

# **2013**

## **Oregon Department of Revenue**

### **Presentation to the Ways and Means Committee**

March 25–28, 2013



[www.oregon.gov/dor](http://www.oregon.gov/dor)



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# Who we are

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## Mission

We make revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.

## Vision

We are a model of 21st century revenue administration through the strength of our people, technology, innovation, and service.

## Values

Highly ethical conduct

Fiscal responsibility

Quality relationships

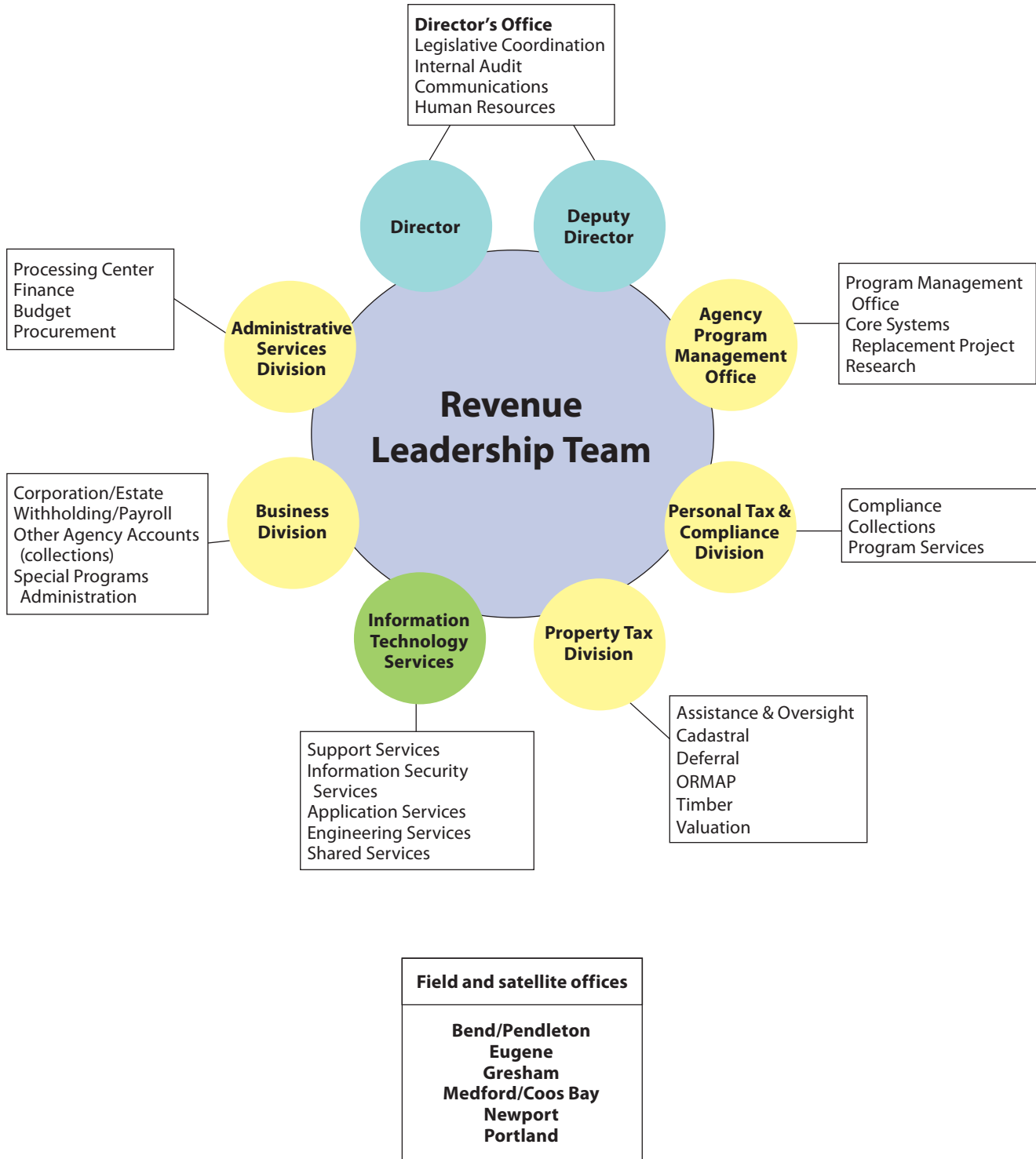
Service and operational excellence

Accountability

Continuous improvement

# Department of Revenue

## Today



# What we do

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## Department of Revenue's major tax programs

### ***Income taxes—personal and corporate***

- Compliance.
- Collections.

### ***Property tax***

- Assessment and taxation.
- Mapping.
- Industrial and centrally assessed property valuation.
- County grants.
- County training.
- Deferral programs.

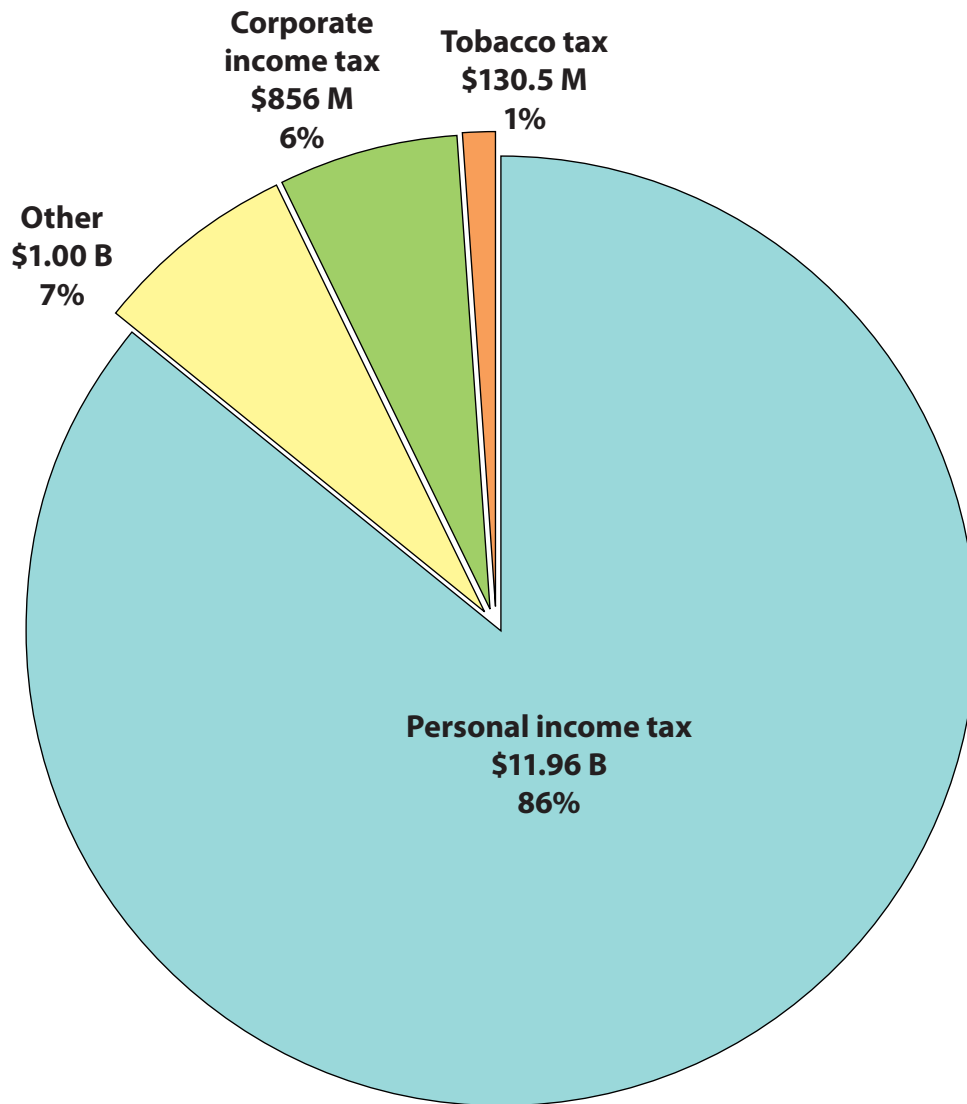
### ***Cigarette and other tobacco taxes***

- Distributor, wholesaler, retailer, consumer compliance.

# 2011–13 General Fund

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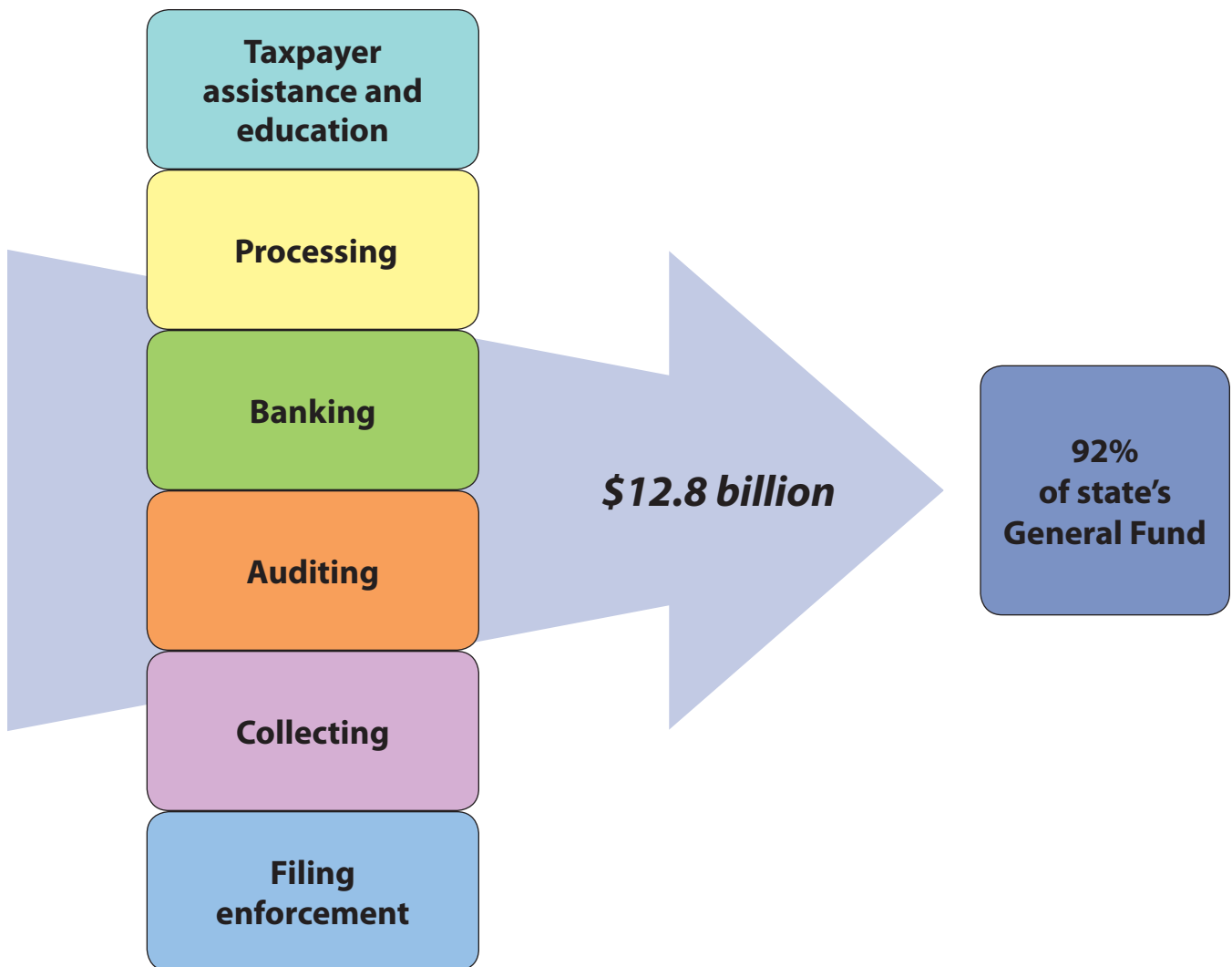
**Total resources: \$13.95 billion**





# Income tax programs

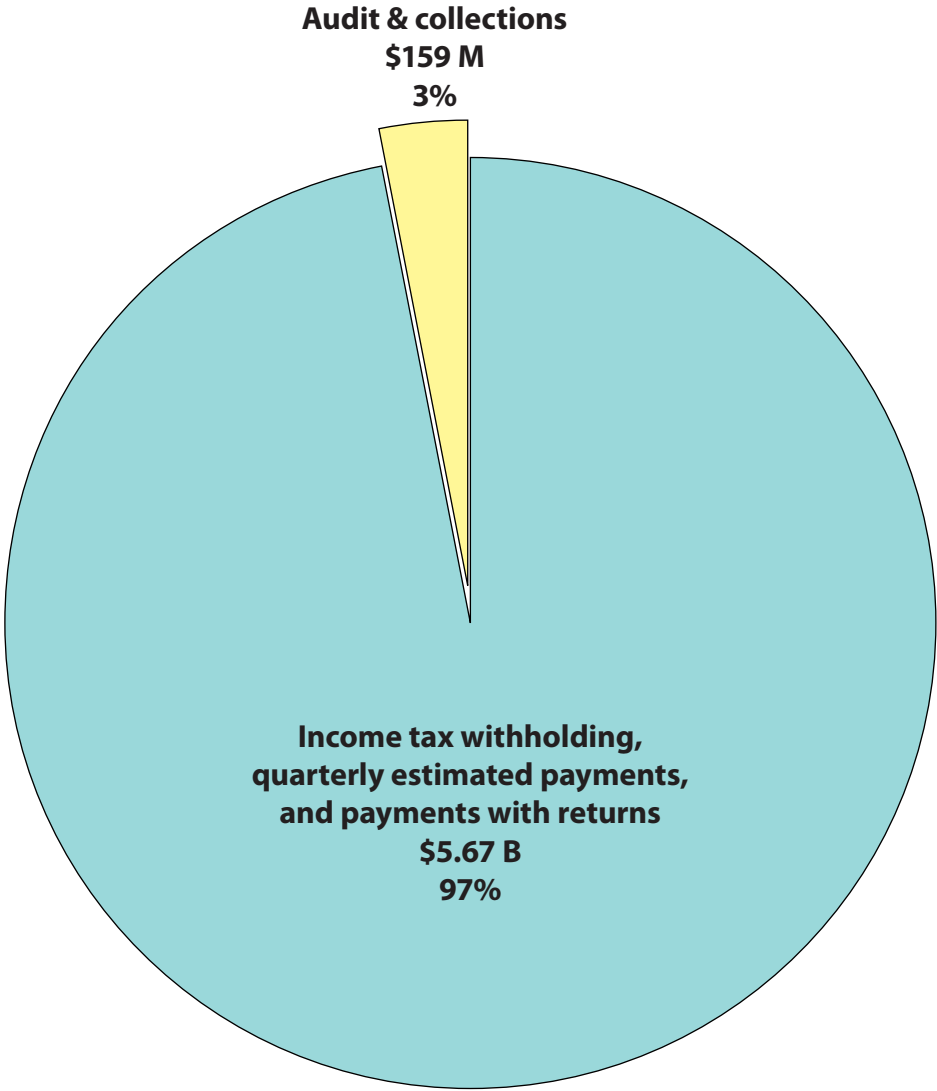
2011–13 biennium



# Personal income tax revenues

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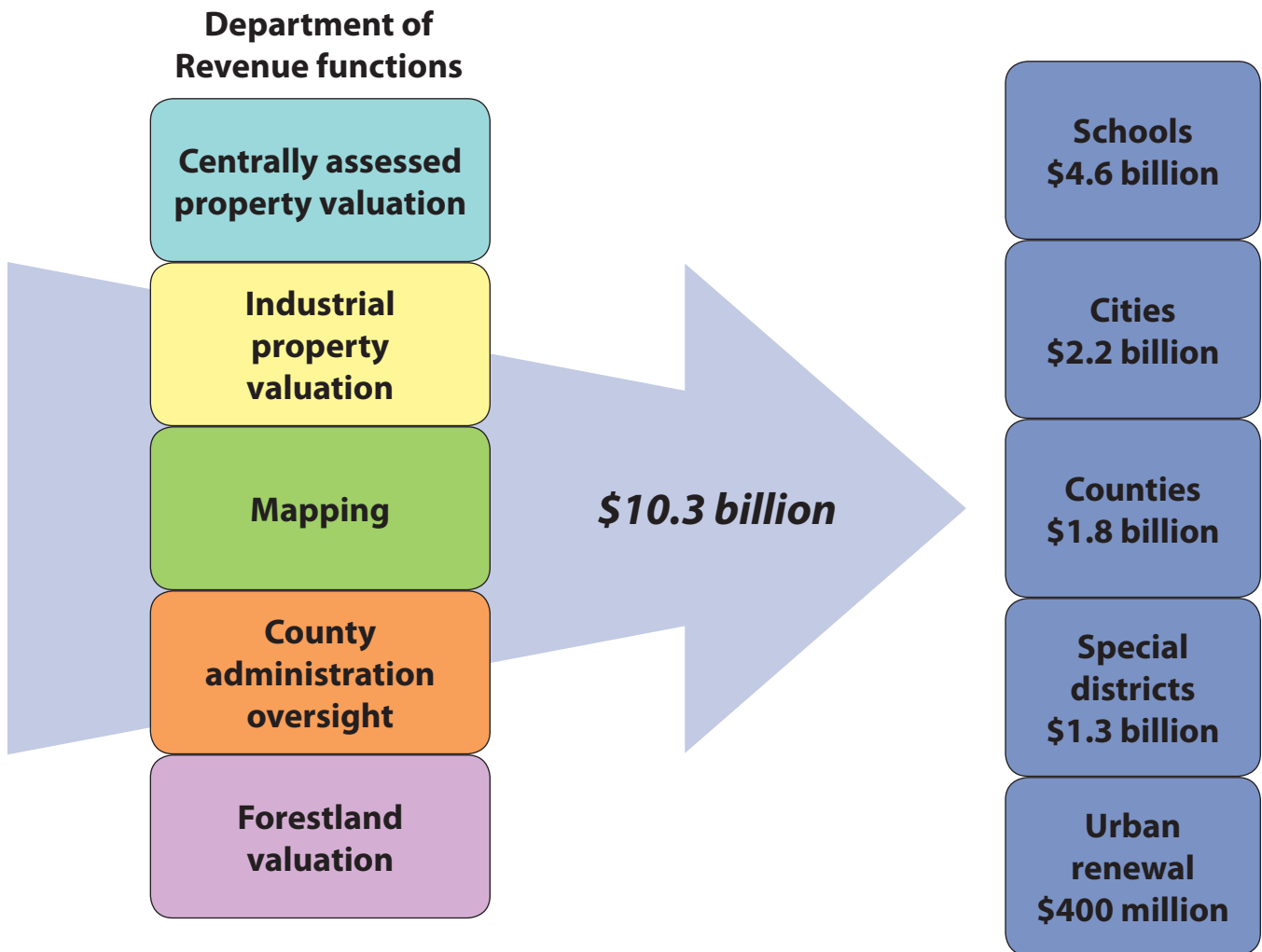
## How they're paid



Fiscal year 2012  
Source: DOR Research Section

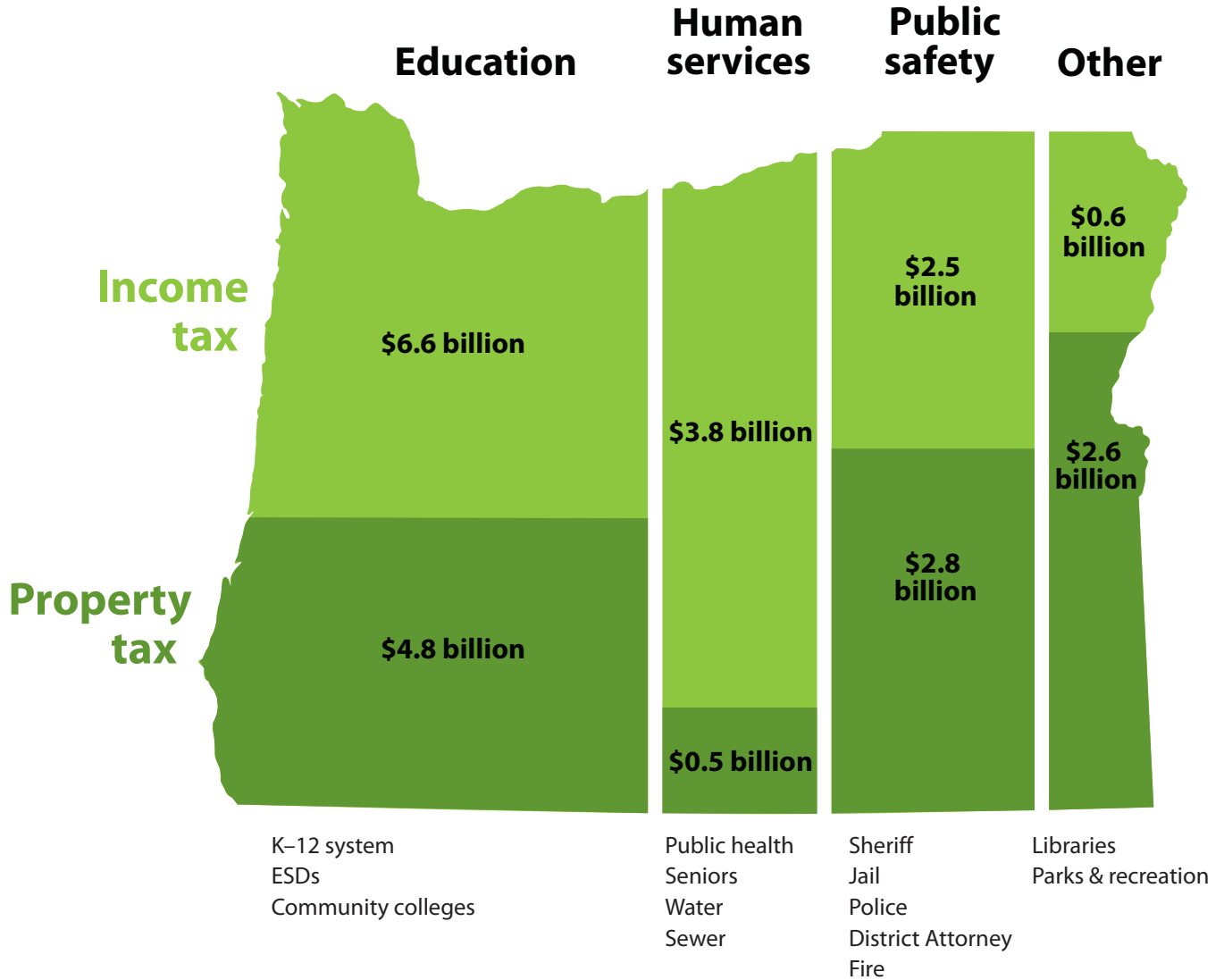
# Property tax administration

2011–13 biennium



# Funding of shared services

2013–15 projections

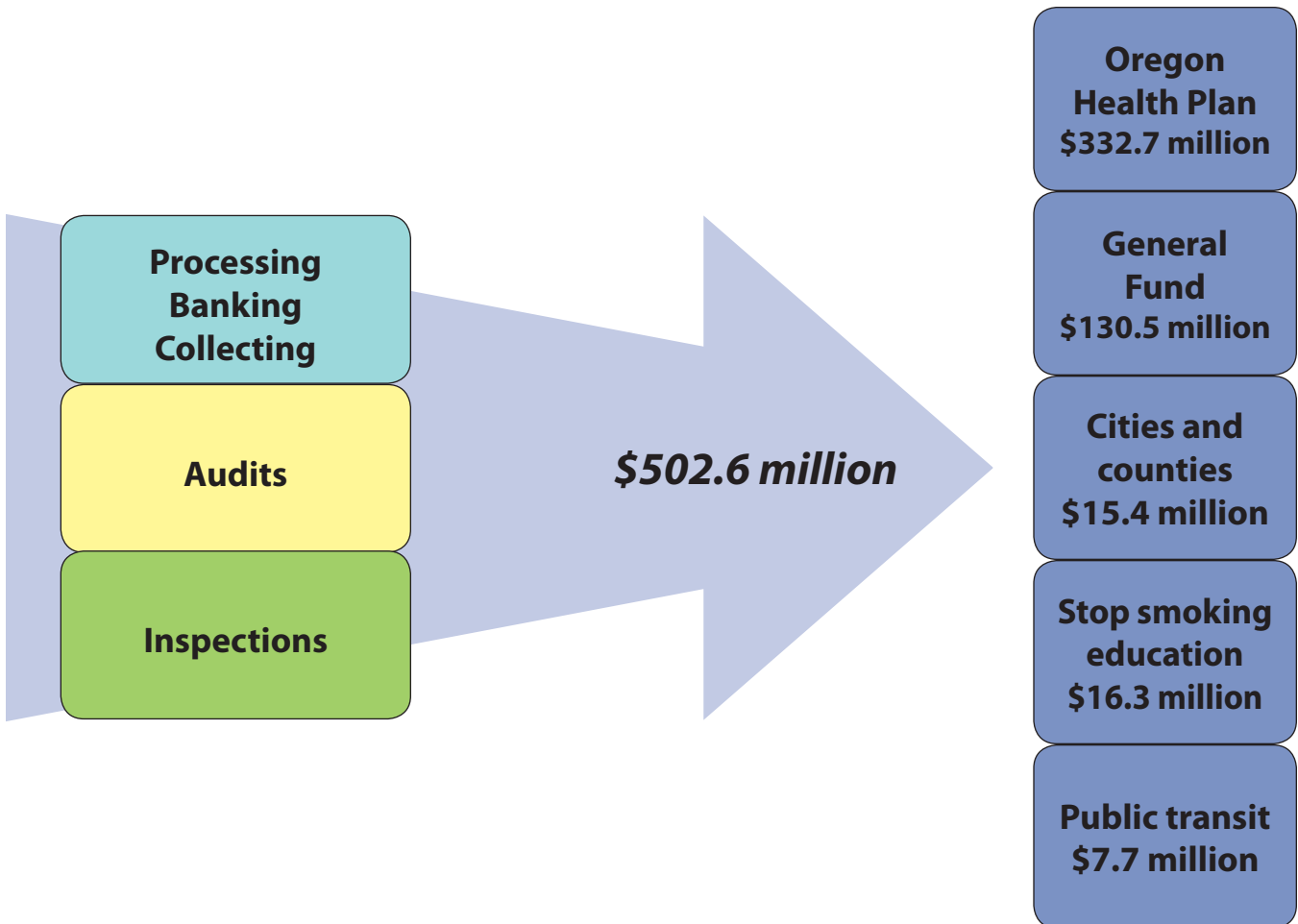


Income tax	\$13.5 billion
Property tax	\$10.7 billion
<b>TOTAL</b>	<b>\$24.2 billion</b>

Sources: DOR Research Section, Association of Oregon Counties, League of Oregon Cities

# Cigarette & tobacco taxes

2011–13 biennium



2011–13 biennium  
Source: December 2012 forecast

## Other taxes and services

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- Estate transfer tax.
- Emergency communications tax (911).
- State lodging tax.
- Hazardous substance fee.
- Amusement device tax.
- Petroleum load fee.
- Forest products harvest tax.
- Small-owner timber tax.
- Transit taxes.
- Court fines and assessments.
- Other agency collections.
- Seniors, veterans, disabled deferral programs.
- Elderly Rental Assistance.
- Nonprofit homes for the elderly.

# Department of Revenue

## core systems replacement planning

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### **Getting ready to replace core systems**

DOR believes we must modernize our processes and systems to continue meeting expectations and position ourselves to meet future expectations. We have engaged in efforts to better understand our current state and identify opportunities for a model future state. Using a structured approach further described in our Core System Replacement Business Case, we have learned from our peers in other state revenue agencies, fellow Oregon agencies, and industry experts. The work we have completed prepares us for when a decision is made to move forward with replacing our core systems.

### ***What we've learned***

- We are getting the most out of our legacy systems.
- We are creative at working around the constraints our applications and business processes present in getting our work done.
- We are, over time, facing risks of not being able to maintain expected current and future revenues.
- We are not alone—two-thirds of states' revenue agencies have modernized, or are in the process of modernizing their systems in the past 10 years.
- We have opportunities to improve our performance.

### ***Where we need to go***

- We need to reduce risks to long-term revenue generation.
- We need to take advantage of a growing community of best practices and information sharing among revenue agencies nation-wide.
- We need to further standardize our business processes.
- We need to maximize the use of our data at the operating level.
- We need to provide more services customers expect to improve compliance.
- We need to increase our flexibility to respond quickly and economically to statutory changes and evolving taxpayer behaviors.
- We need to continue transforming our Information Technology Services division as a service provider.

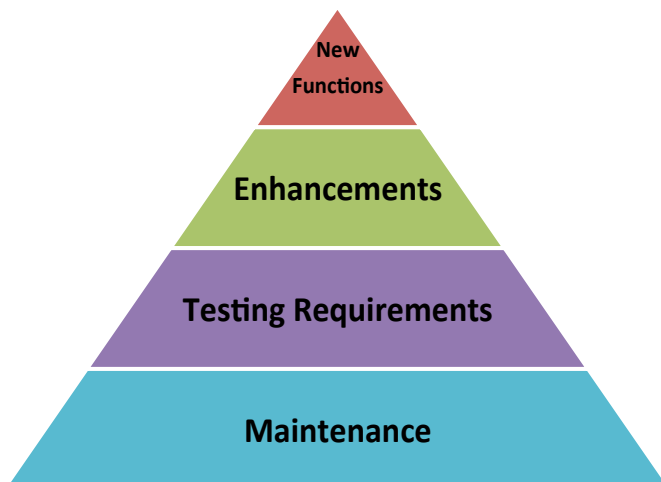
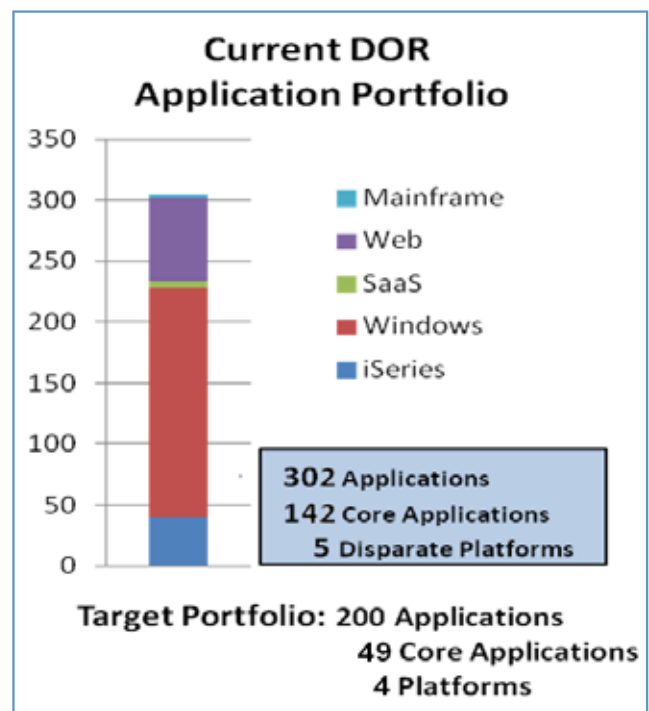
## How we're doing it

- Conducted extensive research from other states, agencies, and industry.
- Developed a business case.
- Developed an enterprise architecture plan.
- Documented business requirements.
- Mapped current state business processes.
- Developed a data management plan.
- Developed a program management plan.
- Executing an IT readiness plan and transformation efforts.

## Legacy systems challenge

### Application portfolio

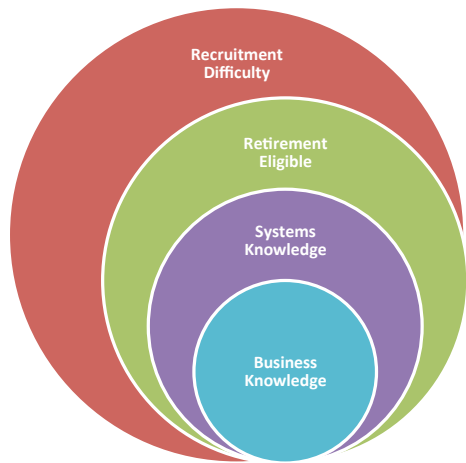
- Custom applications developed since the 1980's
- Current application inventory exceeds 300
- Systems are tightly interfaced.



### Systems complexity

- Application maintenance “footprint” is significant at approximately 32% of developers time.
- Extensive testing requirements due to number of interfaces between systems.
- Limited availability to provide enhancements and/or new functionality to existing systems.





## **Information Technology Services (ITS) workforce**

- Possess in-depth business and systems knowledge.
- Approximately 50% of IT staff are retirement eligible within five years.
- Desired skill-set and economy has created recruitment challenges.

## **Information Technology Services transformation efforts**

### ***Service management***

- Implementing service management tool to enable ITS to capture service metrics, track assets, and configure and deploy endpoint devices more efficiently.

### ***Data management***

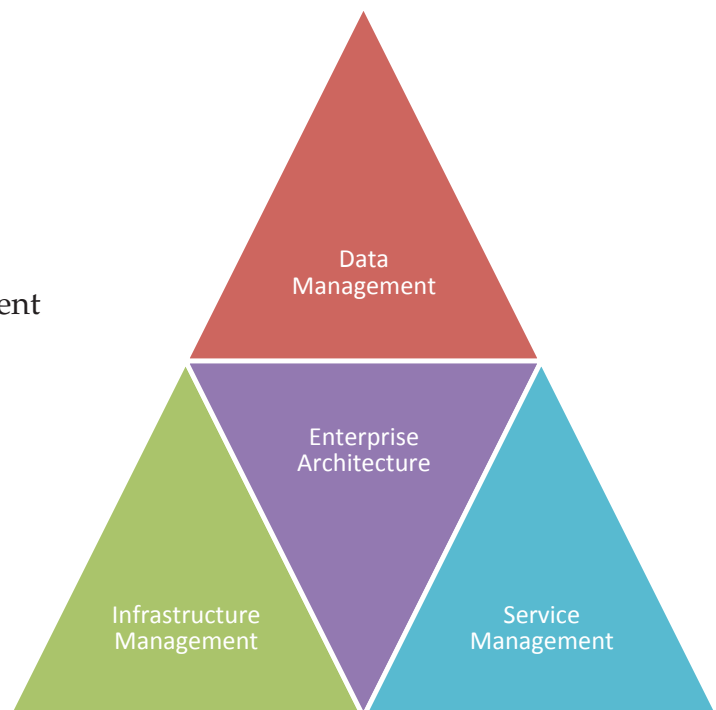
- Ensured our data was “clean”
- Analyzed various types of data
- Completed conversion strategy
- Analyzed data flows and interfaces

### ***Infrastructure management***

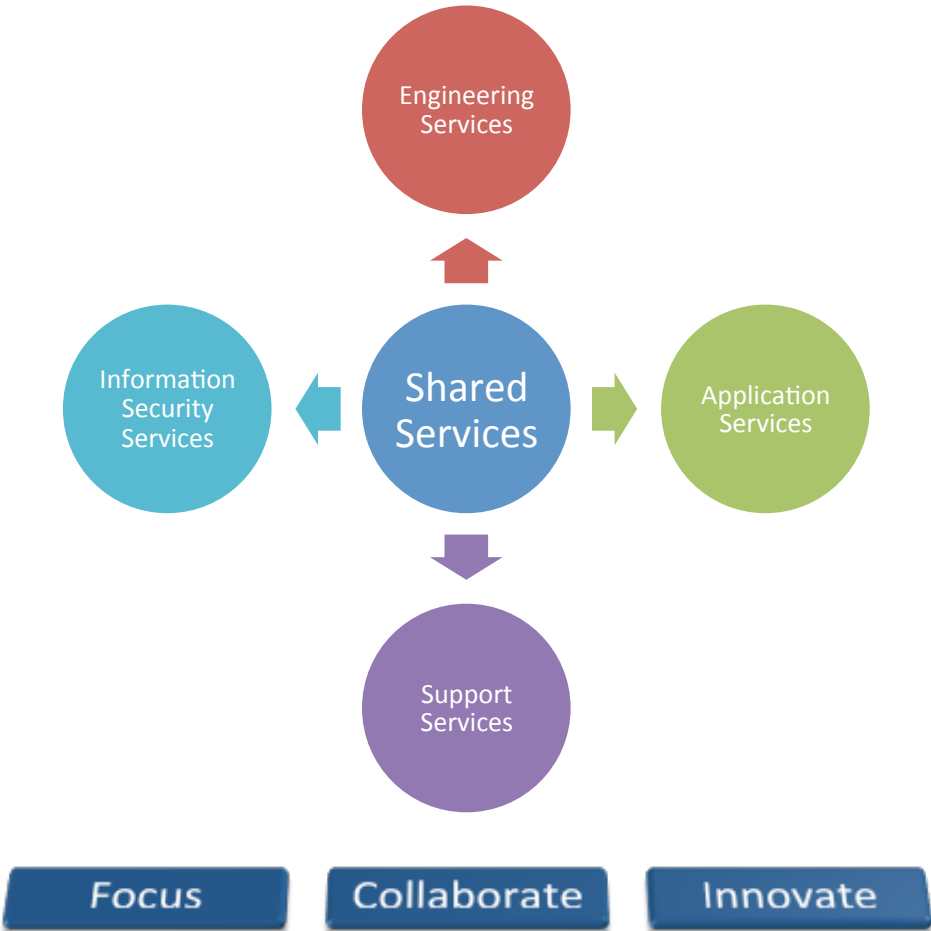
- Implemented endpoint device management in support of mobility.
- Transitioned to virtual servers
- Completed network migration from Novell to Microsoft

### ***Enterprise architecture***

- Completed current state
- Completed transition state
- Completed target state
- Defined architecture principles



# Information Technology Services Organizational Structure



# Major achievements

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## Virtual services

The department has added and expanded electronic services for Oregon taxpayers. In addition to electronic filing of returns for both personal income tax and corporate tax, we've added a direct file option for personal income taxpayers, a taxpayer self-sufficiency website, e-pay for corporations, and i-Wire for employers to use to provide DOR with W-2s and 1099s.

- Personal income tax electronic filing volume has risen 17 percent since 2009.
- Corporation excise/income tax electronic filing volume has risen by over 40 percent since 2009.
- Partnerships with government and private sector.
- Oregon Department of Revenue introduced free e-file fillable form for personal income tax returns.
- Taxpayer self-sufficiency website:
  - Check your account balance.
  - Set up a payment plan.
  - View payment plan details.
  - Check refund or payment status.
  - Update address or other information.
- Electronic W-2 and 1099 reporting (i-Wire).

## Collections reforms

During the 2011–13 biennium, the collections function has taken measures to increase productivity and overall revenue generation.

- Collectors were reorganized into specialized groups.
- New performance reports are being developed.
- Pilot projects were conducted to improve customer service and increase efficiency.
- Process improvement initiatives have decreased the time to contact debtors and have streamlined administrative processes.

## Property Tax Division (PTD) consolidation

Over the past decade, PTD has made significant organizational changes that ultimately resulted in the consolidation of the division from three sections to two.

The Property Tax Division is responsible for ensuring the health of the property tax system in Oregon. This responsibility is achieved through providing a combination of assistance to county assessment and taxation (A&T) programs, direct support to counties and taxpayers, and oversight.

### ***Changes in the Property Tax Division***

- Budget reductions over the past decade.
- Improved efficiencies.
- Identified functions that add the most value to the ongoing health of the property tax system.
- Minimized or eliminated services that were identified as having relatively less value.
- More high-value work completed with fewer staff.

The changes in the Property Tax Division are a work in progress. We believe we have made significant, positive steps, we continue to look for better ways to complete our work. We are currently working on a comprehensive review of our industrial and centrally assessed property valuation programs with our internal staff and county partners. We anticipate significant changes will come out of this project, including setting the stage for implementing a new, automated property valuation system.

