

TAXPAYER ADVOCATE OFFICE

2023 ANNUAL REPORT

Oregon Department of Revenue
February 2024





Land Recognition

We would like to acknowledge the many tribes and bands who call Oregon their ancestral territory, including Burns Paiute, Confederated Tribes of Coos, Lower Umpqua and Siuslaw, Cow Creek Band of Umpqua Indians, Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Warm Springs, Confederated Tribes of the Umatilla Indian Reservation, Coquille Indian Tribe, and Klamath Tribes; and honor the ongoing relationship between the land, plants, animals, and people indigenous to this place we now call Oregon. We recognize the continued sovereignty of the nine federally recognized tribes who have ties to this place and thank them for continuing to teach us how we might all be here together, and we continue to strive to work on a government-to-government basis with the nine federally recognized tribes.

CONTENTS

04 Taxpayer Advocate's Statement

05 Description of the Office

06 Taxpayer Inquiries and Cases

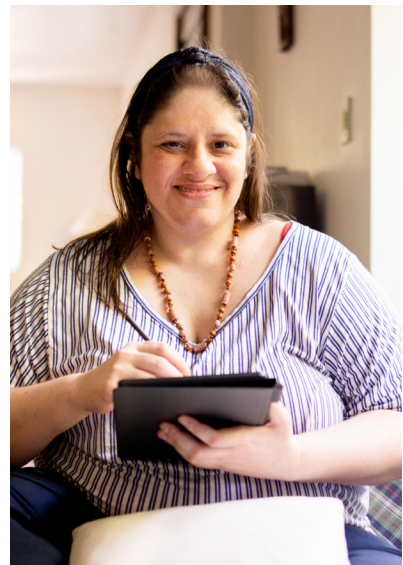
08 Taxpayer Advocate Highlights

10 DOR Achievements

12 Recommendation Updates

15 Case Studies

16 Conclusion



TAXPAYER ADVOCATE'S STATEMENT

As a bridge between the biennial reports required by ORS 305.802, I submit the Oregon Taxpayer Advocate Office's odd-year report for calendar year 2023. Similar to biennial reports, odd-year reports include descriptions of taxpayer complaints, actions taken to resolve those complaints, taxpayer evaluations of the Department of Revenue's quality of service, barriers to fair and equitable tax collection, and recommendations to policymakers for improvements to the tax system. Odd-year reports also address issues and recommendations from the previous biennial report, serving to update the public on the Taxpayer Advocate Office's ongoing process improvement efforts.

The Oregon Taxpayer Advocate Office was established by HB 3373 to assist taxpayers in obtaining information, evaluate complaints, identify barriers to equitable service, provide expeditious service to taxpayers whose issues are not resolved through normal channels, and represent taxpayers' interests in policymaking, among other purposes listed in ORS 305.800. In establishing this office, Oregon followed the example of the IRS and many other states whose official taxpayer advocates are rooted as far back as 1979. HB 3373 drew on this history and best practices by creating ways in which the office will reassure the public of its independence, examining both individual and systemic taxpayer issues, establishing performance metrics, and dedicating sufficient resources to the office. This report demonstrates many of the ways in which the Taxpayer Advocate Office reflects these best practices in its operations.

The Taxpayer Advocate Office fielded 1187 inquiries in 2023, with 261 of these being elevated to cases and allotted additional resources to find resolutions. Intervention outside the normal process was required in 49% of cases, sometimes including process changes to prevent similar issues in the future. This level of service aligns well with the office's current capacity to resolve issues and advocate on taxpayers' behalf. Refunds, personal tax issues, and debt/collections were identified as areas with systemic issues requiring specific change advocacy. Outreach events to small businesses and community groups alongside partnerships with economic development organizations serving American Indian groups (e.g., Economic Development & Community Services Tribal Cluster), low-income working families (e.g., MFS-CASH Oregon), and rural communities (e.g., Ford Family Foundation) also inform the office's activities.

Over the last year, we have also tracked the ongoing efforts to implement recommendations put forward in the 2022 Taxpayer Advocate Office Annual Report. Major steps have been taken in some areas, like call center quality of service and refund information provided to taxpayers. Other recommendations have seen limited progress. As we move into 2024, we hope to continue improving the equity, transparency, and efficiency of tax collection through our advocacy efforts.



