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**TESTIMONY OF MARVIN L. PICKERING, EA, PHR
DIRECTOR OF THE
VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE
BEFORE THE COMMITTEE ON FINANCE
31ST LEGISLATURE OF THE VIRGIN ISLANDS**

June 23, 2016

GOOD MORNING HONORABLE CLIFFORD GRAHAM, CHAIRMAN OF THE COMMITTEE ON FINANCE, OTHER HONORABLE MEMBERS OF THE COMMITTEE ON FINANCE, OTHER HONORABLE MEMBERS OF THE 31ST LEGISLATURE PRESENT, ALL OTHER PERSONS PRESENT IN THE CHAMBERS AND THOSE LISTENING AND VIEWING. FOR THE RECORD, MY NAME IS MARVIN L. PICKERING AND I AM THE DIRECTOR OF THE VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE (THE BUREAU). HERE WITH ME TODAY ARE SEVERAL MEMBERS OF MY MANAGEMENT TEAM: MRS. JOANNA MEYERS-RHYMER – DEPUTY DIRECTOR OF OPERATIONS; MR. JONATHAN TUCKER, DEPUTY DIRECTOR-TECHNOLOGY AND PROCESSING; ATTORNEY TAMARAH

PARSON-SMALLS, CHIEF LEGAL COUNSEL; MS. NAOMI JULIEN, REVIEWER/CONFEREE; MS. OPHELIA HECTOR, HUMAN RESOURCES MANAGER; MS. YVONNE NISBETT, CHIEF OF THE DELINQUENT ACCOUNTS AND RETURNS BRANCH; MS. PERPETUA CRANSTON, CHIEF OF AUDIT; AND MR. ROOSEVELT DAVIS, ASSISTANT CHIEF OF PROCESSING.

WE ARE HERE TODAY TO PRESENT AND DISCUSS THE BUREAU'S PROJECTED FISCAL YEAR 2017 BUDGET OF \$12,991,355, ALL OF WHICH IS FUNDED FROM THE GENERAL FUND.

AT THIS PROPOSED LEVEL OF FUNDING, WE ARE STRATEGICALLY POISED TO MEET OUR MANDATES, WHICH ARE TO COLLECT THE TAXES OWED TO THE GOVERNMENT OF THE VIRGIN ISLANDS, AND TO EDUCATE THE TAXPAYING PUBLIC TO ENSURE THAT VOLUNTARY COMPLIANCE CAN BE ACCOMPLISHED. THIS BUDGET WILL BE UTILIZED TO FUND OUR ONGOING COLLECTIONS EFFORTS, TRAIN OUR PROFESSIONAL AND TECHNICAL STAFF TO ENHANCE THEIR KNOWLEDGE OF THE TAX LAWS, AND CONTINUE TO PROVIDE ENHANCED AND IMPROVED CUSTOMER SERVICE TO THE TAXPAYERS AND OTHER STAKEHOLDERS.

AS A REVIEW, THE PRIMARY MANDATE OF THE BUREAU OF INTERNAL REVENUE IS TO ADMINISTER AND ENFORCE THE TAX LAWS OF THE VIRGIN ISLANDS FAIRLY AND CONSISTENTLY. WE DO THIS BY ASSESSING AND COLLECTING INCOME , GROSS RECEIPTS, EXCISE, HOTEL OCCUPANCY, FUEL, HIGHWAY USER'S AND OTHER MISCELLANEOUS TAXES, ON BEHALF OF THE GOVERNMENT OF THE VIRGIN ISLANDS.

THE BUREAU'S STRATEGIC GOALS ARE TO ADMINISTER AND TO ENFORCE THE TAX LAWS OF THE VIRGIN ISLANDS THROUGH THE PROMOTION OF VOLUNTARY COMPLIANCE AND THE USE OF AN ARRAY OF COLLECTION TOOLS AT OUR DISPOSAL.

