

# **Tax Practitioner Liaison Meeting**

Oregon Department of Revenue - Fishbowl Meeting Room

Friday, December 4, 2009

9 a.m. – 11 a.m.

Sofia Parra facilitated the meeting.

## **1. Processing Center Season Summary**

**Sharon Johnston**

For this year, Revenue received approximately 3.2 million pieces of mail, all of which was opened without hiring seasonals in our mail processing unit. Instead, we shared resources within the agency, including help from our director, Elizabeth Harchenko. We were still able to get all of our mail opened a week earlier than last year. We banked 84.3% of the payments received within 1 day, which is up 4% from last year. By not hiring seasonals, we saved about \$300,000. For next season, we will again participate in resource sharing to do our part to help with budget cuts.

Next season we will also change the way we process 2-D barcode returns by eliminating some unnecessary steps. We are expecting this to save us about 160 hours of processing work. But, if measure 67 passes, the business tax increases, we expect that the additional work to process partnership returns (as they will be coming in with payments), will probably use up that savings.

We had a bit of a rough start this year with Corporation returns. We were not able to start processing Corporation returns until the end of April, which caused a few problems, but we are caught up now.

## **2. Senior Citizen Property Tax Deferral**

**Lisa VanSanten**

There are three Property Tax Deferral programs managed by Revenue. The Senior Citizen Property Tax Deferral began in 1964. The Special Assessment program began in 1977. The Disabled Citizen's program began in 2001. These programs are covered under Oregon Revised Statutes (ORS) 311.666 to 311.735.

There are several types of residences that qualify for the deferral programs, such as manufactured structures on real property or in parks, houseboats, and multi-family units. The types of special assessments include street paving, sewers, and sidewalks.

To qualify for the senior citizen deferral, applicants must be at least 62 years old. For the disabled citizen program, applicants must be eligible to receive Social Security disability benefits and they must provide proof of eligibility with their application. There is a household income limitation. The income must be under \$38,500 for 2009. Household income includes all income, both taxable and non-taxable. Applicants must own the property or be purchasing it on a recorded sales contract, and they must live on the property or be away for medical reasons. If they are away for medical reasons, they must provide a statement from their doctor.

We try to discourage seniors from applying for the Special Assessment program because it is usually not to their benefit. We are required to charge interest for making payments on the special assessment and there is already interest charged for the special assessment from the bonding district. By deferring payment, the taxpayer could end up paying more in interest than for the cost of the special assessment.

***When is a deferral account due and payable?***

*When the taxpayer dies, sells the property, or changes the ownership, such as adding children who do not qualify to the deed. Children, who do not qualify for the program, would disqualify the account. If they move for non-medical reasons.*

Key dates for the senior and disabled deferral programs: January 1<sup>st</sup>-April 15<sup>th</sup> the applicant applies at the county assessor's office. The county assessor fills out their portion of the application and forwards it to us for processing. On July 1<sup>st</sup>, our liens attach to the property. For manufactured structures, we charge an additional \$55 fee, to become a security interest holder on their manufactured structure to protect our interest. On November 15<sup>th</sup>, we electronically pay the property taxes to the counties in full. We are required by law to send out a statement to all of the program participants by December 15<sup>th</sup>.

Key dates for the Special Assessment program: Oct. 1- Dec. 1<sup>st</sup> the applicant applies to the taxing district. On February 1<sup>st</sup> and August 1<sup>st</sup>, we electronically pay the taxing district.

We charge 6% simple interest on all accounts. Each year all participants must meet the annual income requirement. (We can and do look at their filed tax returns to verify.) Participants may apply for a delay of foreclosure through the county once we approve their application, if they have delinquent taxes. That "delay of foreclosure" will protect them from foreclosure proceedings from the county only, not from their lender.

***What is the difference between Senior Deferral and the Disability Deferral?***

*The criteria for qualifying, and there are differences in the liens. The Senior Deferral is an estimated lien, but for the disabled program, the lien is 90% of the real market value as determined by the county at the time that they apply.*

If you have any questions, our website is [www.oregon.gov/dor/scd](http://www.oregon.gov/dor/scd).

**3. House Bill 2308 - Inheritance Tax**

**Joanna Mitchell**

Joanna introduced the new senior tax auditor in the Estate unit, Maribell Luna.

The Inheritance Discharge form is a brand new form; you cannot file it until Jan. 1<sup>st</sup>, 2010 or later. It discharges the executor from their personal liability related to that estate. House bill 2308 provides that the department will issue the discharge within 18 months of the application. That is assuming that you filed the tax return before or with the application form. If you do not file the return until after you have submitted the application, the 18-month period begins when you submit the tax return. In addition, before we give you the discharge, all tax liability must be paid in full. If the estate has been distributed, and we find out after the fact that there is tax due, the persons who received the assets will be responsible for the tax due.

***Will you notify us that you received the discharge application?***

*No, we will notify you when we send the discharge, but because our unit is very small, we do not have the staff to respond to every application.*

If all tax due is paid in full, and the return is correct when submitted, we will go ahead and send the discharge at that time. We will not hold the discharge, unless there is tax due, or if there is an issue on the return.

