

**DOR / CPA Liaison Meeting Minutes**  
**Thursday, January 22nd, 2015 – Revenue Building**

CPA Liaison – Rob Riley and Bob Carus of the Oregon Society of CPAs  
DOR Facilitator – Adam Morrison

Issues:

**1. Appeals and requesting meetings with management – Maribel Luna**

*Discussion* – The DOR does not have the same process as IRS when it comes to having meetings with management. When an auditor is done doing their audit on the taxpayer and then the auditor sends the taxpayer the proposed auditor's adjustment notice, the department asks that you follow the regular appeal process if you have questions or concerns regarding the actual audit. There has been an increase with CPAs and taxpayers requesting meetings with management. If you have questions with the audit please contact the auditor. If you are having issues/objection with how the auditor conducted or behaved during the audit, you may request a meeting with management. You have 30 days from the date on the deficiency notice for a written objection regarding the adjustments due to the audit. If there is a change in auditor during the audit, DOR has a letter that should be sent to the taxpayer to advise them of the change. With the new system we should be able to have the CPA be able to link up to the taxpayer account. This will allow the CPA to receive same notices that the taxpayer receives.

*Questions -*

1. If you feel the auditor is unreasonable can you bring this up to the manager? Yes
2. If you have disagreements regarding the audit or want to negotiate the audit can you go to the manager? No - please use the proper appeal channels.

**2. Appeals process review project – Sophia Sakoff**

*Discussion* – The project looked at the different appeal processes in statute for the department. History - Sophia Parra was the one who originally started this group with Revenue employees, CPA's and Oregon State Bar representatives. Sophia Sakoff was brought in towards the end. Here is a summary of where they are at-

**Remove the word "proposed" from the Notice of Proposed Refund Adjustment**

Sophia Sakoff developed a Legislative Concept (LC) to change the title of the refund adjustment notices. After a PIT Policy discussion, the group voted to change the wording within the letter to add clarification, as opposed to changing the actual title of the notice. This change would not require a LC; however, if the changes made to the notices do not appear to resolve the issue, the LC would be revisited.

Sophia drafted language for the *Notice of Proposed Return Computation, Notice of Proposed Refund Adjustment, and Notice of Proposed Adjustment and/or Distribution*. Management suggested a workgroup be pulled together to achieve consensus between the different sections that share these notices. Before the workgroup was created, the Core Systems Replacement (CSR) team contacted Sophia and informed her they were planning on changing the titles of the refund adjustment notices.

The new notice titles will be:

Used when:

*Notice of Proposed Refund Adjustment*

An increase, reduction, or denial of a refund request

*Notice of Refund Offset*

Offset all or part of a refund to pay a debt

*Notice of Proposed Refund Adjustment and Offset*

Both of the above situations occur

Even though “proposed” is still in the title, our hope is that the clarity allowed with the new GenTax format will eliminate taxpayer confusion. Furthermore, all adjustment notices will be available online via Revenue Online. This will allow easy access for preparers who have authorization from the taxpayer to view their account.

### **Clarify various appeal procedures on the Department of Revenue website**

Currently appeal procedures can be found by choosing “Personal Income Tax” from the department’s homepage, and then choosing “Appeal procedures overview”. The appeal information is categorized by the type of notice sent to the taxpayer, and covers the steps required to submit an appeal, as well as the timeframes required. The bottom of the webpage contains flowcharts that simplify the timeline information.

<http://www.oregon.gov/dor/PERTAX/Pages/appeals-procedures-overview.aspx>

### **Provide more information about doubtful liability relief on the website**

Currently, the option for doubtful liability is briefly mentioned on the appeals webpage mentioned above. The request for doubtful liability relief form is also available on the website. *I am not aware that resources have been devoted to expanding this information at this time.*

### **3. Information return filing requirements - Joil Southwell**

*Discussion* - Requirement to file has been an Administrative Rule since 2009 (prior to 2009 you did not have to report). In 2012, a query was ran and compliance was under 50%. In 2012, HB 2464 (came from Legislation) allowed penalties to be imposed by the Department for not filing a W-2 or 1099 when required to. March 31<sup>st</sup> is the dead line to file; just like the IRS. Business must report to IWire if the issue 11 or more (150-314.360 Information Returns), if they do not report, the DOR will send a notice to educate and inform the business that they have 30 days to report, if not a penalty will be imposed beginning 2014 filing season. You must file them if you