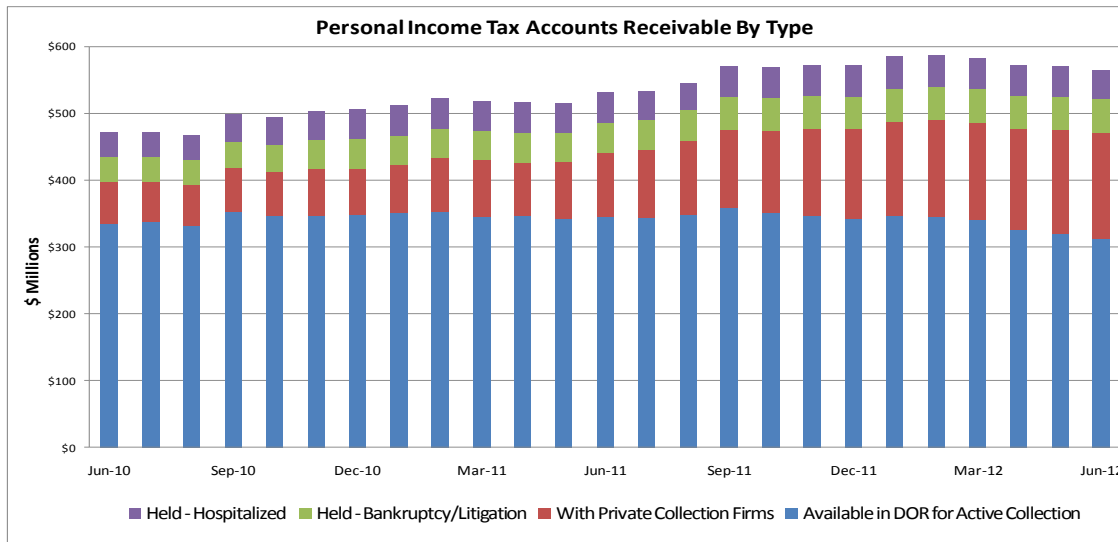
# Challenges for 2013–15

## Accounts receivable management

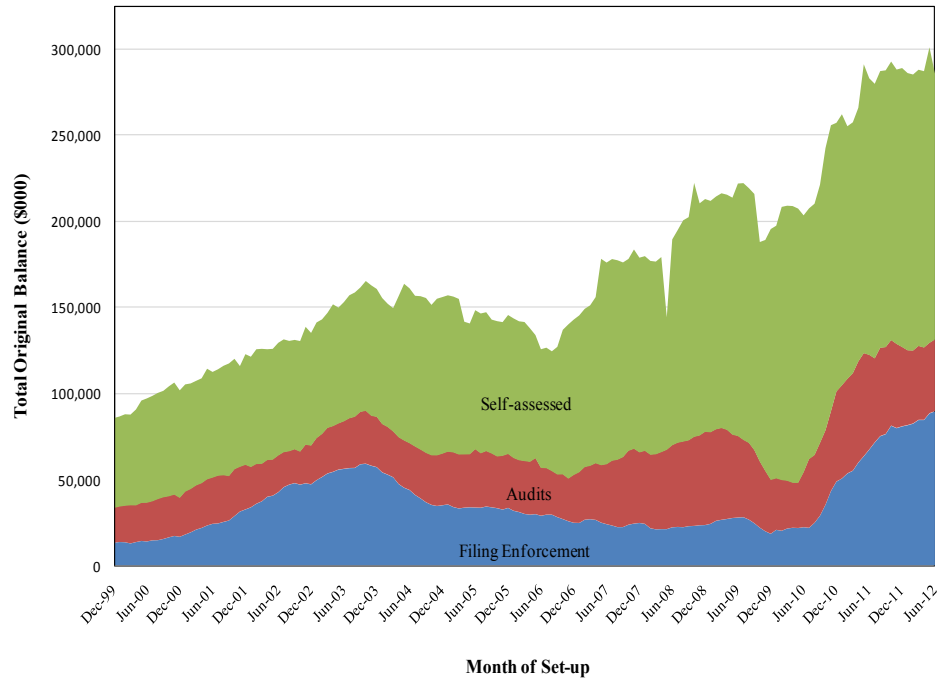
Since the beginning of the economic recession in 2007, Oregon and other states have experienced growth in accounts receivable. Much of the increase is attributable to a growing number of filers who agree they owe tax to the state, but are unable to pay when filing. The growing accounts receivable has the department exploring whether or not our collections practices and our methods of managing the accounts receivable balance follows “best practices” for revenue departments nationwide.

In addition to participating in workshops where we are able to learn from other state agencies across the country, the department has recently entered into a Memorandum of Understanding with the Institute for Modern Government to identify what may be best practices for accounts receivable management. The institute will gather information for the department on topics such as:

- Use of private collection firms.
- Settlement offers.
- Accounts receivable write off/cancellation policy.
- Time for first contact.
- Time for resolution of debt.
- Automated tools.

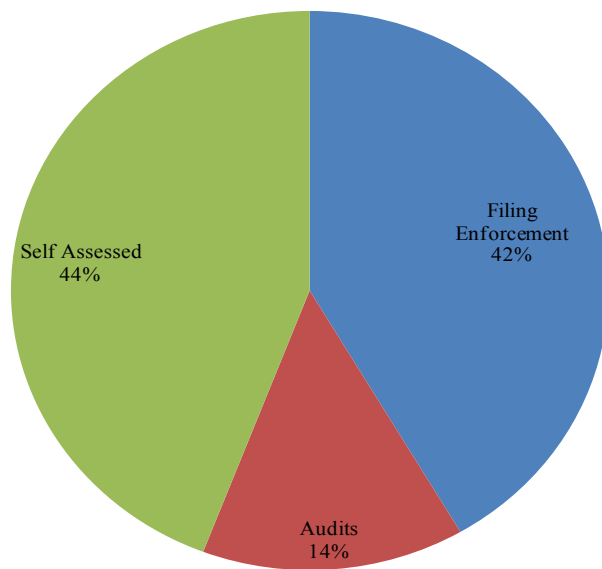


**Personal Income Tax Original Balance By Source  
Trailing 12-month Totals**

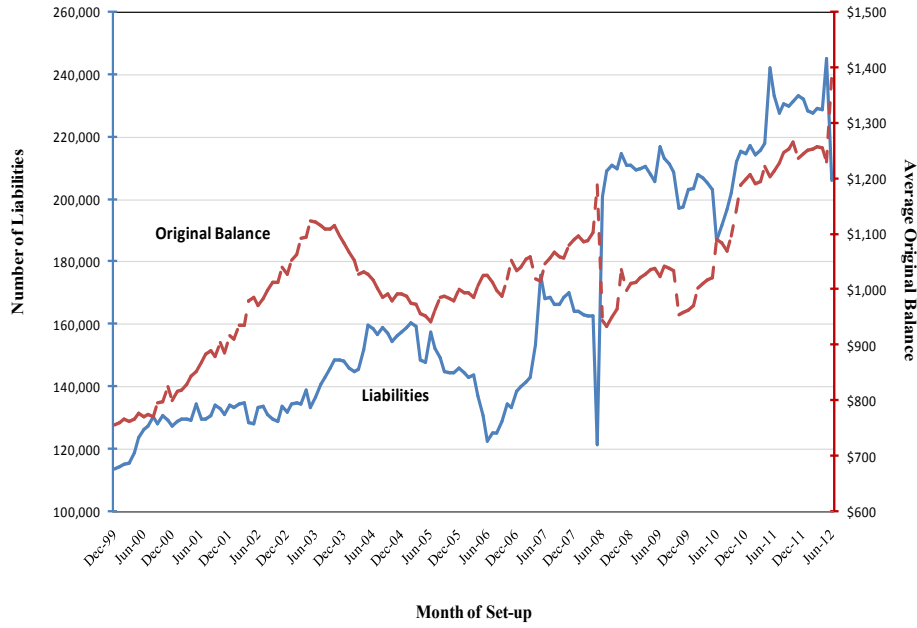


**Balance of Personal Income Tax Accounts Receivable  
By Type**

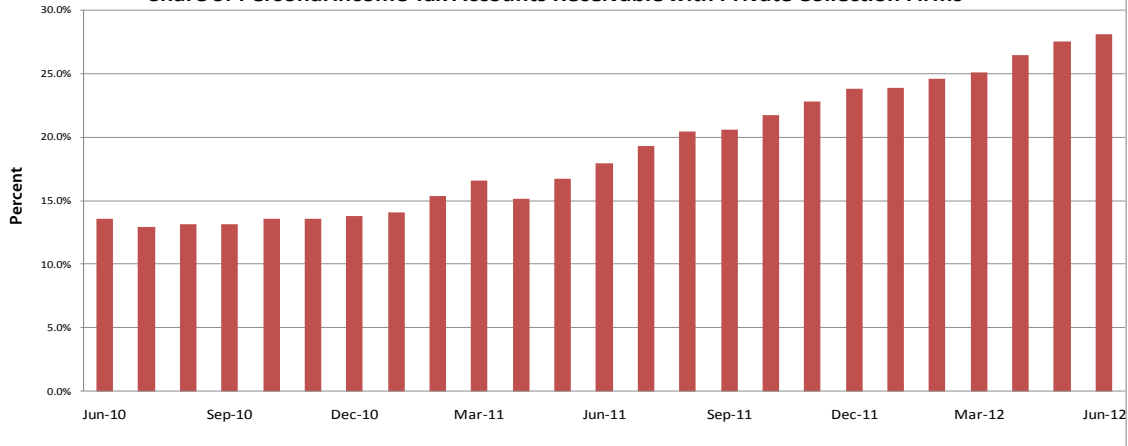
As of June 30, 2012



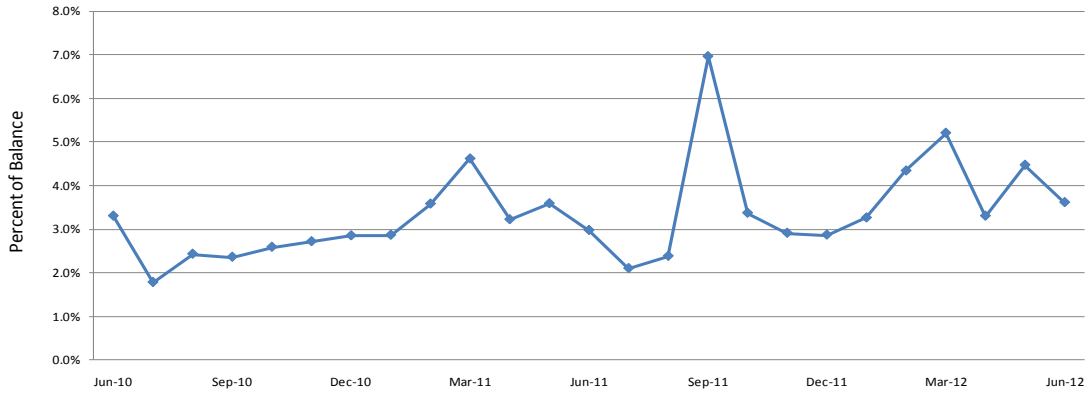
**Number of Personal Income Tax Liabilities Established and Average Original Balance Trailing 12-month Totals**



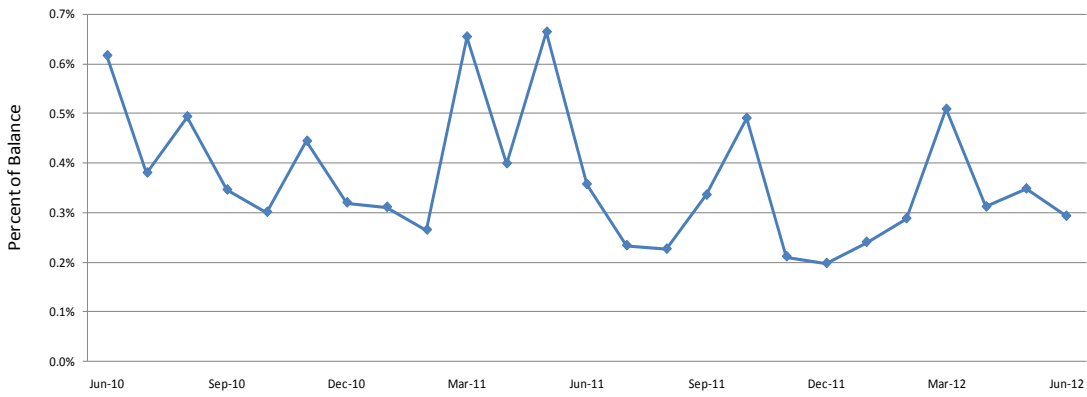
**Share of Personal Income Tax Accounts Receivable with Private Collection Firms**



**Collection Rate Of In House Active Accounts**



**Collection Rate of Private Collection Firms**





## **County funding**

The most significant challenge currently facing the statewide property tax system is the funding issue in counties that previously relied on federal timber payments.

While funding issues exist in many counties, the generally low permanent tax rates in these timber-dependent counties, combined with drastically reduced timber revenue and the elimination of federal support through the Secure Rural Schools and Community Self-Determination (SRS) Act, have impaired county budgets and seriously strained the capacity of many of these counties to maintain services across a host of functions, including assessment and taxation (A&T).

Without a more permanent funding solution, the continued viability of A&T programs in many of these counties is in jeopardy.

## Refund fraud

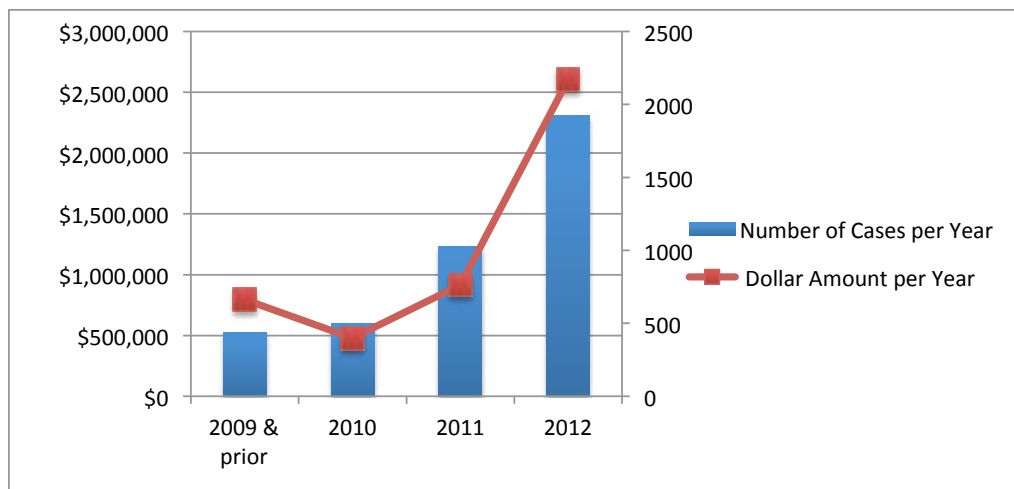
The department has seen an increase in the filing of fraudulent returns. This includes returns with counterfeit W-2s, counterfeit Schedule C returns (used to establish earned income for refundable credits), and identity theft.

### Fraud

- We are participating in a Tax Refund Investigative Solution pilot program.
- We are also participating in a pilot program with ARM Insight RefundShield.
- We are studying the feasibility of doing real-time withholding matching.

### Intercepted Tax Fraud Cases

Tax Year	Refund Claims Under \$1,000	Refund Claims \$1,000 to \$5000	Claims Greater Than \$5,000	Nothing Owed or Tax Due	Total Number of Cases	Total Dollar Amount
2009 & prior	142	284	12	2	440	\$794,714
2010	325	151	13	11	500	\$478,858
2011	684	323	4	14	1,025	\$916,316
2012	1,224	558	37	106	1,925	\$2,603,656
<b>Total</b>	<b>2,375</b>	<b>1,316</b>	<b>66</b>	<b>133</b>	<b>3,890</b>	<b>\$4,793,544</b>



## **Data driven decision making and performance measurement**

As part of our transformation into a model of 21st century revenue administration, we realize that we have to change the way we approach our work. We are working on technology and business process changes, but we also need to make changes to the department's internal culture related to how we make decisions. For many years, the department's decision-making model has relied heavily on individuals with strong program knowledge and good intuition. We know that best practices for decision making relies more on the ability to read and interpret data than on individuals. We're taking steps to move the department in that direction.

- Added research economist dedicated to internal operations.
- All programs are developing program-specific measures to monitor progress on five identified outcomes.
- Established a standardized program reporting format for agency leadership to track progress.
- Continuing to refine audit case selection process based on data.
- Using ACL software to merge disparate databases for queries and analysis.
- Matching federal income tax data to generate filing enforcement leads.

# Key performance measures

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## I. Executive summary

## II. Key measure analysis

1. Dollars collected per revenue agent per month (personal income tax).
2. Percent of property taxes collected.
3. Percent of assessors' maps digitized in a GIS format.
4. *Replaced with key performance measure 13: effective taxpayer assistance.*
5. Personal income tax nonfiler assessments issued per employee per month.
6. Personal income tax and corporation tax cases closed per revenue agent per month.
7. Delinquent returns filed after compliance contact per filing enforcement employee per month.
8. Average days to process personal income tax refund.
9. Percent of personal income tax returns filed electronically.
10. Employee work environment.
11. Employee training per year.
12. Customer service.
13. Effective taxpayer assistance.

## III. Using performance data

## **Executive summary**

### ***Scope of report***

The agency's key performance measures (KPMs) are intended to represent our major business outcomes in the income tax and property tax programs.

These measures address the agency's major functions that include collecting revenue, auditing returns, and assisting taxpayers.

### ***The Oregon context***

The Department of Revenue is a key strategic and operational partner in providing healthy tax systems and long-term revenue stability for the state of Oregon. Our mission of making revenue systems work to fund public services includes strong work values around operational excellence and fiscal responsibility. The experience and skills required to support our mission significantly contributes to the governor and the legislature providing the best possible future for all Oregonians.

Our performance is guided by the agency's vision that emphasizes the importance of tax administration and service, operational excellence, and a safe and positive work environment. We currently have 12 department performance measures that tell us how well we are doing in these areas. Our organizational strategic vision is designed to move and motivate the department for many years. To continue making this vision a reality, we are committed to innovating, streamlining, and using the most appropriate tools and technology available to us.

The agency continually collects, analyzes, and communicates information from and to stakeholders to build healthy relationships, better understand stakeholder needs, and drive continuous improvement in our operations.

### ***Performance summary***

The department has identified 12 key measures of performance linked to its mission and vision. Significant successes during the past year include: a significant increase in the number of personal income tax non-filer assessments issued per employee per month. Success in this arena is due to changes implemented to increase leads due to data matching with the IRS and continuing to focus on enforcement to increase voluntary compliance. We continue to see growth in the number of personal income tax returns filed electronically. More and more taxpayers are filing electronic returns, improving speed and efficiency of processing and reducing costs (KPM #9). And, the number of days to process a return continues to trend downward and exceed the targets (KPM #8).

The department also had some challenges in meeting some performance measures, including: the dollars collected per revenue agent per month (KPM #1) and the corresponding measure personal income tax and corporation tax cases closed per revenue agent per month (KPM #6). In both of these measures, the targets were not met. Upon closer review it is clear that these two measures are a subset of the total number of revenue agents and don't represent the work of all the staff in these areas. The percent of assessors maps digitized in GIS format (KPM #3), has made some progress, but has struggled to meet goals. The number of delinquent returns filed after compliance contact per filing enforcement employees per month (KPM #7) still is under target, but did make some gains in FY 2012. New strategies around training and contacting

taxpayers sooner are in place, but have not been in place long enough to produce desired results. Due to budget constraints, the ability to provide employees with 20 hours of training per year has suffered. We believe FY 2013 will bear out different results as we have put a high emphasis on getting employees training opportunities.

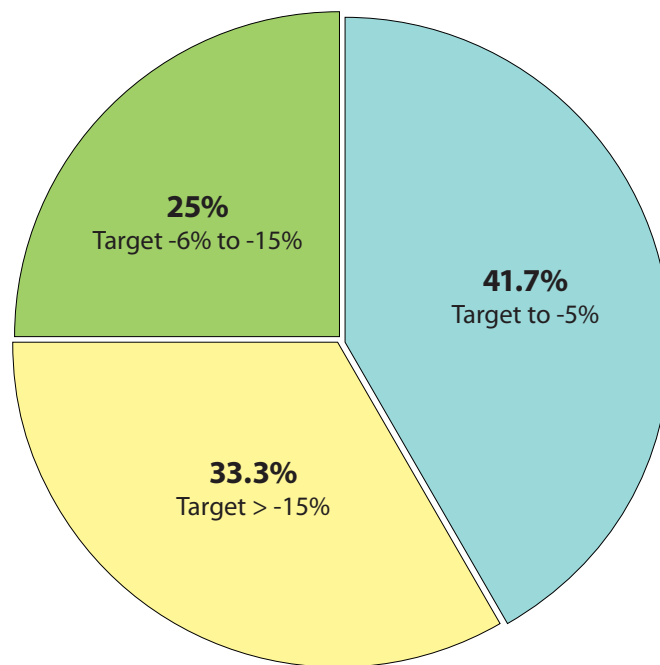
### Challenges

As we look to the future, slow economic growth and tight budget resources will continue for some time. We will be challenged to find new ways and innovative ways of delivering services, collecting tax revenues, providing employees with the tools and resources they need, and without making some investment in our core IT systems. In addition, as the agency has reviewed its KPMs and strategic plan, we have found that some of the measures we currently have are not the best measures to track our performance over time. As we have had significant turnover in agency leadership in the last 18 months, there is a recognition that some measures need to be re-tooled to provide better data and management resources to the organization. The agency believes that KPM #1, KPM #5, KPM #6, KPM #7, and KPM #10 need to be reworked.

### Resources and efficiency

The agency’s legislatively approved budget for the 2011–13 biennium is \$181,373,337, which represents a slight decrease from the previous biennium. The department made progress on its key measures, including its efficiency measures, over the last year.

### Performance summary



**Exception:** Cannot calculate status (zero entered for either actual or target).

## Key performance measure 1: Dollars collected per revenue agent per month (personal income tax)

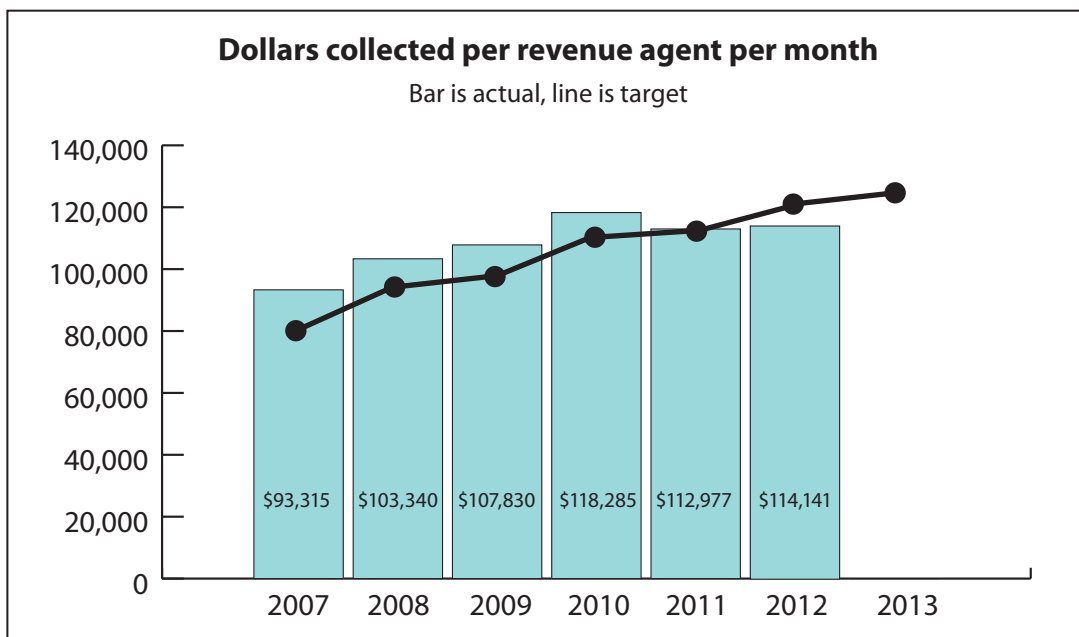
**Measure since:** 2000

**Goal:** Tax administration—Provide excellent service, helping taxpayers meet their commitments with education, assistance, and compliance.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Agent production reports ACTF007, PTAC performance measures, cost allocation system (CAS); based on productivity per position.

**Owner:** Joann Martin, Personal Tax and Compliance division administrator



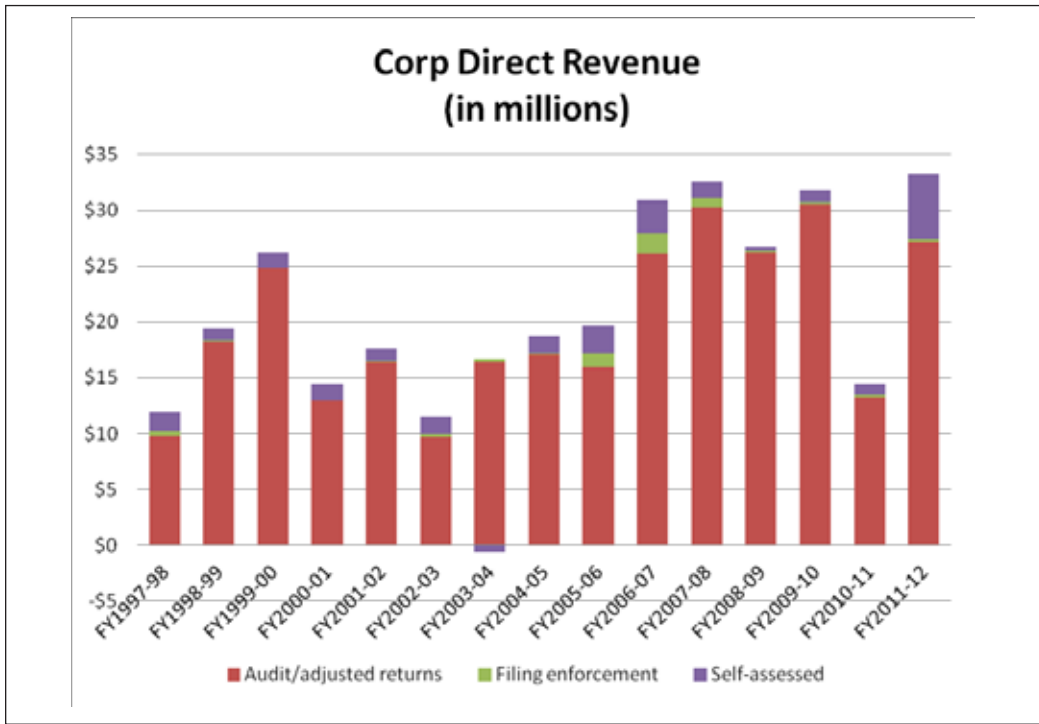
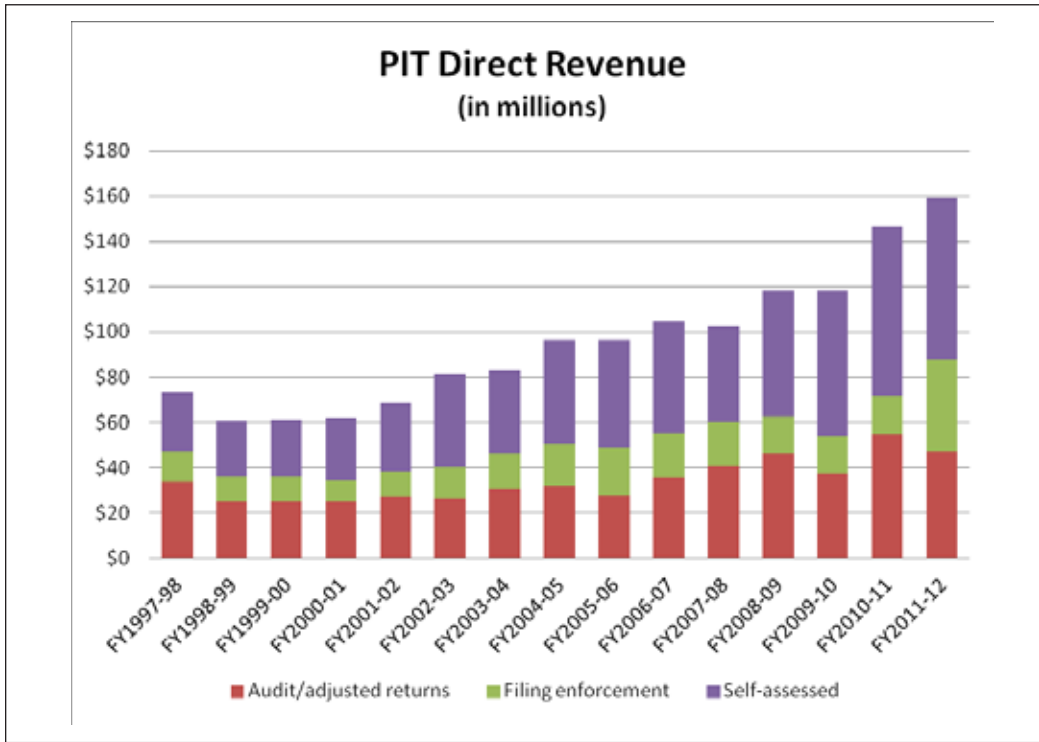
1. **Our strategy:** Our strategy is to maintain a workforce of skilled employees who are provided with essential collection tools and technology. We evaluate the effectiveness of collection staff in collecting delinquent tax debt, analyze the type and age of delinquent debt, and evaluate the use of additional collection tools.
2. **About the targets:** The target measures the productivity of collection staff, based on the dollars collected per position. The higher the level achieved, the greater the productivity.
3. **How we are doing:** Actuals for 2011 of \$112,977, exceeding the target (\$111,700). Actuals for 2012 were \$114,141 and our target was \$121,000.
4. **How we compare:** It is difficult to compare Oregon’s performance with other states, given the widely diverse tax structures of different states. The department is currently working with a group of states to develop a way to compare results from state to state and develop and share best practice information state to state.
5. **Factors affecting results:** Conceptually, this measure is personal income tax revenue attributed to the collections efforts of a specified group of revenue agents divided by the number of agents in this group. The mechanics of this measure are simple, but the data for this measure is not as straightforward as the measure suggests. Our ability to break down data collection activity attributable to each agent and the fact that this measure only focuses on a subset of revenue agent activity highlights shortcomings in the reliability of this measure of performance. Although a

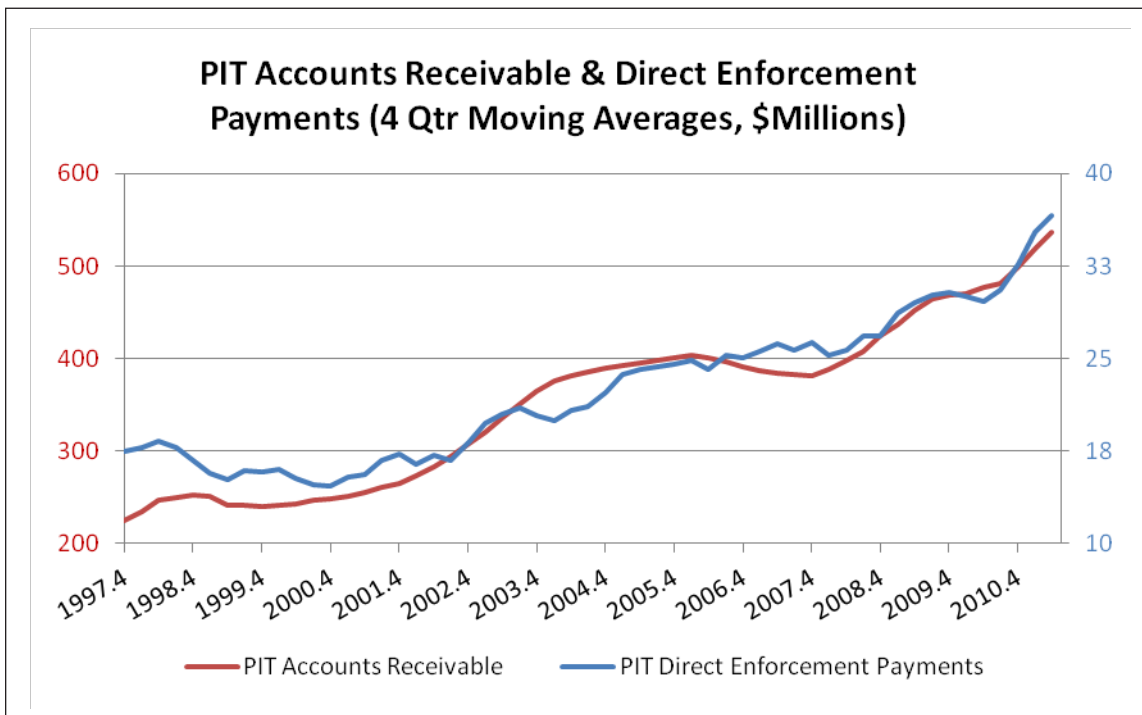
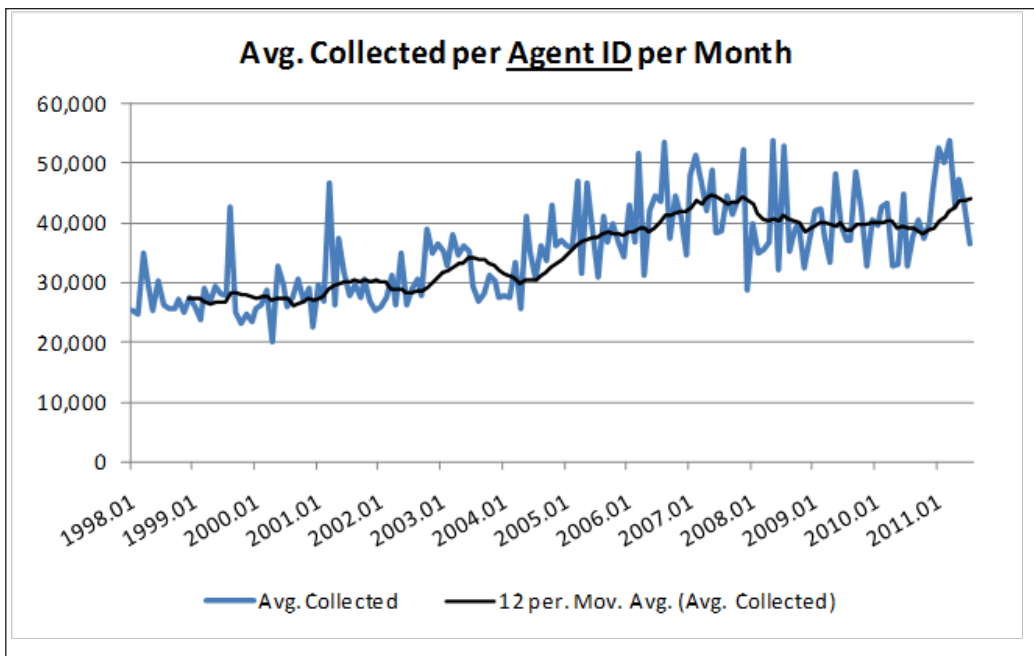
slowing economy has been identified in previous reporting, collection measurements continue to show that the department is a strong resource for resolving state debt fairly, efficiently, and effectively. The most recent increase in collections may in part be attributed to the implementation of a new sustainable work model that allows incoming calls to be handled by agents specialized in customer service to resolve accounts on the phone. Other agents are now focused primarily on work queues and resolving accounts through outbound calls, issuing letters, warrants, and garnishments to meet a 90-day resolution goal. This and other management practices to prioritize work queues have resulted in an overall increase in productivity. We are one year into these changes and have not fully realized the increases expected in productivity.

6. **What needs to be done:** With ongoing turnover of staff due to promotion and retirement, recruiting and training new staff is a constant challenge. We need to continue to evaluate how to streamline our technical training.
7. **About the data:** The reporting cycle is Oregon's fiscal year. The department's internal auditor reviewed the measure and reported that the calculations appear to be accurate, documented, and repeatable.



**Selected charts and graphs**





## Key performance measure 2

### Percent of property taxes collected

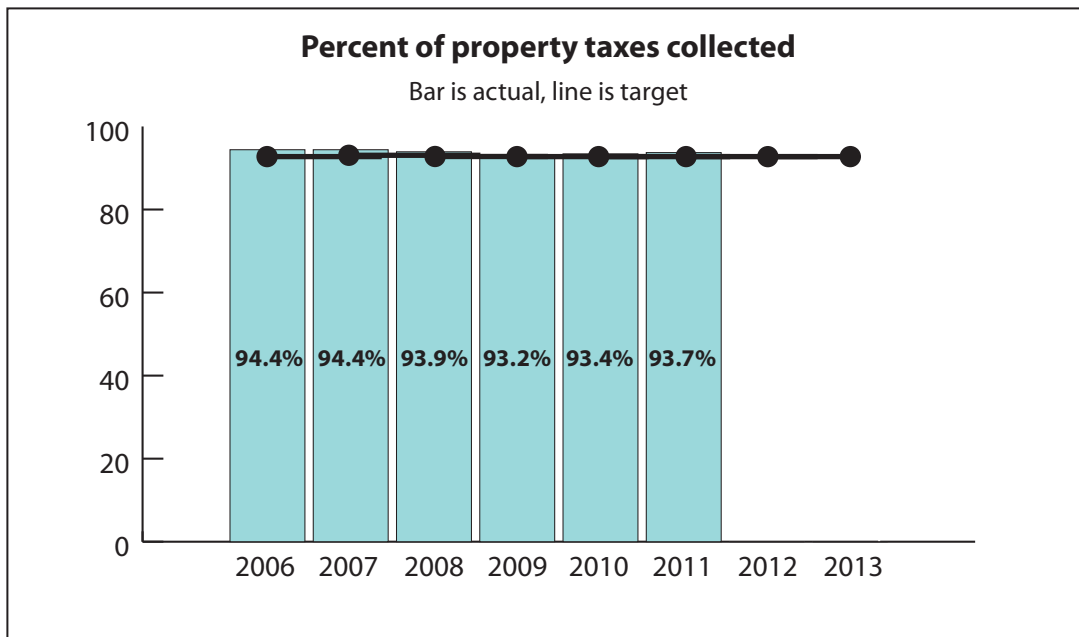
**Measure since:** 2000

**Goal:** Tax administration—Partner with local governments to promote a healthy and consistent property tax system.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Oregon property tax statistics (various years), property tax certified, property tax collection, and total uncollected report.

**Owner:** Mark Kinslow, Property Tax Division administrator



1. **Our strategy:** Our strategy is to provide training of county collection staff, and develop and maintain support materials to help counties collect identified property taxes.
2. **About the targets:** The target measures the degree to which counties are able to timely collect identified property taxes. The higher the percentage of taxes collected, the better, as most units of local government rely heavily on property taxes to fund local services.
3. **How we are doing:** The 2011 target was 93.8 percent. Actual measured performance was slightly below the target at 93.7 percent, which does not represent a statistically significant change from the previous reporting year.
4. **How we compare:** Comparable data is not available.
5. **Factors affecting results:** Data reveals the counties are collecting a high percentage of the total property taxes that are due and are managing their accounts receivable well. Additional research has shown that, by the end of the third year following the initial billing, the counties have received about 99.7 percent of the taxes due for that year. The statistics show a high degree of effectiveness in maintaining timely collection activities for the property tax year.
6. **What needs to be done:** Continue partnerships with county collections offices.
7. **About the data:** The reporting cycle is the Oregon fiscal year. The data is self-reported by each of the 36 counties and uses the same methodology as is used for the *Health of the Property Tax System* publication.

## Key performance measure 3

### Percent of assessors' maps digitized in a GIS format

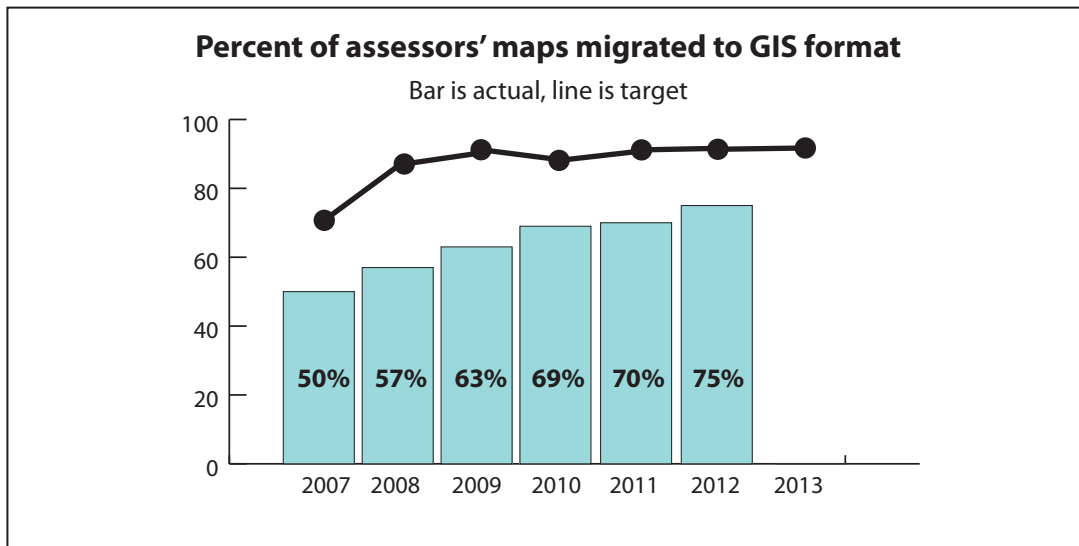
**Measure since:** 2004

**Goal:** Operational excellence—Adopt best business practices, taking advantage of technology to improve our system and processes.

