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BIR Collected \$898.9 Milion in 2022 Amid Staffing Challenges

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Budget hearings resumed in the Senate on Thursday, as the 35th Legislature's Committee on Budget, Finance and Appropriations met to receive testimony from the Bureau of Internal Revenues about current performance and budget requirements for the next fiscal year.

BIR Director Joel Lee explained that the agency was requesting 6 percent less money than it did last year, with a total proposed allocation of \$13.8 million. Mr. Lee explained that almost all of the agency's money is spent on staff. The fiscal year 2024 budget request is comprised almost entirely of personnel costs, \$6,620,998 for personnel, \$3,618,685 for related fringe benefits, for a total of \$10,247,683," he explained. The rest of the funds will be put towards operational costs including rent, maintenance, and professional services, among others.

Collections are up, Mr. Lee announced proudly. "I'm happy to state that we continue to record revenue collections despite the many challenges faced over the last four and a half years. Collection for fiscal year 2022 totaled \$898.9 million," he said, adding that the projection for 2023 is \$914 million. Additionally, the launch of an online platform for filing and payment of gross receipts tax this March was listed as another major success for BIR over the last year. "Thus far approximately 239 returns have been filed and paid using this online system," the BIR director noted.

A significant portion of the discussion was spent on the bureau's staffing requirements. Senator Marvin Blyden, back in committee hearings after a health-related absence, questioned the BIR on their plans to fill the current vacancies. In response, Mr. Lee highlighted the challenges of staff retention due to lucrative opportunities in the private sector. With starting salaries under \$42,000, "while we get someone here, they don't necessarily stay," Mr. Lee said, explaining that it was partly due to low wages at the bureau and also because of IRS guidelines. However, "the plan is to send folks to get trained so they can kind of develop their career," Lee explained, noting that BIR's travel budget had been increased to accommodate the additional training that is intended for employees.

A response to a question from Senator Carla Joseph revealed that of the current 33 vacancies at the agency, approximately a third are for collection roles. Senator Donna Frett-Gregory, committee chair, underscored the importance of adequate tax collection, citing the direct impact it has on government services and infrastructure. "Daily, we hear about our infrastructure not being addressed adequately. The only way we can address these things is by tax collections," Ms. Frett-Gregory said. She urged the BIR to be proactive in advertising and filling positions to enhance its revenue collection ability. "If you're trying to bring people on board... you have to do what you have to do to get your positions filled, you are a major revenue generator."

Despite the elevated rate of tax collection, even with the existing vacancies, Mr. Lee and Chief Counsel Tamarah Parson-Small admitted that the elimination of the requirement for some businesses to obtain a tax clearance letter has adversely affected BIR's collection abilities. Ms. Parson-Small related a personal anecdote to demonstrate how the elimination had allowed people to dodge their tax obligations. "It was a very good, quick way for them to come into compliance," she noted, "even if they did it once a year...It did work."

In response, Senator Novelle Frances suggested a safety net mechanism to ensure tax compliance, however concerns about taxpayers' personal information being shared with third-party collection agencies quickly surfaced.

Meanwhile, Senator Samuel Carrion inquired about the difficulty the bureau has been having in collecting hotel room tax from online platforms. "We've reached out to pretty much all of those vendors, and we have gotten no response," Mr. Lee responded, before clarifying that it was ultimately the guest's responsibility to ensure the occupancy taxes are paid, "not the hotel or the online platform."

During Thursday's hearing, legislators made it abundantly clear that support for the BIR and improved measures for tax collection are vital for the effective delivery of community services and infrastructure. They pressed bureau management to be more proactive in ensuring that their workforce complement is adequate to complete the crucial task at hand.