



**GOVERNMENT OF  
THE VIRGIN ISLANDS OF THE UNITED STATES  
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VIRGIN ISLANDS BUREAU OF INTERNAL REVENUE**



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**VI SOCIETY OF CPA'S  
FEBRUARY 9, 2018  
MONTHLY MEETING**

**GOOD AFTERNOON TO PRESIDENT CLAUDETTE WATSON-ANDERSON, (MY PREDECESSOR AT THE BUREAU OF INTERNAL REVENUE) THE OTHER OFFICERS AND OF COURSE, THE MEMBERS OF THE VIRGIN ISLANDS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS. I WISH TO RECOGNIZE THE PRESENCE OF MY STAFF WITH ME TODAY. ON ST. CROIX, I HAVE MS. SHERON CARR, ASSISTANT CHIEF OF DELINQUENT ACCOUNTS AND RETURNS BRANCH; AND ON ST. THOMAS, I HAVE ATTORNEY TAMARAH PARSON-SMALLS, CHIEF LEGAL COUNSEL, MS. LETISHMA SMITH, ACTING ASSISTANT CHIEF OF AUDIT, MS. JACQUELINE LUKE, ACTING CHIEF OF DELINQUENT ACCOUNTS AND RETURNS BRANCH, AND MR. ROOSEVELT DAVIS, ASSISTANT CHIEF OF PROCESSING. I UNDERSTAND THAT WE MAY HAVE SOME OTHER SPECIAL GUESTS IN THE AUDIENCE..., AND I WOULD LIKE TO ACKNOWLEDGE THEIR PRESENCE. WE ARE VERY PLEASED TO BE HERE TODAY, AT SUCH A CRITICAL TIME IN THE AFTERMATH OF HURRICANES IRMA AND MARIA, THE TWO CAT 5 HURRICANES THAT CAME THROUGH THE VIRGIN ISLANDS IN SEPTEMBER OF LAST YEAR. WE ARE NOW IN A PERIOD OF RECOVERY AND MARCHING TOWARDS A RETURN TO A SENSE OF**

**NORMALCY IN OUR LIVES, PERSONALLY AND PROFESSIONALLY. WE ARE VERY OPTIMISTIC THAT WE WILL GET THERE, BUT IT WILL TAKE A WHILE. AT THE ONSET, LET ME FIRST THANK YOUR MEMBERSHIP FOR CONTINUING TO KEEP THE LINES OF COMMUNICATION OPEN. AS ONE OF OUR MAJOR STAKEHOLDERS, WE IMPORE YOU TO CONTINUE TO KEEP US ON TASK, MAKING SURE THAT WE KEEP AN EYE OUT FOR EACH OTHER , AS WE BEGIN WHAT WOULD NORMALLY BE OUR HIGH PEAK SEASON. WE ARE ALWAYS OPEN TO YOUR THOUGHTS, SUGGESTIONS AND IDEAS, AS WE SEEK TO MAKE THE SERVICES WE PROVIDE MORE EFFICIENT EACH DAY.**

**I WOULD LIKE TO BEGIN OUR TIME TOGETHER TODAY BY REVIEWING WHAT IS HAPPENING AT THE BUREAU. SINCE JOINING THE BUREAU IN JANUARY OF 2015, WE HAVE MADE SOME MANAGERIAL CHANGES.**

- JOANNA MEYERS-RHYMER HAS BEEN APPOINTED THE DEPUTY DIRECTOR OF OPERATIONS.**
- AFTER THE RETIREMENT OF MS. YVONNE NISBETT, WHO SERVED AS THE CHIEF OF DELINQUENT ACCOUNTS AND RETURNS BRANCH, I NAMED JACQUELINE LUKE AS THE TERRITORIAL ACTING CHIEF OF DAR (BASED ON ST. THOMAS) AND SHERON CARR, ACTING ASST. CHIEF (ST. CROIX).**
- I ALSO APPOINTED PERPETUA CRANSTON AS THE TERRITORIAL CHIEF OF AUDIT, (SHE IS BASED IN ST. CROIX) AND LETISHMA**

**SMITH, IS THE ACTING ASSISTANT CHIEF OF AUDIT (BASED IN ST. THOMAS).**

- **BEVERLY BECK HAS BEEN HIRED AS THE FEDERAL DISCLOSURE OFFICER, AND WORKS OUT OF BOTH ISLANDS.**
- **WE HAVE FILLED CRITICAL VACANCIES IN THE CASHIER'S SECTION ON BOTH ISLANDS, AND IN THE EXCISE TAX OFFICES.**

