

ANALYSIS

Item 45: Board of Tax Practitioners License and Registration Fees

Analyst: Michael Graham

Request: The Board of Tax Practitioners requests approval of fee increases that are estimated to generate \$145,890 in additional revenue. The Board also requests an increase in expenditure limitation of \$145,890 Other Funds to cover its projected expenses in the 2021-23 biennium.

Analysis: The Board of Tax Practitioners is a fee-based agency with 88% of its revenue coming from annual licensing and registration fees. Other sources of revenue include civil penalties, examination application fees, fines, and interest. The Board collects most of its revenue twice annually, between April 15th and June 15th, and August 15th and October 15th. The Board pays annual state service charges at the beginning of each fiscal year. Based on the November 2021 projections, the Board estimates a biennial shortfall of just over \$72,000 in 2021-23. Consequently, the Board needs an increase in Other Funds expenditure limitation of \$72,100 to cover the shortfall.

The number of licensees and examinees for licensure has been steadily declining over the past few years, particularly over the last 18 months during the COVID-19 pandemic. Between February and November 2021, the number of active licensees decreased by 390, or 11.7 percent. Furthermore, the number of individuals who took a licensing exam during 2021 decreased by approximately 23 percent from a year earlier. Since tax practitioners typically work face-to-face with their clients, the Board largely attributes the decline in licensees and examinees in the past 18 months to the COVID-19 pandemic. Another factor for the decline is the number of licensees that have chosen to retire, since most of the licensees are at or near the age of retirement, which puts them in a high-risk category for COVID.

The proposed fee increases are as follows:

Annual Fee	Current Fee	New Proposed Fee	Fee Increase	Percent of Increase
Tax Consultant License (LTC)	\$95	\$125	\$30	32%
Tax Preparer License (LTP)	\$80	\$110	\$30	38%
Business Registration	\$110	\$150	\$40	36%
Combination LTC & Business	\$155	\$225	\$70	45%
Combination LTP & Business	\$155	\$220	\$65	42%
Branch Registration	\$20	\$30	\$10	50%
Inactive License	\$35	\$50	\$15	43%

If approved, the fee increases are projected to raise revenue by \$145,890 Other Funds. It is generally recommended that agencies that depend on fee-based revenue carry an ending fund balance of 4 to 6 months. Added to the Board's existing budget, these fee increases would leave the Board with a 4.5 month ending balance in the 2021-23 biennium.

The Board voted to raise fees during its November 4, 2021 meeting. Licensees were notified about the proposed fee increases on November 17, 2021 and expressed support of the fee increases at the public rules hearing on December 16, 2021. The Board will officially adopt the fee increases at its next meeting on January 13, 2022, with the fees becoming effective in April 2022.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including approval of the fee increases, an increase of \$145,890 Other Funds revenue, and an increase of \$72,100 in the Other Funds expenditure limitation for the Board of Tax Practitioner in a budget reconciliation bill during the 2022 legislative session to help cover 2021-23 agency expenditures.

45
Oregon Board of Tax Practitioners
Lisper

Request: The Oregon Board of Tax Practitioners is requesting approval for a fee increase estimated to generate \$145,890 in revenue. Additionally, the Board is requesting an Other Funds expenditure limitation increase of 145,890 to cover projected 2021-23 expenses.

Recommendation: Approve the request during the February 2022 Legislative Session with the following modification: Approve the requested fee increase and increase Other Funds expenditure limitation by \$72,100 to cover projected 2021-23 expenses.

Discussion: Oregon Board of Tax Practitioners is a fee-based agency with 98% of its revenue generated from license and business registration fees. The balance of the revenue comes from civil penalties, exam applications fees, fines, and interest. The Board collects much of its revenue twice annually, between April 15 through June 15, and August 15 through October 15. The Board pays annual state service charges at the beginning of each fiscal year. Based on November 2021 projections, the Board estimates a 2021-23 biennial shortfall of just over \$72,000. This shortfall results in an Other Funds expenditure limitation need of \$72,100.

The number of licenses has been steadily declining in the past few years. Current data indicates license and registration renewals have decreased by 390, since 2019. Tax practitioners normally work face-to-face with clients and the Board is attributing the past 18-month decline to the Coronavirus pandemic. Another factor for the decline is a number of tax practitioners retiring.

Historically, it's recommended for fee-based revenue agencies carry a four to five month ending balance, depending on the Board's cash flow needs. The proposed fee increases listed below are projected to raise revenue by \$145,890. This, added to their existing budget, would leave a four and half month ending balance for the 2021-23 biennium.