have more than 10 to report. If you have 10 or less, you are not required. The penalty will be \$50/information return with a max of \$2,500. If DOR assumes that the business knowingly did not report the info, a notice will be mailed and the business will have 30 days to comply. If no response from the business, the penalty will be \$250/information return with a max of \$25,000. You can file a waiver request and see if the penalty may be waived under Circumstances Beyond Control (CBC). iWire will be up and running early February, we have to receive an update from Social Security and input this information into iWire. Revenue did a call blast to notify businesses they must file and received a good response. The deadline for submitting these 1099's or W-2's is March 31<sup>st</sup>. Once DOR sends a notice to the business, that business will have 30 days to comply. After 30 days, the penalty will assess. Preferably Revenue requests the file via iWire. A business that has no technology, the Department can issue a hardship waiver. If there are any issues with the acceptance of the file, they can call the department. The directions are pretty clear. Do your follow up and make sure that you file with the state and IRS.

*iWire direct* is for small businesses. Example would be: small business wants to send a 1099 or W-2 but they are not required, they can. (No limit, however, you have to enter all info by hand.) *iWire* is for large companies, this means a text file is uploaded to the system and if everything checks out, the business will get a confirmation.

- Types of W-2's: W-2 and W-2G (\*W-2C will need to be submitted by paper)
- Types of 1099's: MISC, G and R

*Question #1* – Is there a minimum number of 1099s below which they don't need to be filed with DOR?

*Answer* – Any business that files more than 10 1099s in a calendar year (11 or more) is required to file 1099s electronically with the department through iWire. Third parties (CPA, tax preparers, attorneys, etc.) should be aware of this requirement for the business they represent. If the business is reporting less than 11 1099s for a calendar year, the business is not required to file these 1099s with the department. However, it helps the department determine the accuracy of PIT filings if 1099s are provided to the department on a voluntary basis. See OAR 150-314.360 for further information.

*Question #2* – Are paper copies of the 1099s allowed to be filed? If not, what is the proper procedure?

*Answer* – The department doesn't accept paper copies of 1099s. You must file 1099s through the iWire system. However, corrected W-2s (W-2C) cannot be submitted through the iWire system, so the department will accept these information returns as paper. You can mail W-2C's to the department at the following address:

Oregon Department of Revenue  
c/o PTAC Filing Enforcement

PO Box 14260  
Salem, Oregon 97309-5060

However, if a taxpayer is able to show an undue hardship with the requirement to file 1099 information returns electronically, the taxpayer may receive an exception to the requirement under OAR 150-314.360(5).

*Question #3 – Will IRS forward 1099 data to Oregon?*

*Answer –* The IRS is not required to forward W-2 or 1099 information to the department. The IRS doesn't require or transfer the appropriate state information the department uses to ensure accurate personal income tax return filing. Therefore, requesting W-2 or 1099 information from the IRS most likely won't provide the department with the information necessary to accomplish this task. Additionally, there is a statutory requirement under ORS 314.360 to provide 1099 information returns to the department if the business meets the minimum number of 1099s as identified in administrative rule.

*Question #4 – Is there a separate portal to submit 1099 data, as we do with iWire?*

*Answer –* Any W-2 or 1099 data can be submitted through iWire. Depending on the amount of information returns you are required to submit, you can use one of two options. iWire Direct allows the manual submission of W-2 or 1099 information to the department. This option would be used if you have a lower amount of information returns to submit (e.g. less than 50). The regular iWire portal can be used to upload large files of information return data if you have a significant amount of returns to file. The submitted file or files must be in .txt format and follow specifications of the U.S. Social Security Administration (SSA). You can find information on the formatting of these files on the department's website (<http://www.oregon.gov/dor/BUS/Pages/iwire-income-wage-information-return-eservices.aspx>). 2014 specifications for uploading .txt files are expected to be updated in the system by the end of January 2015. Files with specifications from 2013 or earlier for the associated information returns of the same tax year can be uploaded to iWire at any time. Manual submissions of W-2 or 1099 data can be accepted at any time.

*Question #5 – Who is subject to the penalty for failure to file W-2s or 1099s: the CPA or the service provider?*

*Answer –* State law identifies that the taxpayer has the ultimate responsibility to ensure that information returns are filed timely and accurately with the department. Third party providers are not penalized if information returns are filed untimely or inaccurately.

