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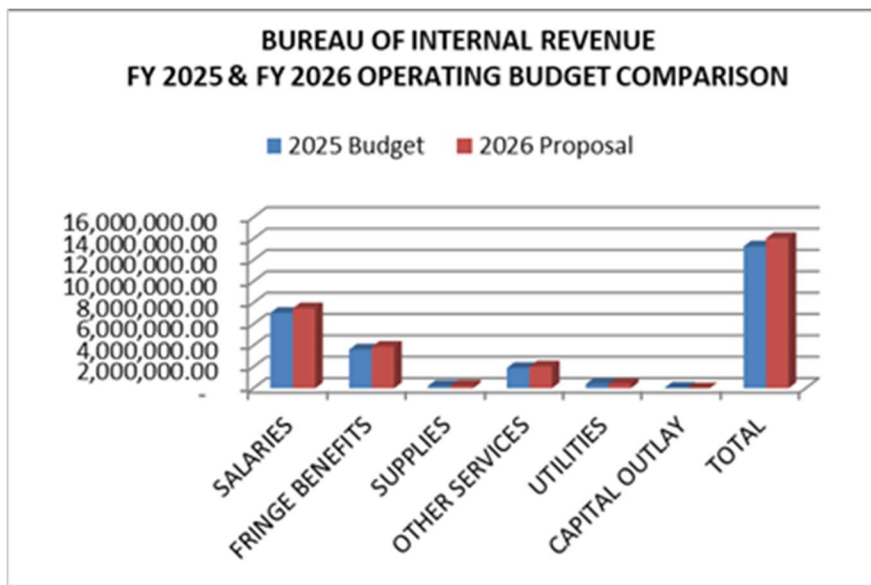
**TESTIMONY OF JOEL A. LEE, CPA, DIRECTOR
VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE
BEFORE THE COMMITTEE ON BUDGET,
APPROPRIATION AND FINANCE
36th LEGISLATURE OF THE VIRGIN ISLANDS**

June 10, 2025

Greetings Honorable Novelle E. Francis, Jr., Chairman of the Committee on Budget, Appropriation and Finance and other honorable committee members. Greetings to the honorable members of the 36th Legislature present, as well as the listening and viewing audience. My name is Joel A. Lee, and I am the Director of the Virgin Islands Bureau of Internal Revenue. Here with me today are the following members of my management team: Ms. Le'Tishma Smith, CPA, Deputy Director of Operations; Ms. Cherima Hughes, Chief Financial Officer; Attorney Tamarah Smalls, Chief Counsel; Ms. Ophelia Hector, Director of Human Resources; and Mr. Tavis DeWindt, Chief of Information Technology.

The Bureau's proposed Fiscal Year (FY) 2026 budget is \$14,060,535.00; which is fully funded from the General Fund. The FY 2026 budget represents an increase of 18.81% from the Bureau's FY 2025 budget of \$13,258,657.00.

The FY 2026 budget request is comprised almost entirely of personnel costs totaling \$11,370,163.00. These personnel costs consist of \$7,484,894.00 for personnel and \$3,885,269.00 for related fringe benefits; which is 81% of the Bureau's total budget. Allocated supplies are budgeted at \$247,000.00; other services and charges at \$2,049,770.00; and utilities at \$393,601.00.



PERSONNEL SERVICES

Our FY 2026 budget funds a total of 133 positions. 89 of those positions are on St. Thomas, 43 on St. Croix and 1 on St. John. Included in the total funded positions were 21 vacancies.

SUPPLIES

The supplies amount of \$247,000.00 covers day-to-day office and operating supplies, repair and maintenance supplies, small tools and minor equipment, and data processing software.

OTHER SERVICES AND CHARGES

Operational costs for Fiscal Year 2026 are budgeted at \$2,049,770.00. The major expenses in this category include:

REPAIRS AND MAINTENANCE

Repairs and Maintenance of \$241,476.00 which will fund only IT maintenance. We have no funding for elevator maintenance, vehicle maintenance, and the maintenance of the Bureau's machines and equipment, to include our postage meters.

RENTAL OF LAND/BUILDINGS

Also included within the Other Services are the rental obligations for four rentals on the island of St. Thomas and two rentals on the island of St. Croix. The FY 2026 office rental budget line item is \$947,704.00, leaving a small shortfall of \$4,304.00.

The overall total of the rental costs for FY 2026 is \$952,008.00, which includes our main office in St. Thomas which is located at East End Plaza in Red Hook. This office space of 21,800 square feet will cost the Bureau \$734,518.00. Our annual Nisky Center rent is \$52,612.00 which covers 2,300 square feet of space; \$148,304.00 covers the cost of the Prime storage location which is 9,200 square feet of off-site storage; and \$12,000.00 covers the cost of the excise tax office located at the Crown Bay Sandfill, which covers 418 square feet of space. As an austerity measure, the Bureau will discontinue the satellite excise office at the St. Croix airport location.

On St. Croix, \$4,573.00 is allocated for 250 square feet of off site storage at Sun Self Storage. Our St. Croix office is within a government owned building so we have no rental costs for that space.

MACHINE RENTALS

Machine rentals of \$180,000.00 cover the costs for the leases of the Bureau's copiers and printers, and the rental of the postage machines. As a paper intensive agency, these items are critical to the daily operations of the Bureau.

