

# Department of Revenue Property Programs and Special Programs

Joint Committee on Ways and Means  
Subcommittee on General Government

March 14, 2017

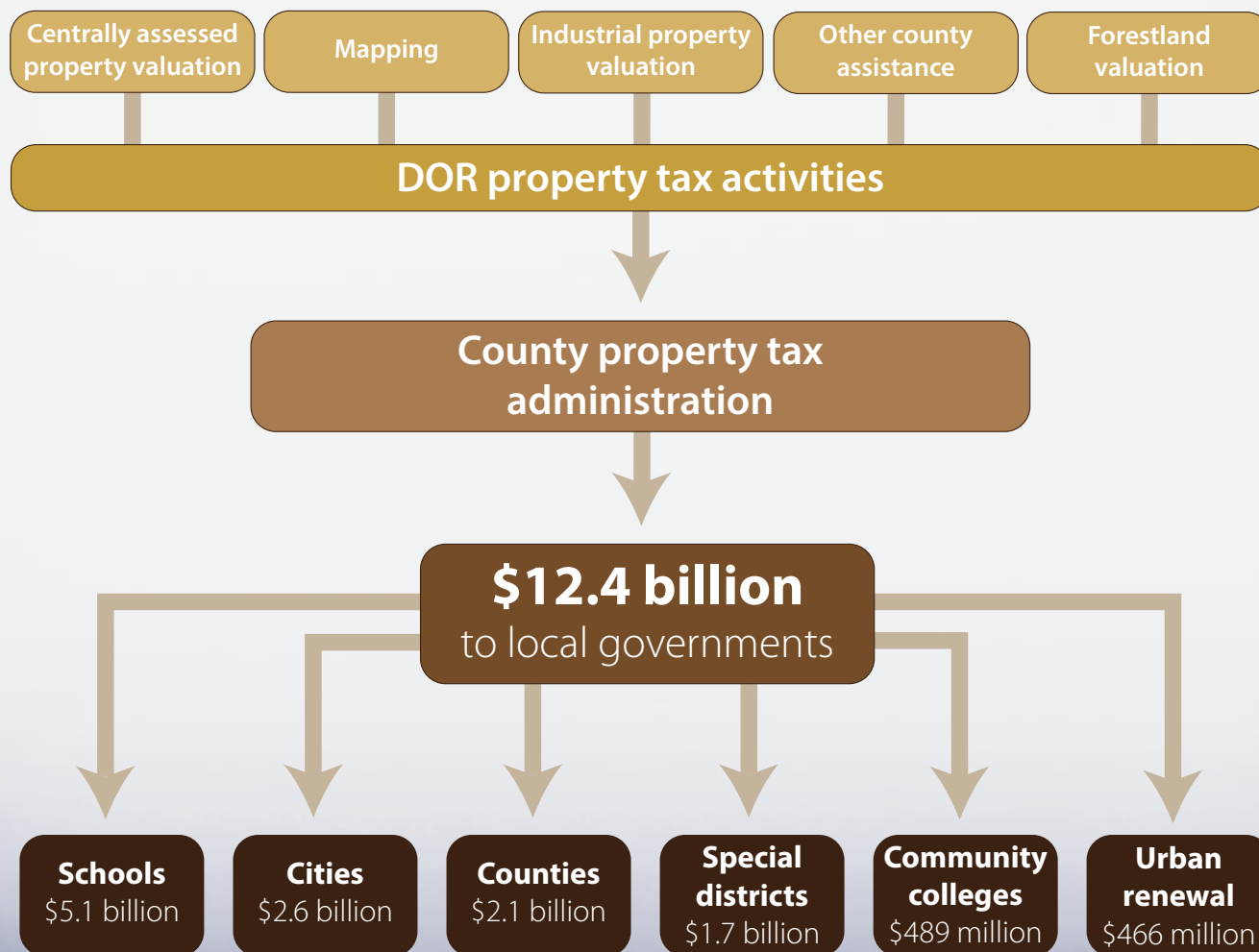


# Day three agenda

- Property tax administration.
- Special programs administration:
  - SPA programs.
  - Other Agency Accounts (OAA).
  - Marijuana tax.



# Property Tax Administration



2015-17 Biennium  
Source: DOR Research Section

150-800-550 JCWMSGG Property and Special programs (3-17)



# Overview of Property Tax Administration in Oregon

- Role of Oregon's 36 counties. Primary administration of all aspects of the system.
- Role of Department of Revenue.
  - Assistance to counties, districts, and taxpayers.
  - Direct support to counties, districts, and taxpayers.
  - Oversight of the system.



