

BILL BRADBURY  
SECRETARY OF STATE



ARCHIVES DIVISION  
MARY BETH HERKERT  
DIRECTOR

800 Summer Street NE  
Salem, Oregon 97310  
(503) 373-0701

Facsimile (503) 378-4118

## Oregon Department of Revenue

### Administrative Overview

January 2008

### Introduction

The Department of Revenue administers more than thirty tax programs in addition to the personal income tax for the State of Oregon. These programs include corporation, income and excise taxes, gift and inheritance taxes, and tobacco taxes. Additionally, the Department collects and distributes revenues for some local governments, including Tri-Met and the Lane Transit District.

The Department processes over 1.76 million personal income tax returns each year and overall, processes about four million documents a year. The Department collects delinquent and liquidated accounts for about 284 other state agencies, commission, and boards. This includes customers such as: Oregon Judicial Department, Oregon University Systems, Community Colleges, Community Corrections, Department of Human Resources, and many others. Collections for these entities totaled over \$41.9 million for fiscal year 2006-07. The biennial collections for 2005-07 were in excess of \$76 million, and helped fund services provided by these agencies, commissions, and boards.

Though the Department collects no property taxes, it is responsible for seeing that property tax laws are applied fairly and equitably throughout the state. It also provides training and assistance for county assessors, tax collectors, treasurers and local government budget officials. The Department appraises utility property, timberland and most large industrial property, providing valuations for county tax rolls. It collects timber privilege taxes for distribution to local districts.

### History

In the early years of Oregon's statehood, assessment and collection of property taxes to finance state and local governments remained relatively unchanged. Equalization of assessment among counties was given little attention, and there were no problems of central assessment of utility companies because only local public service firms existed. Between 1859 and 1874, changes in the property tax structure were proposed but few were enacted. In 1872 the Legislative Assembly established a State Board of Equalization in an effort to improve taxing procedures. The three board members were appointed by the Legislative Assembly to hold office for four years, subject to dismissal by the Governor at any time. The board had a short life, due to a combination of political circumstances and legal implications. It existed long enough, however, to comment on

the sad condition of the State's revenue system and to recommend early and complete revision of the laws.

In 1885, the Legislative Assembly created a study committee to examine the property tax laws and submit recommendations for revision. Gross under valuation of real estate in all counties was cited as the greatest shortcoming in the committee's 1886 report. Establishment of an elected State Board of Equalization was one of the major recommendations.

Three sessions later, the Legislative Assembly enacted a law calling for such a board, which was duly elected in 1892 and operated for six years before being dissolved by the Legislative Assembly. Failure was attributed to being restricted to equalization "between and among counties" and having no powers to control the original assessment process or to exercise any supervision over local boards of equalization.

Competition among counties for low assessments as a means of reducing their contributions to the State progressed to a climax as public attention was directed to the inequality of the practice. In 1901, a plan was devised to nullify the tax-dodging effect of the low ratios. The plan, which was operative until 1909 before being held unconstitutional, fixed the apportionment of State property tax on the basis of county expenditures, less expenditures for roads - thus divorced entirely from assessment levels. While in effect, it succeeded in slowing the mad scramble for low assessment rates.

The 1905 Legislative Assembly again appointed a Board of Commissioners to examine and report on the entire property tax system. The board's report set the stage for constitutional revision and later enactment of laws relating to property tax administration as it now exists in large part.

In 1909 the Legislative Assembly created the Board of State Tax Commissioners as a means of administering the tax laws of the state and of equalizing taxation among all types of property throughout the state. Although its powers were limited and its staff small, the commissioners' goals were to supervise and control local assessment practices and to assess the burgeoning utility properties. Two full-time appointed commissioners served with three ex-officio members - the Governor, Secretary of State, and State Treasurer. In 1913, the Board of State Tax Commissioners was designated the State Tax Commission. Members of the Board were carried over to the Commission. In 1917, it was changed to one appointed member. In 1923, the state's first income tax law was passed and given to the Commission to administer, but almost immediately the law was repealed.

In 1929, after several years of agitation for an income tax, and after study by a Property Tax Relief Commission, two new income tax laws - personal and corporation excise - were passed and given to the State Tax Commission for administration. Money raised from the income tax was to be an offset on state property taxes. Authorization was given for the Commission to become an in-between-quasi-judicial body in the progress of taxpayers' appeals from the local equalization boards to the circuit court. The powers of the Commission were enlarged and its composition changed to three full-time appointed commissioners, eliminating the ex-officio elective members of previous years.

A 1937 organization chart shows the State Tax Commission's functions divided between three administrative units: assessments, utilities and income taxes. Property tax reform processes had barely begun when the Depression hit in the early 1930's. State and county operating funds were curtailed when delinquencies rose alarmingly. Attention was diverted to tax collections, budget reduction and a general withdrawal from state activity in county tax affairs.

As the Depression waned, renewed efforts against deteriorated assessment practices were spearheaded by the State Tax Commission and in 1941 a commission order invalidating variable ratios was upheld by the Oregon Supreme Court. In 1940 the last State tax on property was collected (with the exception of payment of bonded debt). In 1946, the voters approved an initiative providing for a state levy for local school purposes.