OUR BUDGET REQUEST SEEKS \$7,432,547 FOR PERSONNEL COSTS; \$3,302,145 FOR RELATED FRINGE BENEFITS; \$1,773,163 FOR OTHER SERVICES AND CHARGES; \$82,500 FOR SUPPLIES; \$85,000 FOR CAPITAL OUTLAYS; AND \$316,000 FOR UTILITIES.

PERSONNEL SERVICES - \$7,432,547

OUR BUDGET REQUEST OF \$7,432,547 UNDER PERSONNEL SERVICES FUNDS A TOTAL OF 145 POSITIONS, WHICH REPRESENTS 90 POSITIONS ON ST. THOMAS, 53 POSITIONS ON ST. CROIX AND 2 POSITIONS ON ST. JOHN.

OUR CURRENT STAFFING LEVEL IS 127 EMPLOYEES WITH A DISTRICT DISTRIBUTION AS FOLLOWS: ST. THOMAS – 79, ST. CROIX – 46 AND ST. JOHN – 2. AS OF TODAY, WE HAVE A TOTAL OF 18 VACANCIES. FOR THIS FISCAL YEAR, WE HAVE HIRED 15 NEW EMPLOYEES AND HAVE PROMOTED 7 QUALIFIED AND DESERVING BUREAU EMPLOYEES.

FRINGE BENEFITS - \$3,302,145

THE RELATED FRINGE BENEFITS COST FOR THE REQUESTED PERSONNEL COSTS IS \$3,302,145. THIS AMOUNT COVERS SOCIAL SECURITY TAX OF 6.2%, MEDICARE TAX OF 1.45%, EMPLOYER CONTRIBUTION TO THE GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM OF 20.5% AND THE EMPLOYER'S SHARE OF THE 65% OF

GROUP HEALTH INSURANCE PREMIUMS, WHICH IS 16.6% OF
PERSONNEL COSTS.

OTHER SERVICES AND CHARGES - \$1,773,163

OPERATIONAL COSTS FOR FISCAL YEAR 2017 ARE BUDGETED
AT \$1,773,163. THIS INCLUDES EXPENSES WITHIN THE PRIME
ACCOUNTS OF RENTAL OF LAND & BUILDINGS, PROFESSIONAL
SERVICES AND REPAIRS AND MAINTENANCE. SOME OF THE MAJOR
EXPENSES ARE OUTLINED AS FOLLOWS:

RENTAL OF LAND/BUILDINGS - \$713,400

OUR FISCAL YEAR 2017 RENTAL OBLIGATIONS CONSIST OF
\$555,682 FOR OCCUPYING THE MAIN OFFICE IN ST. THOMAS LOCATED
AT THE EAST END PLAZA IN RED HOOK. THE BUREAU ALSO RENTS
SPACE AT NISKY SHOPPING CENTER FOR WHICH WE PAY AN ANNUAL
RENTAL OF \$50,600. ADDITIONALLY, WE ALSO RENT SPACE USED
FOR STORAGE AND ARCHIVING PRIOR YEARS' TAX FORMS AND
RETURN INFORMATION AT FORTRESS STORAGE. THE ANNUAL
RENTAL PAYMENT FOR THIS LOCATION IS \$107,118.

THE LEASE FOR THE RED HOOK OFFICE EXPIRED ON DECEMBER 31, 2015. BEFORE THE LEASE EXPIRED, WE HELD SEVERAL MEETINGS WITH THE DEPARTMENT OF PROPERTY AND PROCUREMENT. A DRAFT LEASE AGREEMENT HAS BEEN CIRCULATED AND IS CURRENTLY BEING REVIEWED BY THE LANDLORD. WE ANTICIPATE THAT A MEETING WITH THE LANDLORD AND THE DEPARTMENT OF PROPERTY AND PROCUREMENT WILL TAKE PLACE WITHIN THE UPCOMING WEEKS.

THE OTHER TWO LEASES ARE ALSO UNDER REVIEW BY THE DEPARTMENT OF PROPERTY AND PROCUREMENT. DURING THIS REVIEW TIME, WE CONTINUE TO STAY CURRENT ON THE MONTHLY RENTAL PAYMENTS.