# Support, Assistance, and Oversight

- Partnering with Oregon's 36 counties.
- Setting statewide appraisal standards.
- Monitoring valuation activities for conformance to real market value.
- Providing training and assistance to counties and taxing districts.

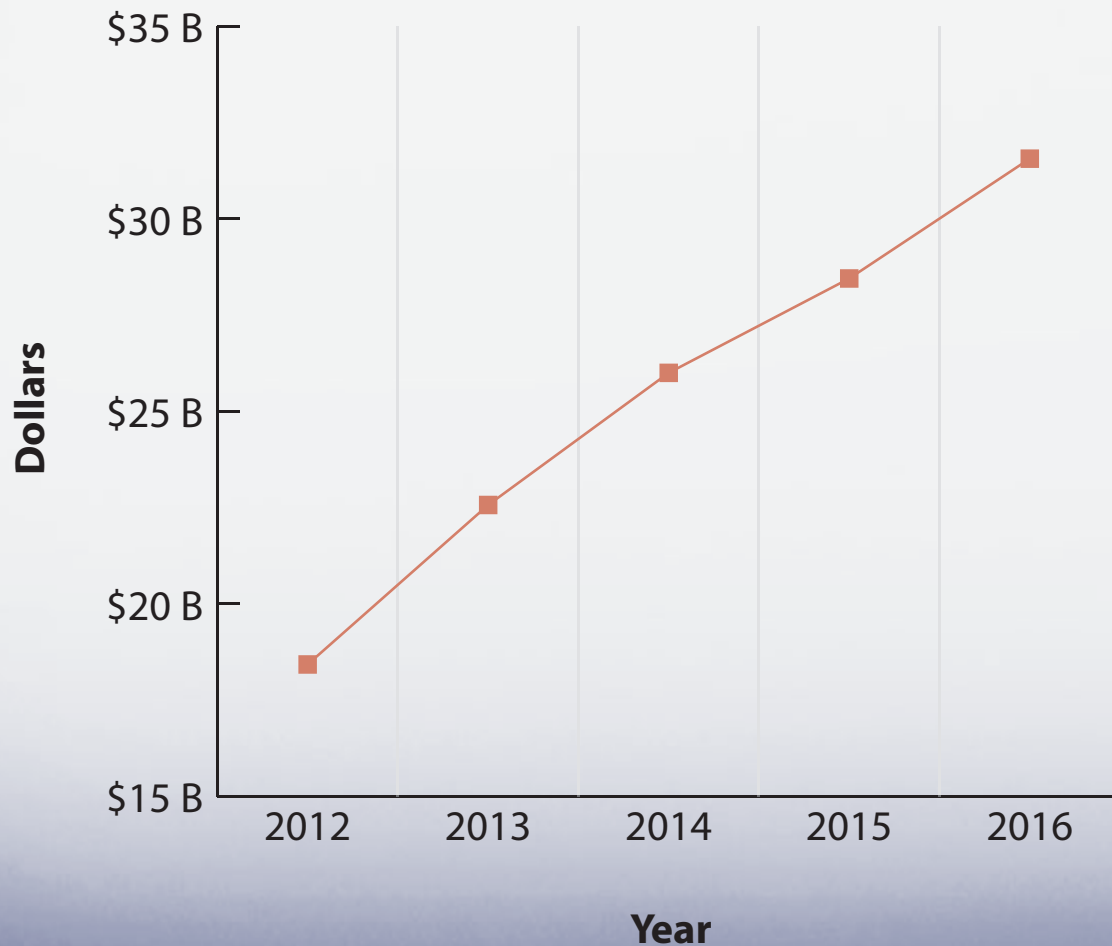


# Industrial and Central Assessment Valuation

- State appraised industrial properties: \$31.5 billion in property value.
- Centrally assessed businesses: \$22.5 billion in value.
- Results in approximately \$654 million in tax revenue to local governments.



# RMV of industrial valuation accounts 2012-2016



Source: Property Tax Division

150-800-550 JCWMSGG Property and Special programs (3-17)



# Forestland valuation and timber taxes

- Specially assessed value on over 7.9 million acres of private forestland.
- Small tract forestland severance tax.
- Forest products harvest tax.
- Severance and harvest taxes generate approximately \$30 million in biennial revenue to finance state and county programs such as fire suppression and Oregon Forest Resources Institute.





