

ANALYSIS

Department of Revenue

Cost Allocation

Analyst: Emily Coates

Request: Acknowledge receipt of a report from the Department of Revenue on Cost Allocation.

Analysis: The Department of Revenue (DOR) administers 64 revenue streams, including 12 General Fund programs and 52 Other Funds programs. As directed by the Legislature, DOR has been working to modernize its outdated cost allocation methodology. In 2024, DOR hired MGT of America Consulting, LLC, an external consultant, to assist with the project. This included interviews with division management responsible for administering various revenue streams and reviewing program data. MGT provided recommendations to DOR in February 2025.

During the 2025 legislative session, the budget bill for DOR (SB 5536) included the following budget note related to cost allocation:

Cost Allocation Methodology

The Department of Revenue is directed to report to the General Government Subcommittee of the Joint Committee on Ways and Means during the 2026 session on the findings provided by the outside consultant who supported the agency with the modernization of the current cost allocation methodology. The report must include an update on the workshops held with state agencies, local governments, and transit districts who will be impacted and a summary of the proposed changes by division and fund type for the new cost allocation methodology.

In November 2025, DOR held two workshops with external partners that may be impacted by the modernized cost allocation methodology, where the agency provided an overview of the project's history, revenue streams, and the current cost allocation methodology. MGT also attended the workshops to present an overview of the modernized methodology. However, DOR did not provide revenue stream-specific impacts to its external partners, which limited the level of feedback received from the workshops. These impacts were made available in January 2026 and are included in the report.

The modernized methodology incorporates both direct and indirect costs and allocates costs based on multiple drivers, including staff time spent directly administering revenue streams, transactions such as the number of mail pieces or payments per revenue stream, and full-time equivalent positions by division.

Full implementation of the modernized methodology will require both administrative and legislative changes. Once implemented, DOR will continue to work with MGT to update the methodology during each biennial budget development cycle to ensure administrative charges accurately reflect supporting data.

Recommendation: The Legislative Fiscal Office recommends that the Joint Committee on Ways and Means acknowledge receipt of the report with instruction that the Department of Revenue include any adjustments to administrative charges for agency programs as part of its 2027-29 budget development, including a proposed legislative concept to enact any statutory changes necessary to implement the modernized cost allocation methodology.

Request: Report on the agency’s effort to modernize the cost allocation methodology by the Department of Revenue.

Recommendation: Acknowledge receipt of the report.

Discussion: The Department of Revenue (DOR) is responsible for collecting more than 60 revenue streams on behalf of the state of Oregon and local jurisdictions, ranging from huge programs with millions of payers, like the state’s personal income tax, to niche industry- or location-specific streams like the kratom processors fee or the Lane County Transit District payroll tax. The direct and indirect costs of doing this work must be paid from these revenue streams. In 2018, an independent audit of DOR’s work found that agency costs may not be distributed proportionally to the extent statute allows.

Work on updating DOR’s cost allocation methodology began in 2023, after a budget note associated with House Bill 5034 (2023), encouraged the agency to hire a third-party vendor to assist in completing the project. In July 2024, DOR chose MGT Impact Solutions, LLC (MGT) to review their tax and revenue programs and assist in developing more equitable cost allocation practices. A budget note accompanied the DOR budget bill in 2025 (Senate Bill 5536), directing the agency to “report to the General Government Subcommittee of the Joint Committee on Ways and Means during the 2026 session on the findings provided by the outside consultant who supported the agency with the modernization of the current cost allocation methodology.” The budget note also required DOR to report on the workshops held with interested parties who will be impacted by the changes and include a summary of the proposed changes by revenue stream.

The submitted report details the work the agency has completed in consultation with MGT. This includes extensive review of agency data, records, practices, and costs, as well as applicable statute and administrative rules, to determine a recommended cost allocation methodology. That proposed methodology is outlined in the report, broken out by direct and indirect costs and separated by division. The predominant methods utilized are time spent, percent of actual costs, and proportional split based on full-time equivalent positions.

In November 2025, DOR convened a series of interactive workshops with affected groups to share proposed cost allocation changes and solicit feedback. The report summarizes the feedback received during those meetings. The most common concerns included the new methodology’s impact on revenues relative to the 2025-27 biennium, the timing of proposed changes, and the volatility of impacts from future revisions. Finally, the report concludes with the agency’s intent to submit a policy option package to the Legislature as part of its 2027-29 budget to reflect and support the proposed changes to cost allocation.



Oregon

Tina Kotek, Governor

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January 16, 2026

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

Dear Co-Chairs:

Nature of the Request

The Oregon Department of Revenue (DOR) respectfully requests that the Joint Committee on Ways and Means acknowledge receipt of the attached report on the Cost Allocation project.