Respectfully submitted,
Codi Trudell, Oregon Taxpayer Advocate

DESCRIPTION OF THE OFFICE

The Taxpayer Advocate Office was established by the 2021 Oregon Legislature’s House Bill 3373, which went into effect on January 1, 2022. Prior to the passage of this bill, Oregon was one of only a few states without a taxpayer advocate office; there was no central resource providing taxpayers with access to the Department of Revenue (DOR) to resolve issues which could not be dealt with through the standard channels. According to HB 3373, the purpose of this office is “directly assisting taxpayers... to ensure that taxpayers and their representatives understand and utilize the policies, processes and procedures available for the resolution of problems related to tax programs... administered by the department.”

ORS 305.800-803 describes the role and responsibilities of the Taxpayer Advocate. Their main functions are to assist taxpayers in obtaining information, evaluate complaints, identify barriers to equitable service, provide expeditious service to taxpayers whose issues are not resolved through normal channels, and represent taxpayers’ interests in policymaking. In order to maintain accountability and transparency, the Taxpayer Advocate is to report to the Oregon Legislative Assembly every two years.

Taxpayers who have exhausted the normal processes but cannot get relief may contact the Taxpayer Advocate Office with their individual issues, and staff may then work with taxpayers to problem-solve, provide information, or expedite DOR service as appropriate. By tracking repeated patterns in these cases, the Taxpayer Advocate Office also identifies systemic issues in DOR processes and procedures and recommends solutions to address them. Prior to the establishment of this office, complex cases and change advocacy were addressed on an ad hoc basis with no formal tracking. The Taxpayer Advocate Office therefore serves as a centralized point of contact for identifying, assisting with, and reporting systemic issues which the DOR can address internally, reducing barriers to compliance and increasing accountability to taxpayers within the DOR.

Because of this centralized role, the Taxpayer Advocate Office also commonly serves as a resource and collaborative partner for community organizations, especially those related to economic development or tax services for vulnerable populations.

The Taxpayer Advocate has statutory authority, is appointed by the director, and housed within the Department of Revenue. This ensures the Taxpayer Advocate remains independent, protects the work of the position, and establishes its authority. From the perspective of the DOR, these efforts on behalf of taxpayers are advantageous in that they can improve voluntary compliance with tax filing and increase trust in the system.

TAXPAYER INQUIRIES AND CASES

When a taxpayer contacts the Taxpayer Advocate Office for assistance, their inquiry is logged in a confidential database to ensure our data is tracked accurately while preserving the privacy of inquirers and the nature of their requests. We fielded 1187 inquiries in 2023, nearly double the 687 inquiries made the previous year. While some taxpayers contacted us by phone or email, most inquiries came through the form on the Taxpayer Advocate webpage. This form asks for taxpayers’ names, relevant account or letter numbers, and a summary of their issue; this substantially expedites the research and response process. The increased use of the form in 2023 has helped us maintain a high level of service even with a higher volume of inquiries.

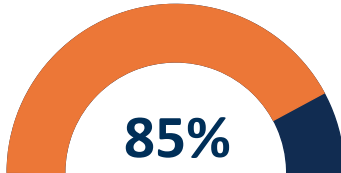
Inquiries are classified by topic upon receipt, with refund status, personal tax, and debt/ collections being the most common types; this could indicate that there may be related systemic issues to investigate. Less common inquiry types (or those outside the office’s purview, like IRS complaints) are better served on a case-by-case basis.

TAO staff research each inquiry and attempt to resolve it. Over half (51%) of inquiries in 2023 were resolved simply by directing the taxpayer toward the appropriate Department of Revenue unit or resource. Similarly, 15% of inquiries were resolved by directly answering a taxpayer’s question. About 11% of inquiries couldn’t be resolved either because the taxpayer had contacted the incorrect department or because the taxpayer never responded to TAO communications. The remaining 22% of inquiries were elevated to cases due to additional complexities like financial hardship, expedited timelines, or violations of taxpayer rights.

