2015

Oregon Department of Revenue

Presentation to the

Joint Ways and Means
General Government Subcommittee

Responses to Questions from Committee Members

March 9, 2015

OREGON
DEPARTMENT
OF REVENUE

www.oregon.gov/dor

150-800-550 (Rev. 03-15)

How much money was refunded based on provisions in cigarette and other tobacco products tax agreements between Oregon's American Indian tribes and DOR? Are there any limitations on spending the refunded money?

In 2014, we gave $1.3 million back to the eight tribes with whom we have agreements. This amount represents taxes collected by these tribes through the sale of stamped cigarettes that they do not owe per federal law.

Regarding the second part of the question, six of the eight agreements include the following statement:

> *"All refunds resulting from this activity shall be used for the sole purpose of general governmental purposes of the Tribe, including but not limited to economic development, and are not intended for individual distribution."*

What is the average cost per case to work liabilities (Page 17, Accounts receivable clean-up)?

The cost per case is $7.87 per liability for write off/cancellation/collection activity. This was calculated by dividing the staff cost ($487,500) by the number of liabilities worked (61,938).

The Legislature appropriated $1.3 million for the accounts receivable portion of the 2013–15 tax compliance policy option package (POP). This portion of the POP has a revenue commitment of $19.5 million. As of December 31, 2014, staff had collected $18.3 million toward that commitment.

There are 10 Revenue Agent 1s and one Principle Executive Manager A working with liability cancellations and write-offs. These staff dedicated nine months in 2014 solely to these tasks. The cost of the staff for that time period was $487,500. Currently, this is an extremely manual process. With the implementation of CSR for the income tax programs, the process will become more automated.

During that time, the 61,938 liabilities were reviewed against statutory and regulatory requirements to determine if they were collectable or if they should be written off or cancelled. Of those liabilities, 31,654 were written off or cancelled. The remaining liabilities stayed in the accounts receivable inventory for continued collection attempts.

This is a simplified representation of the work being done through the accounts receivable clean-up process. There are additional staff involved at various times for specific tasks.

Why doesn't DOR report tax debt to credit bureaus?

In 2009, ORS 314.843 was enacted to authorize the department to report debt and debtor information to credit bureaus. We have not implemented this reporting because, currently, the credit bureaus do not accept tax debt. This is because their systems aren't set up to accept tax debt and tax debt doesn't fit within the bureaus' definition of the "revolving" debt they report.

Credit bureaus use data that is common to most consumers. If one state reports tax debt and others do not, it could be perceived as penalizing the residents of one state. The bureaus recommended a nationwide approach to reporting tax debt. If multiple states were on board, it would make modifying their system cost effective.

For the department, we would be required to report information about taxpayers who file and pay timely because credit bureaus report both positive and negative information. It is unclear if, in our current statutes, we can disclose personal information on compliant taxpayers.

Also, because the Fair Credit Reporting Act (FCRA) prevents credit bureaus from reporting debts that are older than seven years, we would need to ensure our system conformed to that requirement. Another requirement of the FCRA is establishing a dispute resolution process.

Finally, the department does record liens, when appropriate, and that information is available to credit bureaus. If the department directly reported tax debts to credit bureaus, some taxpayers would have their debt reported twice. The debt would show up in the "public record and other information" section of the report because the docketed lien is a public record, and again in the "trade lines" section where we would directly report. To implement direct reporting, we would need to change the existing reporting procedures in the debt resolution process.