PROFESSIONAL SERVICES

Professional Services of \$199,090.00 includes janitorial and extermination services, and annual upgrades and maintenance to the Bureau's income and excise tax systems, which is the heart of our operations. It also includes the costs to cover the necessary upgrades for our newest additions of online tax filing platforms for gross receipts and income taxes.

SECURITY SERVICES

The security services expenditure of \$140,000.00 covers armored transportation services and on-site security for the Bureau's properties. As we add the additional location for excise tax on St. Thomas, we will have a need for an increase in the security services for this location.

COMMUNICATION

Our communication expense of \$220,000.00 includes postage for mailing tax bills and other correspondence to taxpayers, as well as payments for our dedicated

computer and telephone lines, to include our internet services. The shortfall in this category is \$109,764.00, based on prior year's expenditures.

TRAINING, ADVERTISING, PRINTING & TRAVEL

The expenses for training of the staff, travel and cash advances, advertising, and printing of envelopes are as follows: travel and cash advances are budgeted at \$37,500.00; advertising is budgeted at \$10,000.00 and printing costs are budgeted at \$5,000.00. To date, we have not been successful in obtaining training for our staff due to IRS personnel constraints.

OTHER SERVICES NOT OTHERWISE CATEGORIZED

Other services of \$10,000.00, Not Otherwise Categorized, will cover various contingency costs associated with the new excise location on St. Thomas and to retrofit the Nisky Center office.

UTILITIES

And now, onto utilities. The allocation to the Bureau for utilities is \$393,601.00. This amount reflects last year's expenditure under the Single Payor Utility Fund.

FY 2025 HIGHLIGHTS

I would be remiss if I did not point out a few Fiscal Year 2025 notable accomplishments.

As a basis for comparison our total collections for Fiscal Year 2024 was \$787 Million, which represents \$721.7 Million for the General Fund and \$66 Million for Special Funds. The comparison of the FY 2024 and 2025 collections for the periods of October to May is as follows.

TAX CATEGORIES	FY 2024 ACTUAL	FY 2024 OCT - MAY	FY 2025 OCT - MAY
INDIVIDUAL INCOME	\$ 401,189,572.54	\$ 306,269,636.00	\$ 326,130,363.00
CORPORATE INCOME	\$ 65,674,842.58	\$ 38,787,489.00	\$ 47,484,461.00
GROSS RECEIPTS	\$ 213,404,040.91	\$ 146,565,296.00	\$ 149,928,791.00
EXCISE	\$ 36,213,181.44	\$ 24,547,813.00	\$ 24,972,001.00
MISCELLANEOUS	\$ 5,180,879.65	\$ 3,399,507.00	\$ 3,265,270.00
SPECIAL FUNDS	\$ 66,335,456.26	\$ 46,433,583.00	\$ 47,597,746.00
TOTAL	\$ 787,997,973.34	\$ 566,003,324.00	\$ 599,378,632.00

The comparison shows the increase in revenues for FY 2025 to date in all categories. As we mentioned in our Budget overview, the increases are mainly due to the increase in positive economic activity nationally. We do not expect this trend to continue, as we face global uncertainty due to decisions that are coming out of Washington, DC.

As we continue the path forward to reaching our goal of being current with income tax refunds, we paid \$34.9 Million Dollars in refunds this fiscal year and the Government successfully was able to recover approximately 45% in tax credits from

this IRS. We have also started to pay 2023 refunds. Currently, the Bureau has \$42 Million Dollars in refunds processed and ready to be paid.

We are also excited to announce that taxpayers are now able to file online with the Bureau starting with 2024 tax returns. Thus far, we have 937 registered users and collected \$658,431.61 of tax payments. We will continue to promote this feature for the overall benefit for the public.

Finally, we are encouraged by the increase in revenues, especially considering we have a limited staff. We have utilized several collection tools that have assisted taxpayers with satisfying their obligations, to include Offers in Compromise, and Subordination of Liens. We have also coordinated our efforts with the Department of Licensing and Consumer Affairs to revoke licenses for those taxpayers who have failed to meet their tax obligations.

CONCLUSION

The resources requested in the FY 2026 budget will fund the operations of the Bureau, as we monitor the congressional activity that will ultimately result in possible changes to the income tax code that we must mirror. Due to the ever changing landscape, the Bureau staff reviews each days' updates, striving to be ready to implement the tax changes. The tax cuts, the tax increases, the exemptions, the deductions, all factor into the total amount of revenue that this territory can collect.

The cost for training for the staff to be able to administer all the new requirements is necessary to ensure a knowledgeable and competent staff to respond to taxpayers' inquiries.

All divisions of the Bureau must be ready to implement and administer these tax changes as they become effective, with the hope that the resources needed to do so are available. This current climate makes this task even more unnerving, as the past few months have shown a great deal of uncertainty in the changes being undertaken.

In light of these challenges, we stand ready to administer the mirror code to the best of our ability. At this time, I would like to take this time to personally thank the employees of the Bureau for their dedication and professionalism in their daily duties. Special appreciation to our St. Croix Employee of the Year – Dinandry Rodriquez, and St. Thomas/St. John Employee of the Year – Sade Bartlette for the recognition they received this year.

Chairman Francis, this concludes my testimony. My staff and I are available to respond to any questions that you and other members of this body may have.