Agency Action

The budget report for Senate Bill 5536 from the 2025 legislative session contains a budget note that directs DOR as follows:

The Department of Revenue is directed to report to the General Government Subcommittee of the Joint Committee on Ways and Means during the 2026 session on the findings provided by the outside consultant who supported the agency with the modernization of the current cost allocation methodology. The report must include an update on the workshops held with state agencies, local governments, and transit districts who will be impacted and a summary of the proposed changes by division and fund type for the new cost allocation methodology.

DOR began working with our outside consultant, MGT Impact Solutions, LLC, in July 2024 to review DOR's data and revenue streams and help modernize DOR's cost allocation methodology. The attached report describes the DOR response to the 2025 budget note.

In November 2025, DOR conducted workshops with MGT Impact Solutions and external partners that may be impacted by implementation of a modern cost allocation methodology. More than 100 partners attended the workshops virtually or in-person, including state agencies, local governments, and transit districts.

DOR shared information with partners about different factors that may influence how direct and indirect administrative costs are allocated to each of the more than 60 revenue streams that DOR collects. DOR shared a video recording, slide deck, and survey with participants and interested parties who could not attend. Partners look forward to receiving additional information about potential impacts to their individual revenue streams.

Action Requested

The Oregon Department of Revenue respectfully requests that the Joint Committee on Ways and Means acknowledge receipt of the attached report on the Cost Allocation project.

Legislation Affected

None.

Sincerely,



David Gerstenfeld
Director

C: Jason Barbee, Deputy Director, DOR
Tomás Flores, Interim CFO, DOR
Amanda Beitel, Legislative Fiscal Officer
Emily Coates, Senior Legislative Analyst, LFO
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Department of Revenue Cost Allocation Report

January 16, 2026

Cost Allocation Report

January 16, 2026

Prepared by:

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Finance Division

Oregon Department of Revenue

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Introduction

The Department of Revenue (DOR) administers more than 60 revenue streams for the benefit of the state of Oregon. The department incurs direct and indirect administrative costs doing this work. In 2018, an audit recognized that these costs may not be allocated equitably across the revenue streams and fund types. In budget notes from recent biennia, the Legislature directed DOR to study the cost allocation, current and possible future methodologies, and seek feedback from impacted partners about potential changes to the methodology. This report documents steps taken by the department to modernize our cost allocation methodology for current revenue streams.

Project Background:

An independent audit of agency functions at DOR was performed in 2018. It noted that the cost allocation methodology should be modernized to more accurately reflect the increase in legislatively established revenue streams administered by the agency since the last time a cost allocation study was performed. The Legislature approved budget notes in 2023 and 2025 that directed DOR to conduct this work.

This analysis will ensure the administrative work associated with collecting different revenue streams is paid for with appropriate funds (for example, the General Fund for General Fund work or Other Funds for Other Fund work). Modernization of our cost allocation methodology will also ensure the indirect costs of various revenue stream collection are equitably apportioned. In anticipation of this modernization, we reviewed our internal accounting procedures and have established cost pools to more accurately group similar costs together, to help facilitate a transition.

During the 2023 legislative session, DOR was encouraged to work with a third-party vendor to continue modernization work. The 2023 Legislature approved [HB 5034 with a budget note](#) as follows:

The Department of Revenue will continue to develop the cost allocation methodology during 2023-25. The Department should strongly consider hiring an outside consultant with expertise in cost allocation to assist it in completing this project. Other state agencies with existing cost allocation models should be consulted and internal and external stakeholder groups should be informed of this project. Given the complexity of developing this methodology and its scope, it is suggested that established project management tools be used to complete this project. The Department should report to the Emergency Board on the project's progress and anticipated results by September 2024.

In response to this budget note, DOR selected MGT Impact Solutions, LLC (MGT) as our external consultant. (Company website: [About Us: Changing Lives Through Technology | MGT.US](#)) DOR

partnered with MGT to review our data, revenue streams (tax and fee programs), and work processes and practices. MGT drew on their extensive experience performing similar work for state and local governments, as well as interviews with our management teams.

On August 26, 2024, DOR submitted a [project progress report](#) to the Emergency Board.

On October 15, 2024, DOR conducted a virtual kickoff meeting for this cost allocation work with MGT, to describe the cost allocation work we were doing, the proposed timeline, and to gather any input from our partners. While we reached out to over 350 potentially interested partners, we had limited participation with fewer than 15 attendees.

In 2025, the Legislature approved [SB 5536 with a budget note](#) as follows:

The Department of Revenue is directed to report to the General Government Subcommittee of the Joint Committee on Ways and Means during the 2026 session on the findings provided by the outside consultant who supported the agency with the modernization of the current cost allocation methodology. The report must include an update on the workshops held with state agencies, local governments, and transit districts who will be impacted and a summary of the proposed changes by division and fund type for the new cost allocation methodology.