In total, 261 cases were opened from inquiries in 2023 compared to 66 cases in 2022. Forty of these included a hardship component. Cases are allotted additional resources and research, often involving direct communication with the appropriate unit(s) within the Department of Revenue to investigate and resolve issues. Cases took a median of 4 days to close. Even with the higher caseload, this is an improvement over the 6-day median in 2022 and well within the 14-day goal that the Taxpayer Advocate Office has set for itself. After closing a case, the Taxpayer Advocate records whether or not the case required action outside the usual DOR processes. Such actions or process changes were implemented in 133 cases. We also try to categorize the root cause of each case. Outside of general inquiries, in 2023 we found that the majority (57%) of taxpayers’ cases were rooted in untimely responses from the DOR. Process design (9%) and customer service issues (6%) were the next most common root causes identified. The department continues to be cooperative in its partnership with the TAO; no taxpayer assistance orders were needed to compel the agency to act in a taxpayer’s case.



Inquiries Closed Within 7 Days
+6% from prior year



Cases Closed Within 14 Days
+16% from prior year

What our customers are saying...

“My client was very pleased with the result. It was my first experience with your office and I was very impressed with your friendly and helpful attitude.”

“The Advocate’s office did in one week what I hadn't been able to do in months. Thank you!”



TAXPAYER ADVOCATE HIGHLIGHTS

Highlight #1: First Legislative Taxpayer Advocate Report

In accordance with ORS 305.802, the first biennial Taxpayer Advocate Report was released within the Department of Revenue and submitted to the Oregon state legislature in February 2023. The Taxpayer Advocate also presented the report to the House Revenue Committee. The report summarized the Taxpayer Advocate Office's first year of operation, highlighted key successes, and outlined several recommendations to improve the DOR's service and protect taxpayer rights. The report was translated into Spanish, Vietnamese, Russian, Cantonese, and Mandarin and posted to the Oregon Taxpayer Advocate webpage.

Highlight #2: Free Tax Help Resources

In partnership with the Oregon Department of Human Services and the nonprofit MFS CASH Oregon, the Oregon Taxpayer Advocate Office created an interactive map of free tax preparation assistance clinics in Oregon (VITA and AARP Tax-Aide sites) in January 2023. The location, hours, and services of each site were included to help low-income taxpayers in particular access free tax preparation assistance for the 2023 filing season. This map was added to the existing Electronic Filing page of the Oregon DOR's website, where free tax help information was previously hosted. In November, the Taxpayer Advocate Office worked with the Communications and Personal Income Tax units to create a separate "Get free help filing your taxes" webpage with the interactive map and other free filing resources. As of December 2023, over 97,000 people had viewed the free tax help map.



Highlight #3: Outreach and Partnerships

The Taxpayer Advocate represented taxpayer interests in monthly internal meetings of the Customer Experience Center of Excellence Group and the Correspondence Letter Project Steering Committee. The Taxpayer Advocate Office was also represented in regular meetings of the Tax Court, Oregon DHS Self-Sufficiency Program, Economic Development and Community Services State-Tribal Cluster Meetings, Poverty Relief Task Force, HB 4117 Implementation group, and Oregon Kids Credit communications meetings. The Taxpayer Advocate also gave several presentations and panel appearances in 2023. Presentations describing the role of the Taxpayer Advocate Office were given at the PTAC Managers Meeting and the PIT Unit Staff Meeting. Other engagements included the Oregon State Bar Association, Salem Tax Practitioners, the Western States Association of Tax Administrators Conference, and the Federation of Tax Administrators Compliance Conference and as a member of Oregon State Treasurer Tobias Read's Financial Empowerment Advisory Team.



DOR ACHIEVEMENTS

#1. Settlement Offer Process

After several taxpayer inquiries in 2022, the Taxpayer Advocate Office provided feedback to the Collections division regarding the settlement offer process. Process improvements were already underway, including the creation of “Proactive Settlement Offers,” and these improvements likely contributed to a 50% drop in settlement offer-related taxpayer inquiries in 2023. The Collections division has continued to evaluate and improve this process, applying an equity lens to ensure that applicants pay their fair share without penalizing taxpayers who have demonstrated an inability to pay. As a result, the DOR plans to implement changes that will add more flexibility to the settlement offer process, helping to resolve accounts where the cost-to-collect may exceed the amount expected to be recovered. An updated process goes into effect in January 2024.