COMMUNICATION – \$240,000

UNDER COMMUNICATION, EXPENSES ARE DESIGNATED FOR POSTAGE TO ENABLE US TO MAIL TAX BILLS AND OTHER CORRESPONDENCE TO TAXPAYERS. THE OTHER SIGNIFICANT LINE ITEM OF THIS EXPENSE CATEGORY PROVIDES THE NECESSARY

RESOURCES TO PAY FOR DEDICATED COMPUTER AND TELEPHONE
LINES.

PROFESSIONAL SERVICES - \$621,815

WITHIN THE CATEGORY OF PROFESSIONAL SERVICES ARE THE COSTS FOR THE CONTRACTORS TO UPGRADE THE BUREAU'S TAX SYSTEM FOR TAX YEAR 2016, AS WELL AS TO UPGRADE AND MAINTAIN THE EXCISE TAX SYSTEM, WHICH NOW INCLUDES ONLINE PAYMENT UTILIZING A MASTERCARD OR A VISA CARD. THIS CATEGORY ALSO INCLUDES THE COSTS FOR THE CLEANING SERVICES ON BOTH ISLANDS, AND THE COST OF LITIGATION SERVICES.

SUPPLIES - \$82,500

THE MAJOR COMPONENTS UNDER THIS CATEGORY ARE OFFICE SUPPLIES AND OPERATING SUPPLIES, REPAIR AND MAINTENANCE SUPPLIES, AND SMALL TOOLS AND MINOR EQUIPMENT.

CAPITAL OUTLAY – 85,000

THIS AMOUNT INCLUDES \$50,000 FOR COMPUTER HARDWARE. THE REMAINING \$35,000 IS FOR THE BUREAU'S SHARE OF THE COST OF THE PURCHASE AND INSTALLATION OF A GENERATOR AT THE LEROY A. QUINN FINANCE CENTER IN ST. CROIX. THIS WILL ALLOW ALL THREE AGENCIES HOUSED IN THIS LOCATION TO PROVIDE UNINTERRUPTED CUSTOMER SERVICE DURING POWER OUTAGES.

UTILITIES - \$316,000

THE PROJECTED AMOUNT FOR UTILITIES IS \$316,000 AND WILL BE USED SOLELY FOR ELECTRICITY AND WATER CONSUMPTION IN OUR ST. THOMAS LOCATIONS. WE DO NOT INCUR UTILITY COSTS FOR OUR ST. CROIX OFFICES.

ACCOMPLISHMENTS
INCOME TAX REFUNDS

AT THE CLOSE OF FISCAL YEAR 2015, THE BUREAU PROCESSED 22,797 UNITS OF INCOME TAX REFUNDS, TOTALING \$60 MILLION DOLLARS.

AS OF TODAY'S DATE, FOR THIS CURRENT FISCAL YEAR, THE BUREAU HAS PAID 22,593 UNITS OF INCOME TAX REFUNDS FOR A TOTAL OF \$61 MILLION. OF THIS AMOUNT, 16,885 OF THESE REFUNDS WERE FOR TAX YEAR 2014 AND PRIOR, TOTALING \$46 MILLION. THE REMAINING AMOUNT REPRESENTS TAX YEAR 2015 PAYMENTS, COMPRISED OF 5,708 UNITS AMOUNTING TO \$15 MILLION.

AS A HIGHLIGHT OF OUR ACHIEVEMENT, IN JANUARY OF THIS YEAR, THE BUREAU PROCESSED \$22 MILLION OF THIS FISCAL YEAR'S REFUNDS, WITHIN A FIVE DAY TURN AROUND PERIOD. THIS WAS A MAJOR ACCOMPLISHMENT FOR THE STAFF, AS IT WAS ONE OF THE LARGEST REFUND SCHEDULES PROCESSED WITHIN A SHORT PERIOD OF TIME. IN COOPERATION WITH THE DEPARTMENT OF FINANCE, THESE REFUNDS WERE IN THE HANDS OF THE TAXPAYERS IN A

MATTER OF DAYS. I WISH TO THANK BOTH THE BUREAU'S STAFF AS WELL AS THE STAFF OF THE DEPARTMENT OF FINANCE FOR THEIR DEDICATED EFFORTS.