After extensive review of the needs of our agency, MGT suggested which cost allocation methods would fit best for DOR given the available data. DOR and MGT discussed and reviewed several possible methodologies and determined a methodology to share with external partners for feedback and review.

On November 4 and 5, 2025, DOR conducted interactive workshops with external partners that may be impacted by a modernized cost allocation methodology. More than 200 partners registered for these workshops, representing nearly 150 state agencies, local governments, and transit districts. From that list, 100 partners attended in person or virtually, and all registrants received recordings of the workshops, a copy of the presentation, and a survey to provide additional feedback.

This report describes the proposed methodology, as well as an update for the Legislature on the feedback we received during these workshops.

Cost Allocation Modernization

DOR Functions

The Department of Revenue administers over 60 revenue streams (see appendix A for full list). Twelve of these are General Fund revenue streams and 52 are Other Fund revenue streams. During the 2023-25 biennium, DOR collected about \$45 billion in revenue and made transfers to the State General Fund, other state agencies, local governments, and transit districts.

Four different divisions within DOR directly administer revenue streams:

- Business Division – with 38 revenue streams
- Personal Tax and Compliance (PTAC) Division – with 8 revenue streams
- Property Tax Division – with 17 revenue streams
- Collection Division - with 1 revenue stream

Two additional divisions provide indirect support for administering revenue streams:

- Administration Division – including Director’s Office, Financial Services, Human Resources, Communications, Facilities, Research, Internal Audit, and Internal Controls
- Information Technology (IT) Services Division – including IT and Processing Center

Cost Allocation Methodology Assumptions

Allocation of administrative costs reflect both direct and indirect costs.

- Direct costs: The costs from the direct administration of revenue streams—such as staff time, postage, or equipment costs dedicated to a particular revenue stream.
- Indirect costs: Costs that are not directly attributable to only one revenue stream, such as facilities management, human resources, finance, and other support functions.

Current Methodology

DOR’s cost allocation methodology has not been updated in over a decade. In that time, the methods of doing our work have changed significantly, and the agency has become responsible for the administration of many new revenue streams.

Our current methodology is also constrained by the statutory requirements of the revenue streams. Several revenue streams do not allow for administrative costs to be taken out of the revenue collected.

Some streams do allow for revenue to cover costs, but with a statutory cap that may not fully cover the administrative costs.

Cost allocation has also been impacted by the time period in which a revenue stream was created. While some older revenue streams use historical percentages to reflect allocation, many newer revenue streams (particularly tax and fee programs), have legislatively allocated personnel and related budgets.

This confluence of factors—changed ways of doing our work, the addition of new revenue streams, a variety of statutory constraints, and evolving approaches to cost allocation over time—has led to inconsistencies in the current methodology for cost allocation across revenue streams.

Proposed Cost Allocation Methodology and Future Steps

To bring consistency, fairness, and equity across all the revenue streams we administer, DOR partnered with MGT to review our current methods and craft a modern methodology for cost-allocation.

DOR plans to propose a Policy Package for the 2027-29 biennium to move to the new cost allocation methodology. In subsequent biennia, DOR would update and rebalance the cost allocation plan as part of the Current Service Level budget request. DOR would also “true up” to actual costs throughout each biennium. The frequency of this truing up is still to be determined.

The following section details how each division’s costs will be allocated to revenue streams.

Common definitions used in the methodology tables below:

- Time Spent: For some sections, it was determined that the best way to allocate direct costs was by a projection of the time spent by staff that directly administer the revenue stream.
- Percent of actual costs: In addition to the time spent by staff, costs are allocated by a transactional measure based on actual costs attributable to a specific revenue stream (for example, we know how much mail we receive per revenue stream, so we allocate based on the percentage of mail distributed over the revenue streams).
- FTEs of Division: Some direct and indirect costs are shared by all revenue streams. To allocate these costs, the total cost of the service is charged to each division by the share of the agency FTE (full-time equivalent) positions they employ. For example, the cost of security guards is shared by all divisions, equal to each division’s share of total FTE.

Direct Costs

To propose a method to allocate direct costs, MGT interviewed the four divisions administering the various revenue streams. For Business, Property Tax, and PTAC, each manager reviewed the percentage of staff time dedicated to each revenue stream they administer. Exceptions are noted in Table 1.

Table 1: Proposed Direct Cost Methodology for Property Tax, Personal Tax and Compliance, and Business Divisions

The proposed methodology for allocating the direct costs of the Property Tax, Personal Tax and Compliance, and Business Divisions to the revenue streams they administer.