**Oregon context:** This goal links directly to the department's mission.

**Data source:** Oregon Map Project (ORMAP).

**Owner:** Mark Kinslow, Property Tax Division administrator



1. **Our strategy:** Our strategy is to partner with counties to migrate digitized property tax maps into GIS format, providing employees and business partners with easy access to accurate property tax map information.
2. **About the targets:** The ORMAMP advisory committee (as provided under ORS 306.135) has established a target of 70 percent for the 2011 reporting year. This target is being met. The agency will be coming forward in the next update cycle to formally request that KPM targets for this measure are changed to be consistent with those of the state-wide advisory committee. The long-term target is to have a totally digital statewide property tax map by the year 2016. This will require transforming all the county assessor maps into a GIS format by that date. The higher the percentage, the better the performance.
3. **How we are doing:** As of June 2012, we have completed 75 percent of the tax maps and 83 percent of the tax lots. We are meeting the ORMAMP advisory committee targets.
4. **How we compare:** This measure is difficult to evaluate across jurisdictions because of differing technology and terminology. Jurisdictions in many states are in the process of converting their tax lot base data to GIS-enabled format. Few, however, are doing it from the statewide level.
5. **Factors affecting results:** Funding challenges and a scarcity of skilled staff at both the state and local level present ongoing challenges, but advisory committee targets are being met.
6. **What needs to be done:** The department needs to continue to partner with counties to manage and fund remapping efforts aimed at improving access to assessor map information.
7. **About the data:** The reporting cycle is Oregon's fiscal year. The department internal auditor reviewed this measure for fiscal years 2006 and 2007. The results of that audit were adopted into how this measure is currently being managed and reported.

## Key performance measure 5

### Personal income tax nonfiler assessments issued per employee per month

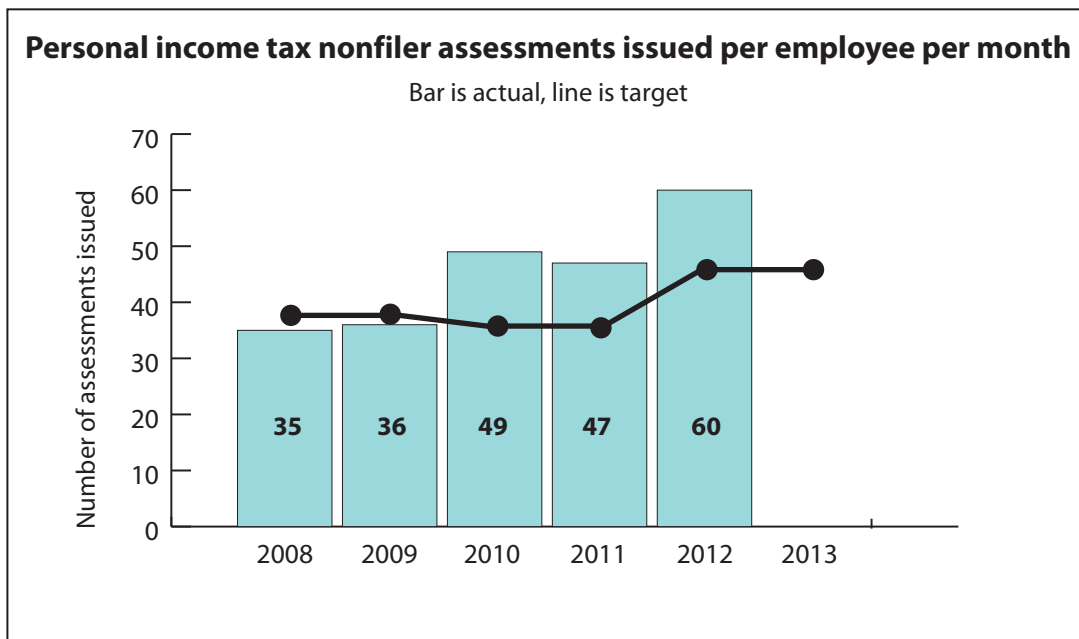
Measure since: 2000

**Goal:** Tax administration—Provide excellent service, helping taxpayers meet their commitments with education, assistance, and compliance.

**Oregon context:** This goal links to the department's mission.

**Data source:** Cost allocation system (CAS) and filing enforcement monthly reports, based on productivity per position.

**Owner:** Joann Martin, Personal Tax and Compliance Division administrator



1. **Our strategy:** Our strategy is to develop filing enforcement tools, techniques, and data sources that will improve the accuracy of our information and help the department assist taxpayers in filing.
2. **About the targets:** The department is continuing to emphasize voluntary filing of tax returns by taxpayers (KPM #7). As that effort increases, we should not be sending as many assessments of tax due to taxpayers. As a result, we are projecting the number of assessments per employee should peak, and then decline over time.
3. **How we are doing:** We exceeded the 2012 target. We changed our filing enforcement strategy and processes in late 2010. These process changes allow staff to work cases more efficiently, resulting in more assessments being done. This may seem contradictory. Improved enforcement is an integral part of our larger strategy of voluntary compliance. This is similar to increasing police patrols as school begins, as an integral strategy of achieving declining accident rates in school zones.
4. **How we compare:** Comparable data is not available. We exceeded the target.
5. **Factors affecting results:** We are continuing to refine the tools and skills needed to encourage and assist taxpayers to file their returns voluntarily. During 2012 fiscal year, we implemented process changes that allowed filing enforcement staff to be more efficient. We also utilized data analytics to find filing enforcement leads from the data received from the IRS.
6. **What needs to be done:** The department has defined strategies to increase voluntary compliance. We believe the strategies we have currently adopted will not allow us to meet a decreasing target for

this KPM in the future. When this KPM was developed, the strategy was geared towards obtaining voluntarily filed delinquent returns rather than issuing assessments. With the current economic conditions in Oregon, we believe that we will be unable to meet the target of decreasing assessments per employee per month until we are able to redefine strategies that offer more education and assistance to nonfilers rather than an approach that emphasizes increased production levels. By focusing on production levels rather than assistance and education in filing enforcement, it will increase the number of assessments per employee per month. We will redefine filing enforcement strategies once Oregon's economy recovers. It will take some time for the strategic changes the department is making to produce the desired outcomes. We need to continue what we are doing, while refining and constantly improving our practices, based on data.

7. **About the data:** The reporting cycle is Oregon fiscal year.

## Key performance measure 6

### Personal income tax and corporation tax cases closed per revenue agent per month

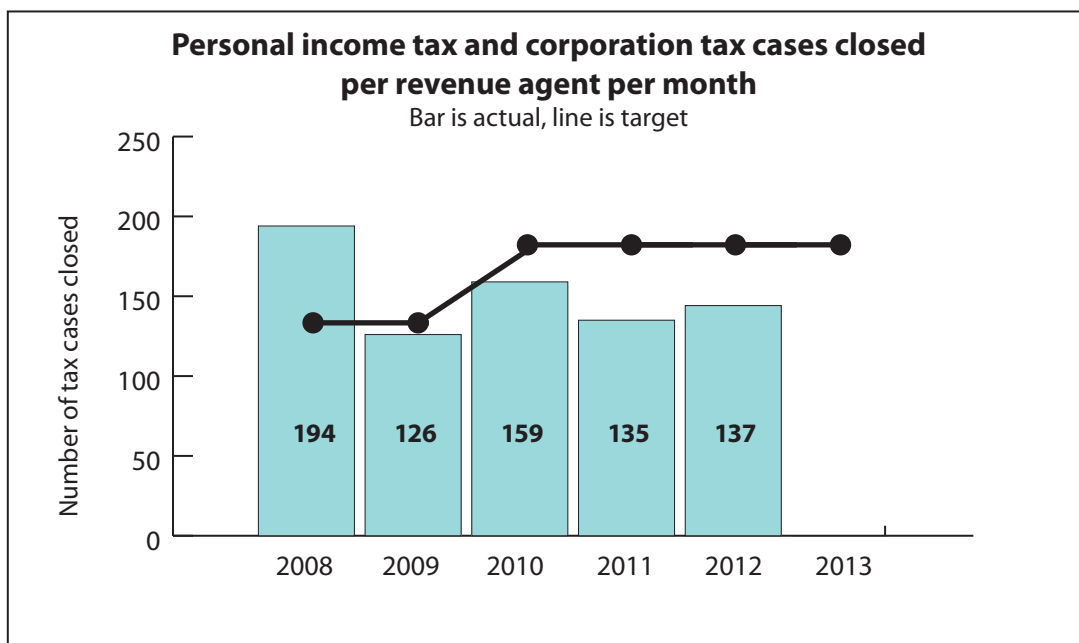
**Measure since:** 2000

**Goal:** Tax administration—Provide excellent service, helping taxpayers meet their commitments with education, assistance, and compliance.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Data from agent production reports ACTF007 and FTE from cost allocation system (CAS), based on productivity per position.

**Owner:** Joann Martin, Personal Tax and Compliance Division administrator



1. **Our strategy:** Our strategy is to provide collection staff with tools and training to resolve collection cases quickly. The measure evaluates the effectiveness of staff in working with taxpayers to close cases.
2. **About the targets:** The target reflects steady growth in cases closed per revenue agent. A higher number is better.
3. **How we are doing:** For 2011, the number of cases closed per agent was 135 (80 percent of target). For 2012, the number of cases closed is 137 (81% of target).
4. **How we compare:** Comparable data is not available.
5. **Factors affecting results:** The department made changes to the staffing model to more effectively balance incoming calls from taxpayers and using a more effective call-queue management process. This change was implemented in January 2012 and our results have shown a slight increase in cases closed per month. Our ability to breakdown data of collection activity attributable to each agent and the fact that this measure only focuses on a subset of revenue activity highlights shortcomings in the reliability of this measure of performance.
6. **What needs to be done:** We need to continue to evaluate the effectiveness of process changes implemented in 2012 which should lead to a continued growth of cases closed per revenue agent.
7. **About the data:** The reporting cycle is the Oregon fiscal year.

## Key performance measure 7

### Delinquent returns filed after compliance contact per filing enforcement employee per month

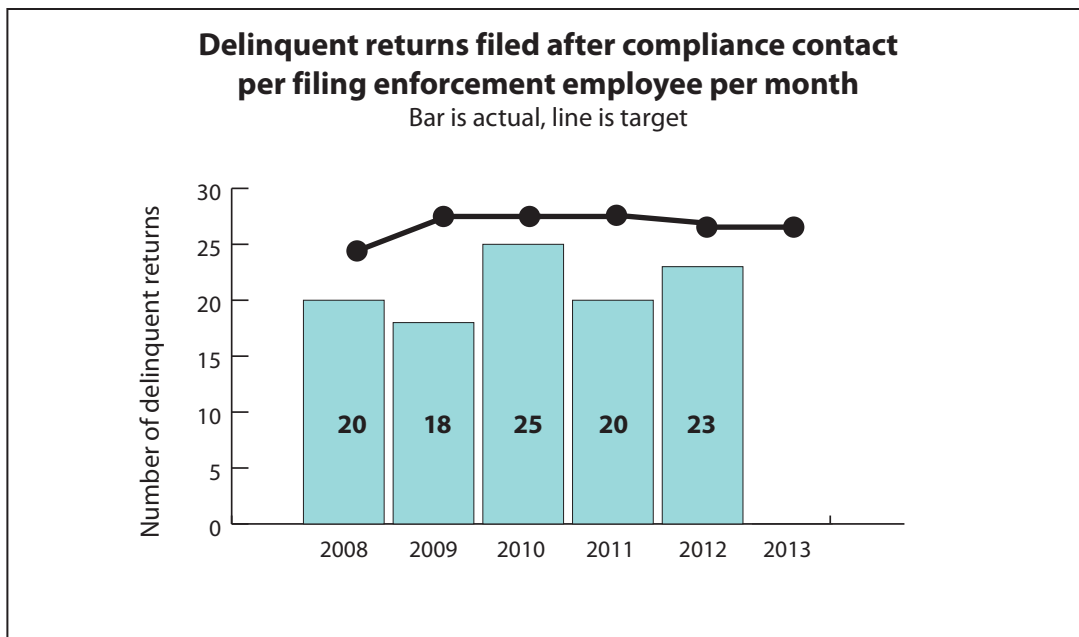
**Measure since:** 2001

**Goal:** Tax administration—Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.

**Oregon context:** This goal links to the department’s mission.

**Data source:** Cost allocation system (CAS) and filing enforcement monthly reports, based on productivity per position.

**Owner:** Joann Martin, Personal Tax and Compliance Division administrator



1. **Our strategy:** Our strategy is to identify non-filing taxpayers and encourage them to file their own returns. If taxpayers voluntarily comply by filing their own returns, we believe there is a higher likelihood of their future tax compliance.
2. **About the targets:** The department is emphasizing voluntary filing of tax returns by taxpayers as a key long-term strategic objective. As that effort increases to produce positive results, we will probably produce fewer assessments of tax due (as measured in KPM #5). We will continue, through various means, to encourage taxpayers to file after compliance contact with the department. Higher is better.
3. **How we are doing:** We came close to meeting our target and we increased the number of filed returns per employee per month over the previous fiscal year. This strategy has not been in place long enough to produce the desired outcomes. We will continue to monitor, analyze, and refine our activities in this area.
4. **How we compare:** Comparable data is not available.
5. **Factors affecting results:** The department has provided training for employees, emphasizing the need to contact taxpayers quickly and work toward voluntary compliance. During 2012 fiscal year, we implemented process changes that allowed filing enforcement staff to be more efficient. We also utilized data analytics to find filing enforcement leads from the data received from the IRS.



6. **What needs to be done:** The department has defined strategies to increase voluntary compliance. We believe the strategies we have adopted will help us meet the target in the future. By increasing production levels in filing enforcement, we believe we will locate, and bring into compliance, nonfilers previously undetected by the department. Increasing production will increase the number of filed returns per employee per month. The department has recently introduced new strategies, which will require some time to have the desired impact. We will continue to monitor, analyze, and make necessary adjustments and improvements.
7. **About the data:** The reporting cycle is the Oregon fiscal year.

## Key performance measure 8

### Average days to process personal income tax refund

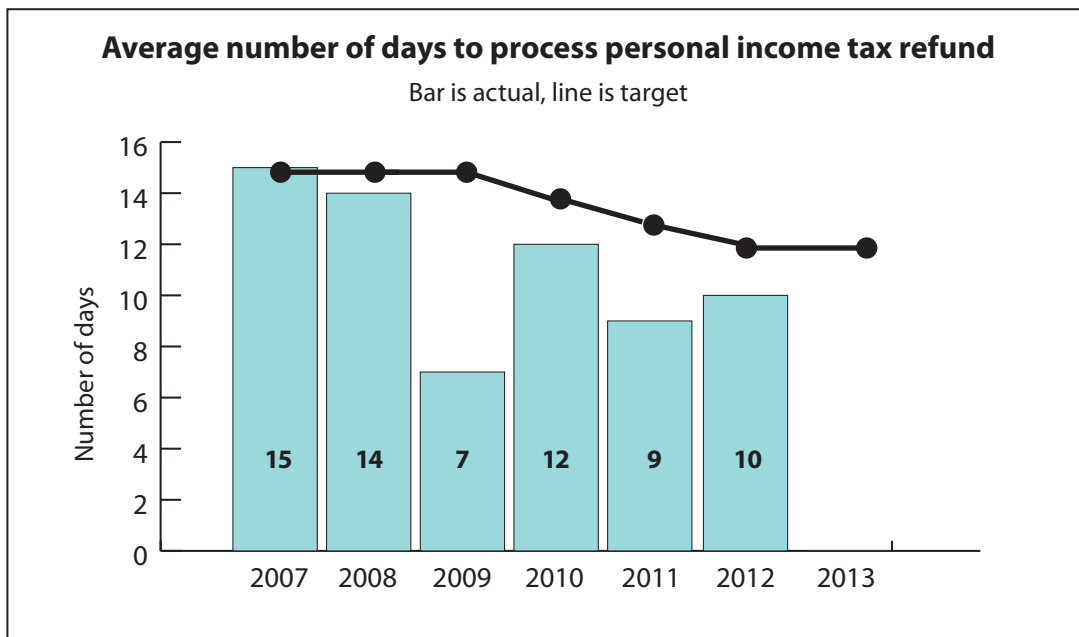
**Measure since:** 1999

**Goal:** We adopt best business practices to make tax systems work better. And take full advantage of opportunities presented by new technology.

**Oregon context:** This goal links directly to the department's mission.

**Data source:** Personal income tax return processing system.

**Owner:** Larry Warren, Administrative Services Division administrator



1. **Our strategy:** Our strategy is to generate personal income tax refunds in a timely manner, through the efficient use of people, processes, and systems.
2. **About the targets:** The targets are based on generating refunds within a 12-day period in the future. This target is aggressive and demands careful planning. Lower is better for this measure.
3. **How we are doing:** In 2012, the target was 12 days; actual performance for 2012 was 10 days.
4. **How we compare:** Oregon's targets and usual performance are comparable with other states.
5. **Factors affecting results:** Taxpayers utilization of electronic filed returns. Processing delays by the IRS and/or the timeliness of Congress enacting legislation has an effect on our ability to processing timely.
6. **What needs to be done:** Continued process improvement and education on the benefits of filing electronically.
7. **About the data:** The reporting cycle is calendar year, in which returns for the preceding tax year are processed (example: 2011 returns processed in 2012). Note: The data does not include amended returns.

## Key performance measure 9

### Percent of personal income tax returns filed electronically

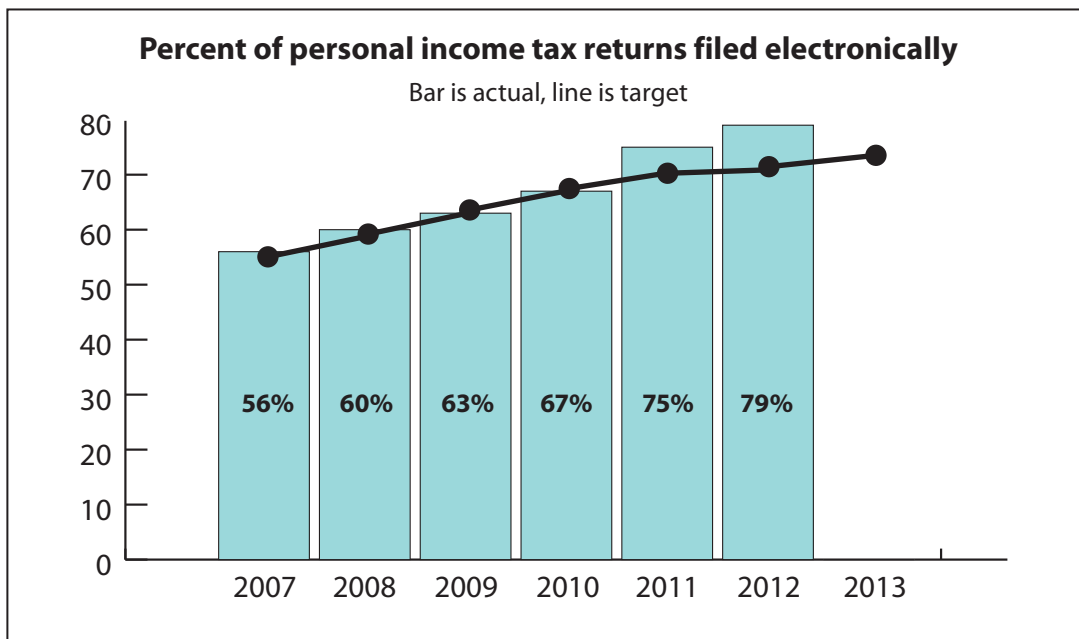
**Measure since:** 2002

**Goal:** Operational excellence—Adopt best business practices, taking advantage of technology to improve our system and processes.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Personal income tax return processing system statistics for electronically filed returns.

**Owner:** Joann Martin, Personal Tax and Compliance administrator



1. **Our strategy:** Our strategy is to improve customer service and efficiency by increasing the percent of personal income tax returns filing electronically. Electronically filed returns are faster and less expensive to process.
2. **About the targets:** The targets were recently revised upward to reflect the strong growth in e-filing at the state and federal level. Higher is better.
3. **How we are doing:** Data for this measure is reported by calendar year. We have seen a significant increase in e-filing for this reporting period (78.6 percent) bettering both the previous year, and the legislatively approved target (71 percent).
4. **How we compare:** Oregon’s rate of electronic filing is comparable with other states. The average percentage of electronically filed returns during 2012 in states without an e-file mandate is 75 percent. In states with an e-file mandate, the average percentage is 79 percent.
5. **Factors affecting results:** Since Oregon’s electronic filing is tied with the federal return, we benefit as more taxpayers choose to file their federal tax returns electronically. In 2011, the Oregon legislature passed HB 2071 authorizing the department to tie to the federal e-file mandate. The mandate requires tax practitioners that expect to prepare ten or more returns to file all of their returns electronically. The department also implemented a direct filing website in 2011. This allows taxpayers to e-file their Oregon return at no cost.
6. **What needs to be done:** The department needs to continue emphasizing and marketing the benefits of electronic filing.

7. **About the data:** The reporting cycle is the Oregon calendar year. Data for this measure is taken from the ITX run report from Suspense and includes suspended returns. Data is limited to personal income tax (PIT) returns. The department internal auditor has previously reviewed the measure and reported that the calculations appear to be accurate, documented, and repeatable.

# Key performance measure 10

## Employee work environment

(based upon a scale of 1–6)

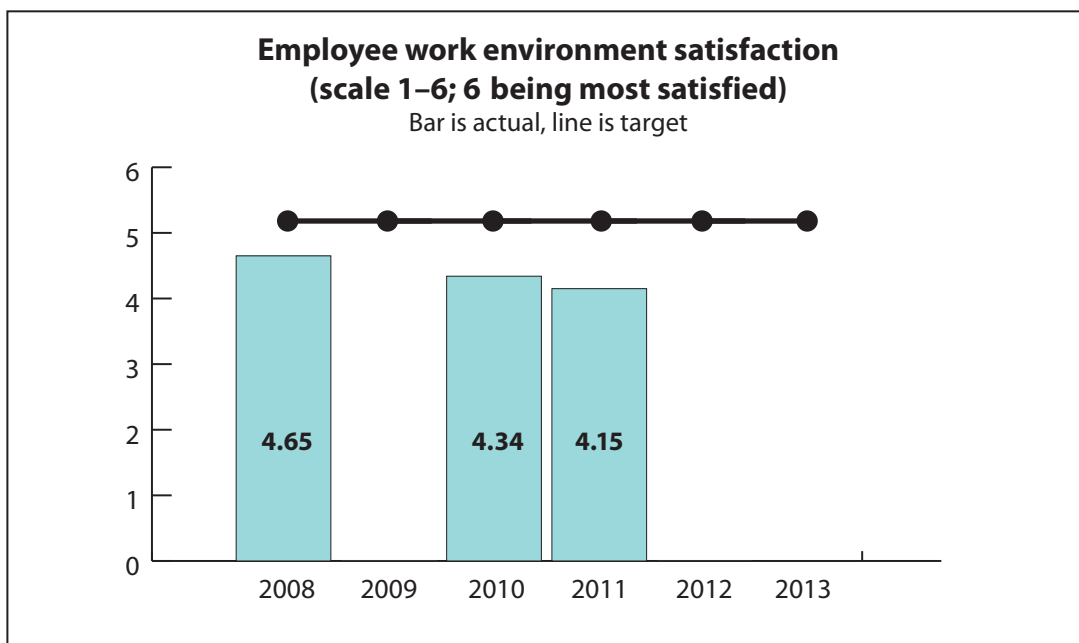
**Measure since:** 2002

**Goal:** Work environment—Provide a positive, productive, and welcoming work environment.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Employee survey conducted by the agency’s Workforce Environment Council. All employees have access to an electronically-generated survey via posting on the agency’s webpage. Survey results were collected electronically, analyzed, and reported by the department’s metrics manager.

**Owner:** Kimberly Dettwyler, Human Resources section manager



1. **Our strategy:** Our strategy is to provide employees with the physical environment, support, and resources needed to do their jobs well.
2. **About the targets:** Employees rate their work environment on a scale of 1–6, with 1 = very dissatisfied to 6 = very satisfied. The target is an average of all quantitative elements of the survey of 5.25, reflecting a rating above satisfied. Higher rating is better.
3. **How we are doing:** The agency did not deploy the survey to staff in FY 2012 for two reasons. The employee who held the survey software license and did the analysis was laid off mid-year 2012. In addition, in late spring 2012, the agency’s leadership team started discussing a different measurement tool for employee work environment/engagement. The agency did not conduct the employee work environment survey in FY 2012 and is planning for a new survey tool in FY 2013.
4. **How we compare:** Comparable data is not available.
5. **Factors affecting results:** As previously indicated, no survey was conducted in 2012 to compare with previous year results. In addition, due to a significant hiring freeze between July 2011 and June 2012, many employees verbalized concerns about vacant positions effecting workload and morale. In addition, austere budget measures were in place and little training and new tool deployment (such as computer lifecycle replacements) were implemented. Since July 2012, we have held over 60 recruitments and hired over 110 positions.

6. **What needs to be done:** The department is recommending that this KPM be eliminated and a new one developed to replace it that is comparable and sustainable. The department recommends that a KPM titled “employee engagement” be used to replace this KPM. The first survey will be completed in March 2013 to create the baseline and the agency plans to survey staff every six months to determine progress.
7. **About the data:** The reporting cycle is Oregon fiscal year. Data in previous years was collected through an agency-wide electronic survey. All employees had the opportunity respond anonymously. The survey was distributed and results tabulated by the Strategic Planning Division survey specialist who is no longer with the organization. In addition to layoff in 2012, the position is recommended for elimination in the 2013–15 Governor’s Balanced Budget.

## Key performance measure 11

### Employee training per year

(percent receiving 20 hours per year)

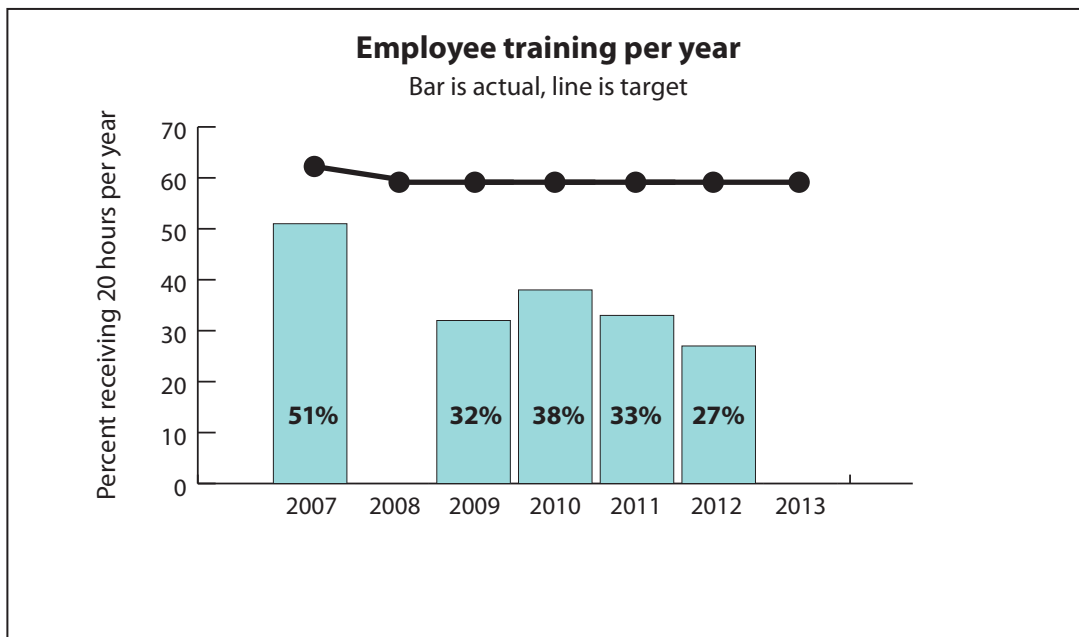
**Measure since:** 2000

**Goal:** Work environment—Provide positive, productive, and welcoming work environment.

**Oregon context:** This goal links to the department’s mission.

**Data source:** Agency cost allocation system (CAS) for the period before 2011. iLearn Oregon for 2012 and ongoing.

**Owner:** Kimberly Dettwyler, Human Resources manager



1. **Our strategy:** To identify key staff and management skills, knowledge, and abilities and use a variety of formal and informal training and development activities to meet those needs within the available resources.
2. **About the targets:** Measures percentage of Revenue employees who received at least 20 hours of skills training in the past year. Our target is based on the percentage of employees who receive that training. Higher is better.
3. **How we are doing:** The department averaged 29.2 hours of training per employee for this fiscal year. Because of specific training needs and limited resources, the department focused on providing critical job skills training for a limited number of employees. Additionally, under-reporting of training on timesheets has been, and continues to be, a perennial issue. The department has migrated to reporting and tracking of training in iLearn Oregon and we are seeing a more accurate reporting of training from iLearn’s records than we were seeing using timesheet data.
4. **How we compare:** It would be useful for DAS to provide agencies with a system-wide mean for hours of training per employee, for use as a benchmark.
5. **Factors affecting results:** Ongoing budget challenges and critical job skills training needs have made it difficult to provide the 20 hours minimum for each of our employees.

6. **What needs to be done:** The department needs to place a high priority on training and development, and continue to seek creative, low-cost ways to deliver the training. Additionally, we are providing more development opportunities to our employees through participation in specific projects, process improvement teams, Leadership Revenue, and work out-of-class assignments.
7. **About the data:** The reporting cycle is Oregon fiscal year. Data comes from iLearn Oregon. Comparison of the reported hours on both timesheet records and iLearn Oregon records has shown that the iLearn system provides a truer representation of the training attended by employees. Managers are responsible for insuring the accuracy of reporting training with limited review for accuracy by Payroll or Human Resources.



## Key performance measure 12

### Customer service

(percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information)

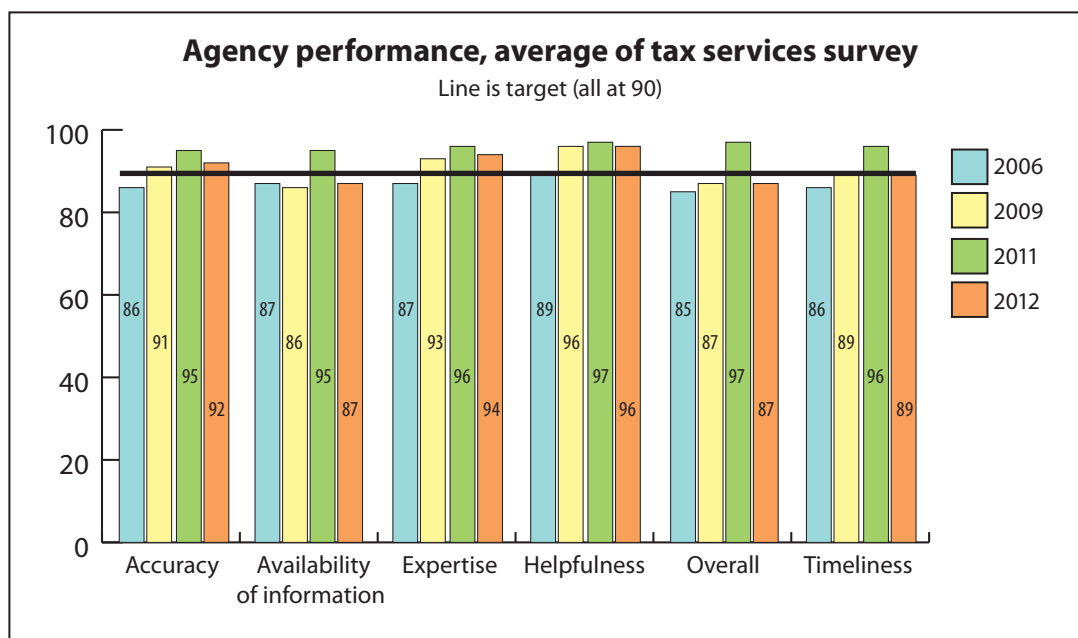
**Measure since:** 2006

**Goal:** Tax administration—Provide excellent service to taxpayers in a timely manner.

**Oregon context:** This goal links to department's mission.

**Data source:** Written surveys of walk-in customers at our field offices or main building; telephone surveys of randomly selected taxpayer calls.

**Owner:** Joann Martin, Personal Tax and Compliance Division administrator



- Our strategy:** Our strategy is to provide the best possible customer service to taxpayers who visit our field offices or call our Tax Services Unit for assistance, as measured by surveys of our customers.
- About the targets:** We have set the targets for all components at 90 percent. Higher percentage is better.
- How we are doing:** Since the 2009 APPR, Oregon has seen significant declines in our economy, and we continue to see macro-level economic forecasts suggesting our economy will remain flat or perhaps even decline, at least for a time. In spite of this, customer service ratings have remained relatively positive, remaining within a 5 percent variation from the previous report. Because we are who we are, this speaks highly for the department's ability to maintain positive service levels through chaotic and trying times.
- How we compare:** It would be helpful if DAS could provide an overall mean from all state agencies for each of the customer service elements which we could use as a benchmark in comparing our results.
- Factors affecting results:** To maintain customer service levels through all of the changes and challenges the state and the department has faced over the past few years should be considered a compliment to the commitment and professionalism of our employees who serve the people of the

state of Oregon. The department had 8 fewer representatives to handle calls due to the hiring freeze. The freeze was lifted in July 2012.

6. **What needs to be done:** The department will continue to emphasize the importance of customer service in all areas, including timeliness, accuracy, helpfulness, expertise, and availability of information, through increasing availability of self-help options and direct customer service.
7. **About the data:** The data for this report was collected in December 2012, using a representative sample of taxpayers who had just completed some type of transaction with the department. Results were entered into Survey Monkey and tabulated electronically. The error rate is presumed to within 5 percent.

## Key performance measure 13

### Effective taxpayer assistance

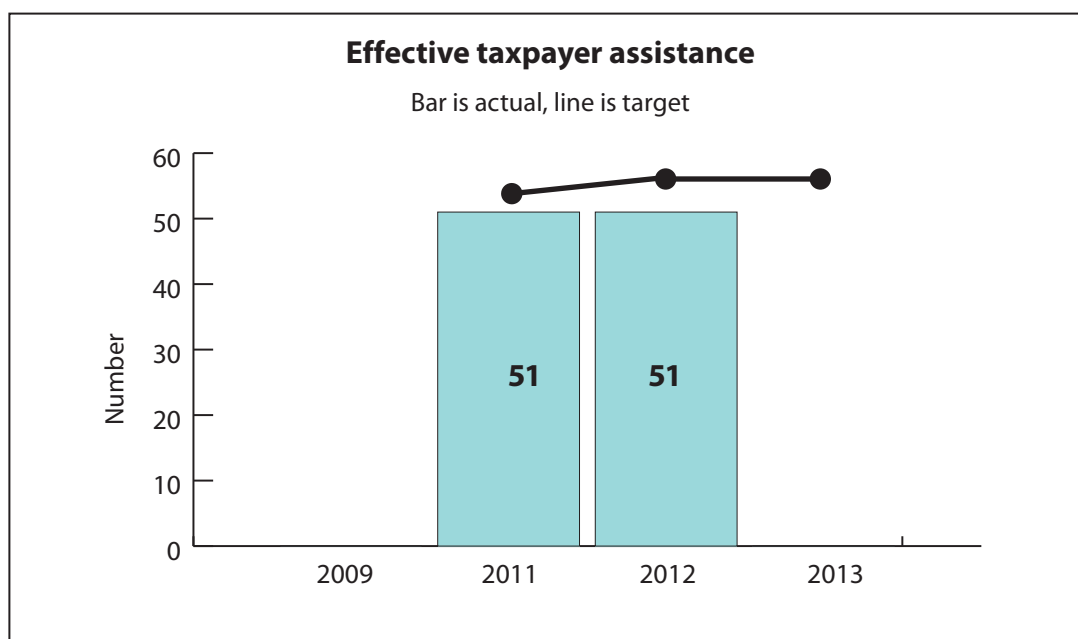
(We provide effective taxpayer assistance services through a combination of direct assistance and self-service options)

**Goal:** Effective taxpayer assistance—Provide services in an effective and timely manner for taxpayers to meet their commitments.

**Oregon context:** This goal links directly to the department’s mission.

**Data source:** Department of Revenue automated systems, Interactive Voice Response (IVR) system, telephone survey, and website survey.

**Owner:** JoAnn Martin, Personal Tax and Compliance Division Administrator.



1. **Our strategy:** Our strategy is to provide web-based, self-service options for common and simple tasks taxpayers want to perform with us (examples include making payments or finding the status of a refund). Personalized one-on-one service is provided to reach taxpayers that don’t have access to internet services or prefer individualized help.

This strategy helps us contain and reduce costs while providing service to the most taxpayers possible. We are using customer surveys as “checks” within the structure of the composite measure to ensure we’re providing the right balance of service options.

2. **About the targets:** The department is using a complex performance outcome measure that “rolls up” individual results from three specific component operational measures: call wait times, IVR/ internet self-service, and customer service surveys.

We are measuring the combination of phone wait times, successful use of the internet for self-help, and direct customer service levels. Individually, these are significant operational measures; in aggregate they form a more complete picture of the desired outcome than a single-element measure could. Together, the three components of the measure tell us the degree to which we are providing efficient, effective taxpayer services.

Each portion of the measure is weighted differently (call wait times = 40 percent, percentage of successful “Where’s My Refund?” inquiries = 50 percent, and customer service ratings = 10 percent). Since the data forms are different, targets and actuals are “normalized” into a common expression, a scale of 1–100, with a higher aggregate score being better.

3. **How we are doing:** Call wait-times—those with less than five minutes wait time = 44.6 percent of total calls. Of the 230,207 calls, 14,055 (6.1 percent of all calls) required a Spanish-speaking interpreter. The department has only 2–3 interpreters available which significantly increases the wait time. Statistics are not kept on taxpayers requiring assistance with languages other than Spanish.

Wait-times were increased by a number of specific events like changes to the senior deferral program, and notification to taxpayers on a change to collection fees. We also experienced a high vacancy rate (eight full-time phone representatives), a hiring freeze delayed filling vacant positions until November 2012, and an associated training lag before new hires were able to perform like the representatives they replaced. These factors increased both call volumes and call times, resulting in higher than optimal wait times.

Percentage of successful “Where’s My Refund?” inquiries = 49 percent. As with wait-time statistics, IVR look-ups were adversely impacted by specific events. For instance, taxpayers look up their refund status before waiting the recommended time we communicate it will take to process their return.

Percentage of customer service ratings of good or excellent = 96 percent. In spite of the significant changes in both the internal and external environment and the multiple, specific events noted above, Department of Revenue employees have continued to deliver consistently high degrees of customer service.

4. **How we compare:** Due to the unique nature of this measure, comparable data is not available.
5. **Factors affecting results:** The primary factors impacting this measure are largely within the general category of “specific event” causes of variation (those types of variation which are statistically outside normal process control limits).
6. **What needs to be done:** The department will continue its ongoing process re-engineering and improvement efforts. We need to continue to monitor the specific events we know to cause high demand for taxpayer services and respond accordingly.
7. **About the data:** Reporting cycle is the Oregon fiscal year. Website information is taken from oregon.gov and IVR data gathered by the department. IVR data includes results showing the number of callers that hang up after listening to information on the IVR. It also includes results showing the number of times the response to an inquiry to the “Where’s my refund?” application is something other than “not found.” Wait time data is gathered from the phone system. Customer service data is taken from the standard customer service KPM survey process.

## Using performance data

The following questions indicate how performance measures and data are used for management and accountability purposes.

### ***Inclusivity***

**Staff:** Staff are increasingly involved in reviewing our agency mission, vision, and values, which are supported by these key performance measures. There is increasing participation and input on review and requests for modifying and/or changing measures.