Annual Fee	Current Fee	New Proposed Fee	Fee Increase	Percent of Increase
Tax Consultant License (LTC)	\$95	\$125	\$30	32%
Tax Preparer License (LTP)	\$80	\$110	\$30	38%
Business Registration	\$110	\$150	\$40	36%
Combination LTC & Business	\$155	\$225	\$70	45%
Combination LTP & Business	\$155	\$220	\$65	42%
Branch Registration	\$20	\$30	\$10	50%
Inactive License	\$35	\$50	\$15	43%

The Board voted to raise fees during their November 4, 2021 meeting. The licensees were notified about the proposed fee increase on November 17, 2021. The public rules hearing on December 16, 2021 resulted in support of the fee increases. The Board will officially adopt the fee increases at their next meeting held on January 13, 2022, with fees effective April 2022.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 348, section 1, Oregon Laws 2021, for the Oregon Board of Tax Practitioners, by \$72,100 for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Board of Tax Practitioners

3218 Pringle Road SE #250

Salem, OR 97302-6308

(503) 378-4034

FAX (503) 585-5797

E-Mail: tax.bd@tax.oregon.gov

Web Site: www.oregon.gov/OBTP

December 6, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair Interim
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of the Request

The Oregon Board of Tax Practitioners is requesting to increase our annual licensing and registration fees to cover our 2021-23 biennial expenditures. The fee increase is projected to generate \$145,890 in revenue.

Agency Action

A fee increase is necessary at this time because the Board has experienced a significant decrease in the number of active licensees and examinees for state licensure over the past 18 months (during the COVID pandemic). Specifically, as of November 29, 2021, we have 390 fewer active licensees than we had in February 2021. This is a decrease of approximately 11.7 percent. The number of individuals who took a licensing exam during 2021 is down by approximately 23 percent from a year earlier. Approximately 88 percent of the Board's revenue is generated by annual licensing and registration fees.

Because the majority of our licensees are at or near retirement age, COVID has had a disproportionate impact on our licensee base during the past 18 months. Seventy nine percent of our licensed tax consultants are 50 or older, which puts them in the high-risk category for COVID. Seventy two percent of our licensed tax preparers also fall into this category. Since tax preparation is generally a seasonal and/or part-time profession, many of our more experienced practitioners have determined that the risks of working during an ongoing global pandemic outweigh the benefits.

Due to the decrease in active licensees mentioned above, and the expected ongoing impacts of COVID for much, if not all, of the rest of the current biennium, the Board must raise annual licensing and registration fees by \$145,890, effective April 1, 2022, to end the current biennium with a sufficient cash balance. A summary of the Board's current and proposed fee schedule is included in addendum A.

An effective date of April 1, 2022 for the requested fee increase is vital. All of the Board's licensed tax consultants and 99 percent of our business registrations begin their annual license renewal on April 15th. This process runs from April 15th through June 15th. All of the Board's licensed tax preparers and the remainder of the business registrations take place between August 15th and

MISSION: The Board of Tax Practitioners protects consumers by ensuring that Oregon tax professionals are competent and ethical in their professional activities

October 15th. If the fee increase did not become effective before the tax consultants begin their 2022 renewal, the new fees would not generate sufficient revenue during the current biennium.

The Board has the authority to set licensing, registration and exam fees by administrative rule (OAR 800-020-0025), pursuant to ORS 673.685. The Board voted unanimously on November 4, 2021 to authorize the executive director to initiate the process to obtain an increase in Board fees sufficient to cover anticipated Board costs through FY 2021-23.

The Board filed its proposed fee increase with the Secretary of State on November 15, 2021. On November 17, 2021, the Board emailed all active licensees to notify them of the need to increase fees and a description of each proposed fee increase. A public rule hearing on the proposed fee increase is scheduled for 10:00 a.m. on December 16, 2021. The Board intends to vote to officially adopt the fee increase at its next scheduled meeting, which is January 13, 2022.

Action Requested

We respectfully request the Legislature approve the Board's requested fee increase effective April 1, 2022. We also request that the Board's Other Funds expenditure limitation be increased by \$145,890 in the Board's 2021-23 Legislative Adopted Budget.

Legislation Affected

Increase the Other Funds expenditure limitation by \$145,890 established by Chapter 348, Section 1, Oregon Laws 2021.

Thank you for your consideration of this request. I am happy to answer any questions you may have, and provide any additional information you may require. My contact information is howard.moyes@tax.oregon.gov, and 503-378-4034.

Sincerely,



Howard Moyes
Executive Director

C: Michelle Lisper, DAS
Michael Graham, LFO

Tax Practitioners Annual Fees	Current	Proposed	Increase
Annual Tax Consultant License	\$ 95.00	\$ 125.00	\$ 30.00
Annual Tax Preparer License	\$ 80.00	\$ 110.00	\$ 30.00
Annual Business Registration	\$ 110.00	\$ 150.00	\$ 40.00
Annual Combination LTC and Business	\$ 155.00	\$ 225.00	\$ 70.00
Annual Combination LTP and Business	\$ 155.00	\$ 220.00	\$ 65.00
Annual Branch Registration	\$ 20.00	\$ 30.00	\$ 10.00
Annual Inactive License	\$ 35.00	\$ 50.00	\$ 15.00