# Senior and Disabled Citizen Property Tax Deferral

- These programs pay the county property tax for qualified senior or disabled citizens.
- Taxes are recovered when the home is sold and the state's lien is satisfied.
- Approximately \$13.4 million paid on behalf of participants for 2016-17 taxes.
- Helps keep approximately 6,200 program participants in their homes.



# Cadastral Services

- Establishing and communicating mapping standards used by counties to create maps.
- Accurate maps necessary for identifying property boundaries, zoning, and ownership.
- Nine counties contract with the department to maintain their cadastral maps because they lack resources needed.
- Oregon Map Program (ORMAP) administered by the department. Digital tax lot base map of entire state.

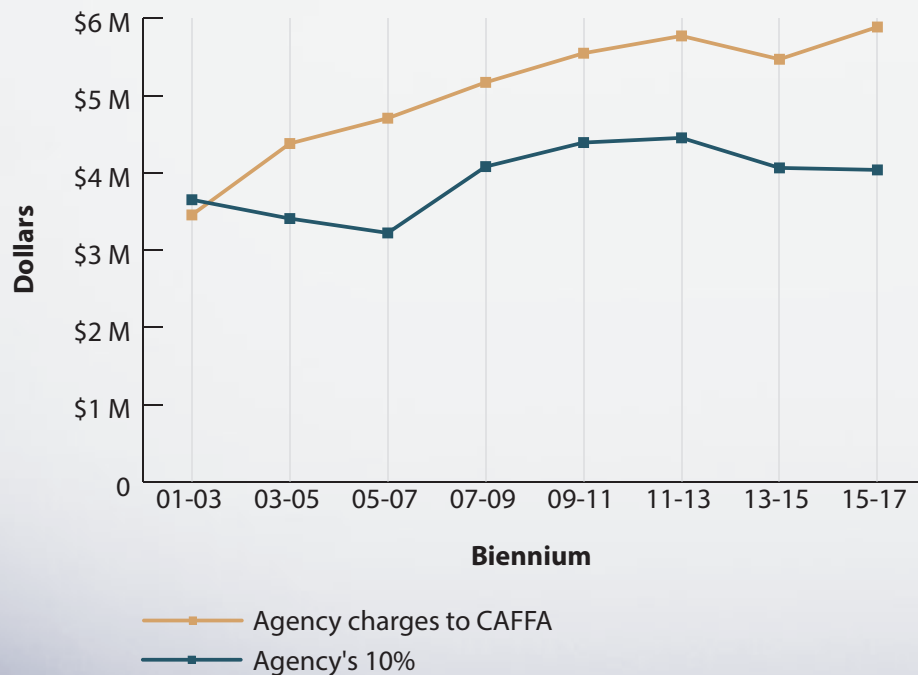


# Funding Streams

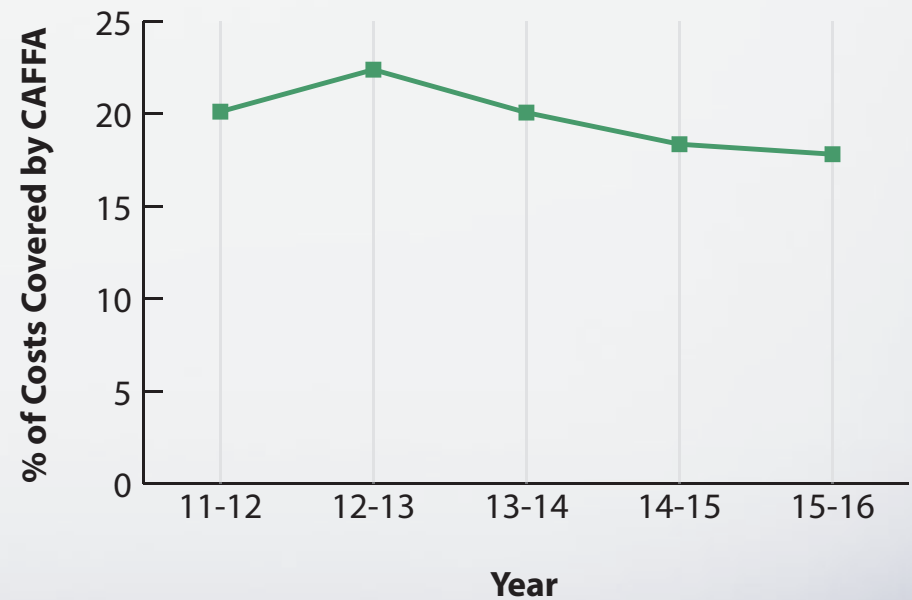
- Over 60 percent of Property Tax Division funding comes from General Fund.
- County Assessment Function Funding Assistance (CAFFA) and mapping other fund revenues make up the balance of funding.
- CAFFA funding is primarily used at the department to help fund appraisal of industrial properties and centrally assessed businesses.
- 90 percent of CAFFA revenues are distributed to counties through a grant process.