REVENUE COLLECTIONS

COLLECTIONS FOR FISCAL YEAR 2015 TOTALED \$654 MILLION, WHICH REPRESENTS \$615 MILLION FOR THE GENERAL FUND AND \$39 MILLION FOR SPECIAL FUNDS. THE BREAKDOWN FOR THE GENERAL FUND COLLECTIONS IS AS FOLLOWS:

INDIVIDUAL INCOME	\$352 MILLION
CORPORATE INCOME	\$ 77 MILLION
GROSS RECEIPTS	\$ 161 MILLION
EXCISE	\$ 23 MILLION
OTHER MISC TAXES	\$ 2 MILLION

TOTAL REVENUE COLLECTIONS FOR FISCAL YEAR 2016, AS OF MAY 31, 2016, WERE \$429 MILLION, WHICH REPRESENTS \$401 MILLION FOR THE GENERAL FUND AND \$28 MILLION FOR SPECIAL FUNDS.

THE BREAKDOWN FOR THE GENERAL FUND COLLECTIONS IS AS
FOLLOWS:

INDIVIDUAL INCOME	\$245 MILLION
CORPORATE INCOME	\$ 32 MILLION
GROSS RECEIPTS	\$ 107 MILLION
EXCISE	\$ 16 MILLION
OTHER MISC TAXES	\$ 1 MILLION

FISCAL YEAR 2015 ACCOMPLISHMENTS

SOME OTHER NOTEWORTHY ACCOMPLISHMENTS FOR FISCAL YEAR
2015 ARE AS FOLLOWS:

- THE COMPLETION OF INTERNAL REVENUE SERVICE REVENUE OFFICER TRAINING, HELD IN ST. THOMAS AT THE ST. THOMAS NATIONAL GUARD ARMORY. EIGHT (8) REVENUE OFFICERS AND EIGHT (8) REVENUE REPRESENTATIVES ATTENDED THE TRAINING. THIS TRAINING WAS 100% FUNDED BY A GRANT FROM THE DEPARTMENT OF INTERIOR'S OFFICE OF INSULAR AFFAIRS;
- EXCEEDED TARGETED AMOUNTS FOR COLLECTIONS (\$40.5 MILLION ACTUAL VS \$33 MILLION TARGETED) AND DELINQUENT RETURNS SECURED (4,500 ACTUAL VS 1600 TARGETED);

- COMPLETED 284 FIELD AUDITS AND 2442 OFFICE AUDITS;
AND

- THE SUCCESSFUL COMPLETION OF CUSTOMER SERVICE TRAINING OF ALL BUREAU OF INTERNAL REVENUE EMPLOYEES THROUGH THE EXCELLENT TRAINING SERVICES OFFERED BY THE DIVISION OF PERSONNEL.

FISCAL YEAR 2016 ACCOMPLISHMENTS TO DATE

SOME OF THE ACCOMPLISHMENTS THUS FAR FOR FISCAL YEAR 2016 INCLUDE:

- THE IMPLEMENTATION OF AN AGGRESSIVE PROJECT TO PROCESS AND ASSESS ALL FILED TAX RETURNS IN THE BUREAU. SINCE MARCH OF THIS YEAR, WE HAVE PROCESSED 59,264 UNITS OF GROSS RECEIPTS, HOTEL ROOM AND WITHHOLDING TAXES RESULTING IN \$28 MILLION IN OUTSTANDING TAX LIABILITY;

- FILLING VARIOUS LEADERSHIP AND REVENUE COLLECTION POSITIONS IN THE BUREAU, INCLUDING THE HIRING OF MY DEPUTY DIRECTOR OF OPERATIONS LOCATED ON THE ISLAND OF ST. THOMAS;

- THE UPGRADE OF THE EXCISE TAX MODULES IN DIRECT RESPONSE TO REQUESTS FOR IMPROVEMENT FROM BOTH EMPLOYEES AND EXCISE TAXPAYERS, FOLLOWED BY THE LAUNCH OF THE EXCISE TAX ONLINE PAYMENT UPGRADE ON MAY 20, 2016. EXCISE TAXPAYERS CAN NOW FILE AND PAY THEIR EXCISE TAXES FROM THE COMFORT OF THEIR OFFICES OR HOMES UTILIZING EITHER A MASTERCARD OR

VISA CARD. THIS WAS ACCOMPLISHED IN PARTNERSHIP WITH OUR CONTRACTOR RAW DATA AND FIRSTBANK.