**WITHIN THE LAST TWELVE MONTHS, WE LAUNCHED A FEW PROJECTS THAT RESULTED IN THE ASSESSMENT OF THOUSANDS OF RETURNS THAT WERE DELAYED IN BEING PROCESSED. IN ADDITION, WE BEGAN THE STATUTORY MANDATE OF ISSUING SECOND NOTICES. WE ACKNOWLEDGE THAT THIS CAUSED GREAT STRESS FOR MANY PEOPLE, AS THEY SOUGHT TO RETRIEVE PAYMENT DOCUMENTS FROM SEVERAL YEARS AGO. BUT, IT IS MY INTENTION TO IMPROVE OUR PROCESSES AND THESE WERE JUST A FEW OF THE CORRECTIONS THAT HAD TO BE MADE.**

**WE HOPE TO ASSESS RETURNS IN A TIMELIER MANNER, AS IS EVIDENT WITH THE BILLS SOME OF YOUR CLIENTS MAY HAVE RECEIVED FOR THEIR 2017 WITHHOLDING TAXES. IN ADDITION, WE PLAN TO MAIL OUT THE 2<sup>ND</sup> NOTICES ON A REGULAR BASIS. THIS SHOULD NOW BE THE NORM AND NOT AN OCCASIONAL EVENT.**

**AS WE ENTER THE 2017 TAX FILING SEASON, WE ARE PREPARING OUR AUDIT STAFF TO MEET THE CHALLENGES CAUSED BY A VERY ACTIVE**

**HURRICANE SEASON. THE PRESIDENT, CONGRESS AND THE INTERNAL REVENUE SERVICE HAVE BEEN VERY ACTIVE IN ENSURING THAT WHATEVER BENEFITS CAN BE OFFERED TO THE TERRITORY HAS BEEN DONE. TO DATE, THEY HAVE ISSUED SEVERAL NOTICES CONCERNING VARIOUS CRITICAL ISSUES IMMEDIATELY AFTER THE STORMS. FOR EXAMPLE, THEY INCLUDED EXTENSIONS OF FILING DEADLINES WITH THE IRS AND WITH THE BUREAU; THEY INCLUDED SAFE HARBORS FOR VIRGIN ISLANDS RESIDENT TAXPAYERS WHO MOVED TO THE UNITED STATES IMMEDIATELY AFTER THE STORM, THAT WOULD ALLOW THE DAYS OUTSIDE OF THE VI TO BE EXEMPT WHEN IT COMES TO DAYS COUNTED FOR BEING A VI RESIDENT.**

**THE EXTENDED DEADLINE FOR THE 2016 1040 RETURNS ON EXTENSION WAS JANUARY 31, 2018. THIS WAS ALSO THE EXTENDED DEADLINE FOR THE FORM 941V'S. THERE WILL BE NO INTEREST AND PENALTY ON THESE RETURNS THAT WERE TIMELY FILED AND PAID BY JANUARY 31, 2018. THIS INCLUDES THE QUARTERLY WITHHOLDING TAX RETURNS FOR THE THIRD AND FOURTH QUARTERS OF 2017.**

**ON SEPTEMBER 29, 2017 AMENDMENTS MADE TO THE STAFFORD ACT BY WAY OF THE PASSAGE OF HR 3823, ALSO KNOWN AS THE DISASTER TAX RELIEF AND AIRPORT AND AIRWAY EXTENSION ACT OF 2017, INCLUDE A VERY GENEROUS PROVISION THAT REQUIRES THE DEPARTMENT OF TREASURY TO REIMBURSE THE TERRITORY FOR LOSSES IN REVENUE AS A**

**RESULT OF THE CHANGES MADE. INCLUDED IN THOSE AMENDMENTS ARE THE FOLLOWING:**

- 1. NO 10% PENALTY ON EARLY WITHDRAWAL OF PENSIONS**
- 2. \$2,400 EMPLOYEE RETENTION CREDIT FOR EMPLOYERS**
- 3. RELAXATION OF CASUALTY LOSS CLAIMS – DO NOT HAVE TO EXCEED 10% AGI AND DOES NOT HAVE TO BE ITEMIZED**
- 4. EARNED INCOME TAX CREDIT – RELAXATION OF THE RULE TO ALLOW HIGHER CREDIT BASED ON CHOICE OF INCOME OF 2016 OR 2017.**