Description of Work Done, by Division	Proposed Cost Allocation Methodology
Property Tax Division	
Property Tax, Nonprofit Homes for the Elderly, and Property Tax Deferral for Disabled and Senior Homeowners	Time spent by Property Tax staff
Personal Tax and Compliance (PTAC) Division	
PTAC	Time spent by PTAC staff
PTAC Division Specific Expenditures	Percent of actual costs by revenue streams
Business Division	
Business Tax	Time spent by Business Tax staff
Multi State Tax	Direct allocation to Multi State Tax
Corporate Activity Tax (CAT)	Time spent by CAT staff
Facilities Rental	FTEs of division
Marijuana Tax	Time spent by Marijuana Tax staff
Security Guard	FTEs of division

The Collection Division required a more tailored methodology for the allocation of direct costs, as it includes the collection of debts on behalf of other state agencies and local governments in addition to collecting taxes owed directly to DOR. We reviewed the accounts receivable inventory to determine which revenue stream each account was associated with, the number of garnishments and bankruptcies per revenue stream, and more. Table 2 illustrates the proposed method for Collection Division cost allocation, showing organizational sub-parts of the Collection Division in bold in the first column, with the types of work being done under bold headings, and the second column showing how that work is proposed to be allocated.

Table 2: Proposed Direct Cost Methodology for Collection Division

The proposed methodology for allocating the direct costs of work done by the Collection Division either to revenue streams or to Other Agency Accounts.

Description of Work Done, by Section	Proposed Cost Allocation Methodology
Collection Division - Administration	
Collection Administration Support	Number of FTE in Collection Division
Bank Garnishment Costs	Percent of garnishments issued per program
Collection Division - Operations, Policy, and Systems	
Collection Support (OPS Unit)	Number of FTE in Collection Division
Bankruptcy	Percentage of accounts that have filed bankruptcy by program
Collections Agency Program	Percent of inventory assigned to private collection firms by program
Collection Central Support	Percentage support by program
Settlement Offers	Direct allocation to tax collection
Combo (Collections on both Tax and Non-Tax accounts)	Percent of inventory by program
Financial Statements Team	Percentage of financial statements by program
Skip Trace	Percentage support by program for Skip Trace
Collection Division - Tax Collection	
Tax Collection Section	A 4-year average number of revenue streams, weighted by GenTax* activity and complexity
Collection Division - Other Agency Accounts	
OAA Indirect Costs	Direct allocation to OAA Indirect

**GenTax is the Department of Revenue’s core system that supports the full range of tax administration functions for DOR, including registration, return and payment processing, filing compliance, audits, collections, reporting, financials, and online services.*

Indirect Costs

To propose a method of allocating indirect costs, MGT reviewed our data and knowledge of best practices from their experience working with other state and local governments.

Where data allows, we propose a transactional method to allocate indirect costs. For the remaining sections within the Administration and IT Divisions, costs are allocated across the agency by the share of FTE by division. These costs are then passed on to revenue streams by each Division, as described above. For example, the costs of facilities rental and taxes is charged to each division, by the share of total agency FTEs that specific division employs. Those costs are allocated to revenue streams as part of

the division costs. Table 3 details the proposed allocation methods for the sections within the Administration Division.

Table 3: Proposed Indirect Cost Allocation Methodology for the Administration Division

The proposed methodology for allocating the indirect costs of work done by Administration Division sections to direct cost divisions (refer to Tables 1 & 2).

Description of Work Done, by Section	Proposed Cost Allocation Methodology
Central Assessment	
State Government Service Charges	FTEs of division
Facilities Rental and Taxes	FTEs of division
Director's Office	
Director Office	FTEs of division
Customer Experience Center of Excellence	Equal allocation to PTAC, Business, and Collections
Taxpayer Advocacy Office	Support by division
Finance	
Accounting/budget	Total budgeted expenditures, less debt service
Statewide Tax Receipts and Transfers (STRAT)	Percent of effort that is directly tied to the number of transfers per revenue stream
Procurement	Purchasing transactions
Human Resources	
Human Resources	FTEs of division
Communications	
Communications	FTEs of division
Facilities	
Facilities and Special Services	FTEs of division
Research	
Research	Salary support by division
Agency Wide	FTEs of division
Internal Audit	
Audit	FTEs of division
Internal Controls	
Internal Controls	FTEs of division

The proposal includes a similar methodology for allocating the costs of the IT Division, as shown in Table 4.