## Department of Revenue CAFFA receipts and charges



## County CAFFA receipts



Source: Property Tax Division

150-800-550 JCWMSGG Property and Special programs (3-17)



# Assistance to Counties

- New industries and increasing complexity in valuing properties requires greater appraisal expertise.
- Many of our newer appraisers have little, or no, prior appraisal experience and require more training in the basics of appraisal.
- Counties experiencing reductions in appraiser resources asking the department to provide help appraising complex properties.



# Technology Improvements

- CAFFA grant application process changed to web-based, helping the department and counties.
- Appraiser continuing education demands being met with increased online courses developed by the department.
- In the works is new web-based training records access for counties to monitor continuing education requirements progress.



# Property Valuation System (PVS)

- Project tentatively approved by 2015 Legislature to consolidate and replace current systems and manual processes for valuing industrial properties and centrally assessed businesses.
- Progressing through stage gate process and planning to purchase a Computer Assisted Mass Appraisal (CAMA) software system.
- Completion planned for fall/winter of 2018.
- Bond sales of \$445,120 are covering costs of the project for the current biennium.



# PVS Benefits

- Comprehensive system integrating appraisal processes and consolidation of data.
- Electronic exchange of information with counties and taxpayers.
- Increased data analytics and reporting capabilities.
- E-filing option for returns.
- Stable IT platform for appraisal activities.
- More efficient use of appraisers.





# Core System Replacement (CSR) Impacts

## Tax deferral program benefits:

- Faster location of taxpayer information such as applications, recertification documents, liens, and links to property addresses.
- Providing faster and more accurate customer service.
- Fewer seasonal resources necessary compared to prior season.
- Phase 4 will include timber programs, gas and oil tax, electric co-ops, and small private rail car programs.



# SPA programs

- Cigarette.
- Other tobacco products (OTP).
- Emergency communications.
- State lodging tax.
- Petroleum load fee.
- Hazardous substance fee.
- Amusement device tax.

