

**Department of Revenue**

**Tax Compliance and Tax Compliance Strategies Report**

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The General Government Subcommittee recommends acknowledging receipt of a report on Tax Compliance and Tax Compliance Strategies.

The Department to Revenue estimates Oregon's Personal Income net tax gap at \$1.1 billion, which translates to a compliance rate of 82.2%. The Corporate Tax gap is estimated at \$70 million, which translates to an 85.9% compliance rate. Both estimates are based on tax year 2010.

DOR qualifies these estimates by noting that they are highly speculative since compliance is unobservable. Additionally, the agency points to research that suggest only a small portion of the tax gap is collectable.

The report is mostly a reiteration of past studies and reports with little new or updated information being provided, other than the revised tax gap estimates. The strategies the agency is pursuing to close the tax gaps have remained relatively unchanged over the last several years.

The Legislature's investment in the modernization of agency's information technology infrastructure, known as the Core System Replacement project, once completed, may reduce future tax gaps.

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