



Executive summary

2020

**Liquidated and Delinquent
Accounts Report
ORS 293.229(2)**

December 23, 2020

Executive summary

In the 2017 Legislative Session, Senate Bill 1067 passed. It included a new reporting requirement for state agencies with a total ending balance of \$50 million or greater for their liquidated and delinquent (L&D) accounts to submit a report to the committees or interim committees of the Legislative Assembly related to ways and means. The report is to:

- a) Describe major categories of L&D accounts held by the state agency.
- b) Describe circumstances under which the state agency writes off or adjusts L&D amounts or removes an account from L&D status.
- c) Describe actions undertaken by the state agency to reduce the amount of L&D debt owed to it at the end of each fiscal year.
- d) Set forth a plan for future actions that will reduce the amount of L&D debt owed to the state agency at the end of each fiscal year and describe any additional resources that are necessary to carry out the plan.

Background

The intent of the Legislature for the Department of Revenue (DOR) is the “administration of the revenue and tax laws of this state, except as specifically otherwise provided in such laws” (ORS 305.015). To achieve this, one of DOR’s principle goals is to maximize voluntary compliance. About 98 percent of the revenue generated by DOR comes through voluntary compliance. DOR believes enforcement of Oregon tax law, including collection activities, is crucial to the health of the state’s revenue system and should be carried out in a manner which supports voluntary compliance.

Major categories of L&D accounts held by DOR

For this report, DOR identifies two major categories of L&D debt held by the agency: failure-to-file (filing enforcement) and all others. These categories are frequently indicative of a taxpayer’s willingness to pay and the level of effort the agency will expend to resolve the account.

All other debts are those for which the taxpayer has displayed a willingness to comply with Oregon tax law. Such taxpayers file a tax return and withhold or make estimated payments throughout the year, but cannot pay the full amount due by the deadline. Generally, a taxpayer who self-assesses a tax liability is more willing and proactive in resolving the amount due, even after the balance has progressed to collections.

Failure-to-file (FTF) assessments are generated by DOR as part of the filing enforcement process. FTF assessments use third party and federal tax information to estimate tax liability when the taxpayer does not file a return. In accordance with ORS 305.265(10)(a), FTF assessments are estimates of the taxpayer’s liability and may increase or decrease if the taxpayer files a return with the information necessary to determine their correct tax liability. By law, Oregon taxpayers are afforded an indefinite amount of time to file their return. The tax liability shown on that return replaces DOR’s FTF assessment.

Write-offs, adjustments, and removal from L&D balances

Amounts previously reported as L&D debt may be removed from the agency’s L&D balance. DOR performs write-offs in accordance with policy 35.50.10 of the Oregon Accounting Manual unless the agency determines that amount should be canceled under ORS 305.155. DOR also performs cancellations if it determines that the administration or the cost of collection would exceed the amount the agency expects to recover. These cancellations are subject to agency-approved policies. Other adjustments that can create a reduction in DOR’s L&D amounts are related to a taxpayer filing a return after the agency has completed an FTF assessment, appealed case decisions, and amended returns. All of these transaction types result in reducing DOR’s L&D balance because the debt no longer exists.

Past and future efforts to reduce DOR's L&D balance

When considering DOR's L&D balance and the effectiveness of its accounts receivable management, it is important to note that other agency objectives, such as filing enforcement, and external factors may result in increases to the agency's L&D balance. DOR has taken a three-pronged approach to counter these increases.

Reduce amounts aging to L&D

While the agency cannot select the businesses or individuals with whom it will do business, DOR does take steps to reduce the number of debts that could potentially age to L&D status. This is similar to how a business typically will not extend credit to individuals who have not previously shown the ability to pay their debts.

Maximize collection of L&D debts

Recent access to new tools and data and the ongoing evaluation of the use of these resources allow the agency to better assess the effectiveness of its collection processes and make changes as appropriate.

Reducing L&D balance through other means

Not all amounts included in DOR's L&D balance are resolved through payment. The nature of tax administration is one that results in some debts being resolved by other means, such as the taxpayer filing more accurate amended returns or the filing of a return to resolve an FTF assessment. Additionally, DOR uses other accounting tools, such as its write-off and cancellation authority, to remove amounts determined to be uncollectible from the agency's L&D balance.

Conclusion

DOR continues in its commitment to learn and improve on L&D collection and accounts receivable management tools and processes. DOR has enhanced the writing off of uncollectible accounts and automated the issuance of garnishments in specific situations. Collection activity and accounts receivable management in DOR's core system will continue to mature as DOR completes additional enhancement initiatives including:

- Establishing a Collections Division.
- Automating the cancellation of debts that meet eligibility criteria.
- Scoring debts to ensure appropriate treatment of accounts.
- Improving taxpayer self-sufficiency tools.
- Establishing operation metrics and accountability standards, and new key performance metrics.



