UNITED STATES DISTRICT COURT FOR THE DISTRICT OF THE VIRGIN ISLANDS, DIVISION OF ST. THOMAS AND ST. JOHN

PSMT, LLC v. The Government of the U.S. Virgin Islands, the Virgin Islands Bureau of Internal Revenue, and Joel A. Lee, in His Capacity as Director of Internal Revenue

PSMT · No. 3:19-cv-0118 · Decided March 30, 2026

SUMMARY

The District Court of the Virgin Islands denied the defendants' Rule 12(b)(6) motion to dismiss PSMT, LLC's First Amended Complaint. The court held that PSMT plausibly alleged that the Virgin Islands container tax violates the Dormant Commerce Clause and Tonnage Clause, and therefore allowed its claims for tax refunds and related relief to proceed.

CASE DETAILS

COURT	United States District Court for the District of the Virgin Islands, Division of St. Thomas and St. John
WRITING FOR THE COURT	Robert A. Molloy
JURISDICTION	District Court of the Virgin Islands, Division of St. Thomas and St. John
DECIDED	March 30, 2026
DOCKET	3:19-cv-0118
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss PSMT's First Amended Complaint for failure to state a claim. The court denied the motion.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts factual allegations as true, draws reasonable inferences in favor of the nonmoving party, considers whether the complaint plausibly states a claim for relief, and disregards allegations that are merely conclusory.
PRECEDENTIAL VALUE	Unknown

TOPICS

motions to dismiss · subject matter jurisdiction · commerce clause · constitutional law · tax

PRACTICE AREAS

constitutional law · federal civil procedure · tax litigation · remedies

QUESTIONS PRESENTED

1. Whether the court had federal-question jurisdiction over PSMT's constitutional challenges to the Virgin Islands container tax.
2. Whether PSMT plausibly alleged that the Virgin Islands container tax violates the Dormant Commerce Clause.
3. Whether PSMT plausibly alleged that the container tax violates the Tonnage Clause.
4. Whether PSMT, as owner of cargo containers subject to the tax, falls within the Tonnage Clause's zone of interests.
5. Whether the complaint stated a claim for a refund of improperly assessed excise taxes.

HOLDINGS

1. Because PSMT challenged the constitutionality of the Container Tax, the court could exercise federal-question jurisdiction under 28 U.S.C. § 1331 over Counts II through VI of the First Amended Complaint.
2. PSMT was entitled to pursue a refund of improperly assessed excise taxes as alleged in Count I.
3. PSMT plausibly alleged that the Virgin Islands container tax discriminates against out-of-territory commerce and therefore states a claim under the Dormant Commerce Clause.
4. PSMT plausibly alleged that the container tax violates the Tonnage Clause because taxing containers brought into the Territory on oceangoing ships operates as a charge for the privilege of entering, trading in, or lying in a port.
5. PSMT, as owner of cargo containers subject to the tax, falls within the Tonnage Clause's zone of interests.

KEY QUOTATIONS

> *“The plausibility standard requires the complaint to allege “enough facts to state a claim to relief that is plausible on its face.””* (3)

> *“In sum, the Tonnage Clause's prohibition "embrace[s] all taxes and duties regardless of their name or form, and even though not measured by the tonnage of the vessel, which operate to impose a charge for the privilege of entering, trading in, or lying in a port.""* (5)

FACTUAL BACKGROUND

The Government imposed Virgin Islands excise and container taxes on PSMT, including a tax applicable to containers brought into the Territory and defined by reference to large standard-size metal boxes used for oceangoing shipment. PSMT alleged that the container tax discriminates against out-of-territory commerce because containers carrying goods across territorial borders are taxed while goods produced in the Virgin Islands are not similarly taxed. PSMT sought refunds of taxes already paid and declaratory and injunctive relief against continuing or future constitutional violations.

PROCEDURAL HISTORY

The court previously adopted the relevant portion of a magistrate judge's recommendation dismissing PSMT's container-tax claim but granted leave to amend. PSMT filed its First Amended Complaint, alleging that Virgin Islands taxes violated the Commerce Clause, Tonnage Clause, and Import-Export Clause. After the Third Circuit reversed the court's application of tax comity in related cases and remanded them, the parties filed supplemental briefs, and the court considered the present motion to dismiss.

DISPOSITION

other

CASES CITED

- Apex Constr. Co. v. Virgin Islands, Nos. 22-2675, 22-2676, 22-2678, 22-2679, 22-2680, 2023 U.S. App. LEXIS 21508 (3d Cir. Aug. 17, 2023)
- Alston v. Parker, 363 F.3d 229, 233 (3d Cir. 2004)
- Gelman v. State Farm Mut. Auto. Ins. Co., 583 F.3d 187, 190 (3d Cir. 2009)
- Phillips v. Cnty of Allegheny, 515 F.3d 224, 233 (3d Cir. 2008)
- Mayer v. Belichick, 605 F.3d 223, 230 (3d Cir. 2010), cert. denied, 562 U.S. 1271 (2011)
- Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 556-57, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 674, 678-79 (2009)
- Santiago v. Warminster Twp., 629 F.3d 121, 130 (3d Cir. 2010)
- Reefco Servs. v. Gov't of the V.I., 830 F. App’x 81, 85 (3d Cir. 2020)
- Polychrome Int’l Corp. v. Krigger, 5 F.3d 1522, 1534 (3d Cir. 1993)
- Complete Auto Transit, Inc. v. Brady, 430 U.S. 274, 279 (1977)
- The Passenger Cases, 48 U.S. (7 How.) 283, 458-59
- Portwardens, 73 U.S. (6 Wall.) 35, 34-35
- Clyde Mallory Lines, 296 U.S. 261, 265-66
- Maher Terminals, LLC v. Port Auth. of N.Y. & N.J., 805 F.3d 98, 107 (3d Cir. 2015)