Table 4: Proposed Indirect Cost Allocation Methodology for the IT Division	
The proposed methodology for allocating the indirect costs of work done by IT Division sections to direct cost divisions (refer to Tables 1 & 2).	
Description of Work Done, by Section	Proposed Cost Allocation Methodology
Administration	
Data Processing Costs	FTEs of division
IT Professional Services	Number of GenTax user IDs by division
IT Expendable Prop.	FTEs of division
Engineering	
Infrastructure	FTEs of division
GenTax Project	
New Development - not bonded projects	FTEs of division
GenTax Operation	
GenTax	Number of GenTax user IDs by division
Processing Center	
Mail	Number of mail pieces by tax division
Mail - not tax division specific	Portion of known mail pieces by tax division
Imaging	Number of transactions by revenue stream
Operations	FTEs of taxing divisions only
Payment Processing	Number of payment transactions by tax division
Payment Processing – not tax division specific	Portion of known payment transactions by tax division
Payment Processing Professional Service Expenditures	Number of payment transactions plus number of tax return transactions
Electronic Funds Transfers	Number of GenTax electronic file transfer work items
Electronic Funds Transfers – not tax division specific	Portion of known GenTax electronic file transfer work items
Information Transcription	Number of tax return transactions
Taxpayer Identification	Number of GenTax taxpayer identification work items
Taxpayer Identification - not tax division specific	Portion of known GenTax taxpayer identification work items
Form Design and Policy	Number of forms
Support Services	
Help Desk	Number of tickets
Desktop Services	Number of total devices by division

Workshops with External Partners

On October 15, 2024, DOR conducted a virtual kickoff meeting for the Cost Allocation project. We invited over 350 external partners to attend but had a limited audience of no more than 15 attendees. This kickoff meeting described the Cost Allocation project and the proposed timeline.

In 2025, DOR continued our outreach work by conducting two workshops in collaboration with MGT to review the proposed methodology with external partners including other state agencies, local

governments, and transit districts. The Legislative Fiscal Office and DAS Chief Financial Officer were also invited. The workshops were conducted on November 4 and 5, 2025, with in-person and virtual participation opportunities. We had 73 participants on November 4th and 99 participants on November 5th. Participants provided feedback during those sessions, and we sent surveys to all those who signed up to provide further opportunities for feedback.

Many participants said they had a hard time providing feedback about the methodology without knowing the possible impact to their individual revenue streams. In other words, they indicated they could not respond until they knew if the proposal would increase or decrease the amount of revenue distributed from their streams. Participants were informed that there will be ongoing discussions and opportunities for more input from partners regarding this proposed methodology as part of our agency budget development process, to help advise the Legislature in its decision-making process. Included below is a table detailing the impact the new methodology would have on all revenue streams if it had been applied during the 2025-27 biennium, and a copy of this report is being shared with all registrants of these sessions.

While the concern over revenue impact was the primary focus of comments we received, we have summarized other feedback received during and after the workshops below.

- Participants expressed a concern, shared by DOR, that DOR administrative activities are as effective and efficient as possible, thereby decreasing the total amount of costs that get allocated out to the different revenue streams.
- There were concerns that estimates were used for staff time in some areas, rather than tracking actual time spent on each revenue stream.
 - A note: Time studies were considered as an option. However, DOR and MGT agreed that estimates of time spent on work pertaining to specific revenue streams made by managers were preferable, for various reasons. Time studies are very costly to enact and require several years to produce reliable and usable base-line data. Our current time capture system is also not capable of tracking more than 60 different revenue streams, so much of this effort would have to be made manually. While time studies would likely result in a more precise allocation of staff time, they are also expensive, an administrative cost which would then need to be allocated to the various revenue streams. Meanwhile, our managers are well-versed in the workload of their staff, and capable of making informed estimates of staff time spent on various work. MGT concurred that many states and governmental entities rely on this estimation analysis for cost allocation methodologies.
- Participants expressed concerns regarding cost-allocation adjustments taking place during the regular biennial budgeting process, as these adjustments could impact their own budgets, that they would be developing at the same time. If DOR's cost allocations are updated each biennium as part of the budget process, participants noted that they would not know with certainty the final outcome of DOR projections and cost allocations until legislatively approved

as part of the biennial budget process. That could be too late for them to make adjustments to their own budgets if the final adopted cost allocation differs from what DOR shares as part of its agency request budget.

