

later than 1 year after July 22, 1998, would conduct a study and report to Congress on the use of this section, including an analysis of the present use of this section and any legislative or administrative recommendations regarding the provisions of this section and its application.

ANNUAL REPORT TO CONGRESS ON PAYMENTS MADE UNDER THIS SECTION AND RESULTANT COLLECTIONS

Pub. L. 104-168, title XII, §1209(d), July 30, 1996, 110 Stat. 1474, provided that: "The Secretary of the Treasury or his delegate shall submit an annual report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the payments under section 7623 of the Internal Revenue Code of 1986 during the year and on the amounts collected for which such payments were made."

§ 7624. Reimbursement to State and local law enforcement agencies

(a) Authorization of reimbursement

Whenever a State or local law enforcement agency provides information to the Internal Revenue Service that substantially contributes to the recovery of Federal taxes imposed with respect to illegal drug-related activities (or money laundering in connection with such activities), such agency may be reimbursed by the Internal Revenue Service for costs incurred in the investigation (including but not limited to reasonable expenses, per diem, salary, and overtime) not to exceed 10 percent of the sum recovered.

(b) Records; 10 percent limitation

The Internal Revenue Service shall maintain records of the receipt of information from a contributing agency and shall notify the agency when monies have been recovered as the result of such information. Following such notification, the agency shall submit a statement detailing the investigative costs it incurred. Where more than 1 State or local agency has given information that substantially contributes to the recovery of Federal taxes, the Internal Revenue Service shall equitably allocate investigative costs among such agencies not to exceed an aggregate amount of 10 percent of the taxes recovered.

(c) No reimbursement where duplicative

No State or local agency may receive reimbursement under this section if reimbursement has been received by such agency under a Federal or State forfeiture program or under State revenue laws.

(Added Pub. L. 100-690, title VII, §7602(a), Nov. 18, 1988, 102 Stat. 4507.)

EFFECTIVE DATE

Section applicable to information first provided more than 90 days after Nov. 18, 1988, see section 7602(e) of Pub. L. 100-690, set out as an Effective Date of 1988 Amendment note under section 6103 of this title.

REGULATIONS

Pub. L. 100-690, title VII, §7602(g), Nov. 18, 1988, 102 Stat. 4508, provided that: "The Secretary of the Treasury shall, not later than 90 days after the date of enactment of this Act [Nov. 18, 1988], prescribe such rules and regulations as shall be necessary and proper to carry out the provisions of this section [enacting section 7624

of this title, amending sections 6103 and 7809 of this title, and enacting provisions set out as notes under sections 6103 and 7809 of this title], including regulations relating to the definition of information which substantially contributes to the recovery of Federal taxes and the substantiation of expenses required in order to receive a reimbursement."

[Subchapter C—Repealed]

[§ 7641. Repealed. Pub. L. 94-455, title XIX, § 1906(a)(54), Oct. 4, 1976, 90 Stat. 1832]

Section, acts Aug. 16, 1954, ch. 736, 68A Stat. 905; Oct. 27, 1970, Pub. L. 91-513, title III, §1102(i), 84 Stat. 1293; Oct. 26, 1974, Pub. L. 93-490, §3(b)(8), 88 Stat. 1467, related to supervision of operations of every manufacturer of oleomargarine, process or renovated butter or adulterated butter, or white phosphorous matches by the officers or employees of the Treasury Department.

EFFECTIVE DATE OF REPEAL

Repeal effective on first day of first month which begins more than 90 days after Oct. 4, 1976, see section 1906(d)(1) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 6013 of this title.

Subchapter D—Possessions

Sec. 7651.	Administration and collection of taxes in possessions.
7652.	Shipments to the United States.
7653.	Shipments from the United States.
7654.	Coordination of United States and certain possession individual income taxes.
7655.	Cross references.

AMENDMENTS

1986—Pub. L. 99-514, title XII, §1276(b), Oct. 22, 1986, 100 Stat. 2600, substituted "certain possession" for "Guam" in item 7654.

1972—Pub. L. 92-606, §1(f)(6), Oct. 31, 1972, 86 Stat. 1497, substituted "Coordination of United States and Guam individual income taxes" for "Payment to Guam and American Samoa of proceeds of tax on coconut and palm oil" in item 7654.

§ 7651. Administration and collection of taxes in possessions

Except as otherwise provided in this subchapter, and except as otherwise provided in section 28(a) of the Revised Organic Act of the Virgin Islands and section 30 of the Organic Act of Guam (relating to the covering of the proceeds of certain taxes into the treasuries of the Virgin Islands and Guam, respectively)—

(1) Applicability of administrative provisions

All provisions of the laws of the United States applicable to the assessment and collection of any tax imposed by this title or of any other liability arising under this title (including penalties) shall, in respect of such tax or liability, extend to and be applicable in any possession of the United States in the same manner and to the same extent as if such possession were a State, and as if the term "United States" when used in a geographical sense included such possession.