#2. Customer Experience Center of Excellence (CxCOE) Launch

To meet one of the agency’s 2022-2027 strategic planning goals – upgrading to modern call center and phone systems – the agency successfully launched the Customer Center of Excellence (CxCOE) in 2023. Designed to lead the agency in its efforts to modernize and enhance the agency’s customer call centers and improve customer experience, this new structure works with the Center of Excellence Governance Group (in which the Taxpayer Advocate participates) to make decisions and develop recommendations that will ultimately result in a clear and easy experience for customers. In the next section, recommendation updates for Issue #1 and Issue #2 demonstrate the actions and continued objectives.

#3. Enhanced Translation Services and Outreach

As part of the ongoing effort to expand the reach and effectiveness of outreach, the DOR Communications team has centralized and streamlined the procedure for requesting translations of outreach materials into 16+ different languages. These efforts are outward-facing as well: new media outreach toolkits on the DOR website allow members of the public to print outreach materials and request additional translations for their organization. These toolkits relate to several tax benefits and resources, most notably the new Oregon Kids Credit. In-person outreach efforts also saw success reaching all 36 counties with more than 170 events. Much of that work was business focused outreach at 117 events for tax professionals and the public, focused on Revenue's withholding and payroll taxes; and the new Oregon Quarterly Form and a county fair program reaching as many as 500 people per day with information about the new agriculture overtime tax credits.

RECOMMENDATION UPDATES

Issue #1:

Refund delays increase taxpayer inquiries and personal frustration. Furthermore, when a taxpayer calls or submits an online inquiry, they are told their return is “in process,” prompting additional inquiries due to the lack of clarity.

2022 Recommendation: Evaluate the return process to provide refunds and give taxpayers more specific information and meet timelines more quickly.

2023 Update: The Customer Experience Center of Excellence has worked with the Personal Income Tax program to develop three refund “steps” which can improve clarity and provide better timelines for taxpayers awaiting refunds. These descriptions have been incorporated into proposed adjusted language for Revenue Online’s Where’s My Refund tool. An informational video about the refund process is also being created.

Issue #2:

After contacting the agency through normal channels, customers often still have unanswered questions or experience delayed responses.

2022 Recommendation: The agency should assign inquiries into categories where staff equipped with the skills and information to assist are readily available. Staff should be cross-trained and work across teams to gain knowledge and strengthen their ability to answer customer questions. New training opportunities should be developed to ensure the customer experience is consistent across the agency and to provide staff with resources that empower their decision-making and customer service relationships.

2023 Update: Efforts are underway by the Customer Experience Center of Excellence to modernize the Department of Revenue’s call center operations with the goal of improving customer experience. In November, an analysis of call center staffing needs was completed showing projected staffing requirements and highlighting shortfalls which led to high rates of call abandonment and low service levels. To ensure higher levels of service and improved transparency, both online and call center resources have been expanded. The DOR has broken down the refund process into three steps and made this information available to taxpayers on Revenue Online, and a chatbot capable of answering dozens of questions has been launched to provide taxpayers with a 24/7 self-help tool. A surge plan has been created that is activated when call wait times rise above 15 minutes, and volunteer training has already begun in anticipation of call surges expected in March 2024. Finally, in the long-term, the DOR has worked with central state administration to significantly enhance contact center technology not just for Department of Revenue, but for the entire state. This new system will greatly enhance self-service options, call center analytics and efficiency, and first call resolution.

Issue #3:

Complicated property tax laws result in time-consuming inquiries.

2022 Recommendation: Oregon property tax law, until changed, will remain complicated. Tax professionals and governing bodies should stay vigilant to seek out methods, improvements, and solutions that will aid taxpayer understanding of these laws.

2023 Update: The Revenue Leadership Team is discussing possible tools to help explain the property tax system to taxpayers.

Issue #4:

Free small business tax assistance is not readily available.

2022 Recommendation: The DOR and other governing bodies should seek out and identify meaningful solutions to provide small business owners with tax assistance, which could include grant opportunities to fund small business-specific training, tax preparation, and access to legal assistance.