- **THE HIRING OF 4 EXCISE TAX OFFICERS (2 ON ST. THOMAS AND 2 ON ST. CROIX), TO FULFILL OUR GOAL OF SIX DAYS COVERAGE AT THE MAJOR US POSTAL SERVICE FACILITIES IN THE TERRITORY;**
- **FILLING OF 4 VACANT REVENUE AGENT POSITIONS (1 ON ST. CROIX AND 3 ON ST. THOMAS);**
- **FILLING OF 2 REVENUE OFFICER POSITIONS (1 ON ST. THOMAS AND 1 ON ST. CROIX);**
- **PREPARATION OF 1,016 INCOME TAX RETURNS (444 COMPLETED ON ST. CROIX AND 572 COMPLETED ON ST. THOMAS) IN OUR VOLUNTEER TAX ASSISTANCE PROGRAM IN CONJUNCTION WITH INTERNS FROM THE UNIVERSITY OF THE VIRGIN ISLANDS**
- **IDENTIFICATION AND SELECTION OF MANAGERS AND SUPERVISORS TO ATTEND SUPERVISORY TRAINING SPECIFICALLY FOR NEW MANAGERS AND SUPERVISORS;**
- **REORGANIZATION OF THE AUDIT BRANCH OF THE BUREAU, WITH THE SELECTION OF A NEW CHIEF OF AUDIT, PERPETUA CRANSTON, ON THE ISLAND OF ST. CROIX, AND AN INTERIM ASSISTANT CHIEF OF AUDIT, LETISHMA SMITH, ON THE ISLAND OF ST. THOMAS. THIS BRINGS LONG-AWAITED LEADERSHIP STRUCTURE AND STABILITY TO THIS BRANCH OF THE BUREAU;**
- **RELOCATION OF THE ST. CROIX EXCISE TAX AIRPORT OFFICE TO INCREASE AND IMPROVE THE OFFICE**

ENVIRONMENT FOR THE EMPLOYEES AS WELL AS TO PROMOTE TAXPAYER COMPLIANCE;

- **APPLIED FOR AND RECEIVED A FEDERAL GRANT THROUGH THE HOMELAND SECURITY GRANT PROGRAM FOR \$27,200 TO PROVIDE THE BACK UP POWER UPGRADES TO PROTECT THE BUREAU'S NETWORK SYSTEMS IN THE EVENT OF POWER OUTAGES;**

- **APPLIED FOR A FEDERAL GRANT THROUGH THE HOMELAND SECURITY GRANT PROGRAM FOR \$177,266.33 TO IMPLEMENT ACCESS CONTROL, SURVEILLANCE, DATA ENCRYPTION AND LAN SWITCH UPGRADES.**

FY 2017 GOALS

MY MANAGEMENT TEAM AND I HAVE IDENTIFIED THE FOLLOWING ITEMS AS GOALS FOR THE BUREAU FOR FISCAL YEAR 2017:

- 1. TO EXPLORE THE FEASIBILITY OF TRANSITIONING OTHER CATEGORIES OF TAXES FROM PAPER FILING TO ONLINE FILING AND PAYMENT.**

- 2. TO CONTINUE TO STRATEGICALLY ALLOCATE THE RESOURCES OF THE BUREAU TO FOCUS ON THE TOP QUARTILE OF**

DELINQUENT TAXPAYERS TO AGGRESSIVELY COLLECT THE TAXES OWED BY THOSE INDIVIDUALS AND BUSINESS ENTITIES. OUR GOAL IS TO COLLECT AN ADDITIONAL \$25 MILLION DOLLARS FOR FISCAL YEAR 2017.

