

TAXPAYER ADVOCATE OFFICE

2023 ANNUAL REPORT

Oregon Department of Revenue

February 15, 2023





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.

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TAXPAYER ADVOCATE'S STATEMENT

In accordance with ORS 305.802, I submit the Oregon Taxpayer Advocate Office Biennial Report for calendar year 2022. These reports are required to 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. The following report includes these elements, and although future reports will capture two years of data, this inaugural report covers only one year of data in order to meet the requirement to file in odd numbered years.

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 687 inquiries in calendar year 2022, with 66 of these being elevated to cases and allotted additional resources to find resolutions. Of those cases, 25% resulted in a process change that could 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. "Personal tax" and "refund status" 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.

Drawing from these partnerships, taxpayer inquiry data, and similar sources, the Taxpayer Advocate Office has also identified areas for improvement. Some, like the refund forgery claim process and returned mail procedures, are under ongoing improvement efforts. Others, outlined in the Recommendations section of this report, are still outstanding. 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.

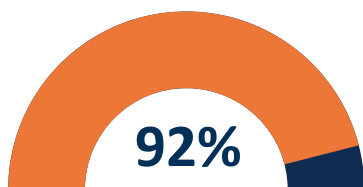
The Taxpayer Advocate has statutory authority, is appointed by the director, and housed within the Department of Revenue. This ensures the Taxpayer Advocate remains independent, protects the work of the position, and establishes its authority. From the perspective of the DOR, these efforts on behalf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

TAXPAYER INQUIRIES AND CASES

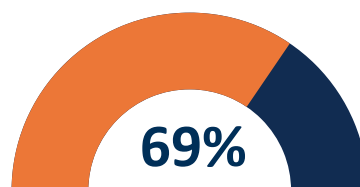
When a taxpayer contacts the Taxpayer Advocate Office seeking assistance, their inquiry is logged in a database to ensure the office's data is tracked accurately and efficiently. This database is accessed only by Taxpayer Advocate Office staff in order to preserve the confidentiality of inquirers and the nature of their requests. The office fielded 687 inquiries in 2022, which aligns well with both the expected frequency of inquiries and the office's capacity to resolve taxpayers' issues. Most inquiries were received by phone, email, or a form on the Taxpayer Advocate webpage. Fewer than 1% of inquiries came via mail or in-person contact. Inquiries are classified by topic upon receipt, with personal tax and refund status 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.

After receiving an initial inquiry, Taxpayer Advocate Office staff research the issue and attempt to resolve it. In 2022, half (50%) of all inquiries were resolved simply by directing the taxpayer toward the appropriate Department of Revenue unit or resource. Similarly, roughly a quarter (22%) of inquiries were resolved by the Taxpayer Advocate Office itself by directly answering a taxpayer's question. About 18% of inquiries couldn't be resolved either because the taxpayer had contacted the incorrect state government department or because the taxpayer never responded to Taxpayer Advocate Office communications.

The remaining 10% of inquiries were elevated to cases due to additional complexities like financial hardship, expedited timelines, or violations of taxpayer rights. In total, 66 cases were opened from inquiries in 2022. 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. While the median time to resolve an inquiry was less than one day, these more complicated cases took a median of 6 days to close. This is 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 resulted in a change to DOR processes that could prevent similar issues in the future. Eleven cases led to process changes in 2022. HB 3373 allows for the taxpayer advocate to issue "taxpayer assistance orders" to compel the agency to act in an individual taxpayer's case. Since all matters were resolved at the case level, no further escalation was needed and therefore, no taxpayer assistance orders were issued.



Inquiries Closed Within 7 Days



Cases Closed Within 14 Days

What our customers are saying...

“Both of us have been filing and paying for over 50 years each. Your attention to all the matters we discussed on the phone AND the update on our status with DOR is deeply appreciated and noticed.”

“I am really glad Oregon finally created this office as this was extremely helpful.”



TAXPAYER ADVOCATE HIGHLIGHTS

Highlight #1: Opening the Taxpayer Advocate Office

The Taxpayer Advocate Office opened on January 3, 2022 with a Taxpayer Advocate, a bilingual public service representative to provide expert service and direction to taxpayers, and a research analyst to create and manage the database of taxpayer inquiries, provide deeper analysis on complicated cases, and identify policy or procedural issues and create solutions to address them. A webpage for the Taxpayer Advocate was added to the DOR website to provide enhanced access to the public and an internal customer relationship management (CRM) system was created to manage the office's interactions with customers and track metrics.

Highlight #2: Updating Taxpayer Rights Documents

The Oregon "Taxpayer Bill of Rights" (ORS 305.860-900) was originally passed by the state legislature in 1989, and a pamphlet was published by the Department of Revenue describing those rights. This pamphlet had not been redesigned for computer access, and the document was confusing and difficult to read in digital format. In March 2022, an updated and redesigned version of this document entitled "Your Rights as a Taxpayer" was added to the DOR's online forms and publications library at the direction of the Taxpayer Advocate. A webpage version was also added to the DOR's website and linked from the Taxpayer Advocate webpage. Both the webpage and the digital document were translated into Cantonese, Mandarin, Russian, Spanish, and Vietnamese, and these documents were published alongside the English versions.



