

## Memorandum

To: Senator Jeff Golden and Representative Greg Smith  
From: Howard Moyes, Executive Director, Board of Tax Practitioners  
RE: Budget Presentation Reference Materials  
Date: January 28, 2021

### Agency Mission, Goals and Historical Perspective

The Board of Tax Practitioners is a consumer protection licensing board overseeing individuals and businesses who prepare personal income tax returns for a fee. As of July 2020 the Board had 3,475 individual licensees and more than 1,200 registered businesses.

The Board's mission is to protect Oregon consumers by ensuring Oregon tax practitioners are competent and ethical in their professional activities. We strive to accomplish this mission through our core values of service excellence, operational efficiency and honesty & integrity.

Oregon was the first state in the nation to license and oversee paid tax preparers and tax preparation businesses. Oregon's licensing and continuing education requirements are also the most stringent in the United States and are often viewed as the gold standard in tax preparer regulation.

The board consists of seven citizens appointed by the Governor and confirmed by the Senate to three-year terms with a statutory limit of three terms. Six Board Members must be Licensed Tax Consultants with at least five years of experience and one member shall be from the general public.

The Tax Board has two full-time employees and one half-time employee to administer its programs. Staff include an Executive Director, a Program Analyst and a Licensing Specialist/Administrative Specialist.

The Tax Board issues two levels of individual licenses: Tax Preparer and Tax Consultant. Preparer level licensees are apprentice practitioners and must work under supervision of a Tax Consultant. Tax Consultants generally have at least two years and 1,100 hours of work experience in personal income tax preparation. Tax firms and their branch offices are also registered by the Board.

The Governor's recommended FY21-23 budget provides the Board with sufficient resources to accomplish its mission and meet its performance targets.

### Agency Performance and Outcome Measures

The Board has seven Legislative performance measures, which focus on program outcomes and service delivery. These performance measures and current progress are listed below.

1. Percent of license applications processed within three days of receipt  
Target = 95%                      Performance = 99.5%
2. Percent of exam applications processed within three days of receipt

	Target = 95%	Performance = 99.2%
3. Percent of licensee in compliance with continuing education requirements	Target = 95%	Performance = 99.7%
4. Percent of complaints responded to within three days of receipt	Target = 95%	Performance = 96.7%
5. Customer satisfaction rating	Target = 95%	Performance = *
6. Pass rate on tax preparer licensing exam	Target = 75%	Performance = 79.8%
7. Percent of governance best practices used by agency	Target = 100%	Performance = 100%

\* The Board received no responses to its online customer satisfaction survey in calendar year 2020. The Board will begin emailing annual customer satisfaction surveys to all licensees beginning in 2021.

## **Programs, Customers and Staffing**

### Credential Issuance

The purpose of this program is to review candidate applications for each level of licensure and determine whether candidates meet the statutory qualifications, including competency, and past compliance with federal and state laws. When all criteria are met, a license is issued permitting the individual to prepare, advise or assist in the preparation of personal income tax returns for a fee. This program is mandated by Oregon Revised Statutes 673.605 through 673.740. One half-time FTE is focused primarily on the issuance of these credentials. Funding for this program is derived entirely by Other Funds generated by license fees and business registrations.

Customers of this program are the licensee population and consumers seeking licensure. Licensees work with the Board to maintain their licensed status. Consumers contact the Board to verify the status of their practitioner or to file complaints against a tax practitioner.

The Tax Board licenses approximately 3,500 individuals and 1,200 businesses annually. There are two levels of licensure. The first level is a Licensed Tax Preparer. Approximately 1,700 preparer licenses are issued or renewed every year. A preparer is an apprentice who has completed an 80-hour basic tax course and demonstrated a basic level of competency by passing an examination on federal and state tax laws prior to licensure. Licensed Tax Preparers must work under the supervision of a Licensed Tax Consultant or CPA.

The second level is a Licensed Tax Consultant. These licensees have demonstrated a higher level of knowledge in tax preparation by passing an advanced examination covering federal and state tax law, and they generally must have at least 1,100 hours of relevant work experience at the preparer level in order to qualify to take the examination. There are approximately 1,750 Licensed Tax Consultants. This level of licensure indicates the practitioner is proficient in tax law to the extent that he/she may work without supervision or operate their own tax preparation business. Licensed Tax Consultants are also authorized to supervise Licensed Tax Preparers.

The third function of the Credential Issuance program is Business Registry. Businesses offering personal income tax preparation services must register with the Board. There are approximately 1,200 registered businesses. Each business must designate a Licensed Tax Consultant to oversee tax preparation activities and supervise tax preparation staff.

#### Examination and Education

The purpose of this program is to ensure competency across the population that prepares individual income tax returns for a fee. This program affords the consumer a high level of trust in a Board licensee's ability to accurately prepare their personal tax returns. The Board administers roughly 1,500 credentialing examinations each biennium.

The Board's stringent continuing education requirement works to ensure that all licensees maintain current understanding and awareness of current tax laws and practices. As a condition of renewal, each licensee must attest to at least 30 hours of acceptable continuing education each year. Continuing education is audited by the Board for compliance.

