By Michael Addington, LTC, EA

For tax years beginning on or after January 1st, 2015, if your client has qualifying income earned in Oregon by their Partnership, LLC filing Form 1065, or S Corporation, then the client may elect to use a reduced tax rate for non-passive income. The reduced tax rate is an election made on the Oregon Form 40, Schedule OR-PTE. To be eligible for the reduced tax rate, your client or your client’s spouse must have qualifying income that passed through to their personal return on Schedule K-1; the client or the client’s spouse must have materially participated in the business; and, the Partnership, LLC or S Corporation must have employed at least one qualifying employee in Oregon. The election to claim the reduced tax rate MUST be made on their original return!!!

The Oregon Legislature passed a bill (HB 3601) in October, 2013 that puts Oregon Licensees at risk. You can’t amend to revoke the election, or to make the election, after the original return is filed. You can make the election if your client is on extension but only on the original return filed after April 18th, 2016.

Disregarded entities (Sole Proprietors, Joint Ventures & Single Member LLCs) are not eligible for the reduced tax rates. Oregon C Corporation tax rates were increased starting with 2014 tax returns. For disregarded entities with sufficient Oregon income, converting to S Corporation status or adding an additional member/partner may qualify the entity for the reduced Oregon tax rates.

The reduced rates may change after the 2016 tax filing season if the actual revenue loss resulting from the allowance of reduced rates exceeds projections. The reduced rates are scheduled to be adjusted again after the 2018 filing season.

The first return I filed with this reduced tax rate resulted in a savings to my client of more than $5,000 on the Oregon Form 40.

What is our potential risk if we missed this on a qualifying client’s return? Would our Errors and Omissions Insurance pay these claims? Can the law be changed so the returns can be amended? Would the OBTP fine us for missing this and the client filed a complaint? What if we have no E & O and we decide that writing a check for the missed tax savings is not feasible or even possible? What are our options?

In my opinion, our number one option is to contact the Chairs of the Legislative Revenue Committees—Senator Mark Hass and Representative Phil Barnhart. I urge all of us to write these two legislators in support of the licensees and small businesses that are at risk.

Thank you.
Current OBTP Board Members

Susan Gallagher-Smith, LTC, EA, Board Chair

Susan Gallagher-Smith is a small business owner and native Eugenian who enjoys spending time with four generations of family living in the Willamette Valley. She is both an Enrolled Agent and Licensed Tax Consultant. She has been working in the field for longer than she'd like to admit.

Susan brings a passion for competent, clear, honest, and ethical information with taxpayers to her work within the Board. She is a strong advocate for continuing education, realistic and efficient best practices, and consumer protection within the field of personal income tax preparation both state wide and nationally.

Susan is a proud member of the following organizations: National Association of Enrolled Agents, Oregon Association of Tax Consultants, Oregon Society of Tax Consultants, Inc., and Oregon Society of Enrolled Agents.

Glen Longworth, LTC, EA, Vice-Chair

Glen is a native Oregonian and a military veteran. He has been married over 48 years and has three adult children. Glen and his family have lived in the Springfield area since 1969. He has an associate in electronic engineering and worked in the wood products industry for forty four years. He enjoys fishing, hunting, camping and golf.

Glen is a LTC and EA with more than 30 years of preparing taxes. He is self employed and has owned his own business since 2005. His practice is geared toward individuals but does have some corporate and non-profit clients.

"I am looking forward to my time on the Board. I see the decreasing numbers of LTC's as a major issue facing the Board. We need to address this issue without compromising the high quality of service that Oregon (tax) preparers have always provided."

Michael Addington, LTC, EA, NTPI Fellow

Michael Addington moved to Central Oregon in 1984 from Orange County, California. He graduated with an AA degree in business administration from COCC in 1989. He was licensed as a preparer in 1989, and became an Oregon tax consultant in 1991, and then in 1997 added the Enrolled Agent license. In 2012 he graduated from a three-year program for representation and became an NTPI Fellow, National Tax Practice Institute. Addington was appointed to serve as a Board member with the OBTP in 2005 and served for two years, and was appointed again in 2013. He also served as a director or officer on the Oregon Society of Enrolled Agents Board for 12 years beginning in 1997. President of OrSEA, a member of OSTC, OATC, and currently a member of both NAEA and NATP round out Michael’s service to the tax community.

In 1991 Michael established his business, Excellence In Taxes, Inc. He specializes in personal and small business taxes, and also provides bookkeeping and payroll services, preparing more than 500 tax returns annually. He is a consultant to small businesses, and has been a member of the Bend Chamber of Commerce for more than 15 years.

Michael is a published poet, designed and built the house he lives in, and is a founding member, along with his ex-wife, of Healing Reins Therapeutic Horseback Riding Center for the Handicapped. He is a former member of Kiwanis and a recipient of the prestigious Hixson Award.
JoAnne Vetter, LTC

JoAnne Vetter has been a resident of Oregon since 1996; moving from California after retiring with 30 years of service with Pacific Bell. JoAnne started in the tax business in California working part-time during tax season to supplement her income. In 2005 she opened her own tax office in Albany. JoAnne received her Consultant’s license in 2006.

JoAnne earned a Bachelor of Science in Telecommunications and Organizational Behavior from the University of San Francisco, graduating Summa Cum Laude in 1996. JoAnne is a member of Oregon Association of Tax Consultants, Oregon Society of Tax Consultants, and National Association of Tax Consultants. JoAnne has taught an online Basic tax class for several years.

JoAnne is quite active in the community, currently serving on the Board of CASA of Linn County, and was an active Board member of the Albany Boys and Girls club for over 10 years. She was also a member of Altrusa of Albany serving as their president twice.

JoAnne has been married to a Native Oregonian for over 18 years and has a grown daughter who works with her in the tax business. She also has ‘the most perfect grandson’, Christopher, who keeps her busy when she is not at the tax office. Her husband, Chuck, was the manager of the Albany Sears store tool department for 30 years and after retiring from Sears in 2000, he went to work for Jerry’s Home Improvement in Eugene as the manager of their tool department.

Stephanie Cumpton, LTC, EA

Stephanie relocated to Oregon from the Los Angeles area in 2006. She received her Tax Consultant license in 2007, and became an Enrolled Agent in 2008. Stephanie has worked for H&R Block in several capacities since 2005.

Stephanie’s first job with H&R Block was as a tax preparer in Thousand Oaks, CA. Upon moving to Oregon, Stephanie continued to prepare tax returns but also served as an Office Manager at the Eugene District Office and currently serves as the company’s Designated Consultant in Oregon.

Prior to joining the Board in June 2016, Stephanie served as a volunteer on the Board’s Item Writing Committee and volunteered to proctor the Board’s annual exam. Stephanie also serves on the Board of South Lane Wheels.

Antoinette Payne, Public Member

Antoinette Payne is a 4th generation Oregonian. She attended Portland State University and received a degree from the School of Social Work. Antoinette obtained a Master of Business Administration from the Oregon Executive MBA program at the University of Oregon. She worked with the Multnomah County Health Department in various capacities as the Grants Management and Accounts Payable Supervisor. Most recently, Antoinette has served as the Cash Management and Medical Billing Supervisor for the Department.

Antoinette is the treasurer of the African American Outdoor Association (AAOA), the vice chair of the finance committee for Airway Science for Kids (ASK), and a committee member for North by Northeast Community Health Center. She enjoys volunteering her time to help nonprofits build their capacity so the organizations can grow to fulfill their mission and vision. Antoinette is also a member of the Government Finance Officers Association and Healthcare Financial Management Association.