

2014

Oregon Department of Revenue
Licensee Tax Compliance
HB 2871 (2013 Regular Session)

Executive Summary
February 2014



Introduction

This report describes the department's progress in implementing the pilot project related to licensee tax compliance as authorized by House Bill 3082 (section 2, chapter 576, Oregon Laws 2009).

It includes evidence gathered during the pilot project from 2009 through 2010, as well as follow-up data on licensee compliance that was gathered in December 2013.

Based upon the evidence gathered during the pilot project we saw an improvement in compliance rates among licensees when we were actively monitoring their tax compliance and reporting back to the agencies with which we partnered. When we did a follow-up study (December 2013) to re-measure the compliance of the original participants we saw the compliance rates return to near their pre-pilot project levels.

It appears that licensee sanctions are most effective when licensees are continually educated about tax compliance and are aware that their license may be in jeopardy if they are not in compliance.

Background

The 2009 Legislature enacted House Bill 3082, which authorized us to develop and implement a pilot project that required licensees to demonstrate tax compliance as a condition of receiving or renewing a license. The bill authorized us to conduct this pilot project with up to three licensors. While only three boards fully participated (license was in jeopardy if non-compliant) we also worked with an additional six boards in more of an educational manner (license was not in jeopardy if non-compliant.) We reported our findings on the pilot project to the 2011 Legislature.

Results of the Pilot Project

There were 6,137 licensees from the three participating boards included in the pilot project. The below chart shows the results of our first baseline compliance check in early of 2010, the tax compliance check as of December 2010, and a recheck of our baseline as of December 31, 2013.

Name of Board	Baseline % Compliant	Dec 2010 % Compliant	Dec 2013 % Compliant
Oregon Mortuary and Cemetery Board—Preneed Salespeople	84.2%	91.1%	86.1%
Board of Tax Practitioners—Licensed Tax Consultants	96.2%	99%	97%
Board of Tax Practitioners—Licensed Tax Preparers	94.9%	96.1%	94.2%
Construction Contractors Board—Residential Limited Contractors	86.5%	91.6%	87.6%

Recommendation

Based upon the evidence we gathered during the pilot project, there appears to be value in having a licensee tax compliance requirement. The highest levels of compliance were observed when we were actively working with the boards and their licensees, as well as providing educational materials related to being in tax compliance as requirement to obtain or renew a license. In order to maintain the high levels of compliance we saw in our 2010 measurement we would need to commit resources to this project long term.

We are currently contracted with FAST enterprises to replace our aging computer core systems. This will be our primary focus as an agency over the next few years. Pursuing a large project around licensee tax compliance would require additional resources, that, at present we are dedicating to this major IT initiative. We also believe that our new core systems may open up new compliance tools that will allow us to achieve higher compliance rates than we currently experience—based upon feedback we’ve received from other states.

We recommend allowing the original pilot project described in House Bill 3082 to sunset, and perhaps revisit a licensee tax compliance program in the future, after our core systems are implemented. This will allow us the opportunity to examine our compliance strategies in light of emerging technology and weigh the benefits of a licensee tax compliance program along with other tools that may improve compliance.