

2013

Oregon Department of Revenue

Presentation to the Joint Ways and Means General Government Subcommittee

Responses to Questions from Committee Members

March 25, 2013



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Where are credit card or merchant fee charges assessed in the payment process?

Revenue offers the following electronic payment options.

Automated Clearing House transactions — No Fee

- ACH debit transactions through the department’s WebPay and TelePay applications. Businesses paying payroll and corporate taxes use this option. No fees are charged.
- ACH credit transactions through the taxpayer’s bank. This electronic payment option also is used by businesses paying payroll and corporate taxes. The bank generally charges the taxpayer a fee for this service.
- US Bank’s E-Payment application. This option is accessed through the department’s website. Payments are processed using the ACH debit or direct debit method. This electronic payment option is used by individuals and business to pay personal income tax, withholding tax, transit tax, lodging tax, self-employment tax, emergency communications tax, petroleum load fees, and hazardous substance fees.

Credit/debit card transactions — Fees

- Credit/debit card transactions through payment service provider Value Payment Systems (VPS). This option is available online or over the phone with a revenue agent, and is used by individuals and business to pay personal income tax, withholding tax, transit tax, consumer cigarette tax, and other tobacco products tax. The payment service provider charges a fee directly to the taxpayer for this service. Debit card payments incur a flat fee of \$3.95 per payment while credit card payments incur a fee of 2.25 percent of the payment amount with a minimum of \$3.95.
- Credit/debit card transactions through Virtual Merchant. These payments occur over the phone directly with Revenue. This option is primarily used by Other Agency Accounts to obtain payments for delinquent accounts. Revenue absorbs a merchant fee directly from the bank for these payments.

Figures for Calendar Year 2012				
Description	Payment count	Amount	Fee rate	Fee amount
EFT ACH debit	1,001,881	\$1,969,957,718	No fee	N/A
EFT ACH credit	906,614	\$4,057,339,905	No fee	N/A
Direct debit -US Bank	105,688	\$54,066,659	No fee	N/A
Payment service providers (VPS)	69,715	\$19,388,984	Debit card = \$3.95/PMT Credit Card = 2.25%	\$455,415
Virtual merchant	88,292	\$10,584,542	No Fee (Revenue incurs merchant fee)	\$93,645

What is the amount of money owed to the state that isn't collected voluntarily or via enforcement?

Our Ways & Means presentation document includes a research brief describing methods of estimating the "tax gap," or the difference between the tax dollars due to Oregon by law and the actual tax dollars paid (Appendix C, p. 73-75).

In a study prepared for the Legislature in 2009, we calculated an estimate of the personal income tax gap for tax year 2006. The tax gap for tax year 2006 was estimated to have been 18.5 percent. If a current dollar estimate of the gap is desired, a very rough estimate can be made by assuming the net tax gap percent for tax year 2006 would apply to revenue for fiscal year 2012. With \$5.8 billion in personal income tax revenue received for fiscal year 2011-12, and assuming that these dollars represent 81.5 percent of the personal income tax revenue which should have been received, the tax gap would be \$1.3 billion. That would bring the total personal income tax revenue obligation of taxpayers in Oregon to \$7.1 billion, keeping in mind that not all obligated dollars are collectible under state law.

Is the distribution of tobacco tax revenues governed statutorily or constitutionally? How are the revenues distributed?

Distribution is governed by state statute. ORS 323.455, ORS 323.457, and ORS 323.625 specifically govern the distribution of cigarette and tobacco tax revenues.

We project that \$502.6 million will be collected during the 2011-2013 biennium, and will be distributed as follows:

Oregon Health Plan	\$332.7m	66.2%
General Fund	\$130.5m	26.0%
Cities and Counties	\$ 15.4m	3.1%
Stop smoking education	\$ 16.3m	3.2%
Public transit	\$ 7.7m	1.5%

Note: This table combines cigarette and other tobacco taxes.

What is the nexus between cigarette tax and public transportation?

According to ORS 323.455(3), *"The moneys appropriated to the Department of Transportation under subsection (1) of this section shall be distributed and transferred to the Elderly and Disabled Special Transportation Fund established by ORS 391.800 at the same time..."* This statute was enacted by the 1985 Legislature. The department was unable to find the connection between cigarette tax revenue and public transit.

Eight out of nine Oregon Native American Indian Tribes have entered into agreements with us to rebate cigarette taxes otherwise paid. Which tribe has not entered into an agreement regarding cigarette taxes?

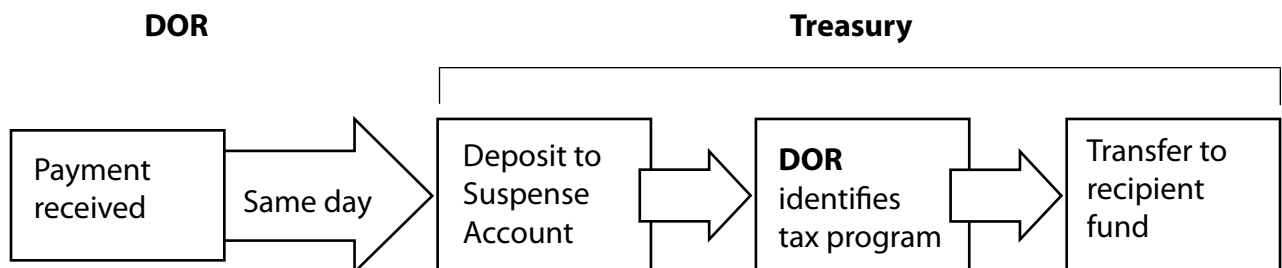
Cow Creek currently does not have a cigarette tax refund agreement with Oregon. Establishing these agreements is discretionary on the part of the tribe.

How is money from taxpayers handled by the state? Does money earn interest prior to transfer to state funds?

We deposit all money received on a daily basis to an Oregon State Treasury “suspense” account, in accordance with state law. This account acts as a temporary “parking place” for the money until our accounting system can process each payment. The money stays in the Treasury account until we identify the tax program to which each payment belongs and then determine which state fund should receive the payment. Our finance division then submits a transfer request to Treasury to move funds from the suspense account to the appropriate fund.

From initial deposit to final posting, all dollars received by us are managed within the Treasury system. The Treasury would have to answer questions regarding interest earned during the transaction.

Below is a flow chart reflecting the process:



Why does Oregon include “intangibles” when assessing property taxes?

We are required under ORS 308.505 (9)(a) to assess intangible as well as tangible property for centrally assessed companies. The statute defines property as “all property of any kind, whether real, personal, tangible, or intangible, that is used or held by a company as owner, occupant, lessee or otherwise, for the performance or maintenance of a business or service or for the sale of a commodity, as described in ORS 308.515.”