**Elected officials:** Elected officials review the performance measures as part of the legislative process.

**Stakeholders:** Stakeholders are consulted regarding the measures as appropriate.

**Citizens:** Citizens review the performance measures on the department's website and submit questions and comments.

### ***Managing for results***

Performance measures are used as key indicators of the agency's progress toward achievement of its long-term vision. They are also used as indicators of progress made in projected efficiency gains as a result of automation. The agency uses additional internal measures and division and agency level dashboards to track internal indicators to assist in using output data to more effectively manage to identified outcomes.

### ***Staff training***

Various agency managers have previously, and continue to, attend targeted training classes, with topics related to public sector performance measurement and have brought the knowledge gained at those classes back to the agency. In addition, managers have reviewed training and information posted on the Department of Administration's website. The department has begun offering internal training on process performance metrics and the tools of quality.

### ***Communicating results***

**Staff:** Staff have the capability to review key performance measures on the department's internal website. Managers are engaged in multiple levels of review of each updated annual performance progress report. Based upon their reviews, work processes may be changed or problems/trends identified, which are then addressed.

**Elected officials:** Elected officials review the performance measures and evaluate the department's effectiveness as part of the department's budget process. The measures are also included in the agency business plan provided to the legislature and other elected officials.

**Stakeholders:** Stakeholders review the measures on the department's external website and may ask questions or make suggestions.

**Citizens:** Citizens review the measures on the department's external website and may ask questions or make suggestions.



# Where we're headed

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**Mission:** We make revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.

**Vision:** We are a model of 21st century revenue administration through the strength of our people, technology, innovation, and service.

**Values:**

- Highly ethical conduct.
- Fiscal responsibility.
- Quality in relationships.
- Service and operational excellence.
- Accountability.
- Continuous improvement.

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## Agency goals

- Maintain and enhance a talented, forward-looking workforce.
  - Partner with others to achieve our mission.
  - Preserve and enhance public confidence.
  - Create a culture of constant improvement.
  - Enhance voluntary compliance & collection of taxes due under the law.
  - Deliver high-quality business results.
  - Become a customer-focused organization.
- 

## Agency strategies

- We will make it as easy as possible for taxpayers to comply, and we will use effective and efficient enforcement tools to assure that everyone pays their fair share under Oregon's tax laws.
  - We will make well-informed business decisions using data from our operations, and we will use our resources to ensure that we achieve results.
  - We will look for ways to develop and strengthen our relationships with other organizations.
  - We will build the public's trust and confidence in us.
  - We will seek and use input from taxpayers and business partners to design and enhance the services we provide.
  - We will continue to invest in our people so they can become more productive and can develop in their careers.
  - We will measure our performance and plan our work; and we will update and improve our technology and business processes.
- 

## Program strategies

- Divisions/programs/functions responsible and accountable for developing and monitoring.
  - Revenue Leadership Team (RLT) informed and consulted to ensure there is alignment with the outcome areas.
- 

## Program measures

- Divisions/programs/functions responsible and accountable for developing and monitoring.
  - RLT informed and consulted to ensure there is alignment with the outcome areas.
- 

## Outcome areas

- Employee engagement.
- Customer experience.
- Enforcement.
- Voluntary compliance.
- Equity and uniformity.

*RLT is responsible and accountable for development and monitoring of measures that show evidence of success in the outcome areas.*

# Charting the course simply and clearly

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Our business purpose is to maintain and sustain healthy revenue systems with methods and practices across the agency that focus on our business, yield an appropriate customer experience, and engage our workforce.

## What do healthy revenue systems look like?

### ***Tax systems are healthy when:***

- Taxpayers do what they are supposed to do: file and pay their taxes on time.
- Taxpayers understand their responsibilities and are confident we administer tax law objectively.
- We use our resources efficiently to:
  - Support compliant taxpayers;
  - Help those who are trying to get into compliance; and
  - Find those who aren't and correct their behavior.

### ***The property tax system is healthy when:***

- Values and property tax records are accurate.
- The taxable status of property is correctly determined.
- Property taxes are collected timely.

## Planning strategically for the future

To ensure that our transformation is successful, we must:

- Think and act strategically.
- Set a course, yet be nimble to move ahead during rapid change.
- Improve all aspects of the agency's operations:
  - Processes.
  - Technology.
  - Data driven performance.
  - Employee engagement management.
  - Organizational structure.

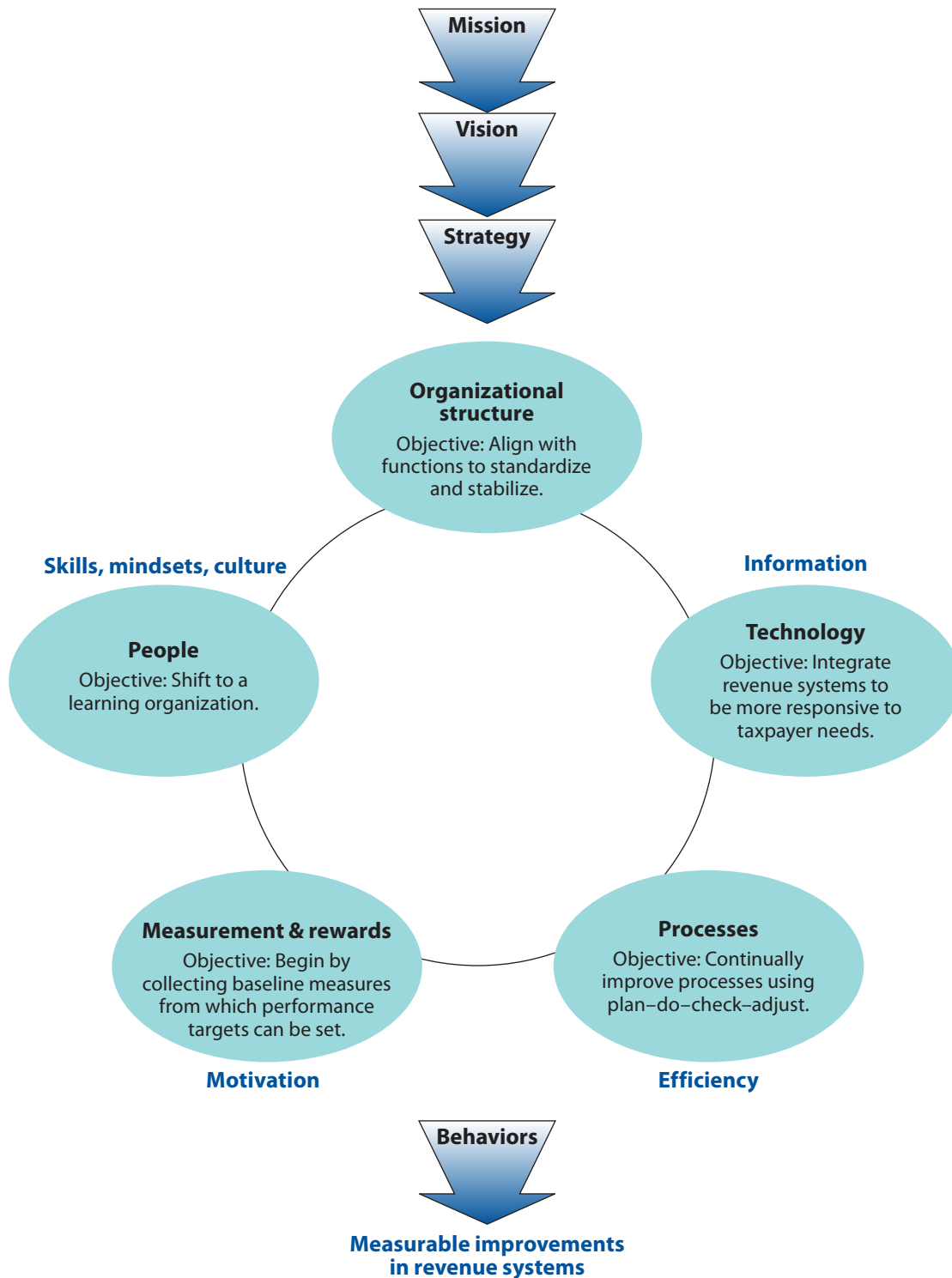
We're building a strategic plan that links to our mission, vision, and values, and weaves in compliance and enforcement, equity and uniformity, customer experience and employee engagement.



## **Next steps**

Groups of employees and first-line managers will create the tactical plans that get the work done and measures that will tell us we are doing our routine work effectively. We'll create agency-level outcome measures that give us a clear and continual picture of where we are and what we need to do to stay on course. These plans will reflect the direction of state government.

# Framework for organizational transformation



Source: Adapted from J. Kotter and D. Cohen, *The Heart of Change Field Guide*, 2005

# Oregon Department of Revenue

## Other Agency Accounts (OAA) – Quarter Ended – December 2012

### Purpose:

Achieve maximum recovery of debts owed to the State of Oregon while providing quality customer service.

### Mission:

We resolve and collect public debt for Oregonians.

### Vision:

Community education and partnerships, enhanced processes, and model work environment brings Revenue-collected account balances to zero.

### Strategies:

- Customer self-sufficiency: Debtors can talk with an agent during business hours, access information 24/7, with easy payment options.
- Debt inventory / case management: All cases receive early intervention by prioritization, stratification, segmentation, and triaging. Efficiencies are realized in the collection function through process re-engineering.
- Employee tools and effectiveness: All employees have tools that are user friendly and managers have the most current information to make decisions.

## Financial Update

Biennium	2007-2009	2009-2011	*2011-2013
Agency OF Allocation	\$10,076,488	\$11,759,596	\$11,759,595
% Allocation Spent	90%	87%	67%
OAA Cash Beginning Bal	\$1,770,733	\$1,514,897	\$1,162,373
Actual Admin Exp charged	\$9,155,083	\$10,113,190	\$7,853,989
Fees Earned	\$9,933,897	\$10,349,667	\$9,513,849
Rebate Transfers	\$1,034,650	\$589,001	\$1,898,677
Ending Balance	\$1,514,897	\$1,162,373	\$923,557

\*Through November 2012

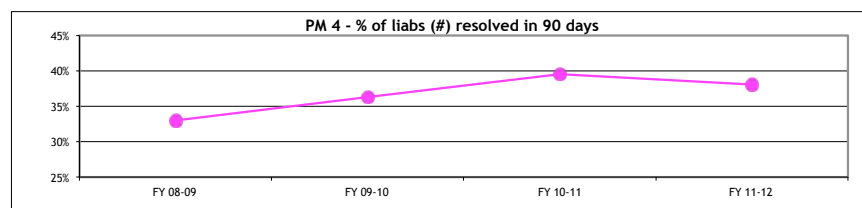
## 4th Quarter Accomplishments

- All OAA offsite training, Oct 9<sup>th</sup>
- Program Code project
- OAA's web Home and Contact Us pages updates initiated
- Collections continue to be over goal – \$8.1 million as of the end of November 2012
- Hired RA1 class – 6 new agents
- OAA rebate issued for \$1.9 million

## Current/Emerging Policy/Operational Issues

- Kick off for proof of concept of 90-Day Debt Resolution project
- Partnership continues with Research on modified version of prioritization project
- Transitioning to a new Section Manager with a Legislative session approaching
- Transitioning to a new Program structure of 4 first line managers
- Initiated re-class process of an existing PEMA position to create an OAA Operations Manager position

## Outcome Measures



### Definitions:

**Liabilities resolved:** All liabilities below tolerance (zero), not including pre-collection payments or voluntary payments  
**Resolution:** Any action that indicates the liability has been worked, has had some collection action taken on it: paid off, below tolerance, payment plan, garnishment, canceled, written off, CAP status, assigned exemption codes from CAR (hospitalized, incarcerated, SCRA).

- Fee structure review in preparation for FY14 rates
- Finance review of FY13 rebate for potential partial rebate in April 2013

- Potential early FY13 partial year rebate

- Legislative implementation and planning
- FY14 Fee rate implementation

- FY13 Rebate distribution (Oct)



## Key Initiatives

### Inventory and queue management:

- Develop strategies learned from projects, creating a new approach to prioritizing and working liabilities. Explore skip trace options. Partnering with Research Section, refresh the criteria for prioritization using data gathered from the previous OAA Debt Prioritization pilot project.
- Partner with OJD to ensure a continuous flow of accounts to OAA for collection services.

### Staffing and training:

- OAA monthly agent training: provide power point trainings and post on Rocket as employee reference tool
- OAA monthly all unit meeting: rotate facilitator and scribe opportunities
- Town Hall meetings: encourage and allow all employee attendance
- Annual offsite training for OAA program: tailored to unit needs/hot topics for the program
- Employee career development training: training development plans
- Leadworker assignments & TWA's: keep key program positions filled
- Employee engagement: Offer opportunities, such as volunteering for membership on the following OAA committees: OAA PAP, OAA Communicator, OAA ROCKET/Web.

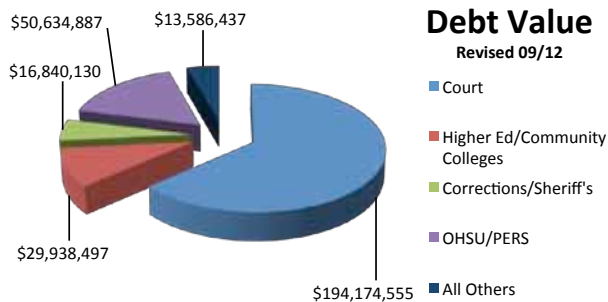
### Campaigns:

Developing ideas for upcoming collection campaign in January 2013.

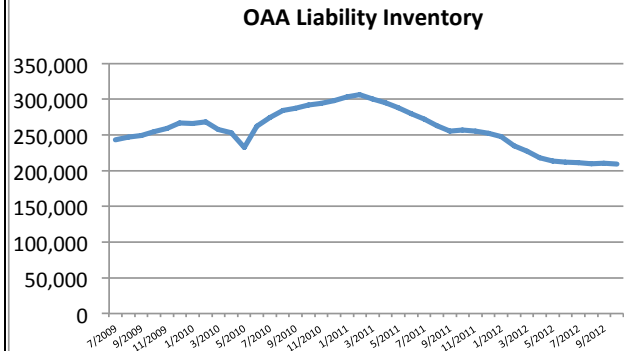
### Internal and external communications:

- Updates in process to OAA web pages: home page, LRP, FAQs, How to Pay, collection services
- Automated Call Distributor menus: clear and up to date
- OAA notices: Update to ensure the following is included in all notices; payment options, contact information, due dates, consequences of not paying
- OAA Communicator: continue to publish points of interest for client agencies

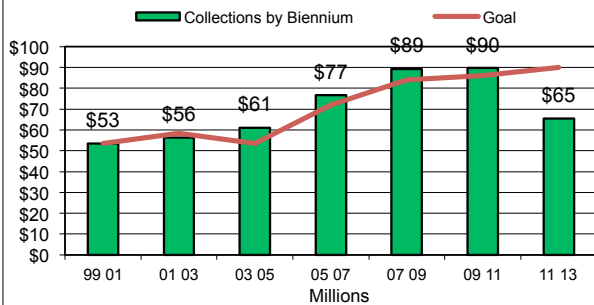
## Key Metrics



Full Collections: 209,847 Liabilities worth \$305 Million, serving 263 pgms.  
Offset only program: 362,514 Liabilities worth \$1.7 Billion, serving 69 pgms.



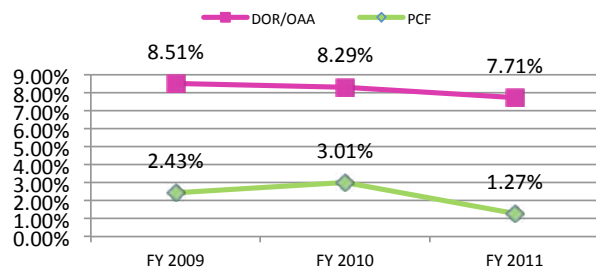
### OAA Collections to Goal by Biennium



11-13 reflects BTD as of 11/12

### Comparing OAA to PCF's Recovery Rate

From Annual LFO Report



Formula: Collections / +Beginning Bal+Additions-Returned

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# Appendix A

## Major program changes

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### ***Estate tax reform***

The 2011 Legislature made significant changes to estate tax law in ORS chapter 118. These changes became effective January 1, 2012. We implemented these changes by updating administrative rules, forms and instructions, and our return processing system.

### ***Other Agency Accounts***

OAA program staffing increased by 13 positions. The 2011 Legislature approved a policy option package making the 13 OAA limited duration positions from the 2009 session permanent.

### ***Senior citizen property tax deferral***

Significant changes to program eligibility requirements were made in both the 2011 and 2012 legislative sessions. These changes, combined with the antiquated system used to administer the program and limited staff, resulted in significant delays in processing applications. The computer system code was modified and additional staff assigned to the program in an effort to meet the needs of the program and improve processing time.

### ***Private collections***

Prior to our 2011–13 budget, we had direct spending for commission payments to private collection firms. Now, we pass these fees on to delinquent taxpayers. Bankruptcy and senior deferral accounts aren't subject to the fees. We sent notices directly to taxpayers informing them of the change and the potential additional costs if debts weren't paid timely.

### ***BOOST***

In 2010, the legislature approved a policy option package to increase enforcement activity to fund Building Opportunities for Oregon Small Businesses (BOOST). The revenue commitment in 2011–13 is \$18 million. As of February 28, 2013, we've received \$23.6 million. We will track revenue produced until the end of the biennium. Legislation passed in 2011 repealed the Tax Enforcement Fund where this revenue was being transferred. This biennium the revenue remains in the General Fund.

### ***Elderly Rental Assistance (ERA)***

In 2011, the legislature funded one year of ERA and asked us to work with other agencies to develop recommendations for moving the program. We came back in the 2012 session to ask the Emergency Board for the second year of funding as well as give an update on the recommendations. The plan to propose moving the program to Oregon Housing and Community Services in 2013 was put on hold because of the changes about the agency's future that are currently being discussed.

# Appendix B

## Achievements and efficiencies, 2011–13

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### Employee engagement

#### ***We engage employees so they care about their work and the performance of the organization and they recognize how their efforts make a difference***

- The agency is launching its first employee engagement survey in February 2013. This first survey will establish a baseline for the organization and we will be able to compare it to other public and private sector organizations.
- PTD completed the first phase of their Valuation program review project. Staff representatives participated on all sub-groups, and were instrumental in developing and reviewing recommendations for changes to the program that will result in improvements to program administration.

### Customer experience

#### ***We provide clear, accurate, and timely information and services that yields an appropriate customer experience***

- Taxpayer self-sufficiency website allows users to view account balances, set up payment plans, and make electronic payments anytime.
- The number of e-filers is increasing, reducing tax return processing time.
- PTD engaged county assessors, tax collectors, and others in implementing a set of online collaborative forums available through GovSpace for information exchange and problem solving. We currently administer 10 forums that involve between 40 and 80 users per forum from DOR and more than two dozen counties.
- A group of staff and managers developed and implemented agency-wide customer service training. The training was required for everyone and it's in an e-learning system so we can retrain at no cost.

### Enforcement

#### ***We enforce compliance to generate revenue and promote long-term voluntary compliance***

- BOOST policy option package focused on auditing C corporations doing business in Oregon. Revenue from these positions was estimated at \$18 million for 2011–13. Payments through February 28, 2013 are \$23.6 million.
- OAA collection notice response time decreased from 30 days to 10 days. Encourages timely response from debtor and faster resolution of account.

- Business Compliance Investigation Unit has identified more than \$87 million in under-reported wages and assessed nearly \$7.8 million in withholding tax. They have conducted 6,485 field investigations and 142 audits as of March 1, 2013.

## **Voluntary compliance**

### ***We remove barriers and provide incentives, tools, and education to encourage taxpayers to timely meet their obligation to pay taxes***

- Adopted modernized e-file standards, completed implementation for tax year 2011, and decommissioned legacy system in November 2012.
- Tobacco tax program implemented a new cigarette tax stamp in January 2013. The new stamps adhere better, making it easier for distributors to apply to packs. Each stamp has an identifying number allowing for better tracking of stamps to distributors.

## **Equity & uniformity**

### ***We administer statutes and rules consistently and treat all taxpayers fairly***

- PTD has completed the first phase of a Valuation program review process that will ultimately result in improved consistency in how industrial and centrally assessed properties are valued. In addition, PTD has determined that the current industrial property return software used to process returns is significantly outdated and not providing an adequate level of support. A business case for a new property valuation system (PVS) to replace the aging industrial property return (IPR) system has been developed.
- PTD successfully implemented major 2011 and 2012 legislative changes to the Senior and Disabled Citizens Property Tax Deferral program. Those changes significantly modified eligibility requirements for both current participants and prospective applicants to restore the program to financial solvency.

## **IRS safeguard review**

The IRS conducted a routine safeguard review of the agency in October 2011. The review was an on-site evaluation of the use of federal tax information (FTI) and the measures taken by the agency to protect the security and confidentiality of that data.

The outcome of the review was positive. The IRS confirmed that we adequately protect the federal tax information they entrust to us. There have been significant enhancements to the computer security standards we must meet to adequately protect FTI. The results of this review helped to identify the gap between where we are now and where we need to be to fully satisfy IRS computer security standards.



## **Cost containment and program improvement (realigning and consolidating programs)**

- Due to a combination of budget reductions over the past several biennia and improved efficiencies in how work is being completed, the number of staff in the Property Tax Division has been reduced significantly. As a result, the organizational structure of the division was analyzed to determine if an alternative structure would better align with anticipated future needs. The outcome of this review was a recommendation to consolidate three sections into two and eliminate one section manager position and one first-line manager position. In addition, we modified team structures to better align with needs and to address the issue of an aging workforce and a number of key retirements likely to occur in the second half of FY 2012 and the first half of FY 2013. All changes were made with input from internal staff and external stakeholders.
- In July 2012, the department eliminated 13 positions across the organization. Seven positions were supervisory and four positions were non-supervisory management service. This required realignment of units and supervisory authority. For example, we eliminated the Finance manager position and consolidated the Budget and Finance Sections together under one manager. In the Business Division, we eliminated a Collections manager position and redistributed staff across other units within the section to manage staff.
- The agency held significant vacancies in the first year of the biennium to ensure we could meet unspecified legislative reductions in personal services, and services and supplies totaling (\$7.4 million), as well as fund the core systems replacement budget note and project work internally (\$5.4 million).
- A realignment of Information Technology Services is happening in March 2013. The goal is to align more clearly around functions and to be clear about roles and responsibilities of each unit.
- We have renamed the Strategic Planning Division to the Agency Program Management Office (APMO) and moved Research from the Business Division to APMO. The new name reflects the work of the office.
- The agency's Special Services Unit moved from the Processing Center to the Facilities Unit within Human Resources. This move aligns the services of QuickCopy, car deployment, and publication storage with facilities services such as project management, safety and security, and facilities management.

## **Major budget drivers (environmental factors)**

### ***County funding***

The most significant issue facing the property tax system in Oregon is the ongoing funding issues affecting timber-dependent counties. The ongoing effectiveness of the property tax system in Oregon is dependent on the ability of both PTD and the counties to adequately administer their assessment and taxation programs. As counties become increasingly budget-stressed, PTD must prepare to provide appropriate support with its already stretched resources. PTD is actively working with the most affected counties to identify ways to ensure work continues to be completed timely, accurately, and efficiently.

## **Tobacco**

- Electronic cigarettes are gaining popularity among cigarette smokers; Oregon law doesn't assess a tax on e-cigarettes.

## **Small Programs Administration (SPA)**

- The state lodging tax program believes taxation of online travel company service fees will continue to be a national policy issue for state and local tax agencies.
- The emergency communications tax program anticipates continued policy discussion about the assessment of E911 tax on prepaid wireless service.

## **Corporate audit**

- Travel expenses continue to climb. Out-of state travel is crucial to performing audit work on interstate corporations. Expenses include staff time in addition to airfare, accommodations, and meals.
- Production of corporation auditors is again rising. Recently hired staff are working on their own and trainers are back to auditing and issuing billings. Through November 2012, actual billings are \$103 million; 188 percent of the planned \$55 million.
- Corporation e-file continues to increase. In the past three years, the percentage of electronically filed corporate returns has increased from 12 to 60 percent. The 2011 tax year was the first year larger corporations were mandated to e-file.

## **Partnerships**

### **Income taxes**

Program staff meet with the following professional groups quarterly to discuss administration and policy concerns.

- Oregon State Bar Association.
- Portland Society of Certified Public Accountants.
- Licensed Tax Practitioners.

### **IRS and Financial Management Service**

We partner with the IRS to offset any federal tax refund to pay for state tax debt. We also participate in the program to offset state refunds to federal tax debt if there is no other state debt owed.

### **Tobacco tax**

The tobacco tax program participates in the Federation of Tax Administrators (FTA) Tobacco Tax Section comprised of state, local, and federal agency representatives focusing on solving topics around tobacco enforcement.

The tobacco tax program also participates in the retail environment inter-agency work group comprised of state and local agencies that have responsibility for alcohol and tobacco enforcement in Oregon's retail environment.

## ***Property valuation***

Property Tax Division, in association with Oregon State Association of County Assessors (OSACA), is completing a comprehensive review of the industrial and centrally assessed valuation programs. The result will be a set of recommended changes to the programs to be implemented in 2013–15.

## ***Central Business Registry***

Central Business Registry (CBR) is Oregon’s vision for a “one-stop” way for businesses to register and interact with multiple government agencies electronically.

The registry’s vision has been split into multiple phases. Businesses can now register and make required payments electronically. The next phases will allow registered businesses to update varied information once, and multiple government agencies will get the updates.

## ***Multistate Tax Commission***

Oregon is a member of the Multistate Tax Commission (MTC). The MTC provides services to member states for audits of large corporations conducting business in several states and provides a program for bringing corporations into filing compliance.

Through the MTC, we also participate in development of corporate taxation uniformity proposals for state lawmakers to consider and the development of model rules for consideration by state revenue agencies. The MTC provides a variety of training opportunities for member states to participate in that are designed to increase the professional competency of employees.

## ***Interagency Compliance Network (ICN)***

In 2009, the Legislature created the Interagency Compliance Network (ICN) to improve compliance with Oregon’s tax and employment laws. The ICN is made up of seven state agencies. Its mission is to focus on the classification of workers as independent contractors (ORS 670.700).

The ICN continues with compliance efforts and reports its activities to the legislature.

# Appendix C

## Co-chair Q & A



### County Assessment Function Funding Assistance

#### Background

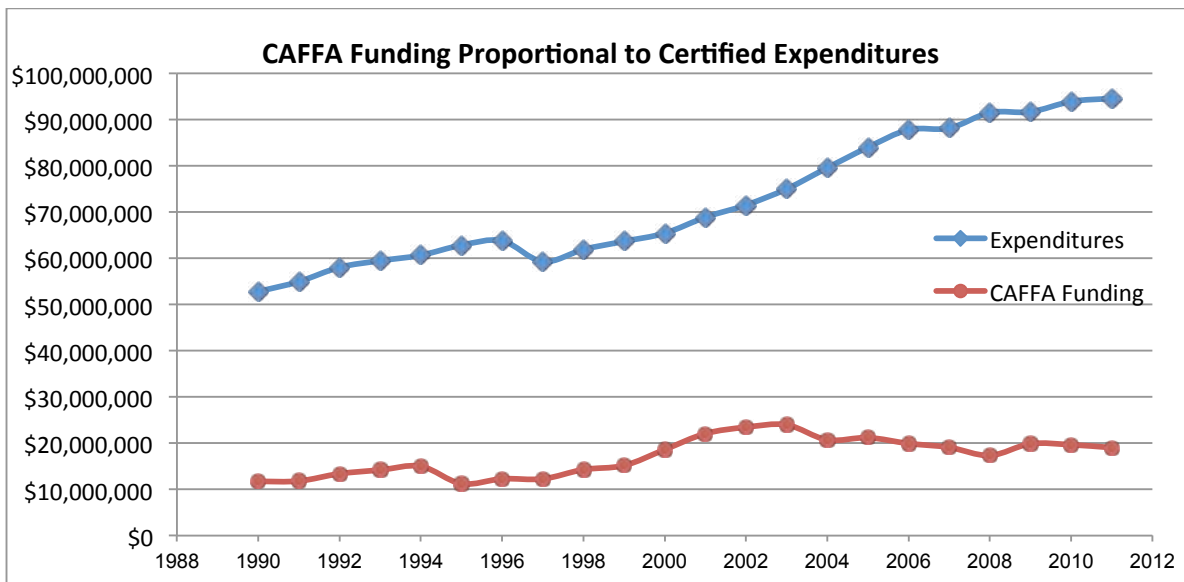
The County Assessment Function Funding Assistance (CAFFA) program was originally created to address funding issues that arose in the 1980s as the economic decline took its toll on the property tax system. Problems included an inability to maintain real market value (RMV) due to inadequate resources in county Assessment and Taxation (A&T) programs.

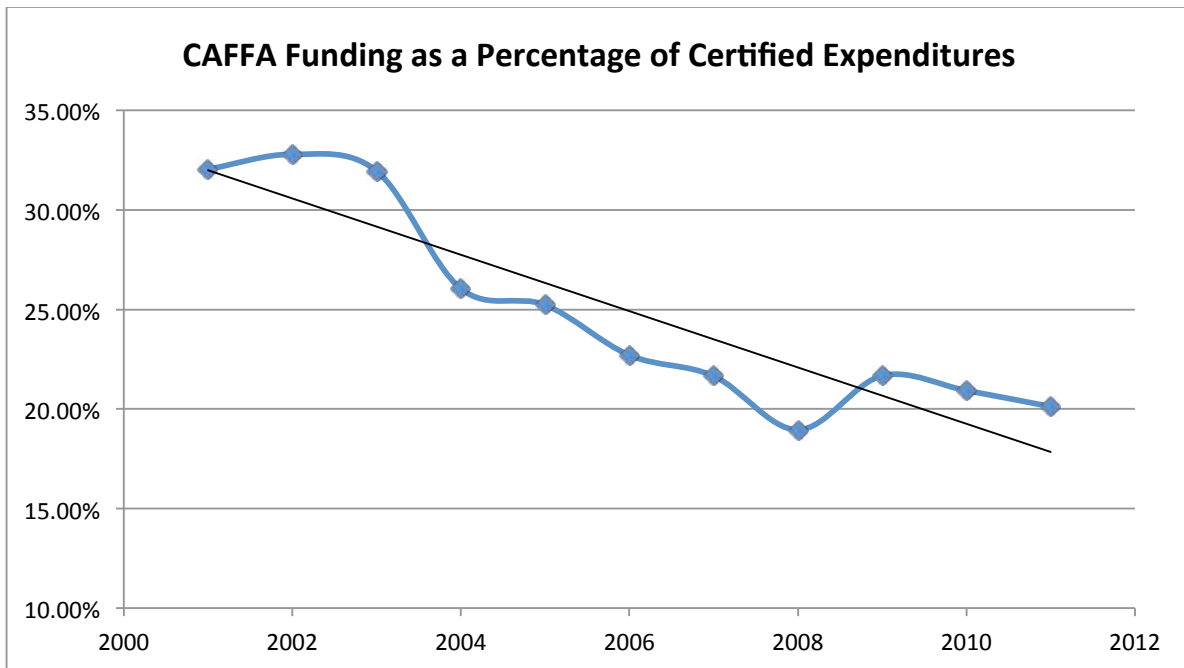
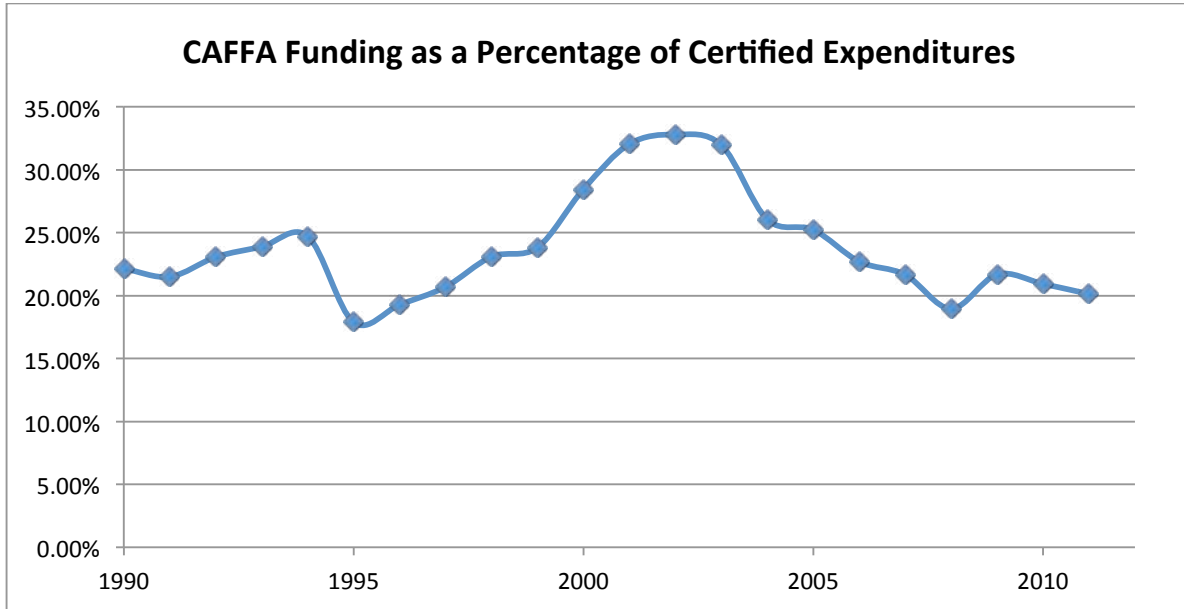
To reverse the disintegration and recognize a shared responsibility for statewide uniformity and accuracy in A&T, HB 2338 was enacted in 1989 and created the CAFFA grant program. The legislation provided A&T officials and the state an additional funding source for approved county A&T programs by increasing delinquent interest and recording fees and dedicating a portion to fund the CAFFA program.

In order to participate in the program, counties must submit a grant application to DOR each year. DOR reviews each grant application to determine if the certified budget is adequate to meet statutory A&T requirements. Once approved, the DOR distributes CAFFA grant funds to each county on a quarterly basis. Up to 10 percent of the CAFFA fund is used by DOR to cover actual costs incurred providing large industrial and centrally assessed property appraisal on behalf of the counties.

#### Trends

The level of CAFFA support to counties as a percentage of overall certified county A&T expenditures has declined over the past decade from 32.8% to 20.1%, down by 12.7%. This is primarily due to a downturn in recording fees as a result of the housing market slowdown and a corresponding increase in the cost of A&T administration statewide from \$71.5 to \$94.6 million, an increase of 32.3%. (See charts below.)





## Issues

The most significant issue currently facing the statewide property tax system is the funding issue in counties that previously relied on federal timber payments. While funding issues exist, the generally low permanent tax rates, combined with drastically reduced timber revenue and the elimination of federal support through the Secure Rural Schools Act have impaired county budgets and seriously strained the capacity of many of these counties to maintain services across a host of functions, including A&T. Without a more permanent funding solution, the continued viability of A&T programs in many of these counties is in jeopardy. The CAFFA program in its current form is insufficient to address this challenge.

### County Funding Challenges

#### Summary

The most significant challenge currently facing the statewide property tax system is the funding issue in counties that previously relied on federal timber payments. While funding issues exist in many counties, the generally low permanent tax rates in these timber-dependent counties, combined with drastically reduced timber revenue and the elimination of federal support through the Secure Rural Schools and Community Self-Determination (SRS) Act have impaired county budgets and seriously strained the capacity of many of these counties to maintain services across a host of functions, including assessment and taxation (A&T). Without a more permanent funding solution, the continued viability of A&T programs in many of these counties is in jeopardy.

#### Background

Until the early 1990s, many of the mostly southwestern Oregon counties received significant timber payments for logging done on federal land. As a result of new regulations on timber harvest on federal lands in the early 1990s, timber harvest and the associated payments to counties declined dramatically. To address the significant funding challenges to these counties, Congress initially enacted the Secure Rural Schools Act in 2000 as a way to provide counties with funding to replace the lost timber revenue while counties sought to secure other, more permanent funding. The act was intended to expire after 4 years, but has been extended for additional years in order to give counties more time to find alternative funding. The 2012 Congress chose not to extend payments beyond the end of the current federal fiscal year. Unless the current Congress chooses to extend the act for additional years, counties will receive a final payment this year.

#### Current Situation in the SRS Counties

Counties affected by the expiration of the SRS Act are actively seeking other funding sources, but are facing several difficulties in securing additional revenue. Most of these counties have extremely low permanent property tax rates set by the passage of Measure 50 in 1997. The result is they have difficulty raising additional property taxes apart from placing a local option property tax levy on the ballot and allowing county residents to vote. Most of these counties have attempted this option, and thus far, county residents have voted down any attempt to raise their property taxes. At least three of the most affected counties (Curry, Lane, and Josephine) will put local option levy requests before voters in May 2013. The other preferred option of most county governing bodies is to petition their congressional representative to extend the SRS or to allow more timber harvest on federal land and provide a portion of these revenues to the counties. Given the budget issues at the federal level, it is uncertain whether either of these options will gain any traction.

### **The Role of the Property Tax Division**

The Department of Revenue (DOR) is responsible for ensuring the health of the property tax system in Oregon. This responsibility is achieved through providing a combination of assistance to county assessment and taxation (A&T) programs, direct support to counties and taxpayers, and oversight over county administration.

Given the significant financial challenges faced by some of these counties, it is possible that one or more counties may determine they can no longer support their A&T functions in a manner that achieves overall program adequacy. The DOR is ultimately responsible for ensuring that the work is completed, and is directly responsible for all aspects of the property valuation function. DOR may not currently have explicit authority to intervene and perform other assessment or taxation functions in the county.

### **Current Situation in DOR**

Due primarily to significant budget reductions over the past decade, the number of staff in the Property Tax Division of DOR has been reduced by nearly 30%. We have made a variety of adjustments to both our organizational structure and internal processes to continue to complete our work, but would be stretched beyond our ability to complete all functions if we were required to take over the A&T program of even a small county. Taking over the A&T programs of multiple counties and administering them effectively would be impossible at current DOR staffing levels.

DOR currently has statutory authority to access a county's portion of the CAFFA fund along with the county's other state-shared, non-dedicated revenues (e.g., alcohol, cigarette, amusement device tax), but that would only cover the costs associated with the valuation function. Other assessment functions, along with tax collection work would need to be completed in the event of a takeover, but DOR currently does not have a funding source for those other functions, so DOR would attempt to complete the work with existing staff and resources. The result would be a reduction in our ability to complete other mandated work for remaining counties, including review of county assessment and appraisal programs to determine compliance with equity and uniformity standards. In addition, due to logistical factors and the fact that DOR staff are not currently trained to do the specific work in the county necessary to turn the tax roll and mail and process tax statements, we anticipate that the quality and efficiency of DOR staff working in counties would be inferior to what is currently being done by county staff.

### **Conclusion**

Due to the funding challenges in several of the vulnerable SRS counties, we believe there is a very real possibility that one or more of these counties will seek to transition some or all of their A&T responsibilities to DOR. If the county declares a fiscal emergency and can no longer provide A&T services, DOR is obligated to step in. Currently, DOR can access only a portion of the estimated funds necessary to cover the costs of completing the work, and we would anticipate needing additional funding to ensure that absolutely necessary work is completed.

### **Definitions:**

#### **Mail Opening**

Mail is opened by hand or by machine depending on the size and thickness of the envelope. It is then assembled, sorted, and routed to the appropriate unit. The mail received consists of approximately 32 different tax programs and totals around 2.4 million pieces a year.

#### **Pipeline Quality Assurance (PQA)**

Paper returns are manually scanned and inspected for missing critical information and errors. Necessary changes are made to the return so it can be processed.

#### **Numbering**

Filing numbers, used to track and locate a return, are stamped on the top of the paper returns, practitioner prepared returns, and 2-D returns.

#### **Taxpayer Identification Unit (TPID)**

The taxpayer name, address, and social security number on the paper returns and practitioner prepared returns are keyed into the system. 2-D returns are scanned using a hand-held 2-D wand. The 2-D return information is collected and then electronically sent to ITU.

#### **Information Transcription Unit (ITU)**

Return information from the paper returns and practitioner prepared returns is keyed into the system. These returns are keyed twice to ensure accuracy. The 2-D return information is electronically uploaded to the system.

#### **Files**

Paper returns, practitioner prepared returns, and 2-D returns are physically stored in Files. The returns are numerically filed using the assigned filing number.