**THE REQUIREMENT THAT THE GOVERNMENT OF THE VIRGIN ISLANDS WILL BE REIMBURSED FOR ITS LOSSES SPEAKS TO THE HERCULEAN TASK THAT THE BUREAU HAS AHEAD. WE MUST ENSURE THAT OUR REQUESTS FOR REIMBURSEMENT ARE TIMELY FILED AND ARE ACCURATE. THIS MEANS THAT WE WILL BEGIN AS SOON AS POSSIBLE TO IMPLEMENT THE NECESSARY PROCEDURES TO ENSURE WE MEET OUR MANDATES UNDER THIS LAW. THIS WILL REQUIRE MEETINGS WITH TREASURY TO NEGOTIATE THE FORMAT AND FREQUENCY OF THE EXCHANGE OF INFORMATION AND DATA. AT THIS TIME, WE ARE IN THE EARLY STAGES OF PLANNING FOR THIS PROCESS. ON DECEMBER 13, 2017, THE IRS ISSUED SAFE HARBOR RULES FOR USE IN DETERMINING LOSSES FROM THE HURRICANES. THE GUIDANCE INCLUDES FOUR DIFFERENT SAFE HARBOR RULES, THREE OF WHICH APPLY TO LOSSES IN FEDERALLY DECLARED DISASTER AREAS. THE BUREAU WILL BE APPLYING THESE SAFE HARBOR RULES AS WRITTEN. THE SAFE HARBOR**

**RULES ARE AN ATTEMPT TO PROVIDE INSTRUCTIONS TO TAXPAYERS ON WHAT DOCUMENTS THE IRS, AND BY APPLICABILITY OF THE MIRROR CODE, THE BUREAU WILL ACCEPT AS PROOF OF LOSS TO ONE'S PROPERTY. IN ADDITION TO THE NORMAL DOCUMENTS, WE WILL UTILIZE, AS THE AUDIT DICTATES, OTHER ITEMS SUCH AS ACTUAL COSTS OF REPAIRS, ESTIMATES FROM A CONTRACTOR OR PROOF OF LOSS FROM AN INSURANCE ADJUSTER. THOSE WHO MAY HAVE LOST DOCUMENTS AS A RESULT OF THE STORMS ARE ASKED TO MAKE A GOOD FAITH EFFORT TO RECONSTRUCT DOCUMENTS, OBTAIN BANK RECORDS, LOCATE OLD PHOTOS OF PROPERTY, AND OBTAIN RECORDS FROM THIRD PARTY SOURCES, SUCH AS INSURANCE COMPANIES AND OTHERS.**

**AMENDED RETURNS HAVE BEEN A THORN IN OUR SIDES FOR QUITE A WHILE. THE PROCESSING OF AMENDED RETURNS HAS BEEN PROBLEMATIC FOR MANY YEARS. THESE RETURNS MUST BE GIVEN A HIGHER PRIORITY. I HAVE GIVEN A DIRECTIVE TO HAVE A PLAN DEVELOPED WITH A GOAL OF ADDRESSING THE BACKLOG; AND RESOLVING CURRENTLY FILED RETURNS WITHIN A SIX MONTH PERIOD. SIMILARLY, A REPRESENTATIVE FROM AUDIT IS HERE TO LISTEN TO YOUR CONCERNS. THEY ARE ALSO CHARGED WITH DEVELOPING AND IMPLEMENTING A PLAN TO CONCLUDE AUDITS IN A MINIMUM SIX MONTH TIME FRAME, DEPENDING ON THE COMPLEXITIES OF THE CASE AND THE TIMELY SUBMISSION OF THE REQUIRED DOCUMENTATION. THIS CHARGE WAS IN THE WORKS PRIOR TO THE STORMS, SO NOW WITH THE ANTICIPATED INFLUX OF CASUALTY LOSS**

**CLAIMS, WE WILL NEED TO RE-TWEAK AND DETERMINE THE BEST WAY TO PRIORITIZE THE CASUALTY LOSS CLAIMS.**

**WHEN I BEGAN MY TENURE AT THE BUREAU, I HAD GREAT GOALS – ONE OF WHICH I THOUGHT WAS A VERY SIMPLE ONE – IMPLEMENT THE ONLINE FILING AND PAYMENT OF THE GROSS RECEIPTS TAX. SIMPLE ENOUGH SINCE IT IS A ONE PAGE RETURN. MANY RESEARCH HOURS AND MANY MEETINGS LATER; I AM STILL TRYING TO GET THIS ACCOMPLISHED. I BELIEVE IT WOULD BE GREAT FOR THE BUREAU AND EVEN GREATER FOR THE BUSINESS COMMUNITY. IT IS STILL MY GOAL – AND I WILL ACHIEVE IT. ONCE WE GET THE GRT ONLINE, IT WOULD THEN BE AN EASY TRANSITION TO MOVE TO THE SIMPLE FORM 1040EZ. THE BUREAU IS READY TO UTILIZE TECHNOLOGY TO ITS ADVANTAGE. THIS WAS DEMONSTRATED BY THE IMPLEMENTATION OF OUR EXCISE TAX ONLINE FILING AND PAYMENT APPLICATION, WHICH ALLOWS IMPORTERS TO AVOID COMING TO THE OFFICE TO CLEAR SHIPMENTS.**