In 1951, the Valuation Division of the State Tax Commission started conducting a statewide reappraisal program, a voluntary cooperative inventory and revaluation of all taxable real property in each county. The counties and the state shared its cost equally. Beginning with a legislative act in 1953, a trend began which brought Oregon's tax laws in higher conformance with the federal Internal Revenue Code. In 1965, administration of the new cigarette tax was added to the Commission's responsibilities.

The State Tax Commission, the agency was renamed the Department of Revenue in 1969 (ORS 305.025). The Director serves at the pleasure of the Governor. Under the Departmental reorganization, administration of the Inheritance and Gift Tax Laws was taken over from the State Treasurer and was made a division of the new department. This gave the Department three operating Divisions: Income, Property, and Inheritance and Gift.

An Administrative Services Division was established in 1970 in accordance with a recommendation of the Governor's Management Task Force. By 1972 there was further utilization of the recommendations made by the Management Task Force. In addition to the Director's Office, six operating divisions were established: Administrative Services, Appeals, Assessment and Appraisal, Audit, Collections, and Research and Special Services. The Research and Special Services Division was abolished during the 1976 - 1978 biennium, with most of its sections becoming part of the Director's Office.

The nine-member Local Budget Advisory Committee (established in 1971, ORS 294.413) is authorized to advise the Director of the Department of Revenue on local budget laws and the formats for publication of budget notices and summaries. The committee includes five public members not employed by the state and one member nominated by each of the following organizations: Oregon Newspaper Publishers Association, League of Oregon Cities, Association of Oregon Counties and the School Boards Association.

The 1977 and 1979 Legislative Assemblies appropriated funds to construct a general purpose office building on the Capitol Mall. Prime tenants were the Department of Revenue Central Office and Salem Branch Office, the Executive Department Data System Division and the Department of Transportation Information Services Branch.

During the 1988 biennium, the Appeals Division became part of the Administrative Services Division and a new division was formed: the Information Processing Division. In 1989, the Assessment and Appraisal Division was renamed the Property Tax Division. In 1992, the Information Processing Division was absorbed into the new Business Services Division, replacing the old Administrative Division, making a total of four divisions; Business, Administration, Property Tax, Audit and Collection. In 1996, the divisions were reorganized and renamed into four divisions—Business, Personal Tax and Compliance, Information Processing, and Property Tax.

The agency began participation in Federal/State electronic filing with a pilot project for the tax year 1993. Statewide electronic filing was begun in 1994 and over 34,000 returns were received electronically. Electronic filing increases every year. For tax year 2006, over 980,000 electronic returns and 360,000 2-D barcode returns were processed.

### **Current Organization**

The **Director's Office** provides administrative and support services including auditing, communication and liaison services, to agency programs. The Director and Deputy Director are responsible for the oversight and strategic planning of the agency.

The **Administrative Services Division** provides technical expertise and support services to all agency programs and staff in the fields of information technology, records and information storage and management, mail processing, financial processing and accounting services and human resource services.

The **Business Division** processes all business and corporate tax filings and actions including account and filing verification, customer service/help desk and collecting delinquent accounts.

The **Personal Income Tax and Compliance Division** processes all personal tax filings and actions including account and filing verification, customer service/help desk, tax payer appeals and collecting delinquent accounts.

The **Property Tax Division** processes all property tax filings and actions, maintains property tax databases and maps and ensures assessment standards are met.

## **Primary Oregon Statutes and Administrative Rule Chapters**

ORS 128 Trusts; Charitable Activities  
ORS 267 Mass Transit Districts; Transportation Districts  
ORS 293 Administration of Public Funds  
ORS 297 Audits of Public Funds and Financial Records  
ORS 306 Property Taxation Generally  
ORS 307 Property Subject to Taxation; Exemptions  
ORS 308 Assessment of Property for Taxation  
ORS 310 Property Tax Rates and Amounts; Tax Limitations; Tax Reduction Programs  
ORS 311 Collection of Property Taxes  
ORS 314 Taxes Imposed Upon or Measured by Net Income  
ORS 316 Personal Income Tax  
ORS 317 Corporation Excise Tax  
ORS 318 Corporation Income Tax  
ORS 320 Amusement Device Taxes; Lodging Taxes  
ORS 323 Cigarettes and Tobacco Products Taxes  
ORS 324 Oil and Gas Tax  
ORS 657 Unemployment Insurance  
OAR 150 Department of Revenue

## **Chronology**

1872 Legislative Assembly establishes State Board of Equalization  
1885 Legislative Assembly creates committee to examine property tax laws and recommend on revisions.  
1901 Statute passed fixing property tax based on county expenditures; less expenditures for roads.  
1909 Statute fixing property tax based on county expenditures; less expenditures for roads repealed.  
1909 Board of Tax Commissioners created.  
1913 Board designated the State Tax Commission.  
1923 Legislative Assembly enacts Oregon's first income tax statute. Law immediately repealed.  
1929 Statutes enacting personal and corporate excise tax passed.  
1940 Last State Tax on property collected.  
1969 State Tax Commission renamed the Department of Revenue  
1993 Agency participates in an electronic filing pilot project involving federal and state tax.

## **Bibliography**

Oregon Blue Book. Secretary of State. 1921-2007.  
Oregon Laws and Revised Statutes. 1859-2007.  
Department of Revenue website <<http://www.dor.state.or.us/>>  
Department of Revenue Budget, 2005-2007.