#### **4. IRS Updates & Hot Topics**

**Kristen Hoiby**

Kristen is the area manager for Stakeholder Liaison at the IRS, which is the part of the IRS that works with the tax professional community. Kristen oversees 7 states, from Anchorage, Alaska, all the way down to Salt Lake City, Utah. Kristen mentioned that Oregon is the model of how it should be for education for tax professionals.

Issue Management Resolution System – IMRS – is a system developed by the IRS to capture issues from tax practitioners regarding IRS systems, procedures, etc. If you are having issues regarding IRS notices that you shouldn't be getting, or if they are confusing, contact the IRS so that they can investigate it and attempt to resolve the issue. Make sure to include examples of the issue. If you go to [www.irs.gov](http://www.irs.gov) and enter 'IMRS' in the search box, you will be directed to the hot issues that the IRS is dealing with across the country.

There is a new team developed by the IRS called Taxpayer Communications Task Force, which is designed to help improve communication between the IRS and taxpayers and tax professionals. One of the changes you will notice is the inserts in IRS notices. Every IRS notice starts as a single notice, but then usually ends up with a stack of papers attached that isn't necessary and is confusing to a lot of taxpayers. They have trimmed down the paperwork sent with the notice, saving the IRS thousands of dollars in postage, saving paper, and eliminating a lot of confusion for the taxpayers.

Another change beginning in January 2010, is that the IRS is going to modify the notices sent to taxpayers, making them cleaner and easier to understand. There will be a small amount sent in January, and then a much larger group starting in July. Hopefully, this will eliminate a lot of the phone calls from taxpayers to the IRS hotline, which is expensive to staff.

#### **5. How will the election affect the 2009 filing season?**

**Steve Purkeypile**

Steve handed out a copy of the 2009 Form 40. There were only a few small changes to the form this year:

- A new check box for direct deposit that states, "Will this refund go to an account outside of the United States?" If this box is checked, the taxpayer will receive a paper check.
- You will only check box 7c if the taxpayer filed a form 8886.
- There is no kicker this year, so we removed the State School Fund donation box off the form.
- The biggest change is line 70, the political party contribution. A new law was passed earlier this year in the legislative session for political party contributions. The taxpayer can contribute \$3 to a political party. Each taxpayer can contribute on a joint return for a total of \$6. The codes to identify which political party will be in the instructions, which tax professionals will already have in their software. This reduces the refund by the contribution amount, so, of course, it is only allowed on refund returns.

The election will be held on January 26<sup>th</sup>, on whether or not to accept the tax increases passed by the legislature. Ballot measure 66 is for the personal income tax increase and ballot measure 67 is for the corporate and business tax increase. Measure 67 includes a minimum tax of \$150 for those who file taxes as a partnership or S-corporation. The department is strongly encouraging practitioners to not file any tax returns before February 1, 2010 or the results of the election are known. Especially if you have taxpayers who are affected by the outcome of the election, which would be taxpayers with higher incomes or taxpayers who may be claiming unemployment

benefits. If measure 66 fails, there will be an add-back for the first \$2,400 of unemployment compensation, which is exempt on the federal return.

***Q: If we have clients that are not affected by the election, can we file those returns?***

*A: You can, however, the department will not be processing any returns until February 1, 2010.*

***Q: If you have people who chose to mail returns in early, are they processed first in, first out? Or do those go to the back of the pile, and then the ones sent in on February 1<sup>st</sup> get priority?***

*A: Generally, e-filed returns get a higher priority than paper, however, all returns will be held until February 1<sup>st</sup>. Anything in the queue will be sent through first.*

***Q: Will there be an underpayment penalty if the measure passes?***

*A: Only the underpayment penalty for the amount attributable to the tax increase will be waived. If you have any taxpayers in that situation, make sure you file Form 10, which will help you correctly calculate the underpayment of estimated tax.*

Regarding amnesty, which ended on November 19<sup>th</sup>, we have received around 8,400 applications, 94% of those were for personal income tax, 3% from corporations, the rest were transit, fiduciary, and inheritance. We have received about 4,500 amnesty returns, which is about 25% of what we are expecting, however taxpayers have until January 19<sup>th</sup> to file amnesty returns. So far, we have collected about \$12.6 million, but that does not include those who have not submitted their returns yet, or those who are paying on installment plans. We are approving about 95% of all applications at this time, we expect to finish the backlog, and have all applications reviewed by January 1<sup>st</sup>.

## **6. Board of Tax Practitioners**

**Monica Walker**

Currently the Board is requesting public comment on the proposed changes to the Oregon Administrative Rules (OARs). The hearing is scheduled for December 22<sup>nd</sup> 2009, at 9:00 a.m. You do not have to attend to comment. You can email, fax, or call in your comments before the hearing. The changes come from the Rules Advisory Committee as well as board members, staff members, and the Assistant Attorney General. Most of the changes are general housekeeping and maintenance, however, some are for clarification. Proposed changes are posted on the website: [http://www.oregon.gov/OTPB/docs/OAR\\_Rule\\_Revisions/0209\\_oar\\_draft\\_web.pdf](http://www.oregon.gov/OTPB/docs/OAR_Rule_Revisions/0209_oar_draft_web.pdf) Please take a look and forward any comments that you may have to the board.