LAB: \$2,960,990

FTE: 10.75

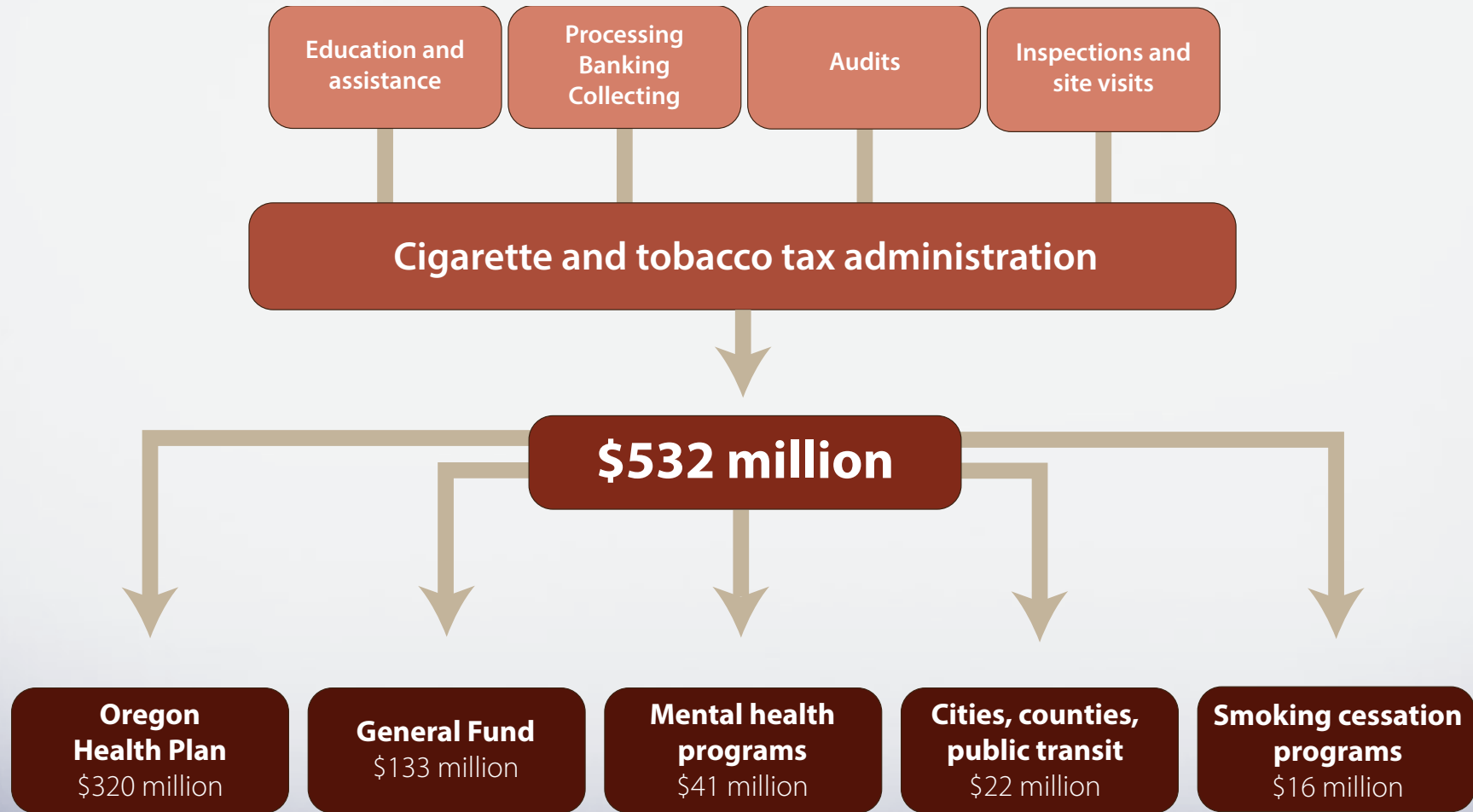


# Benefits of GenTax

- Cigarette and OTP programs in Rollout 1 (November 2014).
- Emergency communications tax in Rollout 2 (December 2015).
- Remaining special programs in Rollout 3 (November 2016).
- Benefits:
  - Increased taxpayer self-sufficiency:
    - File online—moved to online filing as programs converted.
    - Pay online—electronic payments available.
  - Additional data available for analysis.
  - Programs now have a return processing system.



# Cigarette & tobacco taxes



2015-17 biennium  
Source: DOR Research Section



# Cigarette and other tobacco products (OTP) taxes

- Tax stamps sent to distributor by third-party vendor.
- Partnering with states and industry to improve uniformity for filing and reporting.
- Tribal agreements:
  - Eight of the nine federally recognized tribes have cigarette tax agreements.
  - One tribe has a finalized OTP agreement and two are in process.
  - \$1.3 million refunded to tribes in 2016.



# Emergency communications tax

- Changed to point of sale tax for prepaid phones in October 2015.
- Implemented GenTax in November 2015.
- 98 percent of retailers file online.
- DOR allocated 1 percent of revenue collected for administrative costs.



# State lodging tax

- Rate increased from 1 percent to 1.8 percent as of July 1, 2016.
- Implemented GenTax in November 2016.
- Updated return to consolidate all regional filings onto one return starting fourth-quarter 2016.
- Over 90 percent of fourth-quarter 2016 returns were filed electronically.
- DOR allocated 2 percent of revenue collected for administrative costs.



# Petroleum load and hazardous substance fees

- Implemented GenTax in November 2016.
- Over 85 percent of Petroleum Load Fee fourth-quarter 2016 returns were filed electronically.
- Over 9,000 billings for Hazardous Substance Fee are sent annually.





# Other Agency Accounts

- Formed by the 1971 Legislature (ORS 293.250).
- Provides collection services for state agencies, boards, commissions, circuit and district courts, and a variety of educational and regulatory agencies.
- Full collection services and/or refund offset only service.
- Perform collection services for approximately 180 agencies.
- Collection fee charged to client agencies funds 62 positions.
- 2015-17 LAB: \$9,061,399.
- 2015-17 FTE: 60.78.



# GenTax implemented November 2016

- Collection analytics are used to prioritize collectability of debt.
- Increased program performance management and reporting.
- Increased flexibility—work flow can be reorganized quickly, and we can run data queries quickly and as often as needed.