Highlight #3: Outreach and Partnerships

Press releases, a television interview, and two radio interviews (one in Spanish) have been used to engage the public with the Taxpayer Advocate Office's mission in its inaugural year. Online outreach has been conducted via Twitter, email, and newsletter campaigns. Information on the Earned Income Tax credit was provided during a Spanish webinar led by the Oregon DHS in partnership with the Taxpayer Advocate Office, and guidance for accessing tax resources was provided during another webinar hosted by Congresswoman Bonamici. Similar information was provided in-person to the Somali American Council of Oregon, and the Taxpayer Advocate Office partnered with law clinics to provide more specific advice during a workshop at a Business Diversity Institute event. Community partnerships have also been key to the Taxpayer Advocate Office's mission. Staff have participated in meetings of the OSBAR, OSCPA, Legislative Committee on Indian Services, and Economic Development & Community Services Tribal Cluster. Groups who engage in tax filing assistance and tax reform advocacy (e.g., Metropolitan Family Services, Ford Family Foundation) use the Taxpayer Advocate Office as a resource for information, collaboration, and advocacy.



ACHIEVEMENTS

#1. Strategic Planning Initiatives

Prior to the opening of the Taxpayer Advocate Office, the agency adopted a strategic plan for 2022-2027 which included thirteen major goals. Two of these goals--upgrading to modern call center and phone systems and improving the quality of correspondence--are recognized by the Taxpayer Advocate Office as priorities that the agency has made great steps towards accomplishing.

The 2021 Oregon Legislature directed the DOR to develop a plan to modernize and enhance its customer call centers. The department hired a call center improvement consultant to develop a comprehensive customer experience strategy to improve overall customer engagement. The consultant's final report provided recommendations to improve customer experience and included a strategy/roadmap for implementation. The Taxpayer Advocate Office participated in the consultant's research, providing feedback from customer inquiries and experiences reported to the office. To execute the recommendations of the report, the agency created a Customer Experience Director and has fully commenced efforts to identify and implement strategies to meet its goal of upgrading to a modern call center and phone systems. The Taxpayer Advocate Office will continue to be a part of these efforts, as it is one of the most crucial strategies to improve customer service.

To make letters and notices to taxpayers easier to read and understand, the DOR created a project team to review and revise nearly 500 different letters. The Taxpayer Advocate Office is part of the project and makes recommendations on behalf of taxpayers. The project will be completed in phases with full completion expected in 2027. These efforts will improve clarity and create more consistent communication with taxpayers, including making letters and notices available in multiple languages to better serve historically and currently underserved and under-resourced communities in Oregon.

#2. Refund Check Forgery

Several cases have been opened by the Taxpayer Advocate Office to investigate issues related to refund checks allegedly cashed with a forged signature. When a taxpayer alleges that their refund check has been cashed due to forgery, the Department of Revenue mails them forms that must be completed in order to open a forgery claim with the Oregon State Treasury. Existing policy dictates that the bank must return the stolen funds to the DOR prior to reissuing checks.

In an effort to avoid causing hardship to taxpayers and align with the policies of other Oregon agencies, the Taxpayer Advocate Office has recommended altering DOR procedure to proactively reissue checks in many forgery cases. Collaboration with the agency to codify the policy change is ongoing. The Taxpayer Advocate is also overseeing process improvements like allowing taxpayers to print and submit select forms themselves as well as ensuring timely follow-up contact with taxpayers going through this process.

#3. Returned Mail

In 2021, approximately 4% of the over 5 million mail items sent to taxpayers by the Department of Revenue were returned undeliverable due to an outdated or otherwise incorrect address. The DOR currently has limited procedures for reprocessing returned mail, leading to costs incurred from repeated mailings to known bad addresses, delays to tax collection, and reduced compliance. Taxpayers may lose opportunities for appeal, accumulate penalties, or have their debts routed to collections as a result of untimely communication from the DOR.

The Taxpayer Advocate Office has researched and will put forth recommendations to leadership for improving the processing of returned mail, including utilizing existing technological infrastructure to stop mailing to known bad addresses and place more emphasis on updating taxpayer addresses when mail is returned. If implemented, these recommendations are projected to save the DOR approximately \$500,000 in direct mailing costs annually in addition to secondary costs associated with the collections process and interest paid on refunds. The recommended changes are also expected to improve taxpayer service and voluntary compliance through more timely communication.

#4. Settlement Offers

Pursuant to ORS 305.155 and OAR 150-305-0090, taxpayers are permitted to submit a “Settlement Offer” to the DOR in an attempt to settle tax debt, including interest and penalties. The process has long been a positive resource for encouraging taxpayers to resolve debt and reintegrate into the tax system. However, the Taxpayer Advocate Office learned through taxpayer feedback that this process is unduly burdensome for some debtors due to the complexity and accuracy of the information that must be provided, particularly among lower-income individuals.