- Concerns were shared about potential volatility. Meaning, if variables shift significantly, a particular revenue stream could see large increases or decreases in allocated administrative costs. This was of particular concern to some of the smaller entities where the revenue passed on by DOR is a significant portion of their overall revenue.
- Participants had questions about the frequency and lag time of truing up actual costs to projected ones throughout each budget cycle.
- Questions were raised about the timing of when any changes to cost allocation methodology will first be effective.
- Counties and cities were concerned about increases in the costs charged to their revenue streams given overall budget pressures.
- Some participants were concerned that the new cost allocation methodology won't account for areas where the legislature has made the choice to subsidize programs in the past.
- A specific concern regarding the allocation of facility costs was raised. Participants asked if the cost of facilities would be better allocated by another method, as the field offices primarily support the PTAC Division. The proposed methodology allocates this cost to divisions by share of FTE.
 - An alternative method was considered – allocating the costs by square footage of each office and the share of division staff who work in-person. However, there was high volatility in the level of time spent in office by staff from day to day, making this a difficult metric to accurately measure. Ultimately, it was decided that each person is served in some form by the Facilities staff, regardless of their remote vs on-site schedule. Therefore, we chose to allocate this cost by the share of FTE employed by each division.
- The method to spread costs to each locality for local taxes administered by the agency has not been determined (ie, Lodging and Marijuana).

DOR considered all of the feedback received. Much of it involved clarifying, during the workshops or in this report and other communications, some of the questions raised, including the question of the net impact the proposed methodology would have on costs charges to each revenue stream, as shown below in Tables 5 and 6. We did not make significant changes to the methodology proposed and discussed this with partners during those workshops. If additional transactional data becomes available in the future, we may want to consider further modifying the cost allocation methodology.

Comparison Between Current and Proposed Methodology

This comparison is based on **if** the Legislature had enacted the new proposed cost allocation methodology in the current biennium (2025-27). Note that this proposed cost allocation includes many changes that would require additional specific statutory changes, and reflect policy decisions for the Legislature to make. The proposed methodology assumes a legislative intent to have all costs allocated proportionally. DOR is not advocating to change current policy decisions where some administrative costs are not charged to their revenue streams – this just shows what the impact would be were all costs shared proportionally using the new methodology.

General Fund Revenue Streams

For statutorily defined General Fund revenue streams and programs, the Legislature adopts a General Fund budget for each division to fund the administration of their revenue streams. Using the proposed methodology, MGT calculated the biennial cost to administer each of these programs. This allows DOR to present the administrative costs of General Fund and Other Fund revenue streams in a consistent manner. Table 5 shows the cost of administering the statutorily defined General Fund revenue streams and programs. If the new methodology were completely implemented, the total cost of administering the 12 General Fund revenue streams and other General Fund tax programs for the 2025-27 biennium would be \$272.4 million. In the future, we would use this method to inform our budget request process.

Other Fund Revenue Streams

For the Other Fund Revenue Streams, we are able to show the comparison between what administrative costs are being charged now using the current cost-allocation methodology, and what would be charged using the proposed new methodology.

Table 5: Cost of Administering General Fund Revenue Streams and Programs

Cost of administering the various General Fund revenue streams, statutorily exempt programs, and other programs funded by General Fund dollars for the 2025-27 biennium using the proposed cost-allocation methodology.

Program	Estimated Costs for the 2025-27 Biennium
Personal Income Tax	\$ 152,150,800
Personal Income Tax Withholding	\$ 28,500,800
Agricultural Employer Overtime Tax Credit	\$ 1,473,000
Partnership Privilege Tax	\$ 3,362,100
Pass-Through Entity-Elective Tax	\$ 5,452,500
Fiduciary Tax	\$ 2,356,500
Corporation Excise Tax	\$ 35,715,800
Corporation Income Tax	\$ 2,235,200
Estate Transfer Tax	\$ 1,808,000
Amusement Device Tax	\$ 16,800
Industrial Site Readiness Program*	\$ 300
Kicker Refund Donation*	\$ 300
Political Contributions*	\$ 9,800
Mutual & Cooperative Electric Distribution Systems Tax (Electric Coops)*	\$ 36,200
Forest Products Harvest Tax*	\$ 1,071,900
Long Term Enterprise*	\$ 300
Non Profit Homes*	\$ 22,700
Oregon Food Processors Fee*	\$ 30,900
Oregon Housing*	\$ 50,700
Private Rail Car Tax*	\$ 30,300
Strategic Investment Program (SIP) Gainshare*	\$ 18,100
Strategic Investment Program (SIP)*	\$ 13,300
Small Tract Forestland Program*	\$ 306,800
Business - Non Revenue - Drug Treatment Recovery Services**	\$ 76,800
Business - Non Revenue - Rainy Day Fund**	\$ 22,800
County Assessment Function Funding Assistance Program**	\$ 455,500
Property Tax, Industrial Valuation**	\$ 17,172,500
Property Tax, Central Assessment**	\$ 6,521,700
Property - Non Revenue - - Assessment & Taxation (A&T) oversight - 308, 311, 307, 285C**	\$ 3,718,200
Property - Non Revenue - Annual Property Value Appeals Board (PVAB) training/oversight - 309.020**	\$ 614,600
Property - Non Revenue - Boundary change processes - 308.225**	\$ 569,100
Property - Non Revenue - Education and certification of assessment personnel - 308.010**	\$ 3,430,800
Property - Non Revenue - Farm/Forest special assessment - 308A**	\$ 943,400
Property - Non Revenue - Local Budget Law (LBL) + tax certification - 294.305**	\$ 1,494,100
Property - Non Revenue - Personal Property - 308**	\$ 431,300
Property - Non Revenue - Ratio - 309.203**	\$ 1,626,500
Property - Non Revenue - Supervisory adjudication process - 306**	\$ 693,800
TOTAL	\$ 272,434,000

Note: Figures are rounded to the nearest \$100.

