The Virgin Islands Consortium

B.I.R. Admits To Auditing Problems And Promises Fix; Has Processed Over $61 Million In 2016 Tax Refunds

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Ernice Gilbert June 24, 2016

ST. CROIX -- Bureau of Internal Revenue Director Marvin Pickering fielded criticism from 31st Legislature senators concerning multiple complaints from residents who say they've been placed in a perpetual auditing process, which has prevented them from receiving years of refunds.

Mr. Pickering and members of his team gathered at the Fritz Lawaetz Legislative Hall on this island to present B.I.R.'s budget, which came in just shy of $13 million, all of which to be furnished through the government's general fund.

Senator Clifford Graham, chairman of the Committee on Finance, said audited residents complain that they are being forced to submit the same documents every year. He asked Mr. Pickering whether the issue was a result of B.I.R. misplacing documents.

"I will be quite honest, senator, we have had situations where that has occurred," Mr. Pickering said, adding that the bureau has started "tightening up that process," and that the problems are currently being addressed.

Mr. Graham said residents have wondered aloud whether they were being kept in audit because interest continues to mount until the auditing process is completed. Mr. Pickering, however, denied the assumption. He said according to the territory's laws, following 45 after days after due date, if a resident does not pay taxes the interests automatically add up. He did not clarify whether there was a cut-off point of accumulated interest for those being audited in perpetuity.

On a positive note, B.I.R. has performed exceptionally well in issuing tax refunds. After residents had gotten accustomed to waiting years without seeing any refunds under the de Jongh administration, Mr. Pickering and his team have been consistently making good on the Mapp administration's promise to issue refunds in a timely fashion.

B.I.R. processed nearly 22,800 returns at the end of fiscal year 2015, totaling over $60 million. For fiscal year 2016, B.I.R. had already processed 22,593 refund checks, equating to over $61 million, of which 16,885 checks or $46 million were returns for 2014 or earlier fiscal years, according to Mr. Pickering.

The bureau has also done better at collections. During a budget overview hearing held earlier this month, Mr. Pickering said B.I.R. had made progress in collecting tax monies, but said that while the bureau added 11 new employees as part of its 2016 budget appropriation, it needed about 30 more employees to operate at optimum standards — a request Mr. Pickering said would be reflected in B.I.R.’s 2017 budget.

For the current fiscal year and with four months to go, B.I.R. has collected $429 million. For fiscal year 2015, it collected $654 million in total -- $352 million from individual income tax, another $161 million from gross receipts, $77 million from corporate income tax and $23 million in excise tax.

Senator Kurt Vialet urged Mr. Pickering to investigate companies hired outside of the territory, specifically Puerto Rico, to do work here that may be hiring employees from P.R. in an attempt to side-step paying local taxes. Mr. Vialet said there's a possibility that these companies could simply hire their workers from Puerto Rico, ship them to the territory to work and pay them through direct deposit that goes to accounts in Puerto Rico.

"Those are the areas to me where we are losing substantial monies because we're just letting them do it," Mr. Vialet said. The freshman Democrat suggested that B.I.R. and the Departments of Labor and Licensing and Consumer Affairs form a mini task force in an attempt to recoup dollars being lost.

"This is just my overall idea for us to raise more money," Mr. Vialet added. "If you look at the amount of monies that are spent in the Virgin Islands, it's not reflected in what we're collecting because everybody is trying to circumvent the process. So we have to have concrete measures in place."

All members of the Finance committee were present at the hearing.