



Bruins 3, Penguins 4, Final

State Police, other public safety agencies failed to pay \$7 million in taxes on employee perks

By [Matt Rocheleau](#) Globe Staff, April 29, 2019, 11:25 a.m.



The State Police is one of more than a dozen Massachusetts public safety agencies that failed to pay a combined \$7 million in taxes to the IRS on public employee perks, officials said. JESSICA RINALDI/GLOBE STAFF/GLOBE STAFF

More than a dozen Massachusetts public safety agencies failed to pay a combined \$7 million in taxes to the IRS on public employee perks — money for travel, commuting, buying work-related clothing, and cleaning it — over a recent three-year stretch, officials said.

To pay back the federal tax agency, the state this month emptied an account set aside for legal expenses, but that only covered about half of what's owed. Coming up with the rest of the money will require special approval from lawmakers.

“This is very frustrating for the honest taxpayer who's reporting all of his or her income and paying all of their taxes,” said Mary Z. Connaughton, director of government transparency at the Pioneer Institute, a nonprofit think tank.

“There can't be a separate system for state employees versus the rest of us,” she added. “In this day and age, there's no excuse. The state really needs to crack down on this.”

The tax problems were discovered through a statewide review [launched](#) last year after the Globe [reported](#) that, since the 1970s, taxes were never paid on tens of millions of dollars paid to some State Police troopers in the form of a [\\$40-a-day reward](#) for driving their own vehicles to work.

That commuting perk was revealed only after the Globe reported that payroll records for an entire division of State Police had been [hidden from public view](#) for several years, prompting officials to [release](#) the data and [overhaul](#) how troopers are paid amid public pressure.

Scott Olsen, spokesman for the state comptroller's office that independently manages more than \$60 billion in state spending and assets, said officials there worked with the IRS to conduct the review.

The review uncovered unpaid taxes on fringe benefits given to employees between 2015 and 2017 at State Police, Environmental Police, the Department of Correction, and 13 of the state's 14 sheriff offices, officials said.

In such unpaid tax cases, the IRS often examines and seeks repayment for a three-year period, experts told the Globe last year.

Also it historically has not gone after individual workers if their employer was at fault for not withholding taxes, and Olsen said that will hold true in this case: "Individual employees will not be required to pay back any money."

The IRS didn't charge the state any interest, fees, or penalties, he said. That was something the comptroller's office "worked very hard" to avoid.

Olsen said adjustments were made to correct the issues for calendar 2018 and "the benefits will be taxed properly moving forward."

Officials at State Police, Environmental Police, the Department of Correction, and the Department of Revenue declined to comment, referring questions to Governor Charlie Baker's Executive Office for Administration and Finance.

A spokeswoman for that office, Julie Mehegan, said in a statement: "The Commonwealth has worked with the Office of the Comptroller to review processes to ensure all payments are made in accordance with applicable rules and requirements, and has fully complied with the IRS review."

Massachusetts Sheriffs' Association spokesman Brendan Kennedy said in a statement: "As state agencies, Massachusetts sheriff's offices follow the guidance and practices set forth by the Office of the Comptroller."

An IRS spokesman declined to comment, citing restrictions on discussing specific cases set by federal tax law and agency policies.

The State Police division where the tax problems first surfaced, Troop F, is funded by the Massachusetts Port Authority to patrol properties the authority owns, namely Logan International Airport in Boston.

Massport, a quasi-public agency with a separate budget from the rest of the state, paid the IRS \$750,000 this month to cover taxes Troop F owed, authority spokeswoman Jennifer Mehigan said.

To cover unpaid taxes elsewhere, the comptroller's office paid \$3 million this month to the IRS, which emptied the state's Settlement and Judgment Reserve Account, money set aside for certain court judgments, settlements, and legal fees, officials said.

State lawmakers will now need to approve another \$3.3 million through a supplemental budget, the office said.

Mehigan said the state will make that second IRS payment in the coming months.

The recent review looked at public employee benefits for some 96,000 employees across about 150 state agencies — each with different payroll directors, union contracts, and worker perks.

It began under former comptroller Thomas G. Shack III. He stepped down earlier this year and was replaced by Andrew W. Maylor.

Maylor said his office will continue to monitor for such problems.

“The Comptroller’s staff spends some portion of each day on matters such as these and related compliance and transparency initiatives and therefore we are always conducting reviews,” Maylor wrote in an e-mail.

A decade ago, the state found itself in a similar situation when it was revealed that, for years, the state had failed to pay taxes on per diems to state lawmakers for mileage, meals, and other expenses.

After the error came to light, the state worked out an agreement with the IRS to pay roughly \$1.6 million in Medicare taxes covering 2005 through 2008. The state also agreed to properly withhold taxes.

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