Agency response

Questions from the Joint Committee on Ways and Means Subcommittee on General Government

March 18, 2019

150-800-550 W&M Q&A (Rev. 03-19)

Representative Gomburg asked for clarification on the relationship between some of the numbers shown on the day's slides, specifically between the amount of personal income tax generated ($18.9 billion) and the percentage of personal income tax "voluntarily paid and filed" (98 percent). The department was asked to explain the difference between the remainder (2 percent, $378 million) and its 2018 L&D ending balance ($848 million).

Slide 21 shows the General Fund revenue the Office of Economic Analysis forecasts DOR will generate during the 2019–21 biennium, of which $18.9 billion is from personal income taxes (including amounts collected through withholding).

Slide 32 is meant to show the split between voluntary and involuntary payments received for the personal income tax program (including amounts collected through withholding) for Fiscal Year 2018. Of those who paid, 98 percent of taxpayers paid their taxes voluntarily—for example, through withholding, estimated payments, or payments submitted with returns—and the department was not required to intervene. The other two percent of payments were the result of enforcement actions initiated by personal tax and compliance division staff. This does not include taxpayers who have a requirement to file but have not. More information on noncompliance and the tax gap is available in the department's 2014 report, *Compliance with Oregon's Personal and Corporate Tax Programs*.

The $848 million L&D ending balance is cumulative and includes debts incurred prior to Fiscal Year 2018, which is the payment timeframe covered by the payment graph. Additionally, the ending balance also includes amounts the department has assessed on taxpayers it believes should have filed a return and paid but did not, and, therefore, wouldn't be accounted for in the payment graph. Finally, the L&D balance includes receivables for all tax programs administered by the department, not just the personal income tax.

At what point in the collections process does DOR negotiate with taxpayers to settle (settlement offers) on amounts owed? What is the make-up of DOR's adjustment and reversal categories in the 2018 L&D report?

DOR reported $3.02 million as negotiated on and adjusted in accordance with the settlement offer process outlined in OAR 150-305-0090 during Fiscal Year 2018. A taxpayer may initiate a settlement offer for any amount owed as long as they are in filing compliance with all tax programs and all appeal rights have expired. The requirement that appeal rights have expired means that a settlement offer can only be considered after three months from an assessment. The debtor must demonstrate an inability to pay the outstanding amount for the offer to be considered.

Adjustments are amounts DOR will no longer pursue collections on and are generally removed from the department's L&D balance through actions such as penalty waivers, settlement offers, bankruptcy, or a cancellation under statutory requirements found in ORS 305.155. DOR's adjustments are primarily cancellations.

Reversals are amounts DOR has reported as L&D but subsequently reversed. A reversal has the effect of reducing the agency's ending balance. Cancellations, penalty waivers, and write-offs are not reported under this category. DOR's reversals are primarily comprised of amounts assessed after a taxpayer failed to file that matured to L&D, but were then reversed due to a taxpayer filing a return showing they actually owe less than the department assessed. Reversals also include amounts reversed due to appeal case decisions and amended returns. The reversal of tax due generally results in reversal of the associated penalties and interest.