**AS WE CONTINUE TO PROCESS RETURNS, WE REMAIN CONSTRAINED BY THIS ISSUE OF HAVING THE NECESSARY RESOURCES TO PAY REFUNDS IN A TIMELY MANNER. THIS HAS CAUSED SOME OF OUR TAXPAYERS TO SEEK REDRESS WITH THE IRS - - WHICH WE ALL KNOW IS NOT THE PROPER THING TO DO. THIS HOWEVER, IS NOT JUST A VIRGIN ISLANDS ISSUE. THIS IS AN ISSUE FOR ALL THE TERRITORIES, ESPECIALLY THOSE THAT STRUGGLE TO IMPLEMENT THE COSTLY EARNED INCOME TAX CREDIT – A BENEFIT TO THE TAXPAYERS – BUT AN UNFUNDED MANDATE FOR OUR RESPECTIVE**

**TREASURIES. THE IRS HAS IMPLEMENTED SEVERAL LAYERS OF PROTECTION ON ITS E-FILING SYSTEM TO REJECT THOSE RETURNS WITH TERRITORY ADDRESSES, TERRITORY W-2S, AND OTHER IDENTIFIERS THAT HIGHLIGHT US TERRITORIES. SIMILARLY, PAPER RETURNS FILED WITH VI ADDRESSES ARE IMMEDIATELY RETURNED TO THE BUREAU. ANNUALLY, THE BUREAU REMINDS ITS TAXPAYERS TO FILE IN THE VIRGIN ISLANDS. THIS REMINDER IS USUALLY DONE IN JANUARY, WHEN THE W-2VIs ARE COMING OUT, BECAUSE IT IS THE TAXPAYERS EXPECTING REEFUNDS WHO FILE EARLY AND TRY TO FILE WITH THE IRS. THIS PROTECTS THE GOVERNMENT OF THE VIRGIN ISLANDS, SO THAT IN THE EVENT THAT THE TAXPAYERS ARE PROSECUTED BY THE IRS, THE GOVERNMENT CAN SHOW ITS GOOD FAITH EFFORT IN EDUCATING VI TAXPAYERS ON THE PROPER PLACE TO FILE.**

**IN CLOSING, I WOULD LIKE TO SHARE WITH YOU TWO INITIATIVES AT THE BUREAU. ON DECEMBER 21, 2017, THE 32<sup>ND</sup> LEGISLATURE OVERRODE THE GOVERNOR'S VETO OF BILL NO. 32-0018, RESULTING IN THE IMMEDIATE IMPLEMENTATION OF A GROSS RECEIPTS TAX AMNESTY, PURSUANT TO ACT NO. 8017. BY LAW, THE AMENSTY WENT INTO EFFECT ON JANUARY 8, 2018 AND WILL END ON FRIDAY, JULY 6, 2018. THE AMNESTY IS FOR TAX YEARS 2015 AND PRIOR. TAXPAYERS ARE URGED TO PAY ALL OUTSTANDING GROSS RECEIPTS TAXES, AND THE INTEREST AND PENALTIES WILL BE ABATED.**

**IN CONJUNCTION WITH THIS AMNESTY, THE BUREAU IS ALSO OFFERING AN INCOME TAX INCENTIVE PROGRAM, WHICH WILL ALSO END**



**ON JULY 6, 2018. TAXPAYERS MUST PAY TAX AND INTEREST AND THE PENALTIES WILL BE WAIVED. THIS INCOME TAX INITIATIVE ALSO COVERS TAX YEARS 2015 AND PRIOR. AS WITH ALL OF OUR AMNESTY PROGRAMS, YOU CAN ONLY BENEFIT IF YOU ARE IN FULL COMPLIANCE WITH ALL OF YOUR FILINGS. WE URGE YOU TO HAVE YOUR CLIENTS TAKE ADVANTAGE OF THESE TWO PROGRAMS AS SOON AS POSSIBLE.**

**AGAIN, AS WE GEAR UP FOR ANOTHER TAX FILING SEASON, LET US AGREE TO WORK COOPERATIVELY IN THE BEST INTEREST OF OUR TAXPAYERS. I THANK YOU AGAIN FOR THE INVITATION TO SPEAK TO YOU AND LOOK FORWARD TO YOUR QUESTIONS.**