#### **E-file**

Electronically filed returns are received from the IRS. The tax return data is uploaded, checked for name or address exceptions and then sent to return processing system.

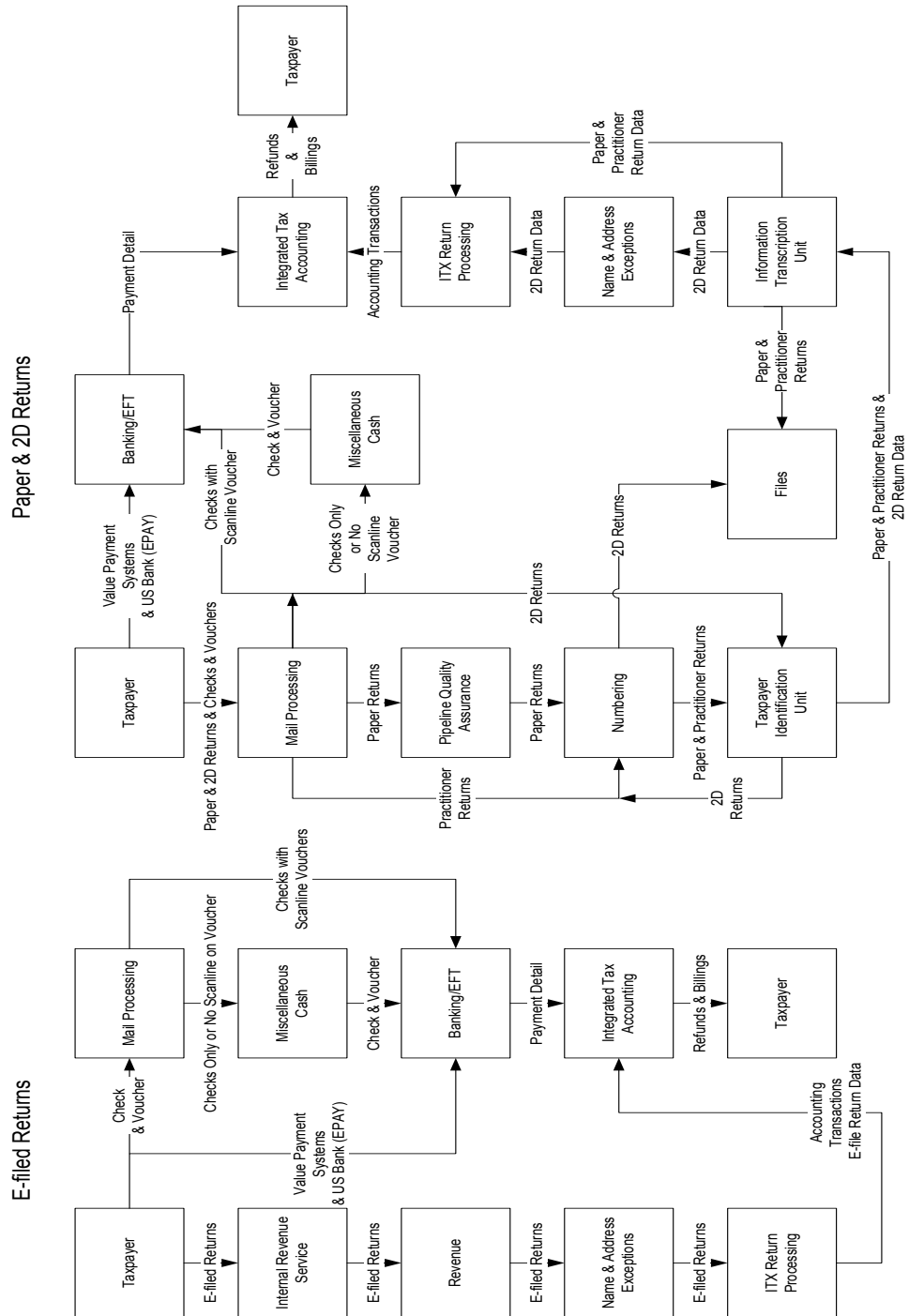
### **Personal Income Tax return processing**

Process flowchart on next page.



# Processing Center workflow

## Personal Income Tax Return Processing





## Interoffice Memo

March 12, 2013

To: Jim Bucholz

From: Megan Denison

**Subject: Personal income tax return processing**

### E-file rates, and suspense rates by filing type:

Tax Year	e-file	Suspense		
		e-file	Paper	2-D
2007	59.5%	8.0%	21.8%	10.1%
2008	62.7%	6.8%	21.6%	10.8%
2009	66.8%	8.8%	25.6%	11.4%
2010	74.5%	7.6%	22.4%	10.5%
2011	78.6%	8.3%	23.1%	8.1%*

\*We changed business rules to decrease 2-D barcode suspense rate. We also added business rules to detect fraud; these rules increased e-file suspense, but generally don't apply to 2-D barcode returns.

### Costs to process returns by filing type:

	Calendar Year			
	2008	2009	2010	2011
e-file	\$0.62	\$0.51	\$0.49	\$0.54
2-D	\$2.15	\$2.08	\$1.62	\$1.76
Paper	\$6.26	\$7.59	\$7.47	\$8.23

**Note**—Calendar Year 2011 is the most current data available. Calendar Year 2012 won't be available until fall 2013.

### Comparison of our costs and other states' costs to process returns

We don't have information on other states' costs to process a return. The IRS estimates they save \$3.10 per electronic return not filed on paper, but they don't give the costs to process. I looked through the Federation of Tax Administrators research material to see if there had ever been a survey of states. I didn't find one.

Seasonal Staffing Levels						
Calendar Year	Earliest Start Date	Latest End Date	ITU	TPID	Mail Processing	Total
2008	02/15/08	06/13/08	65	20	47	132
2009	02/18/09	06/05/09	22	12	0	34
2010	02/17/10	06/11/10	17	7	0	24
2011	02/14/11	05/26/11	25	17	30	72
2012	02/13/12	05/24/12	24	13	30	67
2013	02/19/13	N/A	15	13	30	58

### Seasonal staffing at Revenue:

The Processing Center receives approximately 1.6 million pieces of mail during tax season. We process over 700,000 paper and 2D tax returns, and \$1.6 billion in paper checks. We hire seasonal employees during tax season since our permanent staffing levels are insufficient to process the large volume of items received in a timely manner.

Over the years, our ability to meet our seasonal staffing needs has conflicted with our ability to fund staffing. The impact of not doing so results in a significantly longer processing season:

- It takes longer to get tax revenue in the bank and available for distribution to fund the state's budget.
- It takes longer for taxpayers to receive their refunds and we end up paying interest; increasing the state's expenditures.

The last year we were able to fill all our seasonal positions was 2008. In 2009 and 2010, we faced significant budgetary constraints. We realized the processing season would be adversely affected without key seasonal staff so we hired a limited number of seasonal staff. The rest of the agency was expected to provide staff to assist with the processing of returns and payments.

Using staff borrowed from throughout the agency created other issues, unfortunately. Borrowed staff was not consistently available. Processing staff spent most of their time training people who could only commit to a few hours of work. This continuous need to train staff meant less time was spent processing. Work backed up in other sections. Some returns were processed before the accompanying payment; generating bills to taxpayers in error. The entire agency was working with fewer staffing resources, leaving even fewer people available to assist the Processing Center.

After experiencing two years without all the necessary seasonal help, DOR was able to hire more seasonal staff in 2011. Due to many process improvements made throughout the agency, the number of seasonal staff needed had dropped to 72 individuals. As technology has improved and alternative filing methods have become increasingly more common, less people are needed to process paper returns.



## Senior or Disabled Citizen Property Tax Deferral

### Overview

The property tax deferral program was established in 1963. After years of seed money from the state the program became self-funding. The program’s purpose is to ensure that property taxes do not force low-income seniors from their homes.

The program remained self-funding until 2010. At the time the state was in recession and real estate was losing value. These two events triggered sharp increases in participation (25% increase from 2008–2010) and a sharp decrease in the repayments to the fund from seniors that would have been leaving the program and paying off their loans.

During the 09–11 interim the department advised the interim committees that there was a deficit forecast for the account. By November 2010 the state could only make two-thirds payment to counties and full payment by May of 2011. This depleted the fund further while new applications coming in suggested another 20% increase in participation.

The 2011 legislature passed a series of new eligibility requirements and authorization for a \$19 million loan from the common school fund to ensure program solvency. Participation dropped from 10,000 to 5,000 for the 2011 tax year. In the February regular session the legislature added back 1500 of those who had been deemed ineligible. The changes to the eligibility requirements and to the number of new applicants allowed into the program have placed the account in the black. The fund now has sufficient revenue to repay the loan on time with interest and cover the extension of the cohort of 1,500 that were added back temporarily in 2012.

### Property Tax Deferral Revolving Account Status 2011 to 2013

	Nov. 2011	Nov. 2011 to Nov. 2012	Nov. 2012 to Nov. 2013
November 16th balance		18.2	20.4
Repayments		21.2	20.5
Administrative costs		-0.9	-0.7
Retroactive payments		-4.4	
Loan	19		
Loan repayment			-19.2
November 14th balance	<u>27.6</u>	<u>34.1</u>	<u>21.0</u>
Tax bill	-9.3	-13.7	-11.0
November 16th balance	<u>18.2</u>	<u>20.4</u>	<u>10.1</u>

*All numbers are in millions of dollars and rounded to one decimal place.*

150-800-550 Senior Deferral (3-13)



# Oregon's Personal Income Tax Gap Estimate

## Department of Revenue Research Section

February 2013

The gross tax gap is defined by the IRS as the amount of tax liability faced by taxpayers that is not paid on time. The net tax gap takes into account receipts from enforcement activities and late payments. Any reporting of a tax gap is an estimate, and several methods are used to create gap estimates. A comparison between estimates is generally not useful without a full understanding of how the estimates were made.

Oregon's personal income tax gap estimate in 2009<sup>1</sup> was based on the estimate made by the Internal Revenue Service (IRS). For federal taxes, Oregon's tax gap per return was found to be lower than the national average based on a review by the Government Accountability Office<sup>2</sup>. While several approaches to estimating the gap were identified, the estimate of the net personal income tax gap in Oregon for tax year 2006 based on IRS misreporting data was 18.5%<sup>3</sup>

### IRS Misreporting Percentages

The heart of the IRS's work on the personal income tax gap is their estimate of the underreporting gap accomplished by using a random sample of filed returns, and attempting to measure the true liability associated with each return.

To estimate the true amount that should have been reported on each line of the federal personal income tax return, the IRS began with their auditors' adjustments for each line examined and then inflated each to account for the auditor not being able to detect the true value. The inflation factor for low-visibility income items was reported to be between 3.3 and 4.2<sup>4</sup>. For example, if an auditor discovered a misstatement of \$100 of income, the IRS would estimate between \$330 and \$420 was the actual misstatement.

The estimated true amount for each line item was compared to the reported amount to calculate a Net Misreporting Percentage (NMP). For a positive income item like wages, the IRS defines the NMP as the net amount that was misreported on a given line item expressed as a percentage of the total amount that should have been reported on that line item.

### Applying the IRS Misreporting Estimates to Oregon

Estimation of Oregon's personal income tax gap began by applying misreporting percentages from the IRS National Research Program to various types of income reported on the federal 1040 forms for 2006. The income components for Oregon taxpayers were then multiplied by the net misreporting percent to estimate the amount misreported by Oregon taxpayers. The effective tax rates on each component were then estimated and multiplied by the estimated misreported income to convert to Oregon tax dollars.

In addition, Oregon specific adjustments are made including Oregon specific tax return components (additions, subtractions, and credits). Filing compliance was assumed to match the federal rate, and underpayment compliance was estimated using historical payments.

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<sup>1</sup> "2009 Report on Personal Income Tax Compliance in Oregon," Oregon Department of Revenue. Available at <http://www.oregon.gov/dor/docs/800-552web.pdf>

<sup>2</sup> "Oregon's Regulatory Regime May Lead to Improved Federal Tax Return Accuracy and Provides a Possible Model for National Regulation," United States Government Accountability Office August 2008 (GAO 08-781)

<sup>3</sup> The net tax gap is the amount of tax estimated to be owed for tax year 2006 which was not reported and/or collected.

<sup>4</sup> "What is the Tax Gap?" Eric Toder, Tax Notes November 22, 2007.  
150-800-550 Tax gap estimate (2-13)

## Oregon's Personal Income Tax Gap Estimate

### Difficulty in Comparing Tax Gap Estimates of Different Jurisdictions

The basis of Oregon's estimated personal income tax gap is the assumption that the compliance rates in Oregon match federal compliance rates by type of income or deduction. Therefore, differences in estimated compliance rates between Oregon and the IRS (or other states that use the IRS as the basis of their estimates) will primarily reflect differences in tax base, tax rates, or detailed methods of applying the compliance rates.

The primary reasons for differences in tax gap estimates are:

- Tax gaps are reported for a variety of time periods and tax programs. Oregon's estimate is for personal income tax for the 2006 tax year. Gap estimates developed by other states involve a variety of time periods and tax programs.
- Different methods of estimating the tax gap result in different estimates.
  - Oregon's tax gap was based on a return-by-return examination. Basing the analysis on aggregate data may result in significant differences.
  - Other states have estimated their gap by comparing income reported on returns to personal income estimates from the Bureau of Economic Analysis (Oregon's estimated gap using that method in the 2009 report was 16.3%)
  - Other states have also used sample data from the American Community Survey (Oregon's estimated gap using ACS data was 11.1%)
- Using IRS misreporting percents can lead to different estimates based on the following:
  - Differences in tax rate structures
    - For example, Oregon's highest marginal rate (for tax year 2006) applied to a larger share of income than the highest federal rate. This means more Oregon noncompliance is calculated at the highest rate.
    - More specifically, the Federal tax rate on capital gains is often lower than the rate for ordinary income, where Oregon taxes both types of income at the same rate. This makes noncompliance in reporting capital gains in Oregon contribute more to Oregon's tax gap.
  - Differences in the proportion of income attributable to high vs low compliance sources
    - For states with higher proportions of their taxes derived from wages or retirement income, their estimated tax gap will be relatively smaller.
    - Estimates of Oregon's tax gap will differ year-to-year as components of income differ (e.g. dividend income is highly variable).
  - Differences in state-specific additions, subtractions, or credits
    - Each line on a return is an opportunity for noncompliance, and the magnitude of income, expense or credits reported on those lines affects the estimate.
      - For instance, comparing states that have different proportions of their tax offset by credits will result in different gap estimates.

## Oregon's Personal Income Tax Gap Estimate

### Examples of Difficulty in Comparing Tax Gaps

There are several examples of the difficulty of comparing tax gap estimates between taxing jurisdictions in a recent paper available at [ouregon.gov](http://ouregon.gov).<sup>5</sup> Tax gap estimates are provided for five states and the IRS: (1) Oregon – 18.5%, (2) New York – 14.0%, (3) Wisconsin – 12.0%, (4) California – 11.0%, (5) Idaho – 11.0%, and (6) IRS – 15.0%.<sup>6</sup> There are at least four issues which make this comparison of Oregon's estimate with those of other jurisdictions difficult:

- **Comparison of estimates between time periods** – Oregon's tax gap was estimated for tax year 2006. Other jurisdictions estimated gaps for years between 2001 and 2009. Factors that affect the tax gap may change over time. The difficulty with comparing estimates from different time periods is they compare the tax gap in different economic climates with different tax laws.
- **Inclusion of tax programs other than personal income tax** – Oregon's tax gap estimate relates to its personal income tax. In addition to the personal income tax, the IRS estimate reported here includes corporate and employment taxes; California includes personal and corporate taxes; and Idaho includes personal, corporate and sales taxes in its estimate. Voluntary compliance for personal income tax is estimated to be lower than rates for corporate, employment and sales taxes.
- **Usage of different method** - In this example, the tax gap percentage for New York was estimated using a methodology based on the American Community Survey (survey method). Oregon's tax gap was estimated using IRS income misreporting percentages from the National Research Program (IRS method). These two methodologies result in different estimates of the personal income tax gap with the IRS method usually resulting in a higher tax gap estimate. Oregon's estimate of the personal income tax gap using the survey method is 40% lower than the estimate based on the IRS method (11.1% vs 18.5%).<sup>7</sup>
- **Difference in composition of income between taxing jurisdictions** - Even when using the same methodology, different assumptions can make a comparison across taxing jurisdictions difficult. For example, an estimate of Wisconsin's personal income tax gap using IRS misreporting percentages will differ from estimates in other jurisdictions using the same methodology unless the composition of income across jurisdictions is the same. A comparison of the composition of income in Oregon and Wisconsin reveals Oregon has higher proportions of income in categories with higher misreporting percentages. For example, Oregon has a higher proportion of farm income, rents and royalties, and other income categories.

### Conclusion

Estimates of tax gaps are difficult by nature and are at best orders of magnitude. The IRS and states use various approaches to attempt to estimate the tax gaps for their respective tax programs so it is important to understand these differences when comparing different estimates across jurisdictions. Comparing simple reported percentages across jurisdictions may provide more insight into differences in estimation approaches than insight into the relative tax gaps in those jurisdictions.

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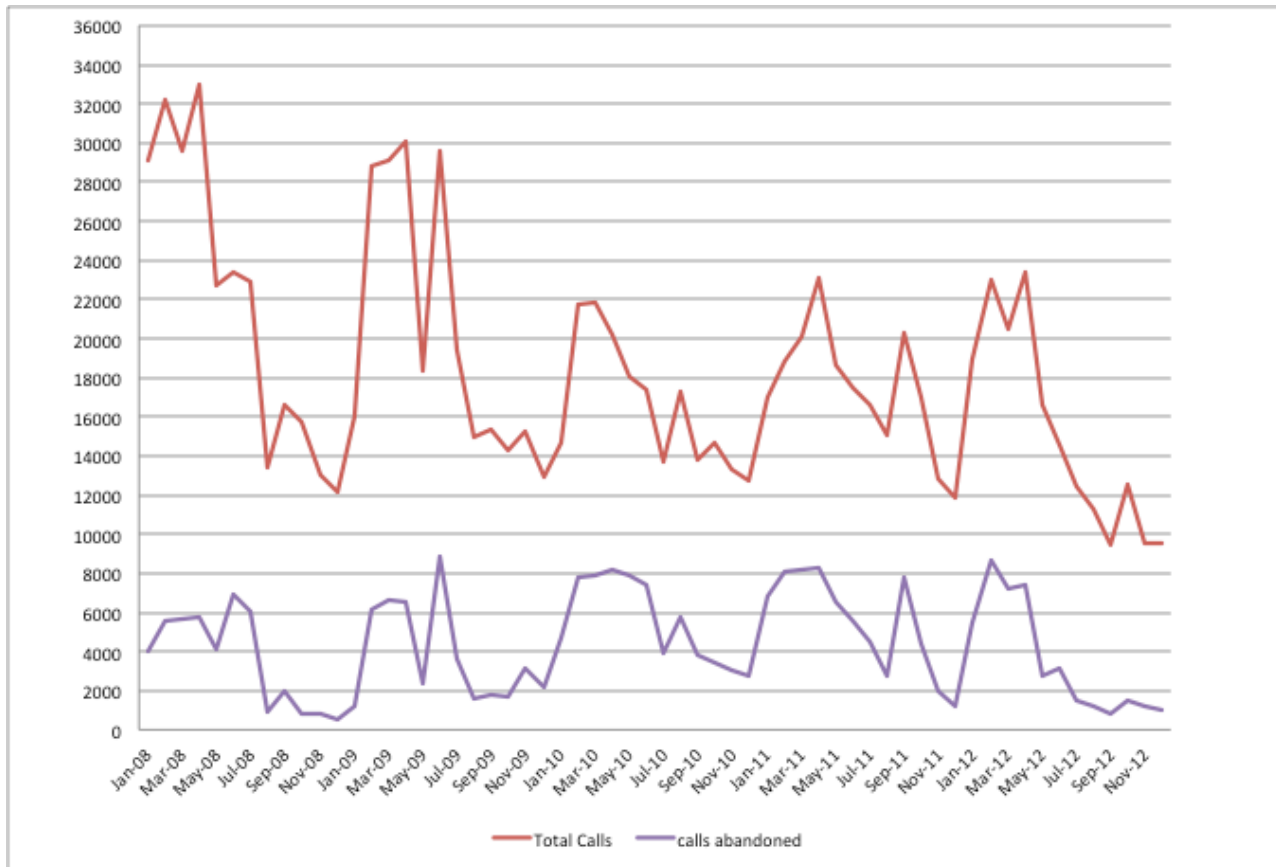
<sup>5</sup> "Making every Dollar Count," February 12, 2013, available at [ouregon.gov](http://ouregon.gov).

<sup>6</sup> *Ibid.*, page 22.

<sup>7</sup> "2009 Report on Personal Income Tax Compliance in Oregon," Oregon Department of Revenue, page 3, January 30, 2009. Available at <http://www.oregon.gov/dor/docs/800-552web.pdf>.

150-800-550 Tax gap estimate (2-13)

## Tax Services Unit (TSU) call wait times



### Abandoned calls:

Callers who don't get through immediately hang up for many reasons:

- Wait times are too long.
- They have another call coming in on their phone.
- Cell phone going through a dead zone where no service is available.
- A personal issue that needs their immediate attention.
- They found the answer they needed while they were waiting for the representative.
- Calling when they do not have time to wait (e.g. lunch break at work).
- Sometimes they just change their mind.

### Long wait Times:

Wait times are a contributing factor to abandoned calls. The amount of time a caller is willing to wait varies between callers. Some of the reasons for the long wait times in Tax Services are:

- We only have 46 lines that are shared between the IVR self-service and representatives.
- With the additional self-service options the types of calls we get are more detailed and take longer.
- January thru June has higher wait times because of personal income tax season.



## Tax Services Unit (TSU) call wait times

- The loss of experienced representatives and a hiring freeze reduced the number of representatives available to answer calls.
- TSU has gone from 28 representatives in 2008 to 20 representatives in 2012. Of the 20 representatives, 4 are part-time and 16 are full-time (of the 16, 4 have less than 3 months experience).
- At least two of the 20 representatives don't answer calls. One works the front desk for in-person customers and one responds to taxpayer emails.
- Because the phone lines are open more than 8 hours, the representatives have flex schedules in order to provide coverage. There are fewer representatives available to answer calls at the beginning of the day and the end of the day.
- Illness, vacations, breaks, and lunches.
- In times of high call volume people will typically wait longer for a representative because they need to speak with someone.

### **Other issues attributed to long wait times:**

- Lack of consistent, experienced management. An experienced manager retired in December of 2009, an experienced work-out-of-class manager moved in May of 2010, and the permanent manager did not start until August of 2011.
- An amnesty program began October of 2009.
- Changes to the senior deferral program began July of 2011.
- Mass mailings notifying taxpayers of the assessment of fees pertaining to collections in August of 2010 and September of 2011 (more than 100,000 for both of the issues).
- Mass mailing of the self-assessment notices after processing season (usually the end of May).
- More calls when Oregon definition of taxable income is disconnected from federal definition.
- January 2010 we had Measures 66 and 67 that impacted call volume and the processing season.
- September 2011 was the mass mailing of Collection Agency Program fees (approximately 200,000 letters sent).
- In 2010 season there was an increase in face-to-face traffic at the front desk due to processing requests for exemption documentation with many of those taxpayers speaking Spanish requiring multiple representatives at the front desk.

### Collection of Withholding and Payroll Taxes

The Department of Revenue's Withholding and Payroll Tax section is responsible for the collection and transfer of over \$9 billion in payroll and transit taxes to Oregon's General Fund. DOR maximizes the amount of tax dollars collected by helping employers achieve compliance through education, assistance, and enforcement.

#### Education

- Revenue's Withholding and Payroll Tax section issues a quarterly newsletter to help businesses understand their obligations to report and pay taxes.
- DOR representatives attend approximately 50 business fairs per year to educate small to medium size business owners and tax practitioners on their responsibilities to withhold and pay taxes.
- The Business Compliance and Investigation Unit's (BCIU) compliance specialists investigate employers that are not accurately reporting their payroll and provide on-the-spot education to help ensure future compliance.

#### Assistance

- The Registrations, Compliance, Administration and Support Unit (RCAS) provides assistance in registering employers for combined payroll reporting, resolving issues with businesses that haven't filed returns correctly, and are first-level investigators for some non-compliant employers.
- The Account Resolution Unit (ARU) help Oregon employers understand and comply with payroll tax reporting and payment obligations.
- The Business Tax Collections Unit (BTCU) collects all tax debts of the Withholding & Payroll Tax program.

#### Enforcement

- Through the 2011–13 biennium, BCIU's compliance specialists identified and assessed almost \$7.7 million in underreported or misclassified payroll. BCIU has conducted 6,433 field investigations and has completed 139 audits to date.
- Administrative specialists in the RCAS Unit are collecting approximately \$70,000 per month in withholding tax.
- BTCU's revenue agents are on track to collect approximately \$60 million for the current biennium.
- DOR requires employers to submit third party information (e.g. W-2, 1099 information) into DOR's iWire system. The iWire information is used to identify withholding fraud.

# Appendix D

## 2013 Legislation with possible fiscal impacts for Department of Revenue

Potential impacts		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
<b>Agency-wide bills</b>					
HB 2282	Reduces rate of tax on capital gains of personal and corporate income and excise taxpayers if amount equal to gain is invested in emerging growth business during tax year.			X	
HB 2308	Reduces rate of tax on capital gains of personal and corporate income and excise taxpayers if, after effective date of Act, amount equal to gain is invested as seed capital in emerging growth business during tax year.			X	
HB 2309	Reduces rate of tax on certain capital gains of personal income taxpayers. Transfers amount equal to estimated personal income and corporate excise and income tax revenue attributable to net capital gains to Oregon Rainy Day Fund.			X	
HB 2466	Authorizes DOR to charge a collection fee to taxpayer that misses income or corporate excise tax installment payment.		X		
HB 2555	Imposes severance tax on harvest of timber from forestlands in Oregon at rate of _____ per thousand feet, board measure, to fund income tax credit for milling of logs in Oregon and for distribution to counties.			X	
SB 184	Allows the department to send Notices of Garnishment by first class mail rather than certified mail with return receipt requested.		X		
SB 185	Allows the department to issue a Notice of Garnishment without a copy of a warrant attached and without a hand-written signature.		X		
SB 231	Reduces rate of tax on certain capital gains of personal income taxpayers. Transfers amount equal to estimated personal income and corporate excise and income tax revenue attributable to net capital gains to Oregon Rainy Day Fund.			X	
SB 255	Permits taxpayer to defer recognition of long-term capital gain if taxpayer makes contribution to Innovation Development Fund. Authorizes Department of Revenue to administer tax deferral program.		X		
SB 350	Establishes office of Taxpayer Ombudsman in Department of Revenue.		X		
SB 593	Reduces rate of tax on capital gains of personal income and corporate income and excise taxpayers.			X	
<b>Corporation-related bills</b>					
HB 2303	Revises corporate minimum tax for C corporations by imposing tax based on combination of taxpayers fixed assets, Oregon sales and payroll for tax year. Restricts use of tax credits to 10 percent of taxpayers liability for tax year before allowance of credits.			X	
HB 2518	Provides that corporate minimum tax may be reduced by allowance of tax credits. Applies to tax years beginning on or after January 1, 2009.			X	
SB 595	Decreases corporate minimum tax imposed on certain C corporations by establishing corporate minimum tax of \$150 for all corporations. Decreases corporate excise tax rates.			X	
<b>Payroll tax-related bills</b>					
HB 2126	Establishes payroll tax and net earnings from self-employment tax. Establishes income and corporate excise tax credit for health benefit plan coverage premium costs incurred by employers in providing health benefit coverage to employees and dependents. Limits amount of credit. Establishes Oregon Healthcare Payroll Tax Fund. Applies to withholding tax reporting periods beginning on or after January 1, 2014.			X	
HB 2281	Directs Oregon Business Development Department to implement program in which tax revenues generated by persons hired by innovation activity employers are directed to Oregon Innovation Fund.		X		

		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
<b>Potential impacts</b>					
HB 2642	Directs state agencies and local governments with functions related to issuance of registrations, licenses, certification or permits necessary to conduct business in Oregon to provide nonmonetary assistance to qualified persons.		X		
<b>Personal income tax-related bills</b>					
HB 2456	Changes connection point from federal adjusted gross income to federal taxable income by eliminating allowance of itemized deductions or standard deduction. Modifies rates of personal income taxation.		X		
HB 2491	Changes connection point from federal adjusted gross income to federal taxable income by eliminating allowance of itemized deductions or standard deduction. Modifies rates of personal income taxation.		X		
SB 448	Decreases personal income tax rates imposed on income that is distributive share of partnership income, income of shareholder of S corporation or trade or business income of sole proprietor.			X	
<b>Property tax-related bills</b>					
HB 2219	Provides that assessed value of property of communication company equals least of real market value as determined under central assessment statutes, maximum assessed value or value determined under alternate formula.		X		
HB 2510	Makes changes to Senior & Disabled Deferral program (eligibility requirements, DOR responsibilities, administration).				X
<b>Small programs administration</b>					
HB 2275	Increases cigarette tax by 5 cents per stick. Applies to cigarettes distributed on or after January 1, 2014, and to existing inventories of cigarettes not yet acquired by consumers as of January 1, 2014.			X	
HB 2278/ HB 2397	Imposes fee on retail sale of studded tires and on installation of studs in tires.			X	
HB 2454	Provides for point-of-sale collection of tax for access to 9-1-1 emergency reporting system from prepaid wireless telecommunications service customers. Extends period of applicability of emergency 911 communications tax.				X
HB 2463	Increases tax on cigarettes from 2.9 cents to 15 cents per stick. Creates floor tax on any inventories of cigarettes not yet acquired by consumers. Resets distribution percentages.			X	
HB 2508/ HB 2656	Requires transient lodging provider and transient lodging intermediary to collect and remit transient lodging taxes computed on total retail price.		X		
HB 3375	Requires distributor cooperatives, and distributors and importers that do not participate in distributor cooperatives, to remit to DOR 1/2 net refund deposit, requires record keeping and create civil penalty for failure to keep or disclose records. Directs funds to be deposited into Oregon Student Assistance Fund for purpose of funding Oregon Opportunity Grant program.			X	

Note: Bills listed are those that have had a first reading as of March 7, 2013.

# Appendix E

## House Bill 2020/4131

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### House Bill 4131 report

After HB 4131 passed in the February 2012 legislative session, the Department of Revenue did not need to perform any additional administrative actions to achieve the target of the 11 to 1 ratio. We will continue to look at our ratio when making any management hiring decisions that would affect current ratio levels. We also keep this ratio in mind when considering reduction option packages.

- The agency went through a lay-off of 13 positions June 30, 2012. Of those 13, 11 were management service, of those 11, seven were Supervisory.
- On the November 1, 2012 reporting, three of the seven positions were included in the 85 Supervisory positions counted. The other four were coded incorrectly at the time of the report.
- There is an additional position in the 85 Supervisory position count that wasn't Supervisory. We had some REPR code changes after the initial April 11, 2012 reporting that didn't get completed until after the November 1, 2012 reporting date.

	Total positions	Supervisory positions	Non-supervisory positions	Ratio
As of 4-11-12	1,051	89	962	1-11
As of 11-01-12	1,043	85	958	1-11
Governor's Recommended Budget	1,019	81	938	1-11
After 15 percent reduction	803	66	737	1-11

# Appendix F

## Audit response

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### Secretary of State audit

#### ***Follow-up on strategies for increasing personal income tax compliance and revenue collections***

*Recommendation:* We recommend department management continues to address the recommendations of our previous report.

*Department response:* Management agrees with the follow-up recommendation and has continued to improve its processes per the original report.

#### **Statewide single audit report for the year ended June 30, 2011**

*Recommendation:* We recommend department management develop and implement effective monitoring procedures to ensure all accounting transactions are entered in the state accounting system for financial reporting purposes.

*Department response:* Management agrees with the recommendation and has already begun implementing improved procedures.

*Recommendation:* We recommend department management comply with state policy and ensure the cash accounts in its subsidiary system are routinely reconciled to the state accounting system and to Oregon State Treasury accounts.

*Department response:* Management agrees with the recommendation and has already begun the process of improving cash account reconciliations.

*Recommendation:* We recommend department management ensure accounting staff have the requisite knowledge and skills to perform their assigned duties and ensure all accounting transactions result in accurate financial reporting.

*Department response:* Management agrees with the recommendation and has already begun implementing staff training and will enhance said training with additional in-depth accounting and technical guidance.

#### **Statewide single audit report for the year ended June 30, 2012**

There were no findings or material weaknesses found for the period ending June 30, 2012. The Secretary of State commented on the findings and recommendations from the previous year's financial audit (ending June 30, 2011).

The agency has taken corrective action on the recommendation above regarding ensuring all accounting transactions are entered into the state accounting system for financial reporting purposes. The agency has made progress toward completing the other two recommendations.

## **Secretary of State review of progress in implementing recommendations for improving suspense process**

The Secretary of State's Oregon Audit's Division followed up on 13 recommendations Revenue's internal auditors made to improve the efficiency of the Suspense Unit and possibly reduce the amount of human error involved in manual processes.

Overall, SOS found that Revenue implemented three of the recommendations and partially implemented the remaining 10 recommendations.

# Appendix G

## 2011-13 Vacancies and hiring

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### **Vacancy Background**

Legislative reductions of 3.5 percent across the board (\$5.3 million GF), the 6.5 percent Services and Supply (\$2.1 million GF), and the core systems replacement budget note and planning costs (\$5.4 million) have been managed together by holding positions vacant. In order to manage these funding challenges, we held approximately 120 positions vacant for the first year of the biennium.

### **Vacancy impact on programs**

IT vacancies required refocus of work to production problem resolution and increased response times in the first year of the biennium. We've greatly curtailed proactive activities in the areas of security infrastructure, new technologies, and application delivery.

The Processing Center has an 8-week backlog in business Electronic Funds Transfer (EFT) registrations that delays businesses from filing payroll taxes electronically instead of by paper (cost and efficiency savings). Vacancies in processing personnel cause delays in processing times for tax returns.

Property Tax Division vacancies have resulted in a lower level of training and assistance to counties, fewer appraisals, and less developed values on both industrial property and centrally assessed properties.

The Personal Tax And Compliance (PTAC) Division streamlined many of its workflow processes and implemented new technologies to meet current revenue goals. Vacancies have forced the agency to narrow the scope of work in both collections and audit.

Business Division vacancies resulted in delays of suspended cases being resolved and calls being returned in the account resolution area. In the Business Compliance Investigation Unit we've identified fewer underreported wages, and conducted fewer offsite investigations. Vacancies have resulted in fewer accounts worked and less money collected.



## Hiring since May 1, 2012

Due to the austere budget measures for the first year of the biennium to ensure that the agency met the budget challenges, it became clear in May that we could start to hire staff again and relieve the workload and staffing pressures that had built up in the organization.

From May 1, 2012 through March 13, 2013, we have hired 142 positions. Out of the 142 employees hired from these recruitments, 66 employees or 46.5% were internal hires.

Position	Recruitments	Employees hired	Internal hires
Tax Auditors, Compliance Specialists	9	34	16 47%
Collection Agents	5	19	4 21%
Property Appraisers	1	2	1 50%
IT	4	6	2 33%
Support services	32	49	29 59%
Seasonal employees	2	17	0 0%
Managers	15	15	14 93%

# Appendix H

## New hires and reclassifications

### New hires

Effective: 7/1/2011 through current as of 12/31/2012

Report date: 1/2/2013

Asset class 2 data

Report no.: R0000991

Agency	Pos no	Sal rng	Repr	Repr desc	Class	Class desc	Base rate	Step	Appt pa	Eff date	Justification
15000	6408000	25	OA	SEIU Local 503 OPEU-strikeable	C1484	Info systems specialist 4	4655	7	141	9/27/11	Hired at step 7 to be competitive with previous non-state salary
15000	2301000	27	OA	SEIU Local 503 OPEU-strikeable	C0871	Operations & policy analyst 2	4562	5	141	7/23/12	Hired at step 5 to be competitive with previous non-state salary
15000	3090000	25	OA	SEIU Local 503 OPEU-strikeable	C1484	Info systems specialist 4	4056	4	141	9/19/11	Hired at step 4 to be competitive with previous non-state salary
15000	4261000	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser analyst 3	4562	4	141	12/1/11	Hired at step 4 to be competitive with previous non-state salary
15000	2316000	21	OA	SEIU Local 503 OPEU-strikeable	C2511	Electronic pub design spec 2	3086	3	141	10/1/11	Hired at step 3 to be competitive with previous non-state salary
15000	2316000	21	OA	SEIU Local 503 OPEU-strikeable	C2511	Electronic pub design spec 2	3086	3	141	10/1/11	Hired at step 3 to be competitive with previous non-state salary
15000	3125000	09	OA	SEIU Local 503 OPEU-strikeable	C0102	Office assistant 2	1916	3	141	9/29/11	Step 1 & 2 do not exist in this classification
15000	3192000	09	OA	SEIU Local 503 OPEU-strikeable	C0102	Office assistant 2	1916	3	141	10/5/11	Step 1 & 2 do not exist in this classification
15000	5080000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary
15000	6045000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2128	3	141	8/24/11	Hired at step 3 to be competitive with previous non-state salary
15000	5367000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5374000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5391000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary
15000	5395000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	3495000	09	OA	SEIU Local 503 OPEU-strikeable	C0102	Office assistant 2	1916	3	141	10/6/11	Step 1 & 2 do not exist in this classification
15000	3525000	09	OA	SEIU Local 503 OPEU-strikeable	C0102	Office assistant 2	1916	3	141	10/1/11	Step 1 & 2 do not exist in this classification
15000	5454000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5476000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5534000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5536000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2945	3	141	9/19/11	Hired at step 3 to be competitive with previous non-state salary
15000	5536000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary
15000	5538000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary
15000	5539000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary

(New hires, continued)

Agency	Pos no	Sal rng	Repr	Repr desc	Class	Class desc	Base rate	Step	Appt pa	Eff date	Justification
15000	5571000	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax auditor/entry	2989	3	141	10/1/12	Hired at step 3 to be competitive with previous non-state salary
15000	2307000	23	MMN	Mgt svc nonsupervisory	X1320	Human resource analyst 1	3539	2	141	12/12/11	
15000	4200000	31	OA	SEIU Local 503 OPEU-strikeable	C0728	Appraiser analyst 4	4716	2	141	8/29/11	
15000	5229000	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative specialist 1	2473	2	141	8/1/11	
15000	4252000	27	OA	SEIU Local 503 OPEU-strikeable	C0861	Program analyst 2	3903	2	141	7/18/11	
15000	5606000	24X	MMS	Mgt svc supervisory	X7000	Principal executive/ manager a	3539	2	141	12/5/11	
15000	3595000	25	OA	SEIU Local 503 OPEU-strikeable	C1484	Info systems specialist 4	3702	2	141	9/19/11	
15000	2888000	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public service rep 3	2247	1	141	11/26/12	
15000	3136000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	11/17/11	
15000	3384000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	9/28/11	
15000	4235000	27	OA	SEIU Local 503 OPEU-strikeable	C0861	Program analyst 2	3783	1	141	12/10/12	
15000	5081000	20	OA	SEIU Local 503 OPEU-strikeable	C5631	Tax auditor 1	3434	1	141	10/1/12	
15000	6013000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	9/26/11	
15000	6026000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	6031000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/22/12	
15000	6040000	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office specialist 2	2247	1	141	9/17/12	
15000	6045000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2009	1	141	8/13/12	
15000	6113000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	6114000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2380	1	141	9/12/11	
15000	6114000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	12/12/11	
15000	6134000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2380	1	141	7/18/11	
15000	6163000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	6255000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	6279000	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office specialist 2	2214	1	141	11/15/11	
15000	2366000	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public service rep 3	2247	1	141	11/26/12	
15000	2367000	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative specialist 1	2416	1	141	12/10/12	
15000	6321000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	3448000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	9/27/11	
15000	6344000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	

(New hires, continued)

Agency	Pos no	Sal rng	Repr	Repr desc	Class	Class desc	Base rate	Step	Appt pa	Eff date	Justification
15000	3460000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	9/27/11	
15000	2398000	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public service rep 3	2247	1	141	12/6/12	
15000	6363000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	6387000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/22/12	
15000	6389000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/22/12	
15000	6384000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2009	1	141	8/27/12	
15000	2407000	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office specialist 2	2247	1	141	10/15/12	
15000	5462000	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative specialist 1	2416	1	141	11/26/12	
15000	5478000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/1/12	
15000	5499000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	12/19/11	
15000	3567000	29	MMS	Mgt svc supervisory	X0855	Project manager 2	4580	1	141	12/3/12	
15000	3574000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2009	1	141	1/18/12	
15000	3574000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2009	1	141	10/15/12	
15000	6484000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/22/12	
15000	6489000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	12/12/11	
15000	5564000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	2009	1	141	11/5/12	
15000	5565000	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office specialist 1	1979	1	141	8/15/11	
15000	6504000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	10/22/12	
15000	6551000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2380	1	141	9/12/11	
15000	6552000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2380	1	141	9/12/11	
15000	6559000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2380	1	141	9/12/11	
15000	6559000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	12/12/11	
15000	5632000	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue agent 1	2416	1	141	12/19/11	
15000	1026000	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office specialist 2	2247	1	141	10/29/12	

## Reclassifications

Effective: 7/1/2011 through current as of 12/31/2012

Report date: 1/2/2013

Asset class 2 data

Report number: R0000991

Date	Classification from					Classification to				
	Class	Name	Range	Step	Salary	Class	Name	Range	Step	Salary
Sep 12	C5630	Tax Auditor/Entry	20	2	\$2,858.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	5	\$3,284.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	2	\$2,858.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	4	\$3,132.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Jan 12	C0103	Office Specialist 1	12	3	\$2,160.00	C0104	Office Specialist 2	15	1	\$2,247.00
Sep 12	C5630	Tax Auditor/Entry	20	4	\$3,132.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Sep 12	C5630	Tax Auditor/Entry	20	3	\$2,989.00	C5631	Tax Auditor 1	25	1	\$3,434.00
Oct 11	X7006	Princ. Exec Mgr D	X31	9	\$6,889.00	X0872	Operations & Policy Analyst 3	X30	0	\$6,889.00
Oct 11	X7008	Princ. Exec Mgr E	X33	9	\$7,585.00	X0872	Operations & Policy Analyst 3	X30	0	\$7,585.00

Appendix I  
**Key performance measures**

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**REVENUE, DEPARTMENT of**

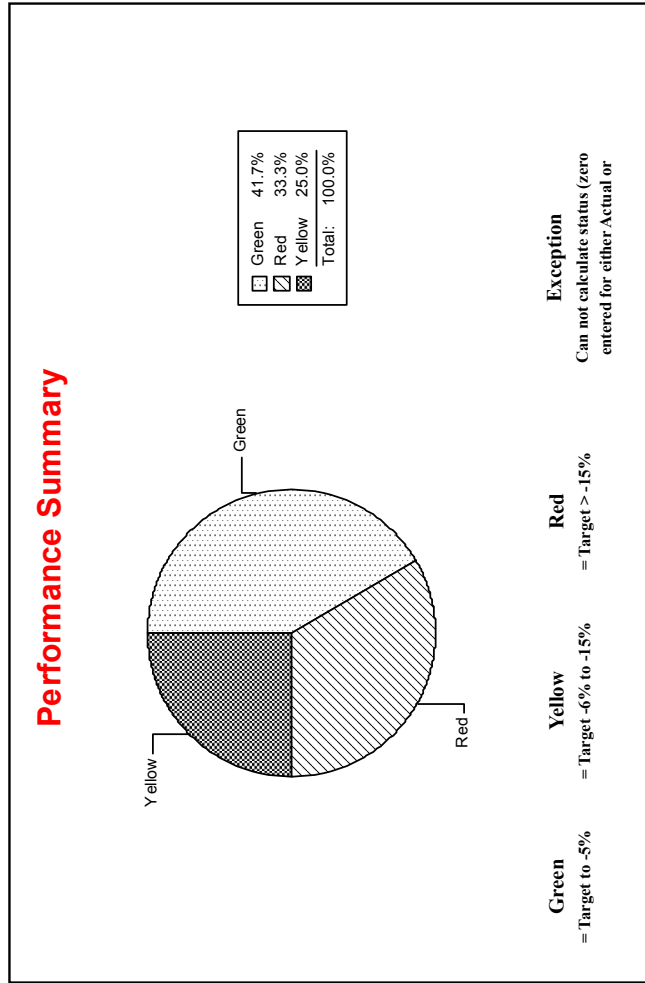
**Annual Performance Progress Report (APPR) for Fiscal Year (2011-2012)**

Original Submission Date: 2012

Finalize Date: 3/11/2013

2011-2012 KPM #	2011-2012 Approved Key Performance Measures (KPMs)
1	Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)
2	Percent of Property Taxes Collected.
3	Percent of Assessor's Maps Digitized in a GIS Format.
5	Personal Income Tax Nonfiler Assessments Issued Per Employee Per Month.
6	Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.
7	Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.
8	Average Days to Process Personal Income Tax Refund.
9	Percent of Personal Income Tax Returns Filed Electronically
10	Employee Work Environment (based upon a scale of 1-6)
11	Employee Training Per Year (percent receiving 20 hours per year).
12	Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.
13	Effective Taxpayer Assistance: Provide the most effective taxpayer assistant services by a data-driven combination of direct assistance and electronic self-help services.

