

BIR Laments Reduced Budget, Citing Insufficient WAPA Funding and Enforcement Challenges Amid Major Construction Projects

BIR highlights the impact of a 10% budget reduction on revenue collection and tax enforcement, emphasizing the inadequacy of utility funding and the need for resources to handle upcoming major construction projects

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BIR Director Joel Lee By. V.I. LEGISLATURE

The Bureau of Internal Revenue is requesting [\\$12,958,658 for its FY2025 budget](#), the entirety of which is expected to come from the territory's general fund. This recommended budget by the Office of Management and Budget is a 10% decrease from the approved \$14,438,083 budget for

FY2024.

On Thursday, BIR Director Joel Lee provided the Committee on Budget, Appropriations, and Finance with a breakdown of the proposed budget, most of which (\$7,062,186) will be directed to personnel costs. The BIR has earmarked another \$3,621,461 for related fringe benefits. Combined, employee compensation constitutes 82.45% of the Bureau's total budget.?

The Bureau anticipates spending \$224,500 for supplies and \$50,000 on capital outlays. Their “other services” category totals \$1,906,908 to include professional services, repairs and maintenance. A paltry \$93,601 has been budgeted for utilities, a number that the BIR admits is not enough to cover their water and electric costs.

A low budget ceiling has reduced the BIR’s utility allocation to below historical payment figures. Currently, the BIR pays \$28,000 in average monthly utilities, meaning the recommended budget would only cover 3 months of utility payments. In FY2023, utility costs averaged \$383,000. The revelation disturbed Committee Chair Donna Frett-Gregory. “We just went through a crisis with agencies not paying WAPA, and here it is [where] we are building a budget shorting the utility category,” she pointed out.?

The FY2025 budget reduction will also force the Bureau to contend with the elimination of funding for “elevator maintenance, vehicle maintenance and the maintenance of the Bureau's machines and equipment, to include our postage meters,” Mr. Lee admitted. The BIR projects spending \$889,130 in rent to maintain office spaces on all three islands, but will soon need additional funding to cover the utility, maintenance and security costs for two newly acquired locations.

The BIR, unsurprisingly, is one of the GVI’s largest income generators. According to Mr. Lee, the Bureau projects FY2025 collections totaling \$855,475,440, a figure that despite being described as conservative, still represents a marked increase over the \$811,457,764 projected for FY2024. However, Mr. Lee juxtaposed the anticipated increase in revenue collections with the significantly smaller recommended budget, warning that a smaller funding allocation could pose serious consequences.?

“When the Bureau's budget is reduced, the ability to enforce the tax laws and collect revenue is also reduced...There's a direct correlation between the Bureau's budget and the amount of delinquent revenues the Bureau can collect in any given year,” he lamented. An increase in their budget, explained Mr. Lee, would allow the BIR to conduct their duties in a “more efficient manner by hiring and training additional employees.”?

He noted that the United States Internal Revenue Service, during a recent visit to the BIR, flagged several challenges which the Bureau must immediately rectify, generally related to information technology. According to Mr. Lee, the Bureau “will require additional resources in order to do so, or risk losing reimbursement for the various tax credits.” He fears being cut off by the IRS if immediate financial interventions are not available.

With Rebuild USVI and billion-dollar bid bundles coming on stream, the USVI is expected to record increased personal and corporate tax revenue. “Our budget shrinking kind of goes against that concept,” Mr. Lee contended. “As more dollars are coming in, we should be ramping up to be able to be in a position to get every penny.”

Concerned by the wide-ranging impacts of reduced funding on the territory’s main revenue agency, Senator Frett-Gregory assured the BIR that the figures in the budget book are simply a

recommendation, and alluded that the Legislature “[has] a responsibility to do what we have to do.”

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