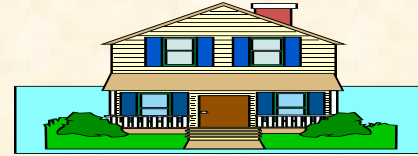
December 12, 2009, is the board administered examination, and there are currently about 250 candidates scheduled. The next board meeting is schedule for January 7<sup>th</sup> at 9am, at the Morrow Crane building.

**This was the last meeting for the season, the next meeting is May 28, 2010.**

For any questions about the meeting, please contact Sofia Parra at (503)947-2274 or [Sofia.Parra@state.or.us](mailto:Sofia.Parra@state.or.us).

For any questions regarding speakers, please contact Susan Smith at [Susan.A.Smith@state.or.us](mailto:Susan.A.Smith@state.or.us).

# What Are Oregon's Deferral Programs?



- Programs that allow qualifying citizens to delay paying property taxes or special assessments on the residences.
  - **Senior Citizens'** 1964
  - **Special Assessment** 1977
  - **Disabled Citizens'** 2001

**ORS 311.666 - 311.735**



## – Types of Residences

- ▶ manufactured structures
- ▶ houseboats
- ▶ multi-family units (duplex, triplex)

## – Types of Special Assessments

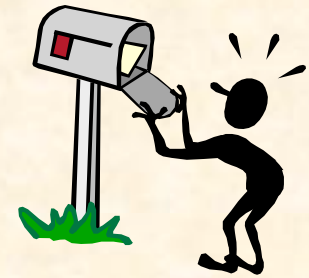
- ▶ street paving
- ▶ sewer
- ▶ side walks

# Qualifying for the Deferral Programs

- **Senior Citizens/Special Assessment**
  - ▶ 62 years old
- **Disabled Citizens**
  - ▶ Social Security disability benefits
- **Household income limitation**
- **Ownership**
  - ▶ Recorded deed or recorded sales contract
- **Live on the property**

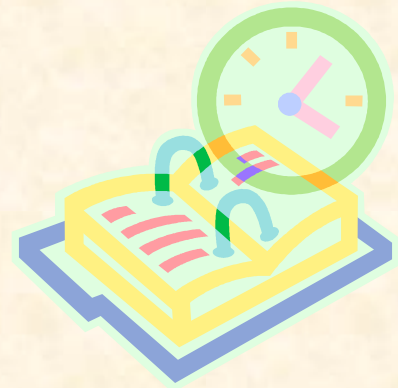
# When is the Deferred Account Due and Payable?

- Taxpayer(s) dies
- Property is sold or ownership change
- Moves for non medical reasons



# Key Dates for Senior and Disabled

- **January 1 to April 15 –**
  - ▶ Applicants apply at county assessor's office
- **July 1 –**
  - ▶ Date that deferred property's lien attaches
  - ▶ **Manufactured Structures:** An additional \$55 fee will be charged to the deferral account on manufactured structures to make Oregon Department of Revenue a Security Interest Holder on the LOIS system.
- **November 15 –**
  - ▶ Department pays property taxes
- **December 15 –**
  - ▶ Annual statements sent to all participants



# Key dates for Special Assessment

- **October 1 to December 1 –**
  - ▶ Applicant applies to taxing district
- **February 1 and August 1 –**
  - ▶ Department pays the taxing district



# Other Important Information

- ▶ 6% simple interest
- ▶ Annual income requirement
- ▶ Payments



# Foreclosure Information

- Delay of Foreclosure
- County Foreclosure
- Mortgage Foreclosure



# Deferral Staff

**Deferral Unit Email Address: [deferral.unit@state.or.us](mailto:deferral.unit@state.or.us)**

## OPERATIONS:

Bram Ekstrand (Manager)	503-302-1947	<a href="mailto:bram.n.ekstrand@state.or.us">bram.n.ekstrand@state.or.us</a>
Debbie Saalfeld (Operations & Policy Analyst & Leadworker)	503-945-8349	<a href="mailto:debra.l.saalfeld@state.or.us">debra.l.saalfeld@state.or.us</a>
Thersa Moore (Staff)	503-945-8347	<a href="mailto:thersa.a.moore@state.or.us">thersa.a.moore@state.or.us</a>
Lisa vanSanten (Staff)	503-945-8353	<a href="mailto:lisa.vansanten@state.or.us">lisa.vansanten@state.or.us</a>
Laurie Grimes (Support)	503-945-8279	<a href="mailto:laurie.a.grimes@state.or.us">laurie.a.grimes@state.or.us</a>

**Address: Oregon Dept of Revenue  
Attn: Deferral Unit  
PO Box 14380  
Salem, OR 97309**

**Phone: 503-945-8348**

**Fax: 503-945-8737**

**Internet: [www.oregon.gov/dor/scd](http://www.oregon.gov/dor/scd)**