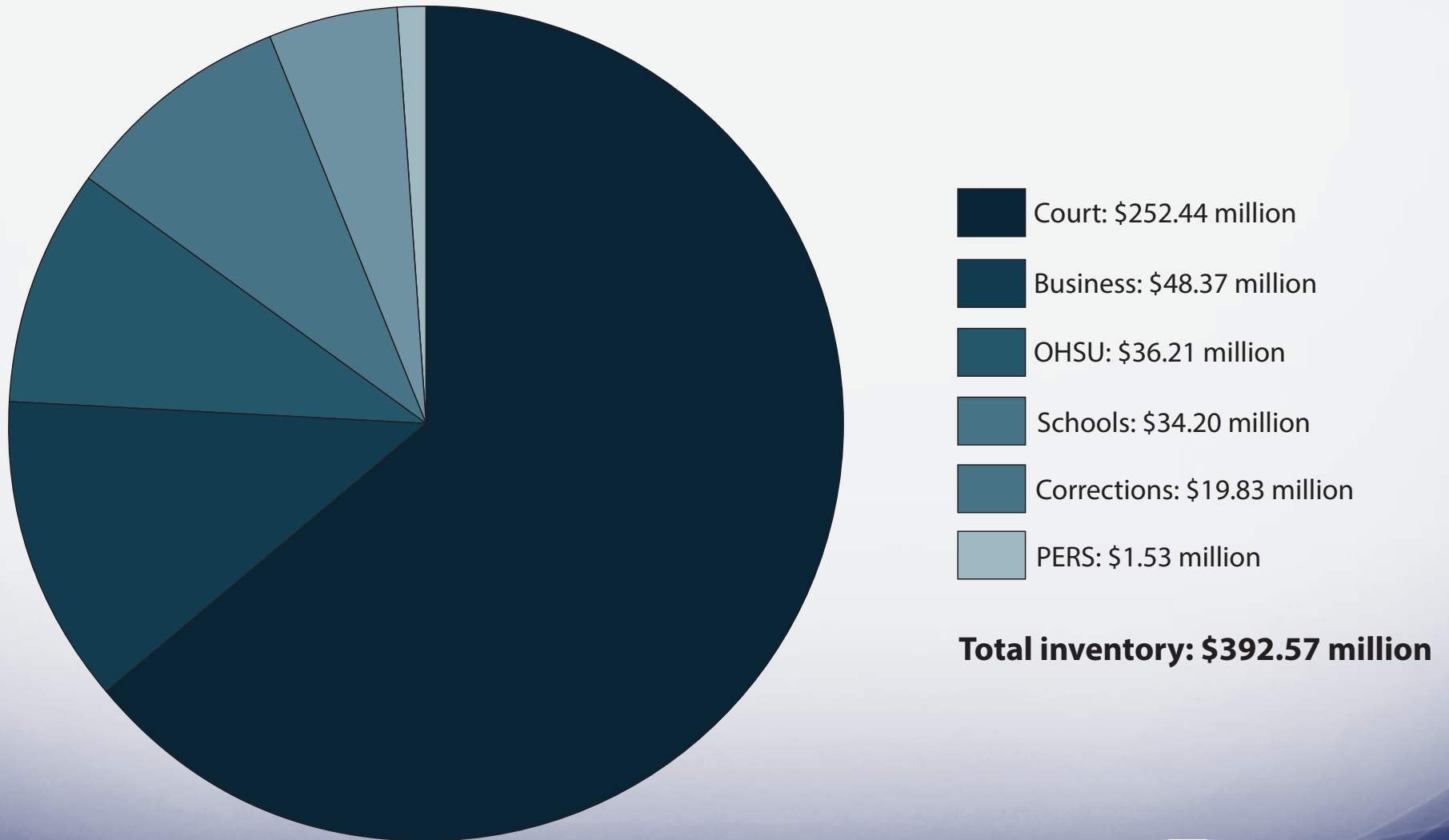


# Revenue Online features

- Debtors are more self-sufficient, and can:
  - Pay online.
  - Set up a payment plan (within specific parameters).
  - View account balances.
- Client agencies are also more self-sufficient, and can:
  - Report payments they've accepted.
  - Review and update debt balances.
  - Access debtor account reports.
- Employers that receive garnishments can now:
  - Review garnishment balances.
  - Respond to garnishments electronically.
  - Make garnishment payments online.