*This tax program is statutorily exempt from being charged administrative costs, so those costs are funded by General Fund revenue.

**This program does not have a dedicated tax or fee revenue stream, so administrative costs are funded by General Fund revenue.

Table 6: Cost of Administering Other Fund Revenue Streams

A comparison of costs charged to each Other Fund revenue stream for the 2025-27 biennium using the current cost-allocation methodology and the proposed new cost-allocation methodology.

Revenue Stream	Costs Charged Using Current Methodology	Costs Charged Using Proposed Methodology	Net Impact on Costs Charged
Cigarette Tax	\$ 8,350,400	\$ 2,704,100	\$ (5,646,300)
Other Tobacco Products Tax	\$ 2,843,600	\$ 2,912,800	\$ 69,200
State Marijuana Retail Tax	\$ 5,745,900	\$ 2,765,100	\$ (2,980,800)
Local Marijuana Retail Tax	\$ 816,300	\$ 1,022,800	\$ 206,500
Statewide Transit Tax	\$ 10,535,600	\$ 7,324,000	\$ (3,211,600)
TriMet Transit Dist Payroll Tax	\$ 11,553,200	\$ 5,044,500	\$ (6,508,700)
Tri-Met Transit Dist Self-Employment Tax	\$ 1,276,500	\$ 2,959,000	\$ 1,682,500
State Transient Lodging Tax	\$ 1,982,600	\$ 1,244,400	\$ (738,100)
Collection, Other Agency Accounts Indirect Costs	-	\$ 13,666,900	\$ 13,666,900
Collection, Other Agency Accounts Direct Costs	\$ 17,378,400	\$ 13,288,500	\$ (4,089,900)
Heavy Equipment Rental Tax	\$ 813,300	\$ 61,900	\$ (751,300)
E-911	\$ 994,400	\$ 405,800	\$ (588,600)
Greenlight Oregon Labor Rebate Fund	\$ 65,000	\$ 37,800	\$ (27,100)
Hazardous Substance Possession Fee	\$ 45,200	\$ 152,400	\$ 107,200
Petroleum Load Fee	\$ 259,900	\$ 79,500	\$ (180,400)
Oregon Production Investment Fund	\$ 167,700	\$ 22,800	\$ (144,800)
Charitable Check-off	\$ 82,100	\$ 43,500	\$ (38,600)
Corporate Activity Tax*	\$ 23,656,300	\$ 26,849,900	\$ 3,193,600
988 Coordinated Crisis Service Tax	\$ 324,600	\$ 157,500	\$ (167,100)
Bicycle Excise Tax	\$ 93,000	\$ 63,700	\$ (29,300)
Criminal Fines and Assessments	\$ 159,700	\$ 187,400	\$ 27,700
Kratom	\$ 27,600	\$ 53,500	\$ 25,900
Lane County Transit District Self-Employment	\$ 454,400	\$ 918,200	\$ 463,700
Lane County Transit District Payroll Tax	\$ 2,091,600	\$ 2,700,000	\$ 608,400
Loaded Tank Railroad Car Fee	\$ 92,100	\$ 90,900	\$ (1,200)
Local Transient Lodging Tax	\$ 1,943,500	\$ 400,100	\$ (1,543,400)
Oil and Gas Production Tax	\$ 400	\$ 14,700	\$ 14,300
Psilocybin Tax	\$ 47,000	\$ 652,000	\$ 605,000
Small Tract Severance Tax - Western	\$ 106,900	\$ 275,700	\$ 168,800
Small Tract Severance Tax - Eastern	\$ 800	\$ 135,900	\$ 135,100
Tobacco Licensing Program	\$ 1,195,000	\$ 2,226,200	\$ 1,031,100
Unemployment Insurance Tax	\$ 881,200	\$ 1,451,600	\$ 570,400
Paid Leave Oregon	\$ 725,200	\$ 1,194,600	\$ 469,400
Vehicle Privilege Tax	\$ 1,430,700	\$ 575,700	\$ (855,000)
Vehicle Use Tax	\$ 801,100	\$ 349,000	\$ (452,100)
Workers Compensation	\$ 1,150,000	\$ 746,000	\$ (404,000)
Assessment and Taxation Map Maintenance	\$ 205,500	\$ 2,399,600	\$ 2,194,100
ORMap	\$ 1,268,000	\$ 816,800	\$ (451,200)
Senior and Disabled Citizen Prop Tax Deferral Program	\$ 3,246,000	\$ 3,306,700	\$ 60,700
Property Tax Shortfall**	\$ 426,300	-	\$ (426,300)
TOTAL	\$ 103,237,000	\$ 99,301,700	\$ (3,935,300)