#### **4. Withholding matching – Megan Denison**

*Discussion - When does the department write to verify wages?* We will check all of our resources such as iWire or Employment before we send a letter to verify. We also look at prior years. We look to see if the taxpayer is the owner of the business and we can go to the business and look there at their withholding. Look at the withholding compared to the wages and see if it looks reasonable. We will try to match withholding with everything that we have before sending the

letter to the taxpayer requesting for proof. We had 3 or 4 new employees in the Suspense unit last year and they were requesting the letter probably should not have; we have done additional training to try and eliminate when sending the letter when we probably should not be. We have new people this year and we have done more training on this.

*-How will the taxpayer know that they have been held up?* Give it a couple of nights after the return has been accepted, then go to “Where’s my refund” and it will say that the return is in manual process. That is your clue that the return is being held up and someone will put eyes on it.

*-You can proactively fax the 1099 or W-2 if you see it is manual processing.* Please wait 3 days to fax, so we can match to the return. Even better, attach as a PDF to the return when filing. Depends on the time of the year for refund going out, if it is filed April, you may not get a letter from us for 6-8 weeks. The returns are worked in order of received date.

*- Plans to improve the process?* Policy Option Package over at Legislature for this session for real time withholding. We will probably testify in March. This will be for the 2016 returns filed 2017.

#### **5. Identity theft and fraud - Tami Idsinga**

*Discussion* - There is a lot of ID theft going on right now. There have been a lot of breaches. What should you do if you find out that you cannot efile your clients return because you received a rejection error message that a return has already been filed for that individual (This is called an OR-15 (this is just for Oregon filing). This message says: “this is a duplicate original return”)?

You need to let your clients know, you need to let OR Department of Revenue know and you need to let the IRS know. Oregon’s fraud hotline is 503.947.2000. IRS ID protection 800.908.4490 (this is a recording). Oregon also has a new webpage (see “useful links) and there is a form to fill out. If Oregon finds a fraudulent return we will not discuss information with the taxpayer, because it could potentially be disclosure. Returns that could potentially be fraudulent are always processed manually.

#### **6. Process changes in filing enforcement for corporations – Christi Daniken**

*Discussion* - In our old system we would send two letters to the taxpayer requesting them to file. In our new system only one letter is being mailed. This one letter is called *Demand to File*. This allows 30 days for a response. If no call the system will automatically move forward. If the taxpayer calls, we have the ability to remove it from the automated process and work the account manually.

#### **7. Oregon estate tax questions – Joanna Mitchell**

*Questions –*

- If an estimate was too high for certain administrative costs on the Form 706-OR, how does the DOR want us to correct?
- Does Oregon allow an adjustment for estate tax paid related to Income in Respect of a Decedent on Form 706-OR?

*Discussion* - Form 706-OR filed but no federal 706 was filed, with estimated expenses, estimate your professional fees, if you are over or under estimate, then an amended return would be in order. OAR 150-118.010 – apply for both returns (after 2012) with the original return if you don't know exactly you have the option of claiming them on the Form 41. But you must have a statement on the 706 and state that you are not claiming them on the 706, but on the 41. And, and on the Form 41 state that you did not claim them on the 706 and you are claiming them on the 41. Be sure you do not double deduct.

Example- \$1000 expenses claimed on the 706-OR but nothing on the federal 706, because one was not filed. So on the 1041, the \$1000 is claimed so an adjustment will be needed. On the Form 41, you would not claim, but have an addition? Correct.

**8. Quick updates – Adam Morrison**

- Oregon began accepting both paper and electronically filed returns on January 20<sup>th</sup> (same as the IRS).
- How will Oregon handle the last minute federal extenders? All federal extenders can be claimed for Oregon purposes. We act as if the extenders will pass in making our instructions, with only a disclaimer saying that is the extenders did not pass, they cannot be claimed for Oregon.

Next meeting scheduled for **May 14, 2015** in the Fishbowl.

**Useful links --**

- DOR webpage for tax professionals: <http://www.oregon.gov/DOR/TAXPRO/index.shtml>
- DOR Oregon Law Resources: [http://www.oregon.gov/dor/Pages/law\\_resources.aspx](http://www.oregon.gov/dor/Pages/law_resources.aspx)
- DOR posting of these minutes: <http://www.oregon.gov/DOR/TAXPRO/cpa-liason-meetings.shtml>
- Sign up for Revenews: <http://www.oregon.gov/dor/TAXPRO/Pages/revenews.aspx>
- ID Theft information: <http://www.oregon.gov/dor/NEWS/Pages/040214-ID-theft.aspx>
- Report ID Theft: <http://www.oregon.gov/dor/pages/id-theft.aspx>
- iWire: <http://www.oregon.gov/dor/BUS/Pages/iwire-income-wage-information-return-eservices.aspx>