This program also approves organizations seeking to offer an 80-hour tax course, passage of which is required prior to licensure as a Tax Preparer, to ensure the course meets all Board standards and requirements.

One-half FTE is devoted to this program. Funding is derived entirely from Other Fund examination fees. The customers of this program are primarily those desiring a license from the Tax Board. Consumers also benefit from this program as the competency standards maintained through the Examination and Education Program are central to maintaining high quality service provided by their practitioner.

State examinations ensure that Licensed Tax Preparers have the basic knowledge sufficient to prepare individual tax returns under supervision. Licensed Tax Consultant examinations demonstrate that a licensee has advanced understanding of the theories and principles of taxation, skill making accurate computations, ability to independently operate a tax practice, and knowledge to supervise the work of Licensed Tax Preparers.

#### Consumer Protection & Compliance Enforcement

Consumer Protection is a central focus of the Board. All Board staff assist in consumer protection activities by discussing, and if possible, resolving initial complaints or concerns with consumers. The Executive Director oversees the compliance process and investigates and responds to complaints and issues regarding tax preparation activities as required. The Board strives to resolve consumer complaints as quickly as possible and is often able to close a case within 30 days of the original complaint. Since the Board does not have a backlog of compliance cases, each new complaint is acted upon immediately.

The customers of this program are the citizens of Oregon who receive assistance with and resolution of their complaints. The state of Oregon as a whole also benefits from this program as tax filings are more accurate and instances of tax fraud are deterred and addressed. The Board's executive director handles all aspects of consumer protection and compliance enforcement.

### **Budget Drivers and Environmental Risk Factors**

The Board is funded entirely by licensing fees (85.5%), examination fees (8.6%), civil penalties (5.6%) and related activities (0.3%). No General Fund appropriations, federal dollars or grant funds are received by the Board. The number of active licensees, who pay an annual licensing fee, is the major driver of annual revenues for the Board. Fortunately, the Board has more than a sufficient number of licensees (approximately 4,700) to remain economically viable for the foreseeable future. The number of active licensees has remained relatively steady for the past four years.

#### Licensing and Exam Fees

Annual Tax Consultant License Fee	\$95
Annual Tax Preparer License Fee	\$80
Annual Business Registration	\$110
Annual Branch Registration	\$20
Exam Application Fee	\$60

Although many individuals have turned to tax preparation software products in recent years, the demand for experienced tax professionals continues to remain robust. The Board frequently receives calls and emails from tax preparation businesses who are in desperate need of tax preparers and tax consultants.

COVID has had no financial impact on the organization thus far and none is anticipated in the foreseeable future.

### **Major Changes in Past Six Years**

The Board has undergone significant change since 2015, resulting in improved services and reduced costs. Some of the more significant changes during this time include:

- Implementing a new licensing database (2016-17)
- Moving annual license renewals online (2017-18)
- Automating most paper-based processes (2016-2019)
- Outsourcing administration of licensing exams (2018)
- Reducing staff by 50 percent with no layoffs (2016-2020)
- Downsizing office space by more than 30 percent (2018)

As a result of these and other initiatives, the Board has not had to raise licensing or exam fees since 2008 and it consistently meets or exceeds its annual Legislative performance targets. In fact, the Board's FY19-21 expenses (\$933,532) are projected to be 15.7 percent less than FY15-17 expenditures (\$1,106,894). No fee increases in FY21-23 are requested.

### **Future Initiatives**

COVID has required the agency and its staff to work remotely. This has created opportunities to further streamline our business processes and reduce the amount of office space required to operate in the future. We anticipate cost savings in the future from reduced lease costs, less travel and few office expenses. Since the Board is already operating with only two FTEs and minimal overhead, there are few opportunities for significant cost savings in the foreseeable future.

### **Legislation Impacting the Board**

There is currently no pending or proposed legislation that is anticipated to have a significant impact on the Board or its operations.

### **Governor's FY21-23 Budget Recommendations**

The Board's FY21-23 GRB contains the elimination of a one-half time vacant program analyst position. This position is no longer needed by the agency as its primary functions – exam administration – have been outsourced to a professional testing company.

### **10% Reduction Options**

The Board provided the following options for a 10% reduction in expenses for FY21-23

- Elimination of 0.5 FTE Program Analyst = \$66,275 (no operational impact)
- Reduction in travel expenses = \$6,000 (minimal operational impact)
- Reduction in office expenses = \$3,273 (minimal operational impact)
- Reduction in professional services = \$36,000 (moderate operational impact)

### **FY21-23 Ending Balance**

The Board's estimated ending balance on June 30, 2023, included in the Governor's Recommended Budget, is \$198,099. This equates to approximately 4.8 months of operating expenses.

### **FY21-23 Budget Link**

The Board's FY21-23 Agency Request Budget is located here:

[https://www.oregon.gov/obtp/Documents/2021-23\\_AR\\_Budget.pdf](https://www.oregon.gov/obtp/Documents/2021-23_AR_Budget.pdf)

The FY21-23 Governor's Recommended Budget has not yet been posted to the Board's website. The document will be posted and the link will be provided the first week of February.