<b>REVENUE, DEPARTMENT of</b>	<b>I. EXECUTIVE SUMMARY</b>
<b>Agency Mission:</b> We make tax systems work to fund the public service that preserve and enhance the quality of life for all citizens.	
<b>Contact:</b> Kris Kautz	<b>Contact Phone:</b> 503-945-8213
<b>Alternate:</b> David Zerbe	<b>Alternate Phone:</b> 503-945-8393



**1. SCOPE OF REPORT**

The agency's Key Performance Measures (KPM's) are intended to represent our major business outcomes in the income tax and property tax programs. These measures address the agency's major functions that include collecting revenue, auditing returns, and assisting taxpayers.

**2. THE OREGON CONTEXT**



The Department of Revenue is a key strategic and operational partner in providing healthy tax systems and long-term revenue stability for the State of Oregon. Our mission of making revenue systems work to fund public services includes strong work values around operational excellence and fiscal responsibility. The experience and skills required to support our mission significantly contributes to the governor and the legislature providing the best possible future for all Oregonians.

Our performance is guided by the agency's vision that emphasizes the importance of tax administration and service, operational excellence, and a safe and positive work environment. We currently have 12 department performance measures that tell us how well we are doing in these areas. Our organizational strategic vision is designed to move and motivate the department for many years. To continue making this vision a reality we are committed to innovating, streamlining, and using the most appropriate tools and technology available to us.

The agency continually collects, analyzes, and communicates information from and to stakeholders to build healthy relationships, better understand stakeholder needs, and drive continuous improvement in our operations.

### **3. PERFORMANCE SUMMARY**

The department has identified 12 key measures of performance linked to its mission and vision. Significant successes during the past year include: A significant increase in the number of personal income tax non-filer assessments issued per employee per month. Success in this arena is due to changes implemented to increase leads due to data matching with the IRS and continuing to focus on enforcement to increase voluntary compliance. We continue to see growth in the number of personal income tax returns filed electronically. More and more taxpayers are filing electronic returns, improving speed and efficiency of processing and reducing costs (KPM #9). And, the number of days to process a return continues to trend downward and exceed the targets (KPM #8).

The department also had some challenges in meeting some performance measures, including: The dollars collected per revenue agent per month (KPM #1) and the corresponding measure personal income tax and corporation tax cases closed per revenue agent per month (KPM #6). In both of these measures, the targets were not met. Upon closer review it is clear that these two measures are a subset of the total number of revenue agents and don't represent the work of all the staff in these areas. The percent of assessors maps digitized in GIS format (KPM #3), has made some progress, but has struggled to meet goals. The number of delinquent returns filed after compliance contact per filing enforcement employees per month (KPM #7) still is under target, but did make some gains in FY 12. New strategies around training and contacting taxpayers sooner are in place, but have not been in place long enough to produce desired results. Due to budget constraints, the ability to provide employees with 20 hours of training per year has suffered. We believe FY 13 will bear out different results as we have put a high emphasis on getting employees training opportunities.

### **4. CHALLENGES**

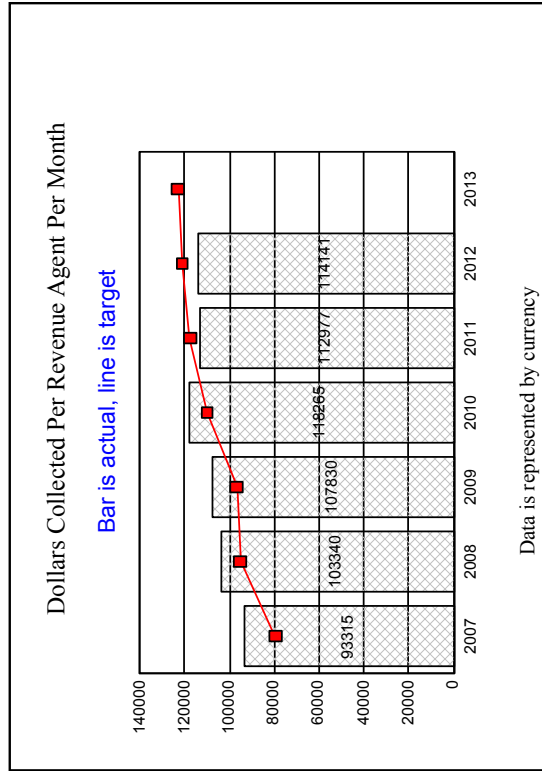
As we look to the future, slow economic growth and tight budget resources will continue for some time. We will be challenged to find new ways and innovative ways of delivering services, collecting tax revenues, providing employees with the tools and resources they need, and without making some investment in our core IT systems. In addition, as the agency has reviewed its KPMs and strategic plan, we have found that some of the measures we currently have are not the

best measures to track our performance over time. As we have had significant turnover in agency leadership in the last 18 months, there is a recognition that some measures need to be re-tooled to provide better data and management resources to the organization. The agency believes that KPM #1, KPM #5, KPM #6, KPM #7, and KPM #10 need to be reworked.

## **5. RESOURCES AND EFFICIENCY**

The agency's Legislatively Approved budget for the 2011 -13 biennium is \$181,373,337, which represents a slight decrease from the previous biennium. The department made progress on its key measures, including its efficiency measures, over the last year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #1</b>	Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)	2000
<b>Goal</b>	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Agent Production Reports ACTF007, PTAC Performance Measures, Cost Allocation System (CAS); based on productivity per position.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator	



## 1. OUR STRATEGY

Our strategy is to maintain a workforce of skilled employees who are provided with essential collection tools and technology. We evaluate the effectiveness of collection staff in collecting delinquent tax debt; analyze the type and age of delinquent debt; and evaluate the use of additional collection tools.

## 2. ABOUT THE TARGETS

The target measures the productivity of collection staff, based on the dollars collected per position. The higher the level achieved, the greater the productivity.

## 3. HOW WE ARE DOING

Actuals for 2011 of \$112,977, exceeding the target (\$111,700). Actuals for 2012 were \$114,141 and our target was \$121,000.

## 4. HOW WE COMPARE

It is difficult to compare Oregon's performance with other states, given the widely diverse tax structures of different states. The department is currently working with a group of states to develop a way to compare results from state to state and develop and share best practice information state to state.

## 5. FACTORS AFFECTING RESULTS

Conceptually, this measure is personal income tax revenue attributed to the collections efforts of a specified group of revenue agents divided by the number of agents in this group. The mechanics of this measure are simple, but the data for this measure is not as straightforward as the measure suggests. Our ability to breakdown data collection activity attributable to each agent and the fact that this measure only focuses on a subset of revenue agent activity highlights shortcomings in the reliability of this measure of performance. Although a slowing economy has been identified in previous reporting, collection measurements continue to show that the department is a strong resource for resolving state debt fairly, efficiently, and effectively. The most recent increase in collections may in part be attributed to the implementation of a new sustainable work model that allows incoming calls to be handled by agents specialized in customer service to resolve accounts on the phone. Other agents are now focused primarily on work queues and resolving accounts through outbound calls, issuing letters, warrants, and garnishments to meet a 90-day resolution goal. This and other management practices to prioritize work queues have resulted in an overall increase in productivity. We are one year into these changes and have not fully realized the increases expected in productivity.

## 6. WHAT NEEDS TO BE DONE

With ongoing turnover of staff due to promotion and retirement, recruiting and training new staff is a constant challenge. We need to continue to evaluate how to streamline our technical training.

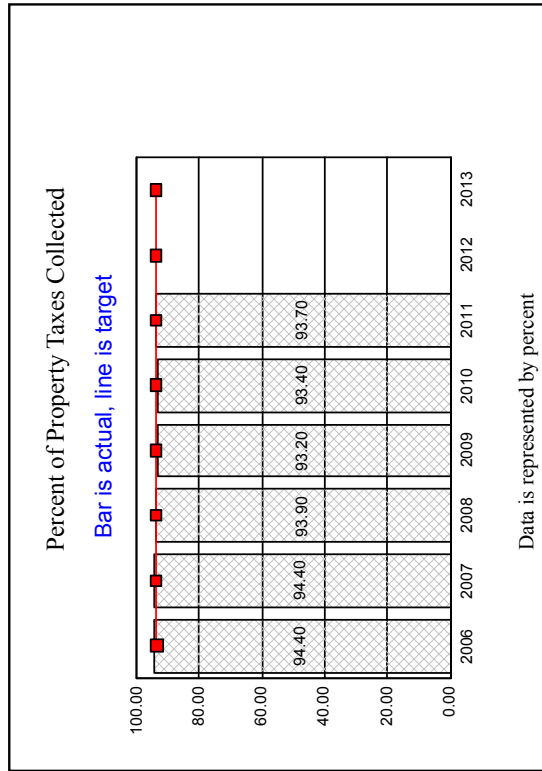
## 7. ABOUT THE DATA

**REVENUE, DEPARTMENT of**

**II. KEY MEASURE ANALYSIS**

The reporting cycle is Oregon's fiscal year. The departments internal auditor reviewed the measure and reported that the calculations appear to be accurate, documented, and repeatable.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #2</b>	Percent of Property Taxes Collected.	2000
<b>Goal</b>	Tax Administration: Partner with local governments to promote a healthy and consistent property tax system.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Oregon Property Tax Statistics (various years); Property Tax certified, Property Tax Collection, and Total Uncollected report.	
<b>Owner</b>	Mark Kinslow, Property Tax Division Administrator	



## 1. OUR STRATEGY

Our strategy is to provide training of county collection staff, and develop and maintain support materials to help counties collect identified property taxes.

**2. ABOUT THE TARGETS**

The target measures the degree to which counties are able to timely collect identified property taxes. The higher the percentage of taxes collected, the better, as most units of local government rely heavily on property taxes to fund local services.

**3. HOW WE ARE DOING**

The 2011 target was 93.8%. Actual measured performance was slightly below the target at 93.7%, which does not represent a statistically significant change from the previous reporting year.

**4. HOW WE COMPARE**

Comparable data is not available.

**5. FACTORS AFFECTING RESULTS**

Data reveals the counties are collecting a high percentage of the total property taxes that are due and, are managing their accounts receivable well. Additional research has shown that, by the end of the third year following the initial billing, the counties have received about 99.7 percent of the taxes due for that year. The statistics show a high degree of effectiveness in maintaining timely collection activities for the property tax year.

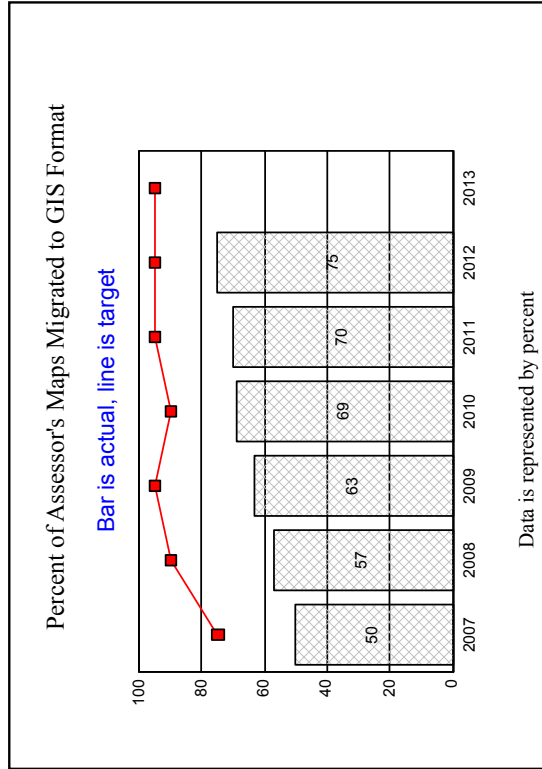
**6. WHAT NEEDS TO BE DONE**

Continue partnerships with county collection offices.

**7. ABOUT THE DATA**

The reporting cycle is the Oregon fiscal year. The data is self-reported by each of the 36 counties and uses the same methodology as is used for the Health of the Property Tax System publication.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #3</b>	Percent of Assessor's Maps Digitized in a GIS Format.	2004
<b>Goal</b>	Operational Excellence: Adopt best business practices, taking advantage of technology to improve our system and processes.	
<b>Oregon Context</b>	This goal links directly to the department's mission	
<b>Data Source</b>	Oregon Map Project (ORMAP).	
<b>Owner</b>	Mark Kinslow, Property Tax Division Administrator	



## 1. OUR STRATEGY

Our strategy is to partner with counties to migrate digitized property tax maps into GIS format, providing employees and business partners with easy access to accurate property tax map information.



## 2. ABOUT THE TARGETS

The ORMAP Advisory Committee (as provided under ORS 306.135), has established a target of 70% for the 2011 reporting year. This target is being met. The agency will be coming forward in the next update cycle to formally request that KPM targets for this measure are changed to be consistent with those of the state-wide Advisory Committee. The long-term target is to have a totally digital statewide property tax map by the year 2016. This will require transforming all the county assessor maps into a GIS format by that date. The higher the percentage, the better the performance.

## 3. HOW WE ARE DOING

As of June 2012, we have completed 75% of the tax maps, and 83% of the tax lots. We are meeting the ORMAP Advisory Committee targets.

## 4. HOW WE COMPARE

This measure is difficult to evaluate across jurisdictions because of differing technology and terminology. Jurisdictions in many states are in the process of converting their tax lot base data to GIS-enabled format. Few, however, are doing it from the statewide level.

## 5. FACTORS AFFECTING RESULTS

Funding challenges and a scarcity of skilled staff at both the state and local level present ongoing challenges, but Advisory Committee targets are being met.

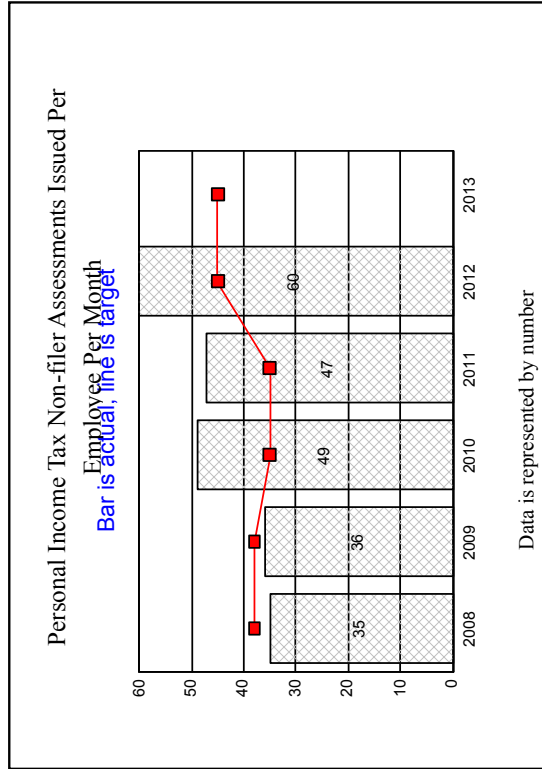
## 6. WHAT NEEDS TO BE DONE

The department needs to continue to partner with counties to manage and fund remapping efforts aimed at improving access to assessor map information.

## 7. ABOUT THE DATA

The reporting cycle is Oregon's fiscal year. The department internal auditor reviewed this measure for fiscal years 2006 and 2007. The results of that audit were adopted into how this measure is currently being managed and reported.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #5</b>	Personal Income Tax Nonfiler Assessments Issued Per Employee Per Month.	2000
<b>Goal</b>	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
<b>Oregon Context</b>	This goal links to the departments mission.	
<b>Data Source</b>	Cost Allocation System (CAS) and Filing Enforcement Monthly Reports, based on productivity per position.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator	



## 1. OUR STRATEGY

Our strategy is to develop filing enforcement tools, techniques and data sources that will improve the accuracy of our information and help the department assist taxpayers in filing.

## 2. ABOUT THE TARGETS

The department is continuing to emphasize voluntary filing of tax returns by taxpayers (KPM#7). As that effort increases, we should not be sending as many assessments of tax due to taxpayers. As a result, we are projecting the number of assessments per employee should peak, and then decline over time.

## 3. HOW WE ARE DOING

We exceeded the 2012 Target. We changed our filing enforcement strategy and processes in late 2010. These process changes allow staff to work cases more efficiently, resulting in more assessments being done. This may seem contradictory. Improved enforcement is an integral part of our larger strategy of voluntary compliance. This is similar to increasing police patrols as school begins, as an integral strategy of achieving declining accident rates in school zones.

## 4. HOW WE COMPARE

Comparable data is not available. We exceeded the target.

## 5. FACTORS AFFECTING RESULTS

We are continuing to refine the tools and skills needed to encourage and assist taxpayers to file their returns voluntarily. During 2012 fiscal year we implemented process changes that allowed filing enforcement staff to be more efficient. We also utilized data analytics to find filing enforcement leads from the data received from the IRS.

## 6. WHAT NEEDS TO BE DONE

The department has defined strategies to increase voluntary compliance. We believe the strategies we have currently adopted will not allow us to meet a decreasing target for this KPM in the future. When this KPM was developed the strategy was geared towards obtaining voluntarily giled delinquent returns rather than issuing assessments. With the current economic conditions in Oregon, we believe that we will be unable to meet the target of decreasing assessments per employee per month until we are able to redefine strategies that offer more education and assistance to nonfilers rather than an approach that emphasizes increased production levels. By focusing on production levels rather than assistance and education in filing enforcement it will increase the number of assessments per employee per month. We will redefine filing enforcement strategies once Oregon's economy recovers. It will take some time for the strategic changes the Department is making to produce the desired outcomes. We need to continue what we are doing, while refining and constantly improving our practices, based on data.

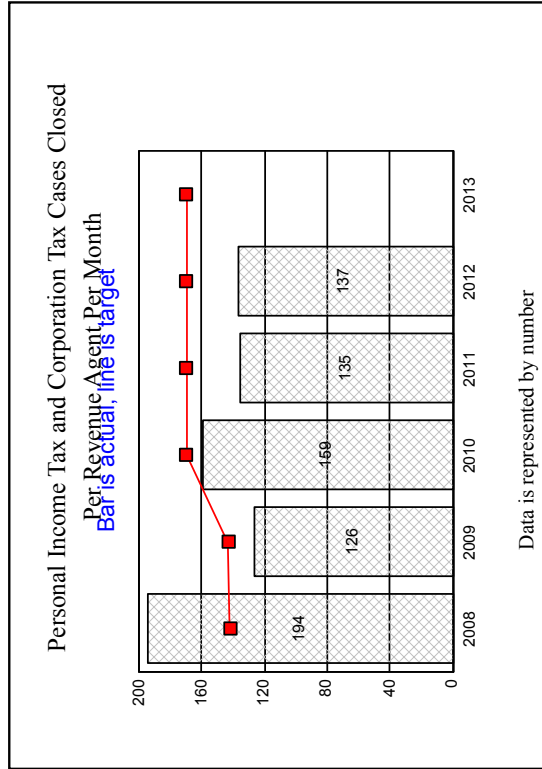
**REVENUE, DEPARTMENT of**

**II. KEY MEASURE ANALYSIS**

**7. ABOUT THE DATA**

The reporting cycle is Oregon fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #6</b>	Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.	2000
<b>Goal</b>	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance, and compliance.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Data from Agent Production Reports ACTF007 and FTE from Cost Allocation System (CAS), based on productivity per position.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator	



## 1. OUR STRATEGY

Our strategy is to provide collection staff with tools and training to resolve collection cases quickly. The measure evaluates the effectiveness of staff in working with taxpayers to close cases.

	<b>II. KEY MEASURE ANALYSIS</b>
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**2. ABOUT THE TARGETS**

The target reflects steady growth in cases closed per revenue agent. A higher number is better.

**3. HOW WE ARE DOING**

For 2011, the number of cases closed per agent was 135 (80% of target). For 2012 the number of cases closed is 137 (81% of target).

**4. HOW WE COMPARE**

Comparable data is not available.

**5. FACTORS AFFECTING RESULTS**

The department made changes to the staffing model to more effectively balance incoming calls from taxpayers and using a more effective call -queue management process. This change was implemented in January 2012 and our results have shown a slight increase in cases closed per month. Our ability to breakdown data of collection activity attributable to each agent and the fact that this measure only focuses on a subset of revenue activity highlights shortcomings in the reliability of this measure of performance.

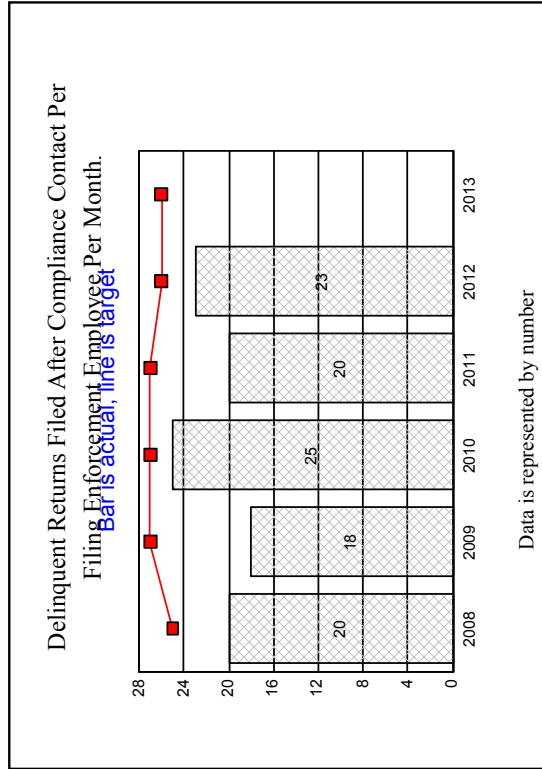
**6. WHAT NEEDS TO BE DONE**

We need to continue to evaluate the effectiveness of process changes implemented in 2012 which should lead to a continued growth of cases closed per revenue agent.

**7. ABOUT THE DATA**

The reporting cycle is the Oregon fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #7</b>	Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.	2001
<b>Goal</b>	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
<b>Oregon Context</b>	This goal links to the departments mission.	
<b>Data Source</b>	Cost Allocation System (CAS) and Filing Enforcement Monthly Reports, based on productivity per position	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator	



## 1. OUR STRATEGY

Our strategy is to identify non-filing taxpayers and encourage them to file their own returns. If taxpayers voluntarily comply by filing their own returns, we believe there is a higher likelihood of their future tax compliance.

## 2. ABOUT THE TARGETS

The department is emphasizing voluntary filing of tax returns by taxpayers as a key long-term strategic objective. As that effort increases to produce positive results we will most probably produce fewer assessments of tax due (as measured in KPM#5). We will continue, through various means, to encourage taxpayers to file after compliance contact with the department. Higher is better.

## 3. HOW WE ARE DOING

We came close to meeting our target and we increased the number of filed returns per employee per month over the previous fiscal year. This strategy has not been in place long enough to produce the desired outcomes. We will continue to monitor, analyze and refine our activities in this area.

## 4. HOW WE COMPARE

Comparable data is not available.

## 5. FACTORS AFFECTING RESULTS

The department has provided training for employees, emphasizing the need to contact taxpayers quickly and work toward voluntary compliance. During 2012 fiscal year we implemented process changes that allowed filing enforcement staff to be more efficient. We also utilized data analytics to find filing enforcement leads from the data received from the IRS.

## 6. WHAT NEEDS TO BE DONE

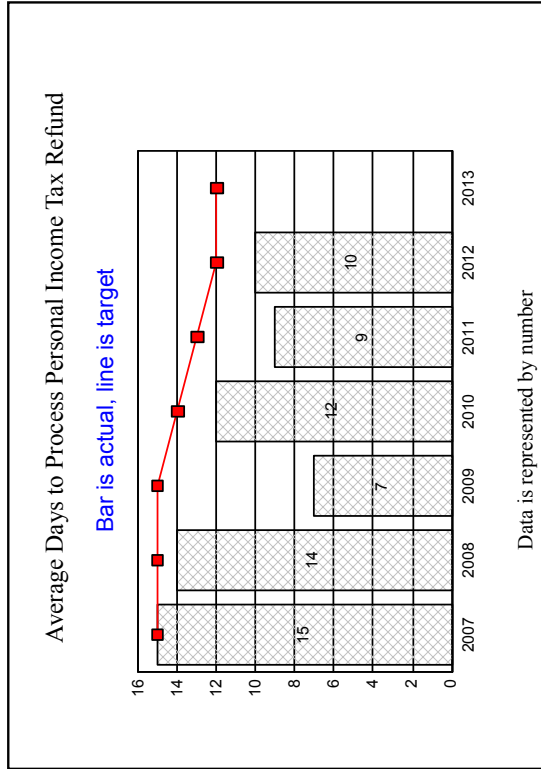
The department has defined strategies to increase voluntary compliance. We believe the strategies we have adopted will help us meet the target in the future. By increasing production levels in filing enforcement we believe we will locate, and bring into compliance, nonfilers previously undetected by the department. Increasing production will increase the number of filed returns per employee per month. The department has recently introduced new strategies, which will require some time to have the desired impact. We will continue to monitor, analyze and make necessary adjustments and improvements.

## 7. ABOUT THE DATA

The reporting cycle is Oregon fiscal year.



REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #8</b>	Average Days to Process Personal Income Tax Refund.	1999
<b>Goal</b>	We adopt best business practices to make tax systems work better. And take full advantage of opportunities presented by new technology.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Personal income tax return processing system.	
<b>Owner</b>	Larry Warren, ASD Administrator	



## 1. OUR STRATEGY

Our strategy is to generate Personal Income Tax refunds in a timely manner, through the efficient use of people, processes, and systems.

**2. ABOUT THE TARGETS**

The targets are based on generating refunds within a 12-day period in the future. This target is aggressive and demands careful planning. Lower is better for this measure.

**3. HOW WE ARE DOING**

In 2012, the target was 12 days; actual performance for 2012 was 10 days.

**4. HOW WE COMPARE**

Oregon's targets and usual performance are comparable with other states.

**5. FACTORS AFFECTING RESULTS**

Taxpayers utilization of electronic filed returns. Processing delays by the IRS and/or the timeliness of Congress enacting legislation has an effect on our ability to processing timely.

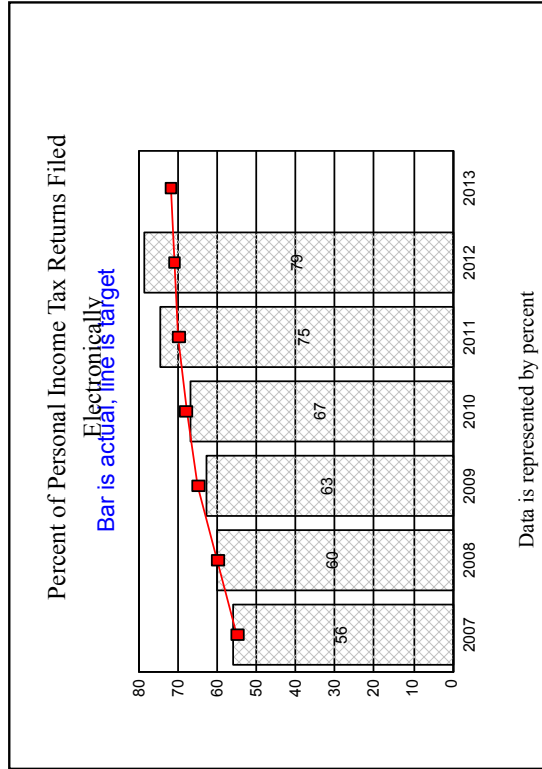
**6. WHAT NEEDS TO BE DONE**

Continued process improvement and education on the benefits of filing electronically.

**7. ABOUT THE DATA**

The reporting cycle is calendar year, in which returns for the preceding tax year are processed (example: 2011 returns processed in 2012). Note: The data does not include amended returns.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #9</b>	Percent of Personal Income Tax Returns Filed Electronically	2002
<b>Goal</b>	Operational Excellence: Adopt best business practices, taking advantage of technology to improve our system and processes.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Personal income tax return processing system statistics for electronically filed returns.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Administrator	



## 1. OUR STRATEGY

Our strategy is to improve customer service and efficiency by increasing the percent of personal income tax returns filing electronically. Electronically filed returns are faster and less expensive to process.

## 2. ABOUT THE TARGETS

The targets were recently revised upward to reflect the strong growth in e-filing at the state and federal level. Higher is better.

## 3. HOW WE ARE DOING

Data for this measure is reported by calendar year. We have seen a significant increase in e-filing for this reporting period (78.6%) bettering both the previous year, and the Legislatively approved target (71%).

## 4. HOW WE COMPARE

Oregon's rate of electronic filing is comparable with other states. The average percentage of electronically filed returns during 2012 in states without an e-file mandate is 75 percent. In states with e-file mandate, the average percentage is 79 percent.

## 5. FACTORS AFFECTING RESULTS

Since Oregon's electronic filing is tied with the federal return, we benefit as more taxpayers choose to file their federal tax returns electronically. In 2011, the Oregon legislature passed HB 2071 authorizing the department to tie to the federal e-file mandate. The mandate requires tax practitioners that expect to prepare ten or more returns to file all of their returns electronically. The department also implemented a direct filing website in 2011. This allows taxpayers to e-file their Oregon return at no cost.

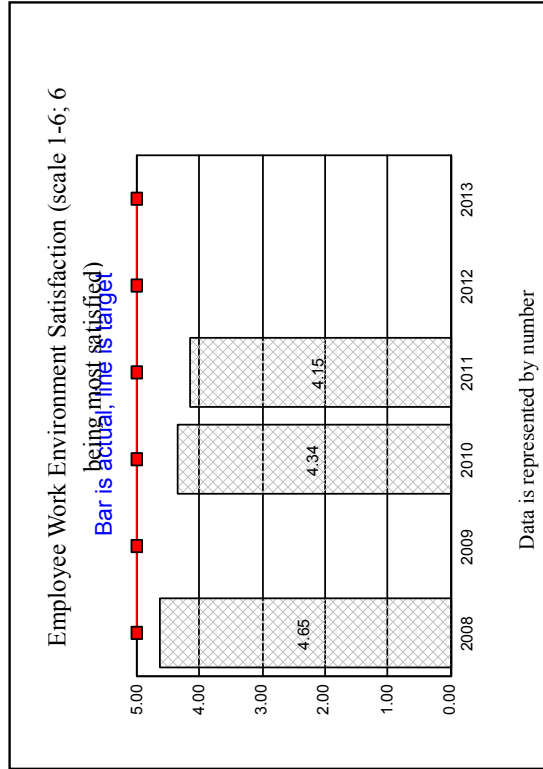
## 6. WHAT NEEDS TO BE DONE

The department needs to continue emphasizing and marketing the benefits of electronic filing.

## 7. ABOUT THE DATA

The reporting cycle is the Oregon calendar year. Data for this measure is taken from the ITX Run Report from Suspende and includes suspended returns. Data us limited to Personal Income Tax (PIT) returns. The Department internal auditor has previously reviewed the measure and reported that the calculations appear to be accurate, documented, and repeatable.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #10</b>	Employee Work Environment (based upon a scale of 1-6)	2002
<b>Goal</b>	Work Environment: Provide a positive, productive, and welcoming work environment.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Employee survey conducted by the agency's Workforce Environment Council. All employees have access to an electronically generated survey via posting on the agency's webpage. Survey results were collected electronically, analyzed and reported by the department's metrics manager.	
<b>Owner</b>	Kimberly Dettwyler, Human Resources Section Manager	



## 1. OUR STRATEGY

Our strategy is to provide employees with the physical environment, support and resources needed to do their jobs well.

**2. ABOUT THE TARGETS**

Employees rate their work environment on a scale of 1-6, with 1=very dissatisfied to 6=very satisfied. The target is an average of all quantitative elements of the survey of 5.25, reflecting a rating above satisfied. Higher rating is better.

**3. HOW WE ARE DOING**

The agency did not deploy the survey to staff in FY2012 for two reasons. The employee who held the survey software license and did the analysis was laid off mid-year 2012. In addition, in late spring 2012, the agency's leadership team started discussing a different measurement tool for employee work environment/engagement. The agency did not conduct the employee work environment survey in FY 2012 and is planning for a new survey tool in FY 2013.

**4. HOW WE COMPARE**

Comparable data is not available.

**5. FACTORS AFFECTING RESULTS**

As previously indicated, no survey was conducted in 2012 to compare with previous year results. In addition, due to a significant hiring freeze between July 2011 and June 2012, many employees verbalized concerns about vacant positions effecting workload and morale. In addition, austere budget measures were in place and little training and new tool deployment (such as computer lifecycle replacements) were implemented. Since July 2012 we have held over 60 recruitments and hired over 110 positions.

**6. WHAT NEEDS TO BE DONE**

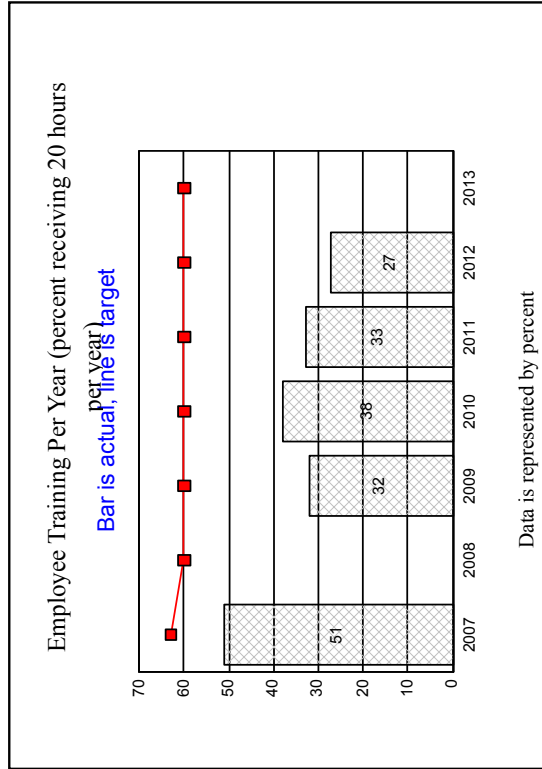
The Department is recommending that this KPM be eliminated and a new one developed to replace it that is comparable and sustainable. The department recommends that a KPM titled "Employee Engagement" be used to replace this KPM. The first survey will be completed in March 2013 to create the baseline and the agency plans to survey staff every six months to determine progress.

**7. ABOUT THE DATA**

<b>REVENUE, DEPARTMENT of</b>	<b>II. KEY MEASURE ANALYSIS</b>
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The reporting cycle is Oregon fiscal year. Data in previous years was collected through an agency-wide electronic survey. All employees had the opportunity respond anonymously. The survey was distributed and results tabulated by the Strategic Planning Division survey specialist who is no longer with the organization. In addition to layoff in 2012, the position is recommended for elimination in the 2013-15 Governor's Balanced Budget.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #11</b>	Employee Training Per Year (percent receiving 20 hours per year).	2000
<b>Goal</b>	Work Environment: Provide a positive, productive, and welcoming work environment.	
<b>Oregon Context</b>	This goal links to the department's mission.	
<b>Data Source</b>	Agency Cost Allocation System (CAS) for the period before 2011. iLearn Oregon for 2012 and ongoing.	
<b>Owner</b>	Kimberly Dettwyler, Human Resources Manager	



## 1. OUR STRATEGY

To identify key staff and management skills, knowledge and abilities and use a variety of formal and informal training and development activities to meet those needs within the available resources.



## 2. ABOUT THE TARGETS

Measures percentage of Revenue employees who received at least 20 hours of skills training in the past year. Our target is based on the percentage of employees who receive that training. Higher is better.