3. TO PROVIDE CUSTOMER SERVICE TRAINING TO EVERY MEMBER OF THE STAFF OF THE BUREAU OF INTERNAL REVENUE, ON AN ANNUAL BASIS.
4. TO PROVIDE CONTINUOUS TECHNICAL TRAINING FOR OUR REVENUE AGENTS AND REVENUE OFFICERS, AND THE OTHER TECHNICAL STAFF TO IMPROVE THEIR SKILLS AND COMPETENCE AND CONFIDENCE LEVELS.
5. TO INCREASE THE CANVASSING OF BUSINESSES THROUGHOUT THE TERRITORY TO DETERMINE IF THEY ARE IN FULL COMPLIANCE WITH THEIR FILING OBLIGATIONS. THIS WILL CONSIST OF INTER-AGENCY COORDINATION WITH THE DEPARTMENT OF LICENSING AND CONSUMER AFFAIRS IN ADDITION TO OUR DELINQUENT ACCOUNTS AND RETURNS OFFICERS.

CONCLUSION

I WOULD LIKE TO CONCLUDE MY TESTIMONY TODAY BY SAYING THAT, SINCE PRESENTING MY FISCAL YEAR 2016 BUDGET TO THIS AUGUST BODY ONE YEAR AGO, MY MANAGEMENT TEAM AND I HAVE WORKED DILIGENTLY TO IMPROVE THE DAY TO DAY OPERATIONS OF THE BUREAU. THIS IS NOT AN EASY TASK. WE HAVE DELIVERED ON THE PROMISE OF TRAINING FOR THE REVENUE OFFICERS, BUT NOT SO ON THE TRAINING FOR REVENUE AGENTS. WE CONTINUE TO REMAIN VIGILANT IN EXPLORING ALL AVENUES THAT WE CAN, INCLUDING APPEALING TO THE DEPARTMENT OF INTERIOR, TO BRING THIS TRAINING TO FRUITION.

THE CUSTOMER SERVICE TRAINING WAS CONDUCTED BY THE DIVISION OF PERSONNEL, AND BY ALL ACCOUNTS, THE EMPLOYEES FOUND THIS TRAINING TO BE TRULY WORTHWHILE AND REWARDING. I HAVE SEEN A MARKED IMPROVEMENT IN THIS AREA, AND I REMAIN HOPEFUL THAT, AS THE MANAGEMENT TEAM OF THE BUREAU STRENGTHENS, SO WILL THE POLICIES AND PROCEDURES OF THE BUREAU, WHICH WILL RESULT IN INCREASED PERFORMANCE ACROSS THE BOARD, WITH THE ULTIMATE REWARD BEING BETTER

SERVICE TO THE TAXPAYING PUBLIC. I REMAIN HOPEFUL THAT THE BUREAU OF INTERNAL REVENUE WILL BE KNOWN AS THE PREMIER TAX AGENCY OFFERING EXCEPTIONAL CUSTOMER SERVICE TO ALL TAXPAYERS.

I WOULD LIKE TO THANK OUR STEADFAST PARTNER, THE DEPARTMENT OF FINANCE AND ITS STAFF FOR THE STRONG COLLABORATION AND SUPPORT IN THE PROCESSING OF THE INCOME TAX REFUNDS.

IN CONCLUSION, I WOULD LIKE TO PUBLICLY THANK THE DEDICATED AND HARD-WORKING WOMEN AND MEN OF THE BUREAU FOR THEIR CONTINUED EFFORTS AND THEIR SUPPORT IN MY EFFORTS TO CONTINUOUSLY IMPROVE OUR AGENCY AND PROVIDE THE SERVICES WE ARE MANDATED TO PROVIDE.

MY STAFF AND I ARE NOW READY TO RESPOND TO ANY QUESTIONS THAT YOU AND OTHER MEMBERS OF THE 31ST LEGISLATURE MAY HAVE.