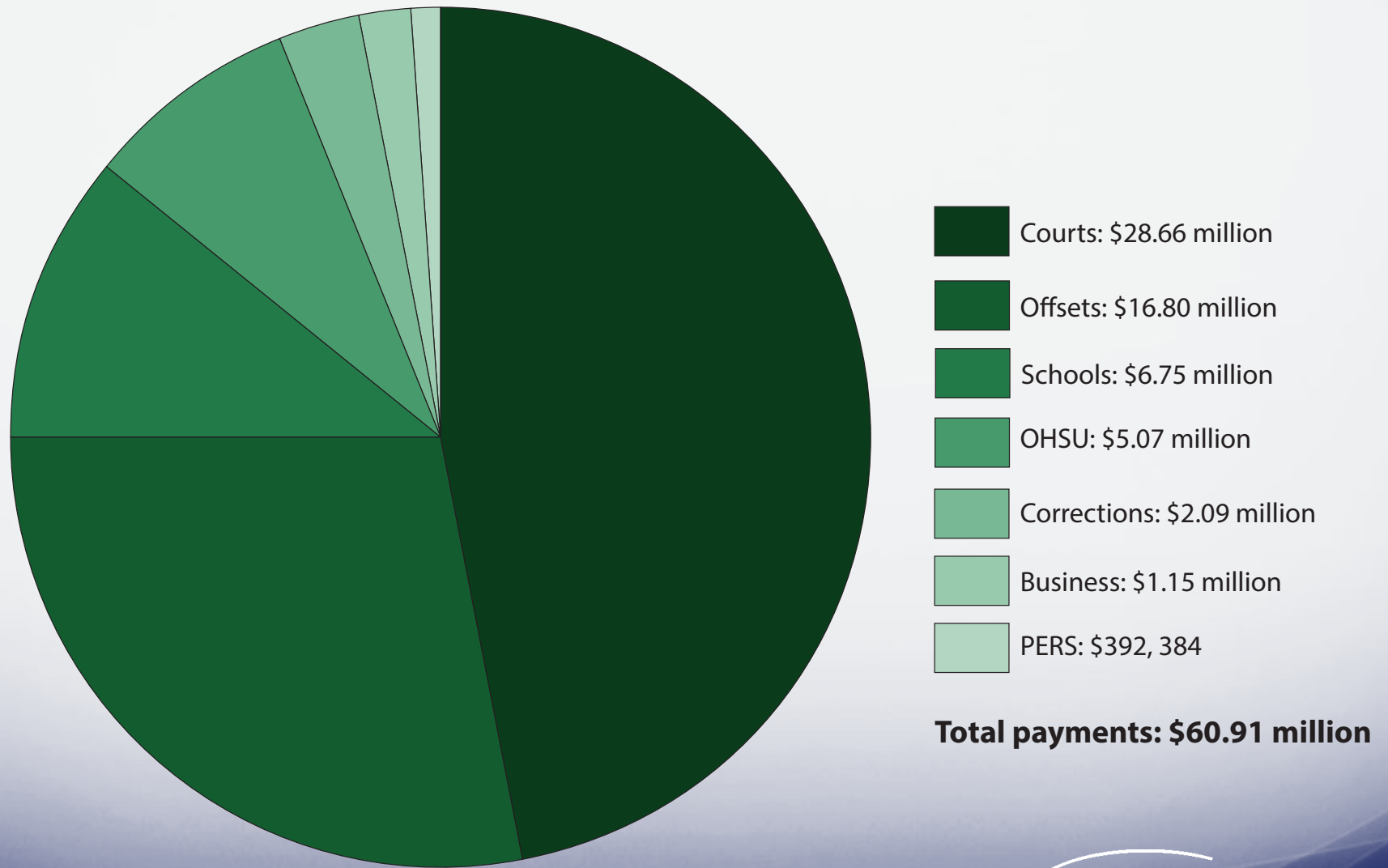


# Unrestricted inventory



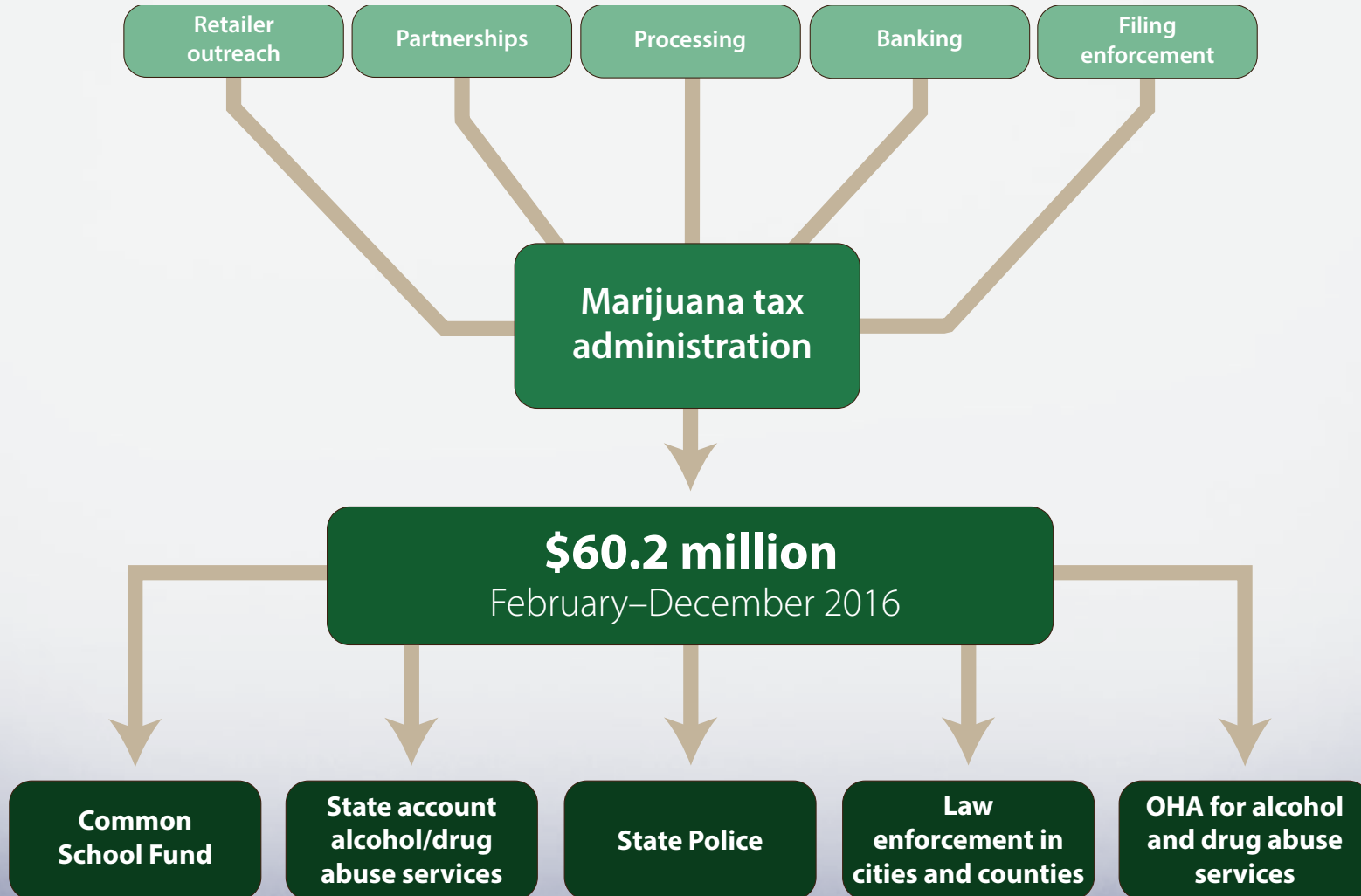
*Debt value as of October 30, 2016*  
*Source: OAA Unit*

# Collection recoveries



July 1, 2015 to June 30, 2016  
Source: OAA Unit

# Marijuana tax



# Marijuana tax program

- Early Start tax (25 percent) ran from January 4, 2016 through December 31, 2016.
- All current recreational marijuana sales at 17 percent retail tax rate, with medical marijuana purchasers granted tax exemption at point-of-sale.
- Businesses remit monthly payments and file quarterly returns. Returns must be filed online.
- Local marijuana taxes in 95 municipalities (maximum rate of 3 percent under ORS 475B.345); DOR administering for approximately 70, using template intergovernmental agreement developed with League of Oregon Cities.



# Marijuana tax receipts

- In calendar year 2016, received over \$60 million in marijuana tax payments.
- Payments exceeded initial projections.
- Payments peaked in October, have declined since.
- Overall tax revenue potential limited by size of the consumer base.

Marijuana tax receipts by month (2016)



Source: DOR Research Section

150-800-550 JCWMSGG Property and Special programs (3-17)





# Challenges and Opportunities

- Cash payments—We're securely processing cash payments while constructing a new payment center.
- Distributions—We continue to monitor legislative proposals that affect distributions, but we plan on making our first distributions after the close of the 2015-17 biennium if nothing changes.
- Business inexperience—Many businesses are new to regulations and often require additional assistance.
- Novelty: We continue to respond to significant interest from the public and media.



# Questions?

If you have additional questions after today please contact:

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