(2) Tax imposed in possession

In the case of any tax which is imposed by this title in any possession of the United States—

(A) Internal revenue collections

Such tax shall be collected under the direction of the Secretary, and shall be paid

into the Treasury of the United States as internal revenue collections; and

(B) Applicable laws

All provisions of the laws of the United States applicable to the administration, collection, and enforcement of such tax (including penalties) shall, in respect of such tax, extend to and be applicable in such possession of the United States in the same manner and to the same extent as if such possession were a State, and as if the term “United States” when used in a geographical sense included such possession.

(3) Other laws relating to possessions

This section shall apply notwithstanding any other provision of law relating to any possession of the United States.

(4) Virgin Islands

(A) For purposes of this section, the reference in section 28(a) of the Revised Organic Act of the Virgin Islands to “any tax specified in section 3811 of the Internal Revenue Code” shall be deemed to refer to any tax imposed by chapter 2 or by chapter 21.

(B) For purposes of this title, section 28(a) of the Revised Organic Act of the Virgin Islands shall be effective as if such section 28(a) had been enacted before the enactment of this title and such section 28(a) shall have no effect on the amount of income tax liability required to be paid by any person to the United States.

(Aug. 16, 1954, ch. 736, 68A Stat. 906; Pub. L. 91-513, title III, §1102(j), Oct. 27, 1970, 84 Stat. 1293; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 98-369, div. A, title I, §130(c), title VIII, §801(d)(9), July 18, 1984, 98 Stat. 661, 997; Pub. L. 99-514, title XII, §1275(b), Oct. 22, 1986, 100 Stat. 2598; Pub. L. 110-172, §11(a)(34)(B), Dec. 29, 2007, 121 Stat. 2487.)

REFERENCES IN TEXT

Section 28(a) of the Revised Organic Act of the Virgin Islands, referred to in introductory provisions and par. (4), is classified to section 1642 of Title 48, Territories and Insular Possessions.

Section 30 of the Organic Act of Guam, referred to in introductory provisions, is classified to section 1421h of Title 48.

AMENDMENTS

2007—Pars. (4), (5). Pub. L. 110-172 redesignated par. (5) as (4) and struck out heading and text of former par. (4). Text read as follows: “For purposes of this section, the term ‘possession of the United States’ includes the Canal Zone.”

1986—Par. (5)(B). Pub. L. 99-514 amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “For purposes of this title (other than section 881(b)(1) or subpart C of part III of subchapter N of chapter 1), section 28(a) of the Revised Organic Act of the Virgin Islands shall be effective as if such section had been enacted subsequent to the enactment of this title.”

1984—Par. (5)(B). Pub. L. 98-369, §801(d)(9), inserted “or subpart C of part III of subchapter N of chapter 1”.

Pub. L. 98-369, §130(c), inserted “(other than section 881(b)(1))”.

1976—Par. (2)(A). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

1970—Pub. L. 91-513 struck out reference to exceptions provided for in sections 4705(b), 4735, and 4762 (relating to taxes on narcotic drugs and marihuana) in provisions preceding par. (1).

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99-514, set out as a note under section 931 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 130(c) of Pub. L. 98-369 applicable to payments made after Mar. 1, 1984, in taxable years ending after such date, see section 130(d) of Pub. L. 98-369, set out as a note under section 881 of this title.

Amendment by section 801(d)(9) of Pub. L. 98-369 applicable to transactions after Dec. 31, 1984, in taxable years ending after such date, see section 805(a)(1) of Pub. L. 98-369, as amended, set out as a note under section 245 of this title.

EFFECTIVE DATE OF 1970 AMENDMENT

Amendment by Pub. L. 91-513 effective on first day of seventh calendar month that begins after Oct. 26, 1970, see section 1105(a) of Pub. L. 91-513, set out as an Effective Date note under section 951 of Title 21, Food and Drugs.

SAVINGS PROVISION

Prosecutions for any violation of law occurring, and civil seizures or forfeitures and injunctive proceedings commenced, prior to the effective date of amendment of this section by section 1102 of Pub. L. 91-513 not to be affected or abated by reason thereof, see section 1103 of Pub. L. 91-513, set out as a note under sections 171 to 174 of Title 21, Food and Drugs.

COMPENSATION TO GUAM AND VIRGIN ISLANDS FOR UNEXPECTED REVENUE LOSSES OCCASIONED BY TAX REDUCTION ACT OF 1975 AND TAX REFORM ACT OF 1976

Pub. L. 95-134, title IV, §402, Oct. 15, 1977, 91 Stat. 1163, provided that: “In order to compensate the territories of Guam and the Virgin Islands for unexpected revenue losses occasioned by the Tax Reduction Act of 1975 [Pub. L. 94-12, Mar. 29, 1975, 89 Stat. 26, see Tables] and the Tax Reform Act of 1976 [Pub. L. 94-455, Oct. 4, 1976, 90 Stat. 1525, see Tables] there is hereby authorized to be appropriated to the Secretary for grants to the government of Guam not to exceed \$15,000,000 and after October 1, 1977, for grants to the government of the Virgin Islands not to exceed \$14,000,000, such sums being in addition to those previously authorized for such purposes.”

