

## ANALYSIS

### Item 47: Board of Tax Practitioners

#### Litigation Cost Increases

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**Analyst:** Chelsey Herrmann

**Request:** Increase Other Funds expenditure limitation for the Board of Tax Practitioners by \$100,000 to cover increased Attorney General costs.

**Analysis:** The Board of Tax Practitioners (BTP) protects Oregon consumers by ensuring tax practitioners meet professional and ethical standards. The Board issues licenses, enforces education requirements, facilitates exam administration, investigates complaints, and disciplines licensees when necessary. BTP oversees more than 3,600 individual licensees and 1,100 registered businesses or branches.

In recent years, BTP has increased efforts to enforce the licensing requirement of any out-of-state tax practitioners who work on Oregon tax returns, as directed by statute (ORS 673.615(1)). This increased enforcement of statute has resulted in over \$325,000 in new civil invoices during the 2023-25 biennium, with an approximate overall total of \$122,000 collected due to civil penalty payments.

Due to this increase in enforcement, BTP has also seen an increase of legal fees due to litigation surrounding the statutory requirement of out-of-state tax practitioners needing to be licensed in Oregon to work on Oregon tax returns. BTP has had to defend their statutory authority granted through ORS 673.605 - ORS 673.740 in response to a lawsuit filed in circuit court in February 2025. The lawsuit has since had a judgement of dismissal in favor of BTP; however, that decision has been appealed and now sits within the Oregon Court of Appeals.

Currently, BTP is anticipated to go over their expenditure limitation due to the increased Attorney General (AG) costs stemming from the lawsuit and the extended timeframe of AG representation and costs due to the lawsuit being appealed. Increasing the Other Funds expenditure limitation by \$100,000 will not cause a significant impact to BTP's operating reserves and would leave BTP with a projected cash ending balance of \$825,750, which is the equivalent of 14 months of operating reserves and is sufficient to support the one-time increase in expenditure limitation.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$100,000 in Other Funds expenditure limitation for the Board of Tax Practitioners in a budget reconciliation bill during the 2026 legislative session to cover increased Attorney General costs.

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**Request:** Increase Other Funds expenditure limitation by \$100,00 for the State Board of Tax Practitioners to cover increased attorney general costs.

**Recommendation:** Approve the request during the 2026 Legislative Session.

**Discussion:** The State Board of Tax Practitioners (Board) is requesting \$100,00 Other Funds expenditure limitation to cover increased attorney general costs associated with several lawsuits moving their way through the appellate process. At least one of the cases, which began in the previous biennium, involved a suit against the Board for requiring out-of-state tax practitioners to be licensed in Oregon to perform work on Oregon tax returns. The Board won, but the cases are being appealed, which creates an increase in attorney general costs the Board must pay for the foreseeable future. The additional expenses associated with the appeals were not anticipated in the Board's 2025-27 Legislatively Adopted Budget.

Despite various administrative savings, the Board will still need to increase expenditure limitation to pay for the increased fees. The Board anticipates it will have the revenue to cover the increase in expenditures through an increase in licensees, and the implementation of a new license program for Registered Tax Aides that will generate additional revenue.

**Legal Reference:** Increase Other Funds expenditure limitation established by chapter 339, section 1, Oregon Laws 2025, for the State Board of Tax Practitioners by \$100,000 for the 2025-27 biennium.



# Oregon

Tina Kotek, Governor

December 5, 2025

## Board of Tax Practitioners

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The Honorable Senator Kate Lieber, Co-Chair  
The Honorable Representative Tawna Sanchez, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court Street NE, H-178  
Salem, OR 97301

Dear Senator Lieber and Representative Sanchez:

### Nature of the Request

The Board of Tax Practitioners respectfully requests an increase of \$100,000 in Other Fund expenditure limitation authority to support the Board's current influx in legal fees stemming from several court cases brought against the Board, and the Attorney General (AG) fees to represent the Board.

### Agency Action

The Board of Tax Practitioners has been closely monitoring the Board's revenues and expenditures as well as doing our best to project AG fees moving forward knowing that the three lawsuits against the Board that have moved to Appeals. In looking at projections accounting for higher AG fees the Board noticed that we would most likely go over our expenditure limitations.

Over the past several years the Board has mitigated these fees by working with the Board of Accountancy to share office space making the Boards rent more inexpensive. The Board has also consolidated all paper mailings into e-mails, saving money on envelopes, printing, postage and returned mail. The Board has also been closely monitoring any expenditures to ensure they are necessary.

Over the last few years, the Board has also seen an increase in license numbers which brings an increase in revenue. The Board is also starting the new Registered Tax Aide (RTA) Program in January which will bring an additional revenue stream. With the increase in license numbers and the new program even if these higher than average legal fees continue the Board will still continue to have a higher revenue than expenditures.

### Action Requested

The Board of Tax Practitioners respectfully requests an increase in Other Funds expenditure limitation authority by \$100,000.

### Legislation Affected

This would revise Oregon Laws 2025, chapter 339, section 1, increasing the total by \$100,000.

Sincerely,

Laura Kardokus, Executive Director  
Board of Tax Practitioners