Note: This table shows the costs as they would be allocated for the 2025-27 biennium for illustrative purposes only. Any changes to cost-allocation methodology would not go into effect until the 2027-29 biennium. Figures are rounded to the nearest \$100.

*The new methodology would reduce Corporate Activity Tax revenue to the Education Fund by \$3.19 million. To avoid a reduction in education spending the Legislature must identify other revenue to allocate to the Education Fund. This hole would likely be filled with General Fund dollars, resulting in no net savings.

**Property Tax Shortfall is the amount that we are not able to charge to the Other Fund revenue streams associated with Property Tax according to statute. This means that the General Fund will need to cover this shortfall.

Conclusion

DOR worked with MGT to create a cost allocation methodology that results in the equitable allocation of all costs across the many revenue streams we administer, and that is flexible enough to accommodate future changes in DOR operations, as well as changes in the number and types of revenue streams we administer.

Some of these changes can be incorporated into DOR's 2027-29 biennial agency request budget without statutory changes. This includes shifting how we allocate costs within current statutory constraints and truing up our actual costs to projected costs every quarter. This would also include updating the projections for each future biennial budget. Changes to methodology would first be effective for the 2027-29 biennium, if approved by the Legislature in the Department's budget.

Some of the changes proposed in this new methodology, however, would require additional statutory adjustments. For example, there are policy options for the Legislature to consider regarding shifts to administrative costs for the property tax programs. These costs can be moved from the General Fund to being paid out of property tax revenues – a move that would reduce General Fund expenditures but would also decrease revenues to counties by the same amount.

DOR looks forward to working with the Legislature regarding implementing any changes to our cost allocation methodology.

Appendix A

We administer 64 revenue streams that support bringing in money for Oregon. That includes 39 tax programs, 11 fee programs, and 14 other programs.

Taxes

- Amusement Device Tax
- Bicycle Excise Tax
- Cigarette Tax
- 988 Coordinated Crisis Service Tax
- Corporate Activity Tax
- Corporation Excise Tax
- Corporation Income Tax
- Emergency Communications Tax (E-911)
- Estate Transfer Tax
- Fiduciary Income Tax
- Forest Products Harvest Tax
- Heavy Equipment Rental Tax (HERT)
- Lane Transit District Payroll Tax
- Lane Transit District Self-Employment Tax
- Local Marijuana Retail Tax
- Local Transient Lodging Tax
- Mutual and Cooperative Electric Distribution Systems Tax
- Oil and Gas Production Tax
- Oral Nicotine Products Tax
- Paid Leave Oregon
- Partnership Privilege Tax
- Pass-Through Entity Elective Tax (PTE-E)
- Personal Income Tax
- Personal Income Tax Withholding
- Private Rail Car Tax
- Property Tax, Industrial Valuation, and Assessment
- Psilocybin Tax
- Small Tract Severance Tax – Eastern
- Small Tract Severance Tax – Western
- State Marijuana Retail Tax
- State Transient Lodging Tax
- Statewide Transit Tax

- Tobacco Products Tax
- TriMet Transit District Payroll Tax
- TriMet Transit District Self-Employment Tax
- Unemployment Insurance Tax
- Vehicle Privilege Tax
- Vehicle Use Tax
- Workers Compensation

Fees

- Assessment and Taxation Map Maintenance
- Assistance Program (CAFFA)
- Criminal Fines and Assessments
- Hazardous Substance Possession Fee
- Kratom
- Oregon Food Processors Fee
- Oregon Housing
- ORMap
- Petroleum Load Fee
- Tank Railroad Car Fee
- Tobacco Licensing Program

Other

- Charitable Check-off
- Collection of Other Governments' Accounts
- Greenlight Oregon Labor Rebate Fund
- Industrial Site Readiness
- Kicker Refund Donation
- Long Term Enterprise
- Multi State Tax Commission
- Non-Profit Homes
- Oregon Production Investment Fund
- Political Contributions
- Senior and Disabled Citizen Property Tax Deferral Program
- Small Tract Forestland Program
- Strategic Investment Program (SIP)
- Strategic Investment Program Gainshare (SIP)