

House Bill 3082
Licensee Tax Compliance
Pilot Project
Final Report



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To the Members of the Seventy-sixth Legislative Assembly:

Enclosed is the Department of Revenue's report detailing the findings and conclusions of Licensee Tax Compliance Pilot Project. Chapter 576, Oregon Laws 2009 authorized the Department of Revenue to conduct a pilot project to determine the effectiveness of requiring tax compliance as a condition for occupational and professional licensing.

Elizabeth Harchenko, Director
Department of Revenue

Introduction

Chapter 576, Oregon Laws 2009 (Enrolled House Bill 3082), authorized the Department of Revenue to conduct a pilot project to determine the effectiveness of requiring tax compliance as a condition for occupational and professional licensing.

Pilot project overview

The department focused on personal income tax compliance (excluding withholding tax) for tax years 2006, 2007, and 2008 and worked with three licensing boards: the Mortuary and Cemetery Board, the Construction Contractors Board, and the Board of Tax Practitioners. Each board supplied the Department of Revenue with a selected list of licensees who would be renewing their licenses during the project period.

The department mailed information about the pilot project to every specified licensee. We also notified those licensees who were not in compliance that they would have to file tax returns or make arrangements to pay past-due taxes in order to renew their licenses. At the beginning of the project, 422 of the 6,137 licensees we contacted were not in compliance.

The department posted project information on our website, included it in the letters and brochures sent to licensees, and recorded it on our telephone messaging system. In addition to helping licensees resolve their compliance issues and answering questions, we assigned a dedicated employee to act as a liaison to assist each of the licensing boards.

Results

There were 6,137 licensees from the three participating boards included in the pilot project. Of those licensees, 422 were noncompliant as of our first baseline compliance check in early 2010.

As of December 31, 2010:

- 311 licensees paid \$449,974 in past-due taxes.
- 365 past-due tax returns had been filed.
- Refunds worth \$83,290 had been issued.
- Refunds worth \$11,709 had been denied. The returns were filed more than three years after the year the return was due.
- 104 payments plans had been set up.
- Approved payments plans have been set up to collect an additional \$208,072.
- 25 licenses have been suspended or not renewed.
- The number of noncompliant taxpayers was reduced to 218.

Conclusions

Although the sample we used was small, the results indicate that making tax compliance a condition for professional or occupational license renewal can be an effective tool. We

recommend that the pilot project be continued with a larger licensee population to better measure the effect of a compliance requirement and to assess the effect it might have on other tax programs.

The department also researched what other states are doing and found that some states have implemented successful tax compliance requirement processes for licensees, state employees, and state contractors. At least one state has created a Tax Compliance Certificate process in which licensees obtain a certificate online, which is a required part of their license application.

Oregon licensing boards issue approximately 1 million professional and occupational licenses. Before we can advise the legislature on the value of a tax compliance requirement, we also need to determine the implementation cost.

Next steps

The department believes that there is value in continuing the pilot project to include a larger, more diversified licensee population. We will also expand the pilot to include other tax programs covered in HB 3082 to evaluate the effectiveness of a tax compliance requirement for those tax programs.

This first phase of the pilot project has allowed us to set up effective and efficient internal processes, create partnerships with the licensing boards, and create open lines of communication with licensees. We recommend that the legislature take no action at this time, and that we report to the Seventy-seventh Legislative Assembly on the results of our continued study.

If you would like additional information on the results of the first phase of the pilot project, please contact the Director's office.