## 3. HOW WE ARE DOING

The Department averaged 29.2 hours of training per employee for this fiscal year. Because of specific training needs, limited resources, the department focused on providing critical job skills training for a limited number of employees. Additionally, under-reporting of training on timesheets has been, and continues to be, a perennial issue. The Department has migrated to reporting and tracking of training in iLearn Oregon and we are seeing a more accurate reporting of training from iLearn's records than we were seeing using timesheet data.

## 4. HOW WE COMPARE

It would be useful for DAS to provide agencies with a system-wide mean for hours of training per employee, for use as a benchmark.

## 5. FACTORS AFFECTING RESULTS

Ongoing budget challenges and critical job skills training needs have made it difficult to provide the 20 hours minimum, for each of our employees.

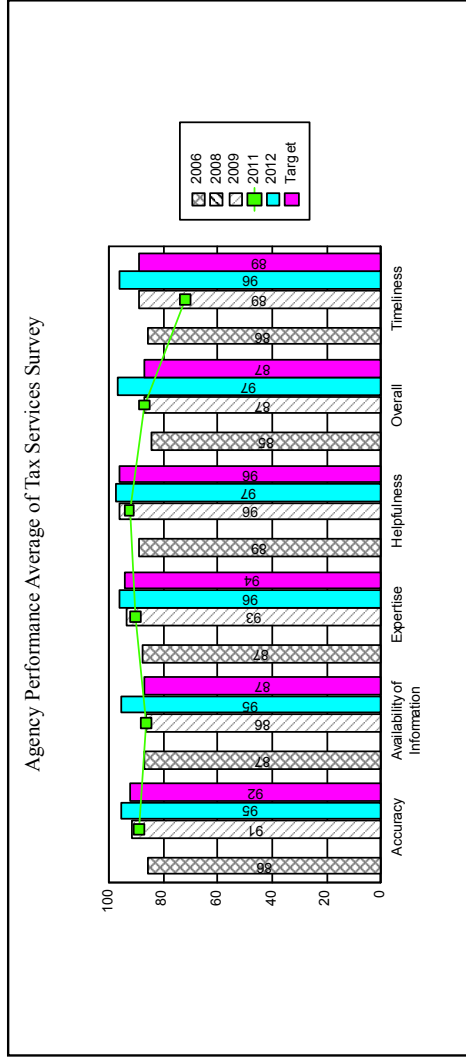
## 6. WHAT NEEDS TO BE DONE

The department needs to place a high priority on training and development, and continue to seek creative, low-cost ways to deliver the training. Additionally, we are providing more development opportunities to our employees through participation in specific projects, process improvement teams, Leadership Revenue, and work out of class assignments.

## 7. ABOUT THE DATA

The reporting cycle is Oregon fiscal year. Data comes from iLearn Oregon. Comparison of the reported hours on both timesheet records and iLearn Oregon records has shown that the iLearn system provides a truer representation of the training attended by employees. Managers are responsible for insuring the accuracy of reporting training with limited review for accuracy by payroll or Human Resources.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #12</b>	Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	2006
<b>Goal</b>	Tax Administration: Provide excellent service to taxpayers in a timely manner.	
<b>Oregon Context</b>	This goal links to department's mission.	
<b>Data Source</b>	Written surveys of walk-in customers at our field offices or main building; telephone surveys of randomly selected taxpayer calls.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator	



## 1. OUR STRATEGY

Our strategy is to provide the best possible customer service to taxpayers who visit our field offices or call our Tax Services Unit for assistance, as measured by surveys of our customers.

## 2. ABOUT THE TARGETS

We have set the targets for all components at 90%. Higher percentage is better.

### 3. HOW WE ARE DOING

Since the 2009 APPR Oregon has seen significant declines in our economy, and we continue to see macro-level economic forecasts suggesting our economy will remain flat or perhaps even decline, at least for a time. In spite of this, customer service ratings have remained relatively positive, remaining within a 5% variation from the previous report. Because we are, who we are, this speaks highly for the Department's ability to maintain positive service levels through chaotic and trying times.

### 4. HOW WE COMPARE

It would be helpful if DAS could provide an overall mean from all state agencies for each of the customer service elements, we could use as a benchmark in comparing our results.

### 5. FACTORS AFFECTING RESULTS

To maintain customer service levels through all of the changes and challenges the state and the Department has faced over the past few years should be considered a compliment to the commitment and professionalism of our employees who serve the people of the state of Oregon. The department had 8 fewer representatives to handle call due to the hiring freeze. The freeze was lifted in July of 2012.

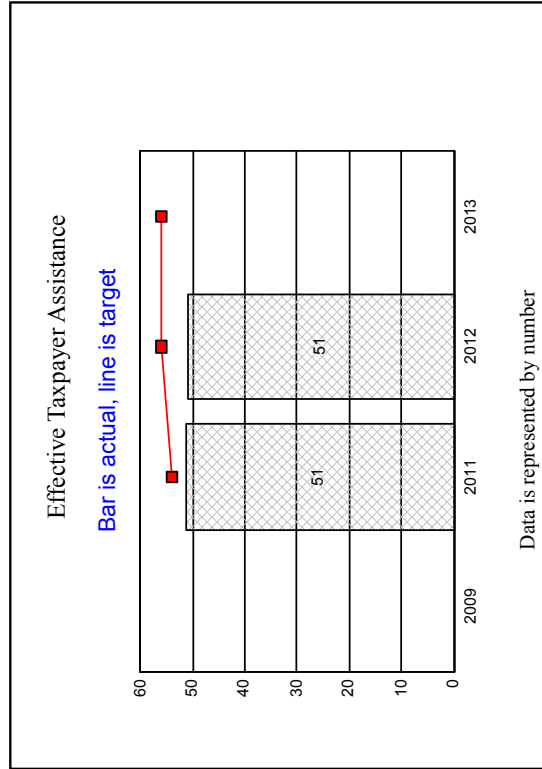
### 6. WHAT NEEDS TO BE DONE

The department will continue to emphasize the importance of customer service in all areas, including timeliness, accuracy, helpfulness, expertise and availability of information, through increasing availability of self-help options, and direct customer service.

### 7. ABOUT THE DATA

The data for this report was collected in December of 2012, using a representative sample of tax payers who had just completed some type of transaction with the Department. Results were entered into Survey Monkey and tabulated electronically. The error rate is presumed to within 5%.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
<b>KPM #13</b>	Effective Taxpayer Assistance: Provide the most effective taxpayer assistant services by a data-driven combination of direct assistance and electronic self-help services.	
<b>Goal</b>	Effective Taxpayer Assistance: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
<b>Oregon Context</b>	This goal links directly to the department's mission.	
<b>Data Source</b>	Revenue Department automated systems.	
<b>Owner</b>	Joann Martin, Personal Tax and Compliance Division Administrator.	



## 1. OUR STRATEGY

Our strategy is four-fold: The first part of our strategy is to increasingly provide web-based, self-help options to help taxpayers to expedite answers to inquiries

on common issues (e.g., Where is my refund?). The second part of our strategy is to contain/reduce costs and more effectively control taxpayer call wait-time by shifting increasing numbers of taxpayer inquiries that would have traditionally gone to the call-center to the web. The third part of the strategy is to produce call wait-times that will serve to encourage tax payers to use net-based self-options, while **not** being an undue burden on those who lack access to the web, or for whom direct contact is the only/preferred contact method. The overall strategy of increasingly shifting to electronic methods is in common (and increasing) use in financial institutions of all kinds. The fourth part of the strategy is to use customer service surveys as "check" within the structure of the composite measure to insure that taxpayers don't feel adversely impacted by these changes.

## 2. ABOUT THE TARGETS

The department is using a complex, true performance outcome measure that "rolls up" individual results from three more specific, component operational measures: call wait times, IVR/Internet self help, and customer service surveys. We are measuring the combination/interaction of phone wait times, the successful use of the Internet for self help, and customer service levels. Individually, these are significant operational measures; in aggregate they form a more complete picture of the desired outcome than any single-element KPM could do. Together, the three components of the measure tell us the degree to which we are providing efficient, effective taxpayer services. Since each portion of the measure is weighted differently (Wait time = 40% of the measure, Percentage of "successful IVR look ups = 50%, and Customer Service ratings = 10%) and the data forms are somewhat different, measurement targets and actuals are "normalized" into a common expression ... a scale of 1-100, with a higher aggregate score being better. The call-wait time element has a sub-target of 80% of all calls at less than five minutes. This is because we are trying to motivate taxpayers to use faster and less expensive web self-help alternatives for common inquiries, without producing excessive call wait-times that those who lack Internet access, or for whom direct contact is the only or preferred method of contact.

## 3. HOW WE ARE DOING

**Wait-Time:** Calls with less than five minutes wait time = 44.6% of total calls. Of the 230,207 calls, 14,055 (6.1% of all calls) required a Spanish speaking interpreter. The Department having only 2-3 interpreters available so the hold time is longer. Statistics are not kept on taxpayers requiring interpretive assistance other than Spanish. Wait-Times were adversely impacted by a number of factors, such as the change to the Senior Deferral program to not allow participants to reverse mortgage, the notification to taxpayers that hadn't paid their taxes that their accounts could be turned over to a private collection firm and the fees associated with private collections. Also impacting wait-times was the loss of eight full-time experienced representatives (for various reasons), a hiring freeze which delayed replacing looses until November 2012 and the resulting training lag before new hires are able to work independently and at a level approaching the people they are replacing. These factors increased both call volumes and call times, resulting in higher than optimal wait times.

**Percentage of Successful Web "Look-ups:"** = 49%. As with wait-time statistics, IVR "look-ups" were adversely impacted by "special causes" of

variation. For instance, taxpayers who look up their returns before the return is processed would have not have produced a successful look-up on their returns within the time frames, within which they might reasonably have expected their return to be processed. **Percentage of Customer Service Ratings of "Good" or "Excellent" = 96%**. In spite of the significant changes in both the internal and external environment and the multiple, special causes of variation noted above, Department of Revenue employees have continued to deliver consistently high degrees of customer service.

#### 4. HOW WE COMPARE

Do to the unique nature of this measure, comparable data is not available.

#### 5. FACTORS AFFECTING RESULTS

The primary factors impacting this new, and complex measure for this baseline period are largely within the general category of "special" causes of variation (those types of variation, which are statistically outside normal process control limits).

#### 6. WHAT NEEDS TO BE DONE

The Department will continue in its ongoing process re-engineering and improvement efforts. As we have examined the way in which this new type of measure has functioned, we have re-visited the logic model used to set the weighting for the three components. While customer service originally had the lowest percentage rating in the measure, in practical terms the other two components (call wait-time, and taxpayer self-sufficiency through IVR look-ups) are essential **operational** activities which drive customer service, which in turn drives the outcome this measure is intended to inform (Effective Taxpayer Assistance).

#### 7. ABOUT THE DATA

Reporting cycle is the Oregon Fiscal year. Website information is taken from Oregon.gov and IVR data gathered by the department. IVR data includes results showing the number of callers that hang up after listening to information on the IVR. It also includes results showing the number of times the response to an inquiry to the "Where's My Refund?" area of the department's website is something other than "not found." Wait time data is gathered from the phone system. Customer Service data is taken from the standard Customer Service KPM survey process.

<b>REVENUE, DEPARTMENT of</b>	<b>III. USING PERFORMANCE DATA</b>
<b>Agency Mission:</b> We make tax systems work to fund the public service that preserve and enhance the quality of life for all citizens.	
<b>Contact:</b> Kris Kautz	<b>Contact Phone:</b> 503-945-8213
<b>Alternate:</b> David Zerbe	<b>Alternate Phone:</b> 503-945-8393
<b>The following questions indicate how performance measures and data are used for management and accountability purposes.</b>	
<b>1. INCLUSIVITY</b>	<p>* <b>Staff</b> : Staff are increasingly involved in reviewing our agency mission, vision and values, which are supported by some of these Key Performance Measures. There is increasing participation and input on review and requests for modifying and/or changing measures.</p> <p>* <b>Elected Officials:</b> Elected Officials review the performance measures as part of the legislative process.</p> <p>* <b>Stakeholders:</b> Stakeholders are consulted regarding the measures as appropriate.</p> <p>* <b>Citizens:</b> Citizens review the performance measures on the department's Web site and submit questions and comments.</p>
<b>2 MANAGING FOR RESULTS</b>	<p>Performance measures are used as key indicators of the agency's progress toward achievement of its long-term vision. They are also used as indicators of progress made in projected efficiency gains as a result of automation. The agency uses additional internal measures and division and agency level dashboards to track internal indicators to assist in using output data to more effectively manage to identified outcomes.</p>
<b>3 STAFF TRAINING</b>	<p>Various agency managers have previously, and continue to attend targeted training classes, with topics related to public sector performance measurement and have brought the knowledge gained at those classes back to the agency. In addition, managers have reviewed training and information posted on the Department of Administration Website. The department has begun offering internal training on process performance metrics and the tools of quality.</p>
<b>4 COMMUNICATING RESULTS</b>	<p>* <b>Staff</b> : Staff have the capability to review Key Performance Measures on the department's internal Web site. Managers are engaged in multiple levels of review of each updated Annual Performance Progress Report. Based upon their reviews, work processes may be changed or problems/trends identified, which are then addressed.</p> <p>* <b>Elected Officials:</b> Elected Officials review the performance measures and evaluate the department's effectiveness as part of the department's budget process. The measures are also included in the Agency Business Plan provided to</p>

	<p>the legislature and other elected officials.</p> <p>* <b>Stakeholders:</b> Stakeholders review the measures on the department's external Web site and may ask questions or make suggestions.</p> <p>* <b>Citizens:</b> Citizens review the measures on the department's external Web site and may ask questions or make suggestions.</p>
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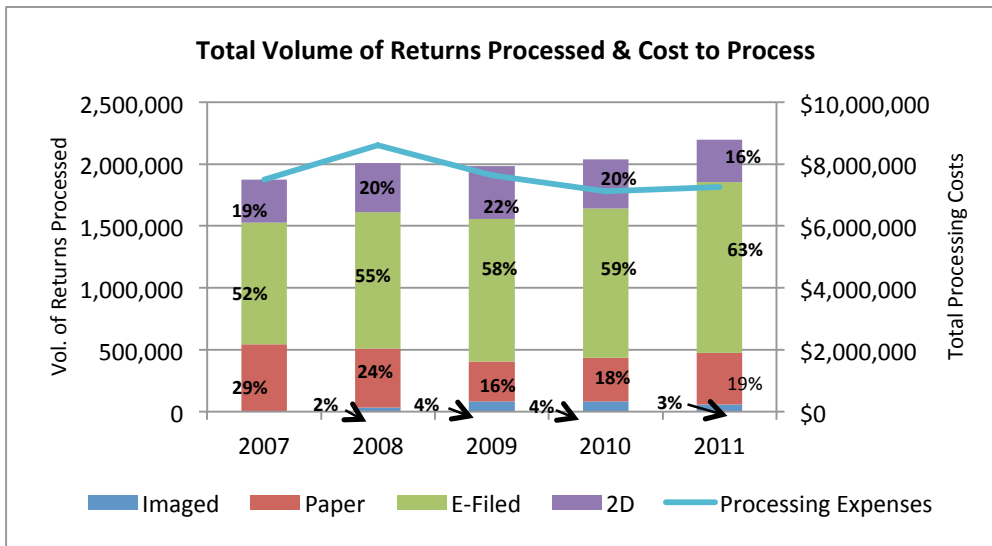


# Appendix J

## Program funding teams

### Department of Revenue: Administrative Services Division

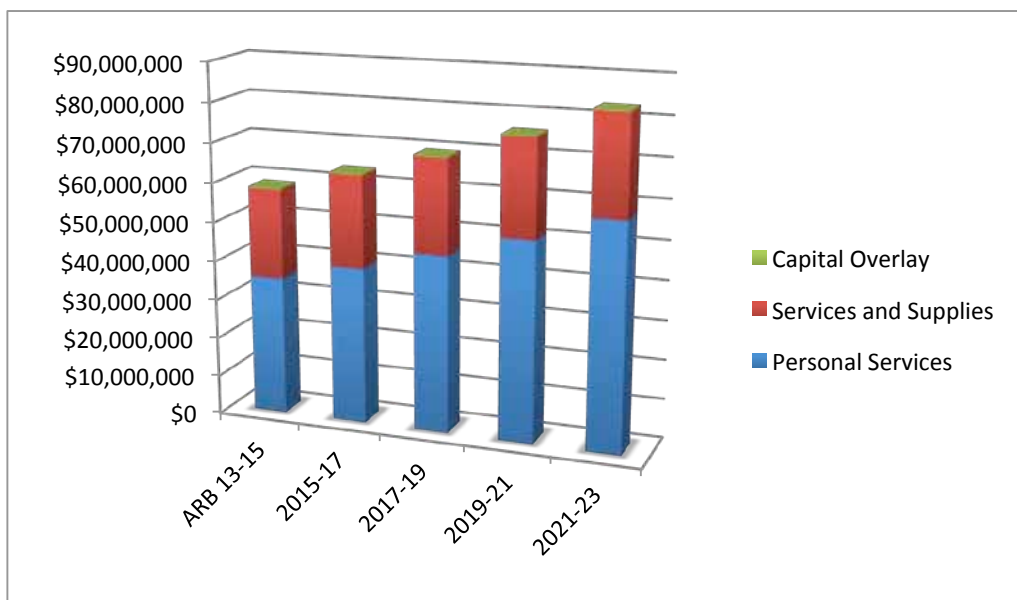
Primary Outcome Area: Improving Government  
 Secondary Outcome Area: N/A  
 Program Contact: Terrence Woods, (503) 947-2547 & Larry Warren, (503) 798-7852



#### Executive Summary

The Administrative Services Division provides the infrastructure, services, and solutions to meet the business needs of the organization.

#### Program Funding Request



Administrative Services Division does not have additional program funding requests above Current Service Level.

### **Program Description**

Administrative Services Division (ASD) accounts for approximately 32 percent of the total Department of Revenue budget. ASD provides a broad range of services through its three sections: IT Services, Processing Center, and Finance & Procurement.

The division's Processing Center activities are carried out in an environment that is evolving from a high volume, mechanical production-type environment to one that relies heavily on technology and automation. The Processing Center deposits more than \$8.5 billion in tax payments each year. Fifty-seven percent of the funds are received through electronic funds transfer; checks, money orders, and cash make up the other 43 percent. Annually, ASD generates over 6 million pieces of out-bound mail and receives over 4.5 million articles of mail, including all Oregon tax returns filed on paper. The Processing Center provides support for all of the agency's tax programs.

The IT Services Section provides technology-based business solutions and technical support for our tax programs and employees. Responsibilities include information security, network, and desktop support; applications development that operate either on the agency's central or distributed windows-based systems; and monitoring and researching technology. The integrated tax accounting system, our core business system, is the repository of taxpayer account information for the State of Oregon. During the latter part of the 2005–2007 biennium, the agency migrated our computing infrastructure and network administration to the State Data Center.

The Finance & Procurement Section manages the agency's integrated tax accounting system; provides general fiscal support (e.g., payroll, accounts payable, etc.); coordinates purchasing, and accounts for and distributes all revenue collected by the agency.

### **Program Justification and Link to 10-Year Outcome**

The IT Services Section (ITS) is pivotal to increasing operational efficiencies within the agency and as a statewide enterprise. The demand for data, process automation, and mobile technologies has increased over the past 5 years. ITS is on the forefront to continue to increase automation within the agency and provide a foundation for future capabilities. Additionally, ITS will continue to partner with the State Data Center and other agencies on state enterprise efforts such as active directory consolidation, identity management and others as appropriate.

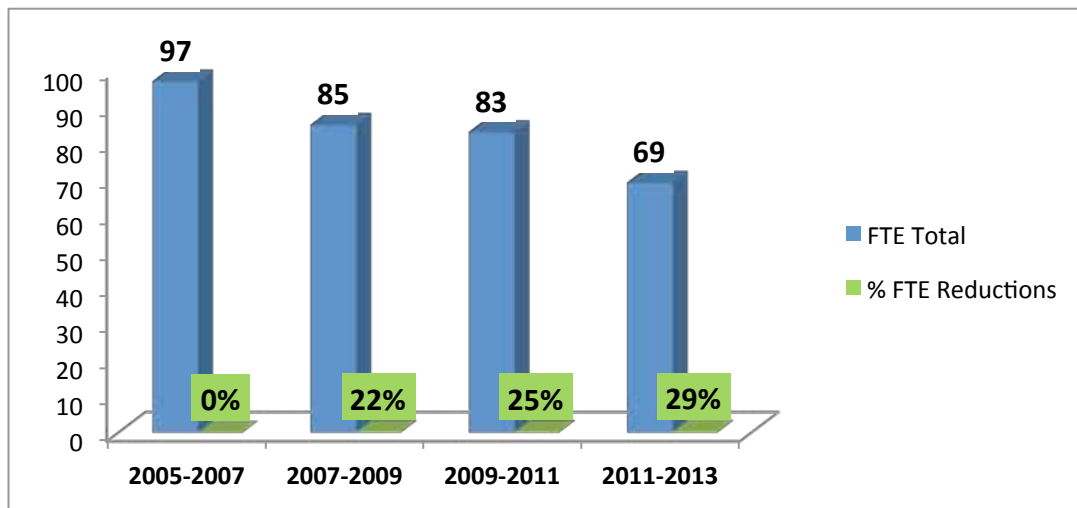
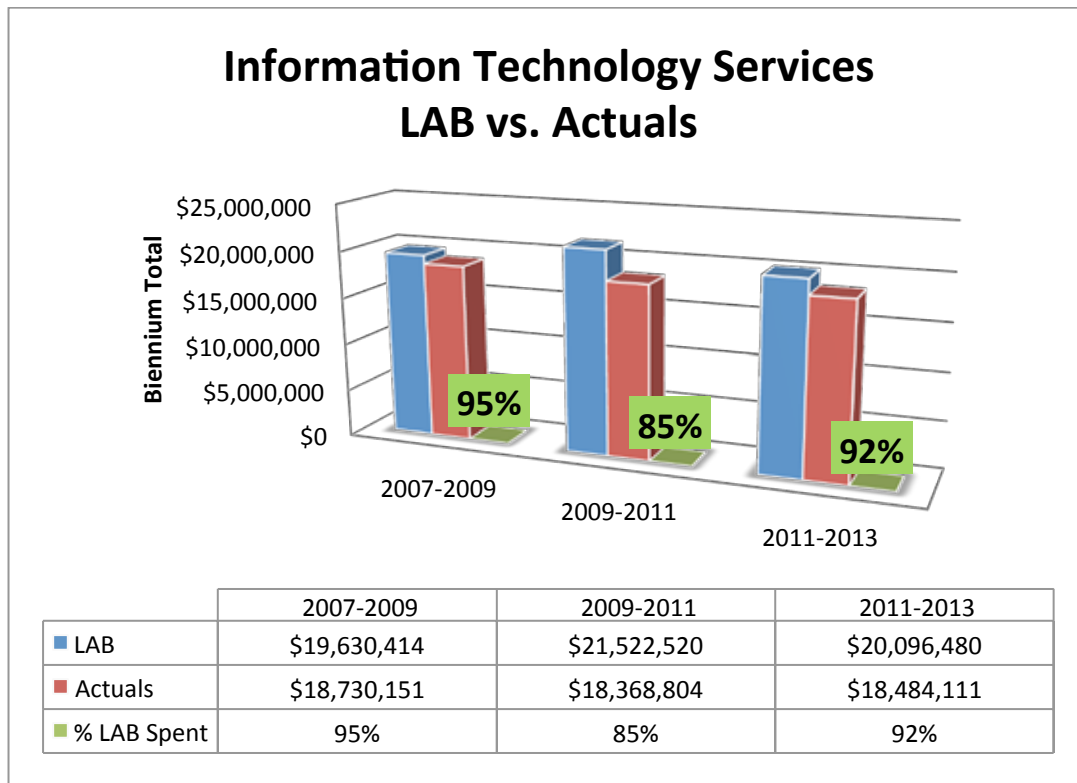
The Processing Center Section (PCS) provides banking, mail opening, data entry, and tax file management for the agency's tax programs. By centrally delivering these services to the agency, there is a cost and time savings. In addition, PCS plays an important role in the move to electronic filing and payment methods.

### **Program Performance**

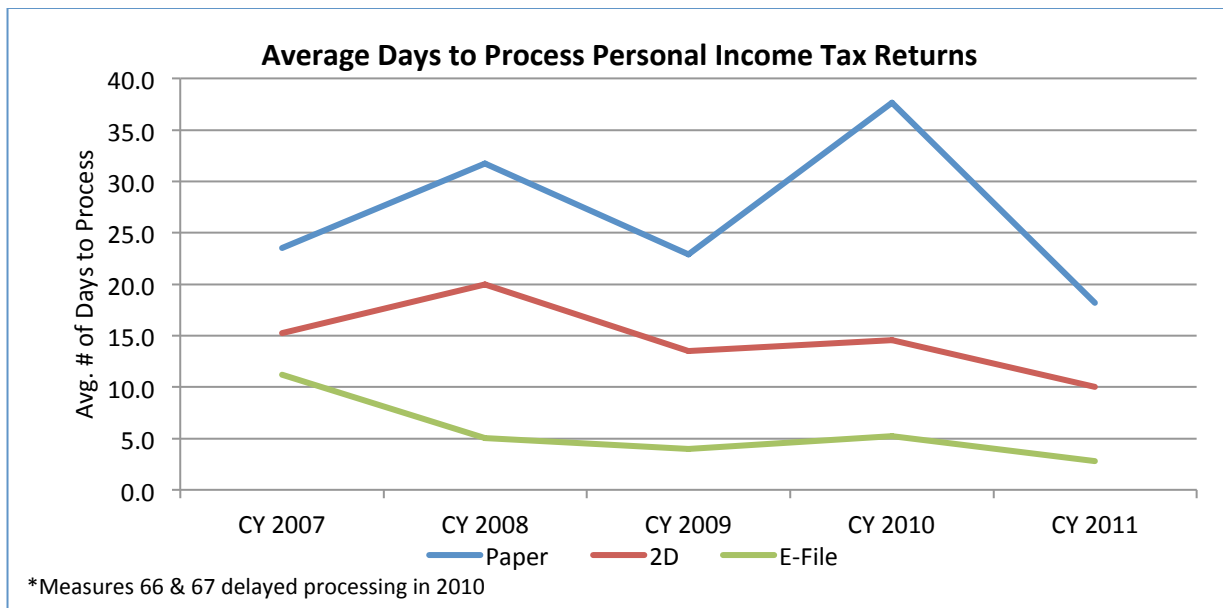
Information Technology Services is increasing their capability to measure performance as part of their service management project. Some highlights include:

- Over 1,200 supported desktops
- 247 supported applications

- Average 2000+ service requests per month
- Average 1700+ service resolutions per month (85 percent average monthly resolution rate)
- 5300 registered Taxpayers using the Taxpayer Self Sufficiency application



Processing tax returns in a timely manner impacts many Oregon citizens and the ability to accurately forecast revenue. The following graph highlights the efficiency gains the center has realized in processing returns and highlights the impact e-filing has on processing times.



**Enabling Legislation/Program Authorization**

ORS 305.025 establishes authority for the Department of Revenue.

**Funding Streams**

The Administrative Services Division is funded by 87% General Funds and 13% Other Funds. The Other Funds is comprised of a variety of sources the agency receives for other programs and is based on the other program’s use of Administrative Services Division Services.

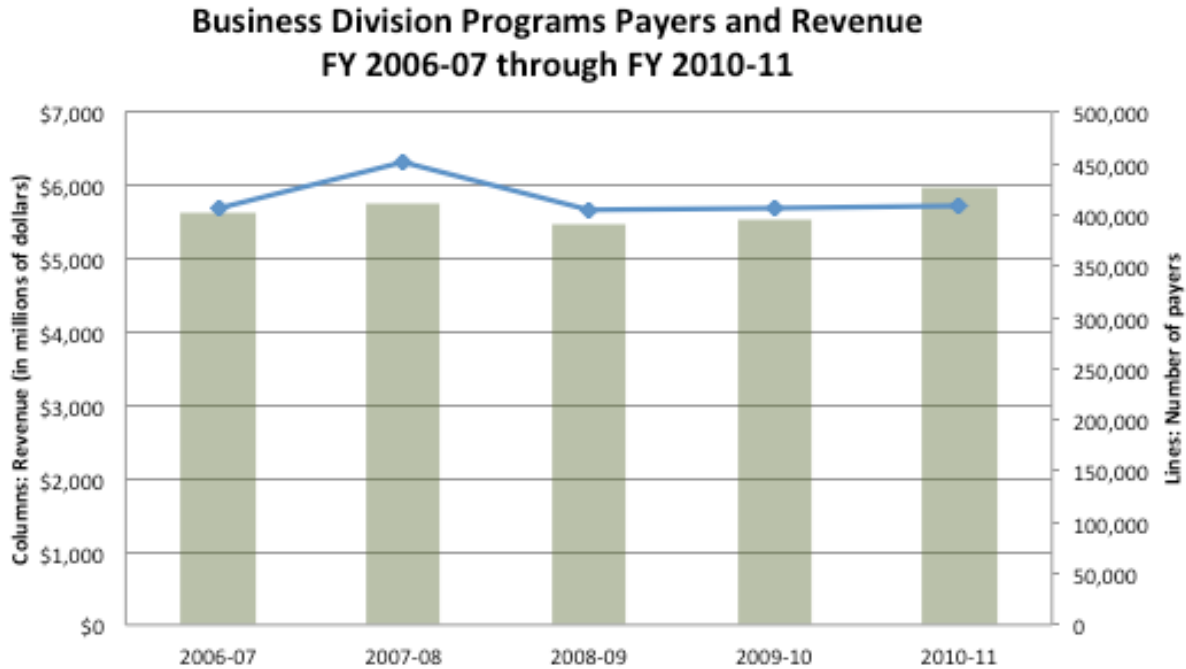
**Significant Proposed Program Changes from 2011-13**

The Administrative Services Division does not anticipate any significant changes to our programs beyond adapting to support the Core Systems Replacement work the department is undergoing.

## Department of Revenue: Business Division

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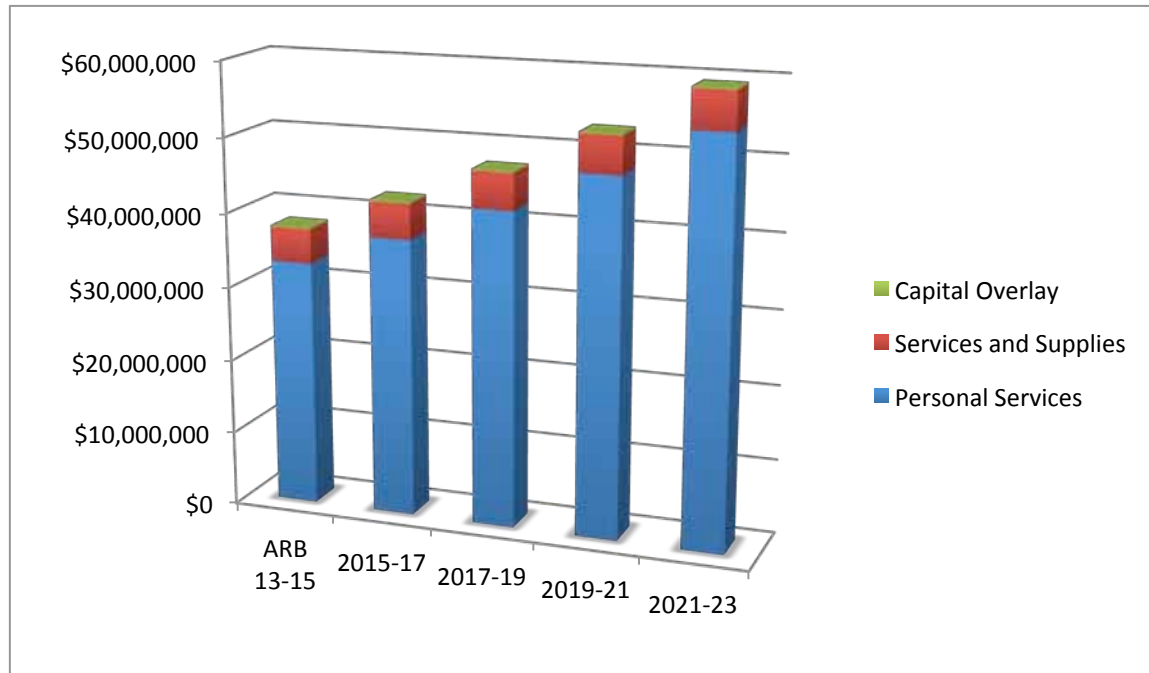
Primary Outcome Area: Improving Government  
Secondary Outcome Area: N/A  
Program Contact: Jack Ogami, 503-945-8030



### Executive Summary

The Business Division works with large and small businesses so they can report and pay the correct tax due to help fund services provided by state government. Programs administered by the division contribute approximately \$6 billion in revenue to the state annually (this includes personal income tax withholding that employers remit to us and are then claimed on individual income tax returns.) The division provides collection expertise and services to other agencies and is instrumental in analysis and interpretation of information used to forecast state revenues.

## **Program Funding Request**



Business Division does not have additional program funding requests above Current Service Level.

### **Program Description**

The Business Division administers several tax and other revenue programs. These programs include Corporation Income and Excise Taxes, Employer Income Tax Withholdings, Transit Payroll Taxes, Fiduciary, Estate, Other Agency Accounts, Cigarette Tax, Other Tobacco Products Tax, and other Special Programs such as Amusement Device Tax, State Lodging Tax, Emergency Communication Tax, Petroleum Load Fee, and Hazardous Substance Tax. The combined programs have annual revenue of more than \$6 billion (this amount includes income tax withholdings, which are included in the Personal Tax and Compliance narrative). The division budget is over \$30million for the 2011–13 biennium.

The Business Division’s program responsibility includes collection of delinquent business taxes. These include income taxes withheld by employers and sent to the department, corporation taxes, and local transit district taxes. As of May 2012, there were delinquent accounts totaling \$141.76 million in unpaid payroll and corporation taxes. During the 2009-2011 biennium, the Business Division generated approximately \$84 million from collection activities. A major responsibility of the division is to provide the means for employers to report and remit employee income tax withholding. We also focus on educating businesses to improve compliance with the state’s tax laws. Withholding and Transit Tax compliance projects continue to be conducted throughout the state. The division also works with community partners to educate business owners about their responsibilities under the payroll-based tax programs.

The Business Division collects debts owed to other agencies. As of May 2012, we are actively collecting 218,000 accounts totaling \$318.9 million owed to state programs. These other

agencies have also identified an additional 355,800 delinquent accounts totaling over \$1.7 billion to offset against tax refunds (if available) through the automated refund offset program.

The Business Division audits corporation income and excise tax returns, and has program responsibility for transit self-employment tax returns. Audit activity is performed by staff located in Salem, Portland, and Eugene. A significant number of audits are conducted on corporations doing business in more than one state. Corporation Auditors travel to taxpayers' offices located throughout the country to conduct audits. The corporate income and excise tax is estimated to bring in approximately \$894 million for the 2011–13 biennium.

The Business Division administers the Cigarette and Other Tobacco tax programs that generate approximately \$502.1 million in biennial tax receipts.

The Business Division Research Section produces revenue-related descriptive information about the department's programs. It publishes annual statistical summaries and the biennial Tax Expenditure Report. In addition, the section conducts special studies & analyses relating to Oregon's public finance system, and provides analytical support for Department programs. The data and information developed by the Research section is used extensively by the Office of Economic Analysis, Legislative Revenue Office and others.

The Business Division will continue to encourage cooperation with other state and federal agencies to simplify the tax programs affecting Oregon employers. As an example, we are participating in the Central Business Registry that provides a single entry point for Oregon businesses to register with state agencies. We partner with two other agencies for the combined payroll tax reporting of five different programs. The department has partnered with 7 other state agencies and boards to comprise the Interagency Compliance Network. These seven agencies and boards work together to achieve better compliance with independent contractor laws. By providing an information website, outreach activities, and joint audit and enforcement, the network is establishing a level playing field for businesses seeking to hire independent contractors as well as for those workers who are working as independent contractors. The Corporation Section successfully partnered with the IRS, other state revenue agencies, and tax preparation software companies to provide electronic filing for corporate taxpayers. We work closely with other states through organizations such as the Multi-State Tax Commission and the Federation of Tax Administrators to achieve tax compliance and promote a healthy tax system.

### **Program Justification and Link to 10-Year Outcome**

Confidence in the Business Division's administration of tax programs is impacted by how fair people view the current system and enforcement of tax laws. To fulfill our mission we focus on making the tax systems we administer work so funding for public services is preserved. The Business Division partners with a variety of other Oregon state agencies, the legislative and judicial branches of Oregon government, other states, the federal government, and the tax professional community to accomplish our mission. We provide the tools needed by businesses to comply with tax reporting and paying responsibilities. A healthy revenue system is essential to the public sector creating the fertile environment needed by the private sector to build the vibrant and innovative economy that is central to the 10 year plan for Oregon Project.

## **Program Performance**

### **Revenue to Cost Ratio - Withholding, Corp, and Tobacco TY2007 to TY2011**

*\*Numbers shown in millions*

	<b>Revenue</b>	<b>Cost</b>	<b>Ratio</b>
<b>TY2007</b>	5,239	15	349 : 1
<b>TY2008</b>	5,320	16	333 : 1
<b>TY2009</b>	5,055	15	337 : 1
<b>TY2010</b>	5,112	14	365 : 1
<b>TY2011</b>	5,556	14	397 : 1

The above chart shows the total revenues for the withholding, corporation, and tobacco tax programs compared to the costs to administer these programs. Although the 2007 year shows a higher ratio of revenue to costs than the 2008 and 2009 years, the remaining years show an upward trend of revenue compared to costs to administer. We want to see the ratio of revenue to costs continue to increase as we look for more effective and efficient ways to administer the tax programs.

### **Enabling Legislation/Program Authorization**

ORS chapters 305, 314, 316, and 317 require the department to provide forms and instructions for filing returns and paying tax; preparing withholding tables for use by employers; auditing and examining returns; and collecting taxes due. ORS 293.250 gives us authority to collect debts on behalf of other state agencies and boards. ORS chapters 320 and 323 give the department authority to administer the tobacco, cigarette, and several other smaller tax programs.

Several state statutes require the department to provide or assist in providing tax information for purposes of forecasting state revenues used by the legislature in preparing the biennial budget; publishing statistics for income and property taxes; reporting the impact of tax expenditures; preparing personal income tax withholding tables and formulas; estimating funds available to assist counties with their assessment and taxation function; and a variety of other reporting and forecasting responsibilities related to state and local taxes. Some of these statutes are ORS 173.850, 291.210, 291.342, 309.340, 311.508, 314.850, and 316.172.

### **Funding Streams**

Business Division operations are funded by a combination of general funds and other funds. General fund revenue primarily comes from the income tax programs administered by the Department of Revenue, including those administered by the Business Division. Sources of other funds revenue are other agencies paying for collection services provided by the Business Division, transit district payments for collection and audit services provided by the department; and directly from the revenue streams for programs such as tobacco and other smaller tax programs administered by the department.

