virgin Islands (legvi.org)
- Department of Finance (dof.vi.gov)
- Virgin Islands Bureau of Internal Revenue (bir.vi.gov)
- Virgin Islands Department of Labor (vidol.gov)
- Office of Disaster Recovery (usviodr.com)
- US Internal Revenue Service (irs.gov)



This publication contains general information only, current to October 2026, and is not professional advice. Budget figures are those of the Executive Budget and may differ from the appropriations enacted; US federal changes flow through to the territory's mirror code. Confirm the current position with Dawgen Global or the relevant authority before acting. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request.

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