2023 Update: Beginning in the first quarter of 2023, the Withholding and Payroll program started hosting quarterly training events, both virtual and in-person, for Oregon employers. These trainings are available to businesses of all sizes, whether they are a new employer or simply have new staff handling employment-related taxes. The Withholding and Payroll program has also partnered with the DOR's Communications team to develop videos available online. The first two video subjects include how to get a Business Identification Number (BIN) and how to submit a payroll tax contact change.

Issue #5:

Taxpayer representatives currently rely on their clients to inform them of non-compliance matters, such as collections notices. They believe this often results in an unnecessary and costly escalation of issues due to missed or untimely conveyance of these matters from the taxpayers to their representatives.

2022 Recommendation: The Department should seek opportunities to send Department correspondence and collection notices to taxpayers and their representatives.

2023 Update: A joint effort has been completed to determine which letters will be published on Revenue Online and which will not, including documenting why any given letter will not be published. SQR 11221 has been submitted to IT and is awaiting completion.

Issue #6:

The form used by taxpayers to appoint authorized representatives (150-800-005 “Tax Information Authorization and Power of Attorney for Representation”) causes confusion for taxpayers and creates processing errors.

2022 Recommendation: The form is currently being redesigned and the following specific changes should be considered to prevent these issues and simplify the taxpayer experience:

- Eliminate repeated sections and simplify technical language from the current draft version, with a specific focus on eliminating complexity and opportunities for error from both taxpayers and DOR employees. Michigan Treasury Form 151 serves as a good model for allowing specification of authority while avoiding processing conflicts.
- Add a check box to the effect of "Check if to be sent copies of notices and communications"; similar options exist in many other states’ forms as well as the corresponding IRS forms.
- In the long term, plan to create two separate forms for Power of Attorney and Tax Information Authorization as part of the next update in order to conform to IRS practice and reduce confusion and processing errors.

2023 Update: Feedback on the form was sought from DOR staff and external partners. As recommended by the TAO, the form has been separated into two forms, one for authorization to receive information and one for authorization to represent a taxpayer. Additionally, the language in both forms has been simplified as recommended by the TAO. The two forms are expected to be finalized in early 2024 with training of DOR staff and public availability to follow.

CASE STUDIES

The complicated rules around taxes can lead to miscommunications, but educating taxpayers helps them achieve better results even without direct Taxpayer Advocate intervention. In one such case, a taxpayer requested a one-time penalty waiver for estate tax penalties described in Section 6 of the “Discretionary Penalty Waivers” rule, but the request was considered and denied under Section 5. Believing this to be a mistake on the Department of Revenue’s part and a violation of taxpayer rights, the taxpayer contacted the Taxpayer Advocate Office for help. Through communication with the program manager, the taxpayer was informed that estate tax penalties are not eligible for waivers under Section 6 so their request was considered under Section 5 instead. The taxpayer was then able to better focus their efforts, noting that the assistance was “helpful to point out how we can improve the possibility of a successful appeal.”

In other cases, simply ensuring quality follow-up is all that is needed to create a positive customer experience. One taxpayer contacted the Taxpayer Advocate Office due to issues with their parents’ estate, including penalties and a bad experience with a tax professional. The TAO informed the appropriate unit and requested a callback for the taxpayer. DOR staff gave the account a second look and discovered some elements had been overlooked. They contacted the taxpayer and took the time to explain the situation, answer questions, and address the taxpayer’s concerns. After the loss of a close family member, this taxpayer found the extra care and assistance absolutely essential in making a difficult emotional journey easier.

CONCLUSION

The Taxpayer Advocate Office's work expanded through its second year in operation, addressing even more individual taxpayer inquiries and identifying additional barriers to equitable and quality service. The broader Department of Revenue has engaged more fully with the Taxpayer Advocate's mission and purpose, working to implement recommended solutions and escalating taxpayer issues to the Advocate in a more informed manner. We look forward to increasing collaboration within the DOR as well as with community-based partner organizations, and continuing to represent taxpayer interests to increase system equity.

OREGON COUNTS ON US

