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Government Stiffed Millions in Revenue Collection Due to Bounce Checks and Fraudulent Tax Returns

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The V.I. Bureau of Internal Revenue says it is working on putting measures in place to counter instances of fraudulent tax returns and the issuance of bounce checks during tax collection.

Over the last two years, the bureau has recorded \$2 million dollars in bounce checks issued for tax contributions and 13,000 error returns — a portion of which have been recorded as fraudulent income tax returns.

In its testimony before the Committee on Finance on Wednesday, the bureau noted that it was “inundated” with a number of fraudulent returns, as taxpayers attempted to recover stimulus payments that they were not entitled to.

Attorney Tamarah Smalls, B.I.R. chief counsel explained that 90 percent of the errors occurred after the start of Covid-related stimulus payments.

“We also have in 2020 taxpayers that are taking the recovery rebate credit which is the credit for the stimulus payments,” she added.

Senator Novelle Francis suggested that issuing bounce checks to the government could be considered a federal crime since individuals were withholding federal funds from the government.

The senator urged B.I.R. to speed up its telecheck implementation because the bureau remains at a disadvantage without it. "...We need to send a strong message. We can't have individuals issuing these worthless documents," he insisted.

“Things happen and we understand that but \$2 million worth – that's a problem,” Mr. Francis said. He also suggested filing police reports on persons who file fraudulent returns as a deterrent to issuing false documents to the bureau.

The bureau needs to implement a Telecheck system in an effort to curtail bounced checks, but B.I.R. officials say they are waiting on new machines. Full implementation of the Telecheck system would help reduce losses. "We have to tediously dedicate some time to sift through and make sure they are legitimate. For example, we have dual households claiming the same child and each individual is only entitled to one payment but we did have multiple households claiming the same child two, three times even," B.I.R. Director Joel Lee explained.

In the meantime the bureau must go through a tedious process to collect those monies and the interest rates and charges that have accrued.

In addition to those errors, the bureau noted that Puerto Rico erroneously made direct deposit payments to taxpayers in the Virgin Islands who receive Social Security contributions.

More than \$5.5 million of stimulus payments had to be recovered and repaid because some taxpayers received payments from both the VI and from Puerto Rico.

Similarly, the IRS paid more than 2,500 Virgin Islanders who, for some reason, were entered into their data base, either erroneously or because those VI residents also file with the IRS.

To date, the bureau has recovered \$700,000 of payments from VI residents that must be repaid to the IRS.

The governor has proposed a budget of \$13,176,237 for the bureau for the Fiscal Year 2023, representing a decrease of 18% from its 2022 budget of \$16,001,332.