



*Presentation to the*  
**2017**

# **Ways and Means Committee**

Response to questions  
from committee members

---

March 14, 2017



# Questions and Answers

---

## **Please provide the current bills relating to central assessment.**

**[HB 2063](#)**—Relating to property tax exemption for certain communication infrastructure; prescribing an effective date.

For purposes of property tax exemption for certain communication infrastructure, requires minimum cost of newly constructed or installed real or tangible personal property. Sets ongoing maximum monthly charge and initial fees for qualified project. For company with majority of residential broadband customers residing within certain large metropolitan statistical areas, requires minimum proportion of residential customers to be served outside such metropolitan statistical areas. Clarifies that initial application for exemption applies to any company whose property has not been granted exemption. Takes effect on 91st day following adjournment sine die.

**[HB 2407](#)**—Relating to deferred billing credits; prescribing an effective date.

With respect to deferred billing credits, provides that four percent interest be charged for period of dispute on additional taxes ordered upon final resolution of dispute. Decreases interest payable on refunds ordered upon final resolution of dispute from 12 percent to four percent. Eliminates application of three percent discount for timely payment of additional taxes upon final resolution of dispute. Takes effect on 91st day following adjournment sine die.

**[HB 2770](#)**—Relating to property tax exemption for certain communication infrastructure; prescribing an effective date.

Repeals property tax exemption for certain communication infrastructure. Takes effect on 91st day following adjournment sine die.

**[HB 2774](#)**—Relating to disclosure of information regarding centrally assessed property granted exemption.

Requires Department of Revenue to make information contained in central assessment roll available to general public on department's website. Requires Department of Revenue to make available to general public on Oregon transparency website, by company name, amount of assessed value of centrally assessed property that is exempt from taxation and total estimated revenue loss and shift in tax liability due to exemption.

**[HB 3326](#)**—Relating to payment of outstanding property taxes; prescribing an effective date.

Authorizes centrally assessed company with outstanding property taxes of at least \$174 million for property tax years beginning before July 1, 2016, to satisfy tax liability by paying 75 percent of amount due. Takes effect on 91st day following adjournment sine die.

## How well do deferral program participants and their heirs understand the program's repayment requirements?

We don't have solid figures about the degree of understanding of the debt associated with property tax deferral program participation by the participant or their potential heirs. However, we do recognize the importance of this understanding, which is why we use a number of methods to communicate this information to applicants, current program participants, and their heirs. These methods include:

- The [application booklet](#), includes mention that a lien will be placed on the property and that on disqualification, or cancellation, the deferred tax and accrued interest would be required to be repaid in full. It also explains that transferees of the property may be liable for the loan balance. There is also a declaration signed by the applicant, which states that they understand a lien will be placed on the property and that interest accrues on the deferred taxes.
- **Annual statements** are sent to participants each December. The statement shows their deferred-tax balance and the interest accrued on the account. It also states that making payments while in the program would reduce the balance due when they sell or otherwise leave the home.
- **Disqualification letters** state that the deferred taxes are now due and that transferees may be responsible for the debt.
- The **recertification form** (required every two years to confirm continued eligibility) requires the participant to sign a declaration that states, "I understand that I am applying for a loan that has to be paid back with interest" and "I understand that a lien will be placed on this property..."
- The [cancellation form](#) submitted by participants to leave the deferral program specifies that full payment of previously-deferred taxes and associated interest is needed in order to release the lien on the property.
- Application **approval letters** also state the requirement for the participant to pay back taxes, interest, and fees when they leave or are no longer eligible for the program.
- If there are any indications during the application process that an applicant may not understand the obligation for the deferred taxes to be repaid, staff discuss it with them in detail.
- If a transferee is identified after the property is disqualified from deferral, we send them notice of the balance due and let them know that they can discuss their potential obligation with us.
- In our phone, email, and correspondence with deferral program participants our practice is to remind them of their repayment obligations and the lien placed on their property.

## **Please provide the committee with information about the state's investments in information technology (IT) systems and the success rates of those investments.**

We respectfully refer you to the Office of the State Chief Information Officer for more information about the state of Oregon's investment in IT systems, as we can't speak with authority for the entirety of the enterprise. The OSCIO regularly evaluates the state's IT environment for opportunities to build economies of scale and leverage existing resources. We work closely with OSCIO to identify opportunities for leveraging existing enterprise solutions to fulfill our IT needs.

## **What is the department's compliance strategy for the state lodging tax?**

We can only use two percent of state lodging tax revenue for our expenses. However, with the tax rate increase and new efficiencies from moving into GenTax, Special Programs Administration (SPA) expects to be able to increase our state lodging compliance efforts.

There are three main components in our strategy for achieving compliance with the state lodging tax. The first area is filing enforcement. Filing enforcement occurs when we identify either:

- A taxpayer who is required to file but never has, or
- A taxpayer who filed in the past and is still required to file, but they aren't currently filing.

The second component of compliance is auditing the returns of taxpayers who have filed and paid some tax, but potentially owe more than they claim. The third component of compliance is voluntary disclosure, which is where noncompliant taxpayers come forward voluntarily and we work with them to get them into compliance and keep them compliant in the future.

Following the 2013 law change that made it clear that travel intermediaries were subject to collect and pay the state lodging tax and the 2015 withdrawal of litigation by travel intermediaries, we were able to start enforcing tax compliance among travel intermediaries.

GenTax's data warehouse provides us with opportunities that did not previously exist for state lodging tax enforcement. In our legacy systems, filing enforcement was a very manual process, and—due to spending limitations—we were unable to pursue anyone other than known nonfilers. However, in GenTax much of the filing enforcement process is automated, which frees up our resources to perform discovery research and identify previously unknown nonfilers. We use data and analysis from third parties, consumers of lodging, and a variety of other information sources to perform this discovery. If HB 3180 passes, we'll be able to exchange data with local governments, which will also be added to the data warehouse. We can then compare who is paying local lodging taxes to who is paying the state tax to identify additional noncompliance.

We've performed some audits on state lodging tax returns in the past, but that function has been significantly impacted by spending limitations. We've been examining the possibility of shifting existing audit resources within SPA to work on lodging tax audits. Our current plan is to perform audits and analyze the results to determine return on investment, true compliance issues, etc. Additionally, we've discussed the possibility of conducting joint audits with the department's income tax programs when the opportunity arises.

The voluntary disclosure component of compliance tends to happen without our direct intervention. We find that as local governments start their own types of enforcement or licensing programs, taxpayers become aware of the state lodging tax and come forward to get into compliance voluntarily. Our main resource commitment for voluntary disclosure is having staff available to work with the taxpayer and guide them through the voluntary compliance process.

### **Does the Department of Revenue work with the Oregon Employment Department to collect overpayments of unemployment benefits?**

Yes, we do work with the Oregon Employment Department (OED) in the collection of payroll taxes and overpayments of unemployment benefits. OED sends us this type of debt to collect through our restricted, or offset-only, program. Currently, our Other Agency Accounts collection unit has 23,283 accounts valued at \$74 million in debt owed to OED waiting for a refund intercept.

### **From our March 13 presentation: What makes up the \$150 million in adjustments to taxes?**

Since converting our income tax programs to our new system, GenTax, we've had difficulty aligning the beginning and ending accounts receivable balances, in part because fiscal year 2016 (and fiscal year 2015) includes data from both the Integrated Tax Accounting system (our legacy system) and GenTax. So, the FY2016 adjustments category also includes a balancing factor to make sure those two components align. From 2004 to 2014, General Fund adjustments ranged from \$36,198,171 to \$100,802,294, with an average over that period of \$61,163,012.