### **Significant Proposed Program Changes from 2011-13**

The Program Funding Team (PFT) has asked us to evaluate the expansion of OAA's collection function to improve collection effectiveness and better overall management of statewide accounts receivables. If the PFT adopts our recommendations, OAA will require increased



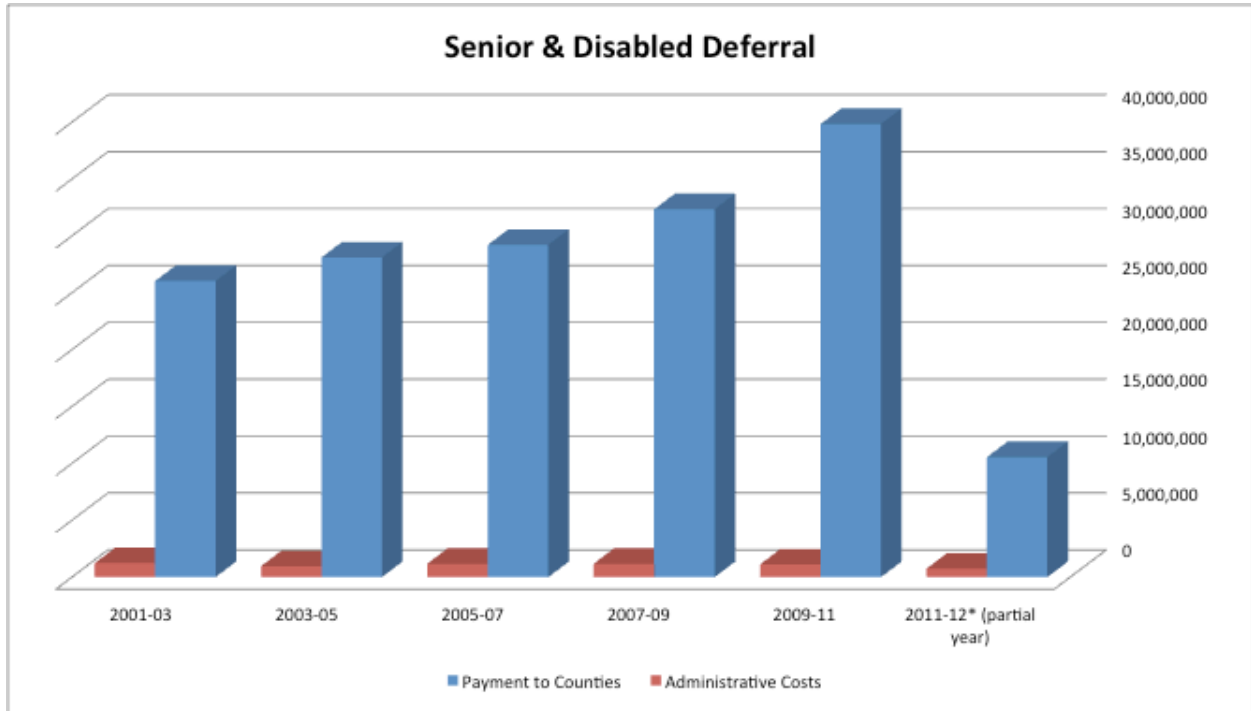
resources to collect the increased volume of accounts and participate in statewide AR management activities. More information is available in the Program Funding Team Specific Feedback document the department is preparing.

The Business Division will also be engaged with the core systems replacement project if it is funded for 2013-15.

# Department of Revenue: Senior Citizen and Disabled Property Tax Deferral

Primary Outcome Area:  
 Secondary Outcome Area:  
 Program Contact:

Healthy People  
 N/A  
 Bram Ekstrand, 503-302-1947



## Executive Summary

The Senior Citizen and Disabled Deferral Program provides property tax assistance to over 7000 low income or disabled people annually. The Department of Revenue pays the property taxes for program participants to the counties and a lien is placed against the property so that taxes are repaid when the owner dies or sells the home.

## Program Funding Request

*(This section will remain blank during Round 1).*

## Program Description

The Oregon Legislature created the deferral program in 1963 with General Fund dollars. Since then the program has become self-sustaining and repaid most of the initial seed money. Each year the state disburses around \$13 million dollars among the 36 counties on behalf of program participants. Participation is by application and subject to criteria evaluating income, assets, property value, years of residency, and age of applicant to help target those most in need of assistance. Annual interest of 6 percent is charged against the outstanding balance loaned along with an initial fee of \$40. Participants are then reevaluated every three years to make sure they still meet the requirements of the program. During the 2011 legislative session the program

participation criteria were tightened and a restriction on growth was put in place to align incoming with outgoing funds. The expenses to administer the program are covered by the repayments from participants. Annual costs to administer the program are approximately \$500,000 per year.

### **Program Justification and Link to 10-Year Outcome**

The Deferral program exists to help vulnerable Oregonians stay in their homes. We administer the program and consult representatives from local senior advocacy groups for input and ideas for improvement. We also continuously examine the way we do business to assure we are working and interacting with our clients in the best way possible.

We're consulting with Legislative Revenue Office to develop a data-gathering instrument so we can understand socioeconomic characteristics and financial position of tax-deferred homes of program participants.

### **Program Performance**

For 2011–12 the department paid taxes for 7000 program participants distributing over \$13 million to Oregon's counties. We successfully incorporated major changes to the program from the 2011 Legislative Session within five months from the close of session. We successfully incorporated program refinements from the 2012 Legislative within 60 days from the close of session.

### **Program Cost Drivers**

- 1) Program Diversity and Complexity.
  - Participation criteria and limits are adjusted each year and are challenging to explain to our client population.
  - Participants in the program are heavily reliant on paper correspondence and phone calls. Electronic correspondence has not been readily adopted by most clients.
- 2) The Cost to Maintain Obsolete Business Processes or Inadequate Technology
  - Reliance on manual processes increases the risk of error, and extends response times for customers.
  - Our current computer system is outdated and difficult to adjust to changes in administration criteria. Replacement of our core business systems should substantially alleviate that problem.
- 3) Ongoing Maintenance Needs of Client Population.
  - Calls from participants average over 40 per day.
  - Our customer base often needs assistance in filling out both the application and periodic reevaluation forms.

### **Opportunities to improve performance through alternative delivery methods**

- 1) The department continues to look for ways to automate administrative functions, improve process flows, and exploit technology wherever possible. Examples include:
  - a. Postings on our website.
  - b. An electronic mailbox for inquiries.

- c. Train Tax Help and other portions of agency that interface with the public about the program.
- 2) We're making our web content user friendly and adding functions like the web payoff screen where clients can determine lien status and the amount owing on the deferred account.
- 3) We're reaching out to citizen groups to help explain program changes and the application process through information on our website, news media, and direct contact with senior advocacy groups.

### **Enabling Legislation/Program Authorization**

ORS 311.668 and 311.670 define eligible participants and properties. ORS 311.673 allows for the department to attach a lien against the property under deferral.

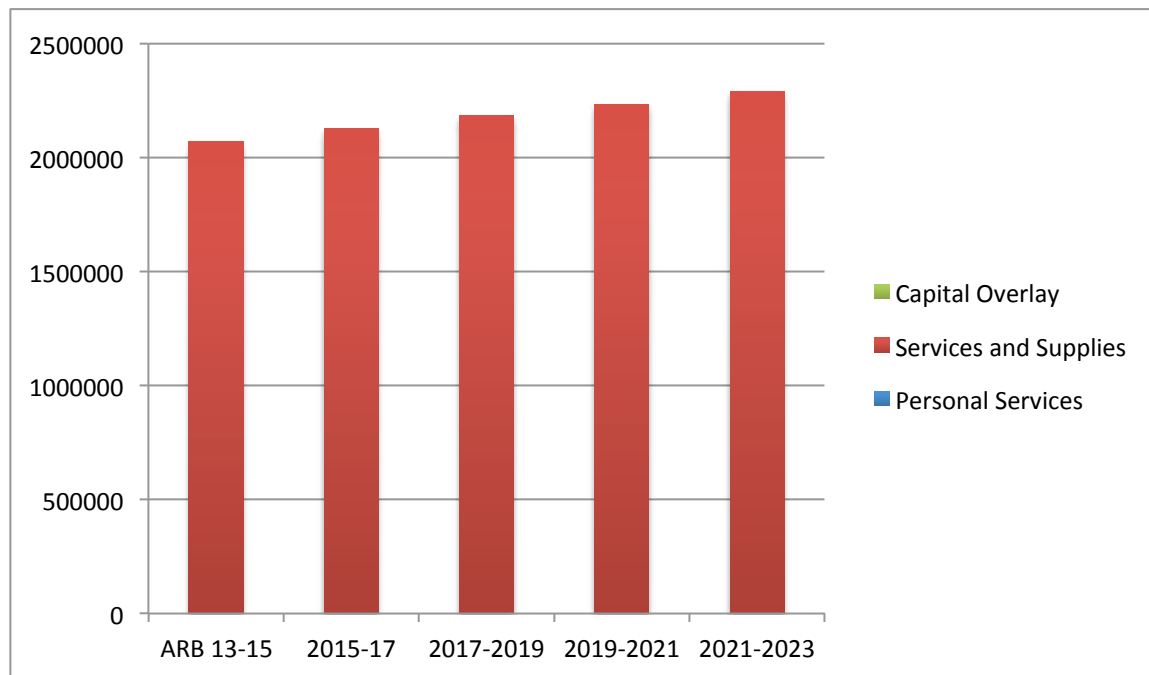
### **Funding Streams**

The deferral program is funded from the revolving account. Repayments from those leaving the program are used to loan funds to new participants. Administrative expenses associated with the program are paid from the revolving account as provided under ORS 311.701, which represents an Other Funds stream.

### **Significant Proposed Program Changes from 2011-13**

*(This section will remain blank during Round 1).*

## Program Funding 2<sup>nd</sup> Round Significant Changes ERA



The 2011 Legislative Session directed the department to explore options to transfer the Elderly Rental Assistance and/or the Non Profit Homes programs to agencies that are better suited to administer these non tax programs. As part of that discussion, the legislature only funded the department for the first year (2011-12) and set aside the second year in the Emergency Board with the expectation that the department would report in the 2012 session and if necessary request the funds in the September 2012 Emergency Board. The department will request \$2.9 million in the September 2012 Emergency Board for the second year.

After discussions with the Oregon Housing and Community Services Department, we have reached an agreement to transfer the Elderly Rental Assistance (ERA) program to them (\$1 million GF per year).

# Department of Revenue: General Services/Program Management

Primary Outcome Area: Improving Government  
 Secondary Outcome Area: N/A  
 Program Contact: Eric Smith, (503) 945-8232

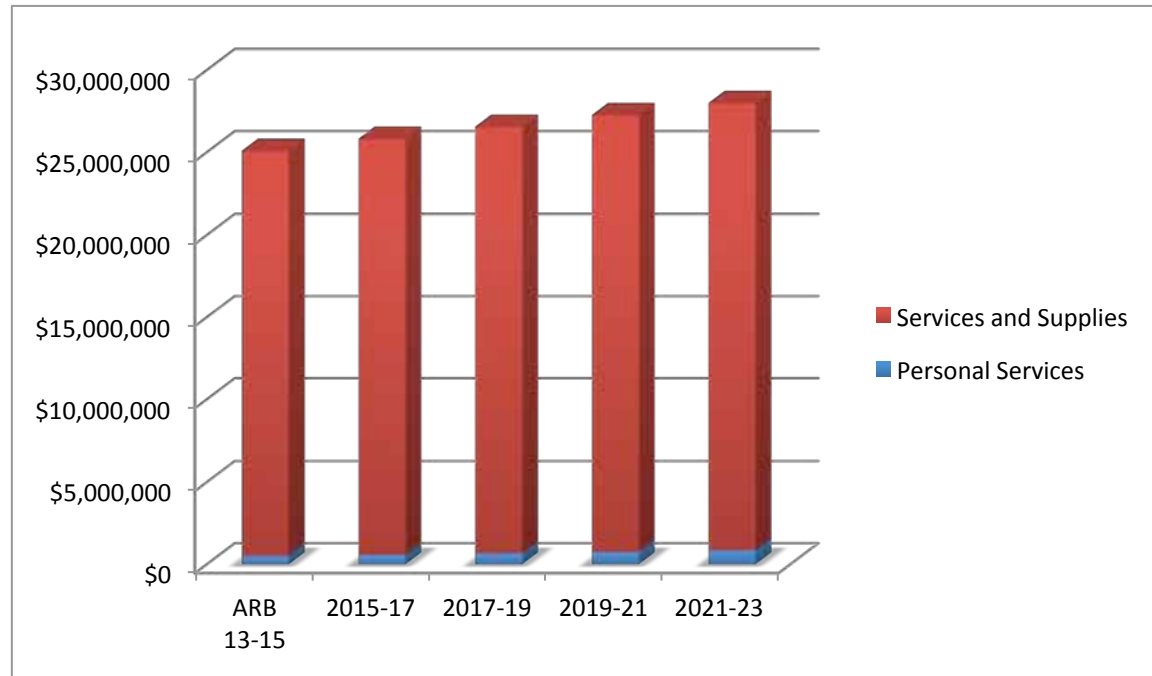


## Executive Summary

General Services/Program Management Section represents two centralized functions for Revenue:

- Agency-wide Service Expenditures, such as postage fees and Attorney General (AG) expenses, support the administration of Oregon’s income and property tax programs funding public services that preserve and enhance the quality of life for all citizens.
- Agency Program Management includes project management, portfolio reporting, process improvement, and metrics. These resources specifically focus on achieving Revenue’s vision of becoming a model of 21<sup>st</sup> century revenue administration through the strength of our people, technology, innovation, and service.

## **Program Funding Request**



The Agency-wide services expenditure portion of this program does not have additional program funding requests. The Agency Program Management portion of the program has a policy option package for core systems replacement noted in our Round 1 presentation. And, we have provided additional information in the “Significant Proposed Changes” portion of this document.

## **Program Description**

*Agency-wide Service Expenditures:* Certain agency-wide service expenditures and fees are managed centrally for operational efficiency. Such expenditures and fees include postage, AG expenses, county property lien recording and release fees, private collection firm fees, and merchant fees. These expenses and fees would be spread among Revenue’s other division proposals if not managed centrally and reported in this proposal.

*Agency Program Management:* Agency leadership has created a Program Management Office (PMO) to lead and facilitate the ongoing transformation of people, processes, and technology. The main functions in the PMO include project management, portfolio reporting, process improvement, and metrics.

The PMO helps the agency develop and execute strategies to achieve our seven strategic goals:

- Become a customer-focused organization
- Maintain and enhance a talented, forward-looking workforce
- Preserve and enhance public confidence
- Enhance voluntary compliance and increase collection of taxes due under the law
- Create a culture of constant improvement
- Deliver high quality business results

- Partner with others to achieve our mission

The PMO has led the initiative to replace our core systems such as tax processing, accounting, and property valuation systems with industry best practice solutions. Efforts include creating a business case, program management plan, request for proposal, and executing a procurement process to identify the successful vendor to partner with Revenue to implement new systems beginning in 2013 (subject to Legislative approval).

Core systems replacement will reduce risk of interruptions to revenue flows due to aging and obsolete systems currently in use to administer Oregon’s tax programs. New systems will enable best practices for integration of data, improved business processes, provide Legislature and Revenue with the ability to make decisions using better information, and provide more opportunities to improve taxpayer compliance. Process improvements using new technology will provide improved customer experience, and enhance workforce satisfaction and effectiveness. The implementation of new core systems is planned to begin in fall of 2013 and continue through fall of 2017.

**Program Justification and Link to 10-Year Outcome**

The PMO provides leadership and resources for Revenue’s effort to Improve Government. The core system replacement project managed by the PMO will:

- Provide more flexibility for service delivery
- Enhance overall online service delivery
- Allow for more investment in operational efficiency initiatives (i.e. using State Data Center)
- Use nationally recognized best practices for tax administration

The PMO is also developing a foundation for reporting and monitoring performance metrics that benefit decision-making and improve responsiveness and problem solving.

**Program Performance**

The PMO is less than two-years old and is still developing. The primary role of the PMO is to assist Revenue’s performance improvement (see Divisions listed in the four other Revenue proposals) through project management, portfolio reporting, process improvement, and metrics.

The number one objective of the PMO for the next five years is to successfully replace core tax systems with new systems. Project management metrics and milestone accomplishments are primary indicators of PMO success, including:

- Development of Business Case (completed on time)
- Development of RFP (completed on time)
- Procurement/Intent to Award (completed on time)
- Contract Signed (on schedule)
- Legislative Approval (Spring 2013)
- Begin Implementation – Roll out 1, 2, 3 & 4 (Fall 2013, ‘14, ‘15 & ‘16 respectively)
- Final Acceptance (Fall 2017)



### **Enabling Legislation/Program Authorization**

The Revenue Leadership Team created the Agency Project Management Office as a way to better manage resources, projects, and priorities internally. The key is to have a framework that is understandable and agreed to so that divisions can see the planned timing and necessary resources for projects.

### **Funding Streams**

General Fund and Other Funds support both the Agency-wide Service Expenditure and Agency Program Management programs.

A 2013 Legislative Concept recommends funding portions of PMO costs related to core systems replacement. The concept proposes a benefits-based funding model that uses a percentage of specified receipts from Personal Income Tax, Withholding Tax, and Corporate Tax (programs that benefit from new systems).

### **Significant Proposed Program Changes from 2011-13**

DOR is seeking a **\$17.3 million Other Fund spending limitation** that will enable the agency to begin to pay for the system and reimburse internal costs for the 2013-15 biennium. These costs will be paid from a special fund established to pay vendor costs which are capped at \$34.5 million over four years beginning fall 2014. Certain agency direct project costs, not to exceed \$15 million over four years, will also be paid from this fund. The request for the special fund is being introduced in Legislative Concept 15000-016.

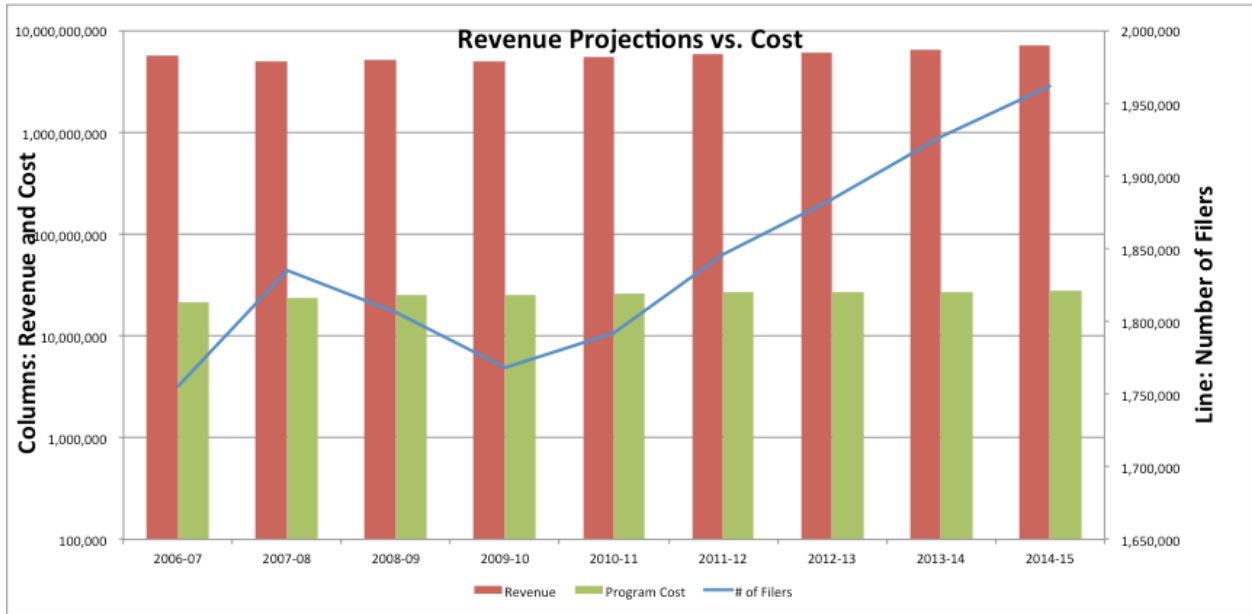
In addition, DOR is seeking a **\$4,217,000 General Fund allocation** for the 2013-15 biennium to cover agency State Data Center (SDC) costs as well as the cost of replacing desktops with standard, up-to-date equipment necessary for operating the COTS software.

- SDC costs: \$2,512,000\*
- Desktops: \$1,705,000

\*Note: SDC costs are estimated based on 11-13 pricing and may be adjusted during the Governor's Recommended Budget process.

# Department of Revenue: Personal Income Tax and Compliance Division

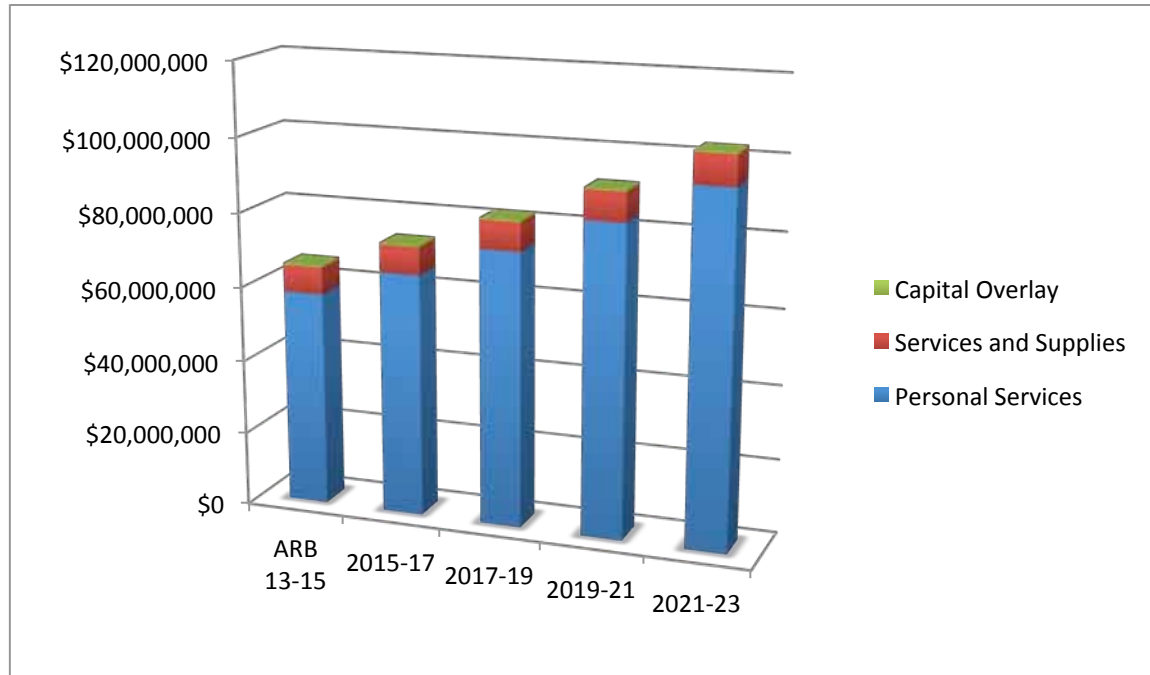
Primary Outcome Area: Improving Government  
 Secondary Outcome Area: N/A  
 Program Contact: JoAnn Martin, 503-945-8539



## Executive Summary

The Personal Tax and Compliance Division is responsible for administering the Personal Income Tax Program, which is Oregon’s largest source of General Fund revenue generating approximately \$11.6 billion for the 13–15 biennium.

## Program Funding Request



The Personal Tax and Compliance Division is not seeking any additional funding above Current Service Level at this time.

### Program Description

The Personal Tax and Compliance Division directs and manages the state's personal income tax program, including policy development, audit, and collection functions. This program serves over 1.8 million taxpayers through filing tax returns, filing enforcement, or collection activities.

The purpose of the program is to ensure that taxpayers are paying their correct share of personal income taxes that help fund public services that preserve and enhance the quality of life for all citizens. The overall goal of the division is to improve taxpayer compliance with the programs it administers through a three-pronged approach of taxpayer assistance, education, and enforcement activities.

The Division commits most of its resources to:

- Providing information and assistance to individuals so they can file and pay their personal income tax correctly
- Enforcement activities
- Collection of delinquent debt

### Program Justification and Link to 10-Year Outcome

The personal income tax program is projected to bring in approximately \$11.6 billion in general fund revenue for 2013–2015. Because the personal income tax is the state's primary revenue source for discretionary spending, the amount of personal income tax dollars collected is directly

related to the ability of the state to achieve its 10-year outcome goals for virtually every program area in this budget process.

The most effective way to encourage voluntary compliance with Oregon tax law is to provide simple, timely, and trusted information to taxpayers. We achieve this through our forms and instructions, safe, accurate, and speedy tax filing systems, and quality policy development and communication with our internal and external stakeholders, as well as all of our taxpayers.

Enforcement activities are employed for those who do not voluntarily comply with Oregon's personal income tax laws. Enforcement actions affect individuals who understate income, overstate expenses or deductions, fail to file required returns, fraudulent returns, and/or fail to pay.

The effort needed to bring taxpayers into compliance continues to increase in both the audit and filing enforcement functions. Today's taxpayers are more likely to have multiple bank accounts and are more likely to use multiple credit cards for expenditures, which make transactions more complex. Use of the Internet for banking and the ease of buying and selling of goods or services provide additional challenges to auditing. Records needed to substantiate transactions often require extra time to obtain, and sometimes can only be secured at additional cost to the taxpayer.

We continue to focus on filing enforcement. The Division reaches out to taxpayers that have not filed and reminds them of their tax obligations and willingness of the department to work with them. The Division is working to develop a more systematic, strategic approach to identify and take action with non-filers. This plan includes prioritizing our non-filer leads, streamlining our processes, identifying non or under withholding situations, and taking a more timely approach to contacting non-filers. In the 2009-11 biennium, we implemented a system to collect wage and withholding data. Our long-range plans include using data to match against filed returns as well as pursue non-filers.

### **Program Performance**

The division has focused substantial resources on increasing the number of personal income tax returns filed electronically as electronically filed returns are faster and less expensive to process. As a result, e-filed returns have increased from 21% of all filings for tax year 2001 to approximately 75% in tax year 2010. We are expecting another increase for tax year 2011.

Approximately \$27.5 million in net adjustments per year are made during the processing of tax returns. After tax returns are filed, certain returns that meet specific criteria are manually reviewed to ensure accuracy. Adjustments are made both in favor and against the taxpayer.

In 2011, approximately 395,000 taxpayers received assistance from the division through our Tax Services area.

The division continues to look for efficiencies and ways to streamline work. These changes have allowed us to exceed our enforcement plan. Recent changes include a centralized case selection process as well as identifying and implementing process improvements. Biennium-to-date (through April 2012), audit and filing enforcement efforts have resulted in 47,382 cases closed and adjustments exceeding \$91 million. Increasing voluntary tax compliance and reducing the tax gap through our enforcement efforts continues to be a focus for division.

Despite reduced staffing levels and continued sluggishness of economic recovery in the state, the division continues to exceed its collection targets. Liquidated and delinquent collections in the section for the 09-11 biennium exceeded goals by over \$25 million.

Recent operational and staffing/workload changes have facilitated significant increases in volume of work in individual Revenue Agent queues while maintaining sufficient coverage of incoming debtor phone calls through our automated call distributor. For fiscal year to date 2012 through March, the section's pace is currently exceeding anticipated collections by over \$40 million.

### **Enabling Legislation/Program Authorization**

ORS 305.015 provides that, "It is the intent of the Legislative Assembly to place in the Department of Revenue and its director the administration of the revenue and tax laws of this state, except as specifically otherwise provided in such laws."

ORS chapters 305, 314, 316, and 317 require the department to provide forms and instructions for filing returns and paying tax; preparing withholding tables for use by employers; auditing and examining returns; and collecting taxes due.

The Personal Tax and Compliance Division authorization is under Oregon Revised Statute chapter 316. Specifically, the Personal Income Tax Act of 1969.

### **Funding Streams**

The program is funded almost entirely with General Fund. The Other Funds revenues represent expenses charged to various programs for the department's administrative costs. Personal Tax and Compliance Other Fund expenditures are primarily for the administration of Tri-Met and Lane County Transit Self-Employment Tax programs. In most cases, revenue equals the department's cost.

### **Significant Proposed Program Changes from 2011-13**

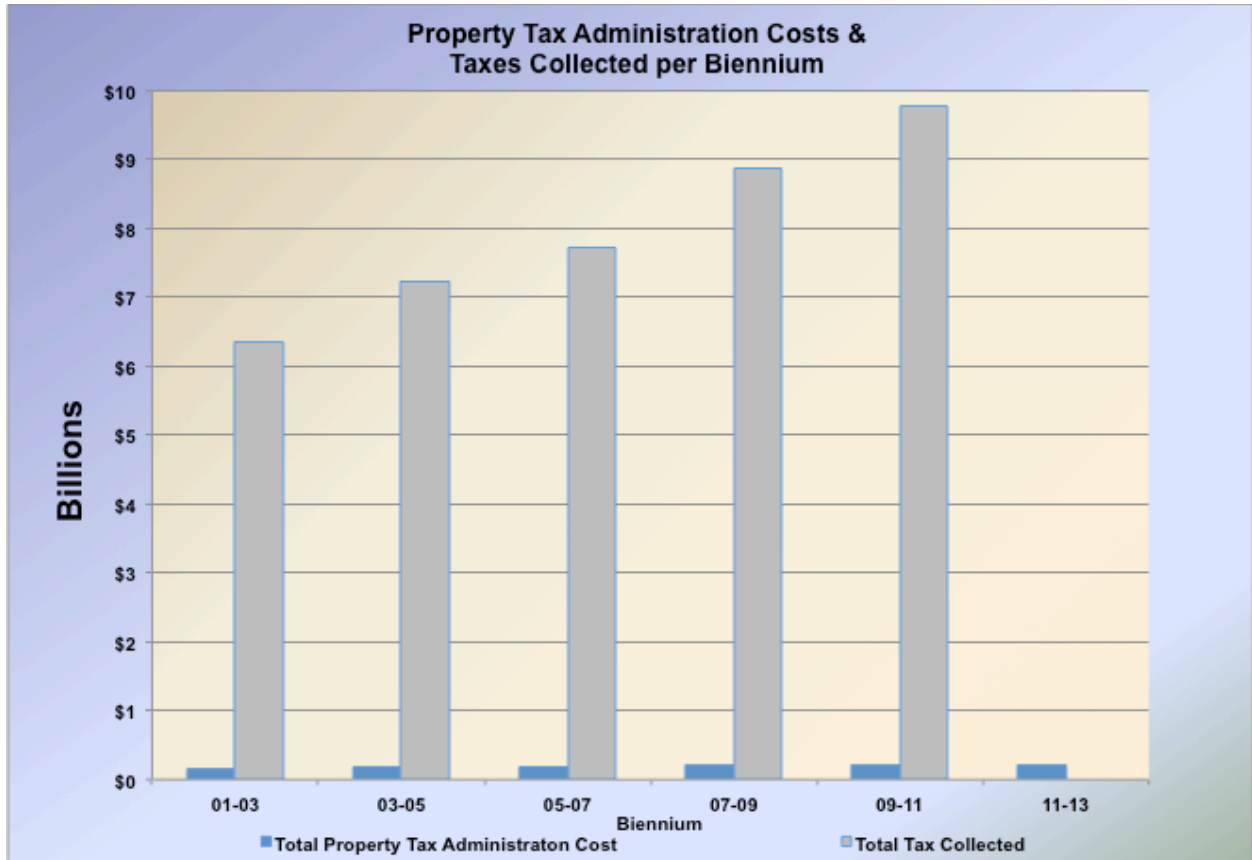
The Personal Tax and Compliance Division will be fully engaged with the core systems replacement project if it is funded for 2013-15, as income taxes are the first "roll-out" for the project.

# Department of Revenue: Property Tax Division

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Primary Outcome Area:  
Secondary Outcome Area:  
Program Contact:

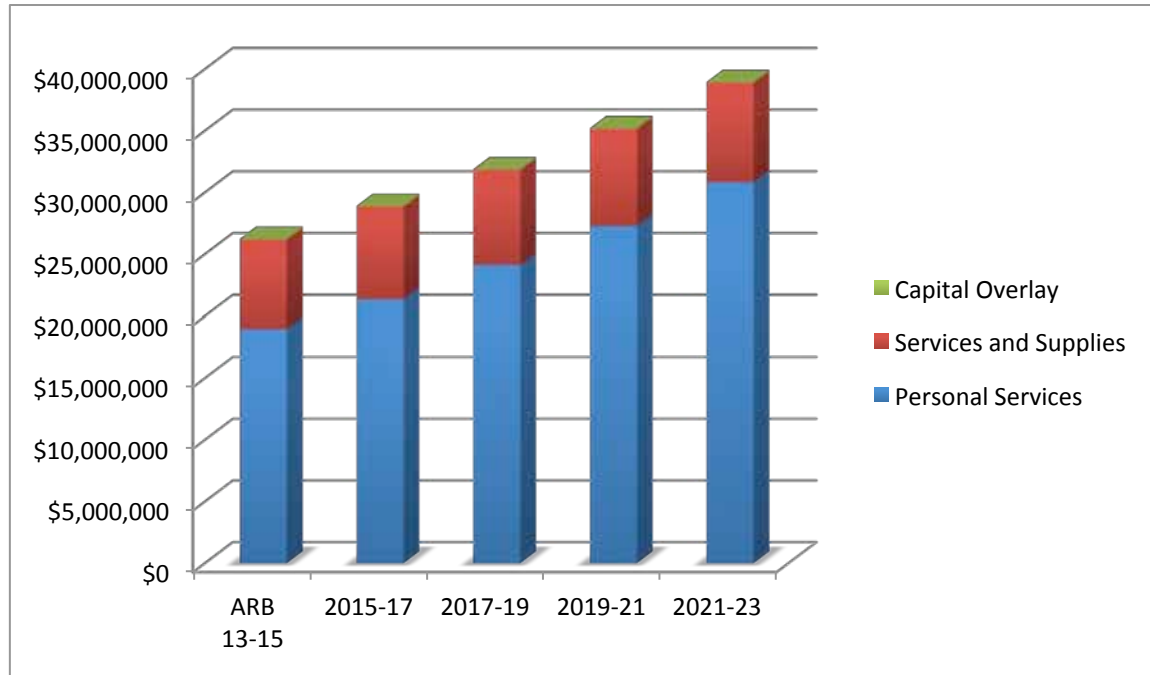
Improving Government  
N/A  
Mark Kinslow, 503-779-6521



## Executive Summary

The Property Tax Division (PTD) has statewide oversight responsibilities, maintains technical standards, provides assistance, and appraises high value properties for the property tax system that generates over \$5.0 billion a year state-wide to fund public schools, police and fire departments, and other local government services.

## **Program Funding Request**



We are not seeking any additional funding above Current Service Level at this time.

## **Program Description**

The Property Tax program is responsible for the overall supervision and support of the statewide system for property tax administration. Our responsibilities include valuation of large industrial properties and valuation of utilities and companies designated by ORS 308.515, which includes airlines, telecommunications, railroads, and gas and electric companies.

The program also sets and monitors statewide standards for the assessment and collection of property taxes, and provides tax lot mapping and maintenance services for several counties. The property tax program also collects payments in-lieu of property taxes, such as timber and electric co-op taxes.

There are four major areas of program focus:

- 1) Mapping—Accurate maps are important for describing the property for assessment and taxation and for identifying ownership.
  - PTD re-maps and provides map conversion services to counties that result in improved descriptions and more reliable GIS applications.
  - The division also maintains the assessor office maps of a dozen smaller counties on a contractual cost-share basis.
  - The division administers the ORMAP program, whose purpose is to develop a seamless statewide digital tax lot base-map that improves property tax system administration, and which aids the development of GIS applications for all levels of government and the private sector.
- 2) Industrial and Utility Valuation

- The division is mandated by statute to value all industrial properties in the state with a real market value of \$1 million or more. For the 2011–12 tax year, this represents about 900 sites, almost 4,500 accounts, and approximately \$17 billion of real and personal property value in the state.
  - The division also centrally assesses \$20 billion of utility, energy transmission, communication, and transportation property annually, representing 700 companies for the 2011–12 tax year.
  - The combined total value of \$37 billion for industrial and centrally assessed property determined by the division is added to the county tax rolls. This represents approximately \$500 million tax to fund local government services.
- 3) County Support, Assistance, and Oversight—The Oregon Constitution requires uniformity in the application and administration of property tax law.
- To promote uniformity, the Legislature has granted the department supervisory authority over Oregon’s 36 county assessment and taxation programs.
  - To make for a more equitable system, the department sets appraisal standards, monitors programs, provides training, and offers direct assistance to counties.
  - The department works with counties to identify productivity enhancements and to find ways to maintain a healthy property tax system during difficult financial times.
- 4) Forestland Valuation and Timber Taxes
- By statute the department establishes the specially assessed value on over 7.9 million acres of private forestland statewide.
  - The department also administers the Small Tract Forestland Severance Tax and Forest Products Harvest Tax programs, which produce over \$24 million per biennium to finance state and county programs.

**Program Cost Drivers**

- 1) Program Diversity and Complexity.
- There are dozens of special assessment programs, over one hundred different types of exemptions, and over one thousand taxing districts that receive property tax revenues, all of which have different requirements to operate and administer within the property tax system.
  - Past property tax limitation measures (Measures 5 and 50) and complex programs, such as urban renewal, significantly increase the work connected with calculating property taxes.
- 2) Cost to Maintain Obsolete Business Processes or Impact of Inadequate Technology.
- Over-reliance on a patchwork of labor-intensive business processes that don’t take advantage of available technology and lower cost, best industry practices.
  - Reliance on manual processes increases the risk of error, and extends response times for customers.
  - Most applications for industrial and utility valuation have been built by appraisal staff in mainstream software that has limited adaptability; application maintenance imposes both direct and indirect costs.
  - Electronic storage of data and history is limited; the capacity for extracting the available data to answer “what if” questions are equally limited.
- 3) Inadequate Customer and Stakeholder Support.



- Expectations are not fully met as taxpayers and counties cannot always give or receive information in electronic format or use web-based applications to full advantage.
  - Responses to taxpayer and county questions can generally only happen during office hours or when staff is available.
  - Staff must be re-directed toward hands-on customer and stakeholder support activities where long-term investments in technology-based solutions would likely prove less costly.
- 4) Impact of Budgetary Shortfalls on Local Assessment Administration.
- County assessment and taxation offices face the risk of underfunding and with it, the corresponding risk of failure to maintain assessment and taxation program adequacy.
  - Depending on the level of impact and the number of counties impacted, department intervention may be required to maintain local program adequacy, which imposes both direct and opportunity costs.

### **Program Justification and Link to 10-Year Outcome**

The following is a sampling of program efforts that move us toward achieving 10-year goals:

- 1) To further citizen panels for engagement, we will hold at least one formal taxpayer and stakeholder forum to answer questions and partner toward agreeable solutions when there is an administrative rule change that affects these parties.
- 2) To improve tools that will heighten training effectiveness as measured by appraiser continuing education performance, we will provide pre- and post-class subject matter tests.
- 3) To focus resources on service delivery and provide tools and accountability mechanisms for success, we will survey our county partners at regular intervals on the quality and timeliness of our work product.

### **Program Performance (A sampling of representative measures)**

PTD Program Services (Customer Service Quality and Administrative Efficiency Measures)

- Survey Oregon’s assessors and tax collectors each biennium. In the most recent survey (2010), over 90-percent of the respondents found the quality of service and level of communication acceptable or better.
- Measure combined administrative costs (DOR and counties). The number of tax accounts per \$1,000 cost has increased 7.6-percent from 2005–2010.

Mapping Services (Cycle Time Measures) establish baselines for map maintenance and boundary change completion.

Industrial and Utility Valuation (Cycle Time Measures) establish baselines and targets to complete industrial property returns. The normalized, 6-year average to process a return is about 58.4 days.

County Support Assistance and Oversight (Training Tools)

- Substitute costly “live, class-room” appraiser training with web-based, “E-learning” alternatives.
- Between 2009–2011, county enrollment in E-learning courses for which appraiser CE credit was awarded rose seven-fold (7% to 49%).

Forestland Valuation and Timber Taxes (Administrative Efficiency) administer the same programs in 2012 as 5 years ago with 60-percent fewer FTE through productivity gains and process improvements.

### **Enabling Legislation/Program Authorization**

- ORS 306.115 provides the department with the authority to exercise general supervision and control over the system of property taxation statewide.
- Elsewhere in ORS Chapter 306 the department is granted authority for securing uniformity in the system of assessment and taxation (ORS 306.120), appraising industrial property (ORS 306.126), and administering the ORMAP program (ORS 306.132).
- ORS Chapter 308 spells out additional roles for the department in the assessment of property for taxation, including utility property.
- ORS Chapter 321 provides authority for administering the Forest Products Harvest Tax and Small Tract Forestland programs.

### **Funding Streams**

- Just over 60-percent of the positions in PTD are funded by the General Fund, and the balance by Other Funds sources.
- The County Assessment Function Funding Assistance Account (CAFFA) established under ORS 294.184 provides an Other Funds stream that supports the appraisal of principle and secondary industrial property and centrally assessed companies. This funding stream supports over 23 FTE, mostly in the industrial valuation and centrally assessed areas. Monies from the CAFFA account arise from property tax delinquent interest and document recording fees.
- Expenses related to maintaining assessor's maps for a dozen counties as provided under ORS 306.125 are contractually reimbursed. This Other Funds stream supports 9 FTE.
- Expenses related to administration of the ORMAP program are reimbursed from the Other Funds stream provided by document recording fees as provided under ORS 306.132. This supports 1 FTE.

### **Significant Proposed Program Changes from 2011-13**

We recommend the Elderly Rental Assistance program be transferred to Oregon Housing and Community Development for integration into their assistance programs.