PAYMENTS TO GOVERNMENT OF AMERICAN SAMOA, GUAM, AND THE VIRGIN ISLANDS

Pub. L. 95-30, title IV, §407, May 23, 1977, 91 Stat. 156, provided that:

“(a) The Secretary of the Treasury is authorized to make separate payments to the government of American Samoa, the government of Guam, and the government of the Virgin Islands. The payment to the government of a particular possession shall be in an amount equal to the loss to that possession with respect to tax returns for the first taxable year beginning after December 31, 1976, by reason of sections 101 and 102 of this Act [amending sections 1, 3, 21, 42, 57, 63, 143, 161, 172, 211, 402, 441, 443, 511, 584, 613A, 641, 642, 667, 703, 861, 862, 873, 904, 911, 931, 1034, 1211, 1302, 6014, 6212, 6504, and 6654 of this title and repealing sections 36, 141, 142, 144 and 145 of this title]. Such amount shall be determined by the Secretary of the Treasury upon certification to the Secretary by the United States Government Comptrollers for Guam and the Virgin Islands.

“(b) There are hereby authorized to be appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary to carry out the provisions of this section.”

§ 7652. Shipments to the United States**(a) Puerto Rico****(1) Rate of tax**

Except as provided in section 5314, articles of merchandise of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale shall be subject to a tax equal to the internal revenue tax imposed in the United States upon the like articles of merchandise of domestic manufacture.

(2) Payment of tax

The Secretary shall by regulations prescribe the mode and time for payment and collection of the tax described in paragraph (1), including any discretionary method described in section 6302(b) and (c). Such regulations shall authorize the payment of such tax before shipment from Puerto Rico, and the provisions of section 7651(2)(B) shall be applicable to the payment and collection of such tax in Puerto Rico.

(3) Deposit of internal revenue collections

All taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States (less the estimated amount necessary for payment of refunds and drawbacks), or consumed in the island, shall be covered into the treasury of Puerto Rico.

(b) Virgin Islands**(1) Taxes imposed in the United States**

Except as provided in section 5314, there shall be imposed in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal revenue tax imposed in the United States upon like articles of domestic manufacture.

(2) Exemption from tax imposed in the Virgin Islands

Such articles shipped from such islands to the United States shall be exempt from the payment of any tax imposed by the internal revenue laws of such islands.

(3) Disposition of internal revenue collections

The Secretary shall determine the amount of all taxes imposed by, and collected under the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States. The amount so determined less 1 percent and less the estimated amount of refunds or credits shall be subject to disposition as follows:

(A) The payment of an estimated amount shall be made to the government of the Virgin Islands before the commencement of each fiscal year as set forth in section 4(c)(2) of the Act entitled "An Act to authorize appropriations for certain insular areas of the United States, and for other purposes", approved August 18, 1978 (48 U.S.C. 1645), as in effect on the date of the enactment of the Trade and Development Act of 2000. The payment so made shall constitute a separate fund in the treasury of the Virgin Islands and may be expended as the legislature may determine.

(B) Any amounts remaining shall be deposited in the Treasury of the United States as miscellaneous receipts.

If at the end of any fiscal year the total of the Federal contribution made under subparagraph (A) with respect to the four calendar quarters immediately preceding the beginning of that fiscal year has not been obligated or expended for an approved purpose, the balance shall continue available for expenditure during any succeeding fiscal year, but only for emergency relief purposes and essential public projects. The aggregate amount of moneys available for expenditure for emergency relief purposes and essential public projects only shall not exceed the sum of \$5,000,000 at the end of any fiscal year. Any unobligated or unexpended balance of the Federal contribution remaining at the end of a fiscal year which would cause the moneys available for emergency relief purposes and essential public projects only to exceed the sum of \$5,000,000 shall thereupon be transferred and paid over to the Treasury of the United States as miscellaneous receipts.

(c) Articles containing distilled spirits

For purposes of subsections (a)(3) and (b)(3), any article containing distilled spirits shall in no event be treated as produced in Puerto Rico or the Virgin Islands unless at least 92 percent of the alcoholic content in such article is attributable to rum.

(d) Articles other than articles containing distilled spirits

For purposes of subsections (a)(3) and (b)(3)—

(1) Value added requirement for Puerto Rico

Any article, other than an article containing distilled spirits, shall in no event be treated as produced in Puerto Rico unless the sum of—

- (A) the cost or value of the materials produced in Puerto Rico, plus
- (B) the direct costs of processing operations performed in Puerto Rico,

equals or exceeds 50 percent of the value of such article as of the time it is brought into the United States.

(2) Prohibition of Federal excise tax subsidies**(A) In general**

No amount shall be transferred under subsection (a)(3) or (b)(3) in respect of taxes imposed on any article, other than an article containing distilled spirits, if the Secretary determines that a Federal excise tax subsidy was provided by Puerto Rico or the Virgin Islands (as the case may be) with respect to such article.

(B) Federal excise tax subsidy

For purposes of this paragraph, the term "Federal excise tax subsidy" means any subsidy—

- (i) of a kind different from, or
 - (ii) in an amount per value or volume of production greater than,
- the subsidy which Puerto Rico or the Virgin Islands offers generally to industries producing articles not subject to Federal excise taxes.