This feedback was familiar to the division in charge of the process, and they were already well underway with a process improvement review of the Settlement Offer process. As part of that review, the division designed a new concept called “Proactive Settlement Offers” which creates another way for taxpayers to settle their debt. Under this concept, when a taxpayer meets certain criteria, the division would proactively reach out to the taxpayer and make an offer to settle for less than what they owe (based on the taxpayer’s ability to pay and the likelihood of collection). This proactive step addresses situations where it’s likely that the taxpayer doesn’t know the Settlement Offer process exists, they have language barriers to completing the Settlement Offer application, or perhaps cannot afford a practitioner to represent them in this area. The Taxpayer Advocate Office applauds this innovative and forward-thinking effort to break down barriers for vulnerable populations and encourages its continued development and implementation.

RECOMMENDATIONS

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.

The Taxpayer Advocate Office acknowledges most refunds are provided promptly and that in some situations delays are unavoidable. But there are steps the agency can take to lessen the customer’s confusion and concerns so that they can adjust their finances accordingly.

Recommendation #1:

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

Issue #2:

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

Inquiries to the Taxpayer Advocate Office most often occur because a customer feels the time they have waited for an answer has been too long or the answer they have received was inadequate.

Recommendation #2:

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.

Issue #3:

Complicated property tax laws result in time-consuming inquiries.

Property tax-related inquiries to the Taxpayer Advocate Office are infrequent, but they often take the most time to review and answer. The system for taxpayers to appeal their property tax matters is working well and the Taxpayer Advocate's office has confidence that taxpayers' concerns are handled properly through the normal channels. Most commonly, taxpayer inquiries arise from confusion around assessed value. With the voter-approved passage of Measure 50 in 1997, each property was assigned an assessed value equal to 90 percent of the property's 1995-96 value. At the time, this value was often significantly lower than the market value. If a property's assessed value is lower than its market value, county officials can increase the assessed value by up to 3 percent a year. That is often the source of what taxpayers perceive as a "mysterious increase" on a property tax bill. Because assessed values are often so much lower than market values, the assessed value can still go up even if the market value has dropped, such as in the last recession.

Recommendation #3:

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.

Issue #4:

Free small business tax assistance is not readily available.

The DOR has excellent staff and resources to assist small businesses with particular tax filing questions, but they are unable to help navigate the many complexities that present themselves for small businesses or reach this vast population on their own. Free tax filing programs exist for individuals but are difficult, if not impossible, to find for the small business owner.

Recommendation #4:

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.

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.

Many taxpayer representatives believe direct receipt of the information would allow them to communicate with the Department and help their clients as well as reduce the Department's time and efforts on such matters.

Recommendation #5:

The Department should seek opportunities to send Department correspondence and collection notices to taxpayers and their representatives and to inform representatives that they can see client materials on Revenue Online.

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.

Currently, there are two boxes on the form that may be checked, "Tax Information Authorization" and "Power of Attorney for Representation." Taxpayers often are unsure which box to check and choose both. The form also lacks an option to require copies of notices be sent to authorized representatives. These deficits have led to taxpayers' rights issues related to DOR employees bypassing Power of Attorney.

Recommendation #6:

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.

CASE STUDIES

In an already complex and complicated tax system, taxpayers who suffer from difficult life experiences, such as job loss or health issues, can feel helpless. The Taxpayer Advocate Office acts as a friendly point of contact that greets people with person-to-person communication and time to listen. Taxpayers frequently share they “just didn’t know where to start” or are “embarrassed and ashamed.” By reaching out to the Taxpayer Advocate Office, the taxpayer gets a resource that will work with the agency to ease concerns and resolve debts. One taxpayer found themselves unable to make rent before the holiday season. By working with the Department to explain the situation, the Taxpayer Advocate Office was able to find a resolution to satisfy all parties in time for the holidays.

Some matters are complex and unusual, and the Taxpayer Advocate Office is equipped with the skills and resources to commit to finding answers. In the case of one a taxpayer who knew they were owed \$6000, they needed the money to replace a hot water heater and their previous contacts with the DOR were not able to identify the issue. After the taxpayer reached out to the Taxpayer Advocate Office, staff set to work on reviewing transactions and records and talking to multiple unit personnel. It was discovered that a rare system error had stopped the money from being posted to the taxpayer’s account. The matter was resolved, and the taxpayer received their \$6000 quickly.

CONCLUSION

The passage of House Bill 3373 was the beginning of the important work of establishing the Taxpayer Advocate Office in Oregon. The program's inaugural year has enhanced the services to taxpayers and created opportunities for the DOR to proactively connect with taxpayers and form collaborative partnerships with community-based organizations. The taxpayer has been given a voice within the agency through these efforts, and the DOR has seen changes which are expected to increase system equity and voluntary compliance.

OREGON COUNTS ON US

