

**INFORMATIONAL MEETING
OVERVIEW OF COLLECTION PROCESS
TAPES 19 A-B, 20 A**

**SENATE REVENUE COMMITTEE
FEBRUARY 1, 2005 9:00 AM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair
Senator Charles Starr, Vice Chair
Senator Rick Metsger
Senator Floyd Prozanski

Members Excused: Senator Gary George

Witnesses Present: Elizabeth Harchenko, Oregon Department of Revenue
Susan Browning, Oregon Department of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer
Barbara Guardino, Committee Assistant

TAPE 19, SIDE A

004 Chair Deckert Calls meeting to order at 9:00 a.m. Introduces issue of Department of Revenue tax compliance and collection process, and an overview of governor's budget for compliance. Will discuss a number of proposals on Wednesday, and California's tax compliance program. On Thursday a committee bill will be introduced.

INFORMATIONAL MEETING

040 Elizabeth Harchenko Directs members' attention to Department of Revenue information packet (**EXHIBIT 1**).

051 Harchenko Begins presentation with Agency Overview: Mission, pages 4-5. Program History, page 6. 2005-07 Governor's Balanced Budget, page 7.

071 Harchenko Page 8: Personal Income and Corporation Taxes.

095 Harchenko Page 9, Services Paid for With Oregon Income Tax Dollars

099 Harchenko Page 10, Property Taxes, Projected 2005-2007 Department of Revenue Administration

116 Harchenko Page 11: Services Paid for With Oregon Property Tax Dollars
Page 12: Cigarette and Other Tobacco Taxes

125 Harchenko Page 13: Services Paid for With Oregon Cigarette and Other Tobacco Tax Dollars

132 Harchenko Pages 14-15, Other taxes, projected 2005-2007
Page 16, Partnerships, projected 2005-2007

150 Harchenko Page 17, Assistance Programs, projected 2005-2007

165 Susan Browning Page 18, 2003-07 Agency Business Plan Executive Summary.

New this tax season are credit card tax payment, online refund status check and Web site for ORMAP.

- 210 Sen. Prozanski Asks whether credit card payment is an option or mandatory.
- 215 Browning Yes, it is voluntary through a third party.
- 222 Browning Page 19: The Balanced Approach to Healthy Income Tax Programs.
Page 20: Income Tax Programs "Our Business is Compliance" – Education, Assistance, Enforcement
- 245 Chair Deckert Asks questions concerning educating people where their dollars go.
- 250 Browning People are not always aware how much tax money goes toward education.
- 287 Browning Continues comments on helping taxpayers comply.
- 299 Browning Page 21: Revenue Flow, Education and Assistance, Enforcement
- 313 Chair Deckert Asks, what percentage doesn't voluntarily report?
- 327 Browning It's hard to determine, but about 9% of total dollars.
- 335 Browning Page 22: How Oregon Collects Income Tax Dollars – Personal Income Tax
- 347 Browning Page 23: Quality in Compliance Code of Conduct for DOR employees
- 358 Browning Page 24: Taxpayer Assistance in Revenue's Offices
- 382 Chair Deckert Asks if DOR has enough employees trained to help with education and compliance.
- 391 Browning DOR emphasizes training, partners with local communities and schools to keep administrative costs low. The training is good but there are still challenges. DOR does not need additional staff.
- 434 Harchenko One challenge for DOR is growing at a rate in which it can absorb the growth. DOR plans classes to train auditors and collectors. DOR is reaching limits of the building, so to add staff would require more space.

TAPE 20, SIDE A

- 030 Harchenko Concludes comments on how to maximize effectiveness of staff.
- 042 Browning Page 25: How We Work to Improve Compliance – Enforcement
- 050 Browning Page 26: Corporation Excise and Income Tax
- 056 Chair Deckert Asks questions on possible legislation for closing of tax shelters.
- 066 Harchenko Oregon is partnering with other states to learn about use and abuse of tax shelters. California and New York have taken lead in educating the other states, sharing data bases and applications to identify shelter

vehicles. Will provide more detail tomorrow.

091	Sen. Metsger	Comments on the ability of public utility districts to convert tax dollars into profits. PUC regulation allows utilities to collect tax dollars and those dollars never get to the state treasury.
120	Harchenko	Responds to Metzger's concerns.
150	Harchenko	Notes, separate accounting states lose revenue. DOR has spoken with PUC during interim on issue of fair return.
173	Sen. Metsger	Notes, Sen. Vicki Walker will introduce a bill relating to this issue.
196	Chair Deckert	PUC Chairman Lee Beyer is working on a draft to address this issue.
208	Browning	Continues discussion with Program Efficiencies and Effectiveness, Income Tax Programs. Page 28: Processing Center Quick Facts
225	Harchenko	Property Tax Program: Creating Partnerships Page 30: Policy Direction: A Statewide Partnership
245	Harchenko	Page 31: Oregon's Property Tax History. Discusses before and after Measure 5
267	Harchenko	Pages 32-33: Department Property Tax Functions; County Property Tax Functions
284	Harchenko	Page 36: Property Tax Quick Facts – centrally assessed and industrial properties
299	Harchenko	Page 37: Mapping. DOR provides services to 14 counties.
311	Harchenko	Pages 38-39: Oregon Map Project; Assessors Map Status summary
324	Harchenko	Skips tobacco taxes, moves to Policy Issues. Page 44: Policy Option Packages. Governor has recommended giving \$1.6 million of additional resources to shut down tax shelters, increase auditing.
344	Chair Deckert	Asks questions concerning receivables, amnesty program.
360	Harchenko	Most states have held amnesty programs last 4 years. Issues to consider are whether those dollars would be collected anyway and how much might be generated.
380	Chair Deckert	Comment, California brought in excess of what was predicted.
390	Harchenko	California's Voluntary Compliance Initiative was a targeted effort toward high income individuals and businesses. They estimated 1/10 of what they collected. Other amnesties have been more general.
445	Harchenko	Oregon has no sales tax, so focus will be different from other states with sales, property and income taxes. Questions and discussion.

TAPE 19, SIDE B

037	Harchenko	Page 45: Multistate Tax Commission, overview and MTC programs
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065	Sen. Prozanski	Will submit a set of questions from citizens' tax groups to DOR staff.
080	Chair Deckert	Asks how the DOR deals with collecting a delinquent account.
088	Browning	Gives examples of dealing with non-payers. DOR will ask for payment in full. If the taxpayer can't pay in full, DOR will set up a program. If that doesn't work DOR will take legal action.
154	Browning	A taxpayer who misses filing three years in a row is subject to 100% penalty. DOR can waive that if a person comes forward.
168	Chair Deckert	Spoke with a group of CPAs who say people who don't file year after year have gotten comfortable with not filing.
190	Browning	There are heavy ramifications for these non-filers. DOR works with CPAs to bring these people into compliance. DOR does a lot of data-matching with IRS and other sources.
225	Chair Deckert	Implication is, these non-filers are mainly S-Corporations.
232	Browning	CPAs have an obligation to ensure compliance. Small businesses have an ability to hide their taxes.
245	Chair Deckert	Requests data on how often DOR has taken businesses to court.
257	Browning	Will get this information.
317	Paul Warner	Legislative Revenue Office has a tax compliance bill prepared.
327	Chair Deckert	Adjourns meeting at 10:18 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Reviewed by Kim Taylor James

Exhibit Summary:

1. Informational, Department of Revenue, Harchenko, 46 pp.