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Introduction

In the 2017 legislative session, Senate Bill 1067 passed. It included a new reporting requirement for state agencies with a total ending balance of \$50 million or greater for their liquidated and delinquent (L&D) accounts. That requirement was codified in Oregon Revised Statutes (ORS) 293.229(2) and specifically requires state agencies to:

- a) Describe major categories of L&D accounts held by the state agency.
- b) Describe circumstances under which the state agency writes off or adjusts L&D amounts or removes an account from L&D status.
- c) Describe actions undertaken by the state agency to reduce the amount of L&D debt owed to it at the end of each fiscal year.
- d) Set forth a plan for future actions that will reduce the amount of L&D debt owed to the state agency at the end of each fiscal year and describe any additional resources that are necessary to carry out the plan.

In October 2020, the Oregon Department of Revenue (DOR) submitted its annual L&D report to the Legislative Fiscal Office (LFO) as required by ORS 293.229(1). The report showed that the agency ended fiscal year 2020 (FY 20) with 247,999 L&D accounts valued at \$840,867,477.¹

Background

DOR administers nearly 40 tax programs, which generated more than \$12.2 billion² in revenue during FY 20. Of that revenue, \$223 million³ was a result of DOR's collection activities on L&D accounts. About 98 percent of the revenue generated by DOR comes directly through voluntary compliance, not from its collection activities on L&D accounts. Still, DOR's collection activities on L&D accounts are crucial to the health of the state's revenue system and support voluntary compliance, which is a primary component of Oregon's tax system.

One of DOR's key responsibilities is to ensure taxpayers comply with the state's tax law. This aligns with the Legislature's intent for DOR, which is "administration of the revenue and tax laws of this state, except as specifically otherwise provided in such laws" (ORS 305.015). To achieve this, one of DOR's principal goals is to maximize voluntary compliance. To better understand DOR's L&D accounts ending balance, it is helpful to understand the connection that exists between voluntary compliance and enforcement, including collections.

There is a compulsory duty to comply with tax law, but the nature of most types of tax is that only the taxpayer has the information to compute their correct tax. This means that taxpayers are expected to voluntarily file an accurate, timely report with a calculation of their tax due, and to pay that tax by the due date. For taxpayers who diligently attempt to file and report taxes correctly, education and assistance through taxpayer outreach and some audit activities are the most effective means to promote voluntary compliance. This approach results in maximizing revenue streams for the state and effectively using state resources. If this approach does not yield the result of taxpayers meeting their obligations, collection activities begin.

DOR collection activities are a component of the enforcement of Oregon tax law and are conducted in ways that support voluntary compliance. For example, a taxpayer may have a balance owed for personal income tax that has progressed to collections within DOR. Rather than focus only on maximizing collections of the single amount owed, DOR takes a balanced approach by educating the taxpayer and assisting them in understanding and coming into compliance, while the department collects to help them avoid accruing debt in the future. In some cases, this may result in reducing the amount the taxpayer owes or increasing the repayment period, but, overall, revenue streams are increased through promoting long-term voluntary compliance.

In 2020 two notable events highlight the importance of this approach. The COVID-19 pandemic, and the unprecedented Oregon wildfires, both present serious financial challenges for Oregon taxpayers. While continuing to collect and protect Oregon's largest revenue sources, DOR responded with taxpayer friendly relief. Some examples are:

¹ The increase in the number of accounts from FY 19 to FY 20 is mainly attributable to DOR now tracking and reporting accounts at an individual debt level rather than summarizing all debts of a certain tax program owed by a single debtor as one account. This change was made to report the activity on a liability-by-liability basis as each tax period stands alone as a separate liability of the debtor. The L&D balance increase is due to enforcement activity such as failure to file assessments (FTF) and audits.

² In response to the COVID-19 pandemic, the filing and payment due dates for the 2019 tax year were extended to July 15, 2020 for the Personal Income tax, Corporation Excise/Income tax and certain other programs. As a result, revenue was delayed until FY 21, reducing the overall revenue realized during FY 20.

³ As reported on DOR's L&D report to the LFO for FY 20.

- [Directors Order 2020-01](#)—Extending certain filing and payment due dates.
- [Directors Order 2020-02](#)—Extending the time to appeal certain actions, request certain refunds, and apply for property tax deferral for disabled and senior citizens.
- [Collections Relief](#) provisions—36-month payment plans, allowing taxpayers to skip one-month for payment plans and garnishments, reducing the amounts being garnished, and placing a hold on the issuance of new garnishments when the taxpayer is experiencing hardship due to COVID-19 and wildfires.
- A temporary hold on imposing non-sufficient funds (NSF) penalties through the end of the state of emergency in Oregon related to COVID-19 and 90 days thereafter.
- Waiving penalty and interest for those impacted by the 2020 Oregon Wildfires.

While each of these actions delay revenue, each constitute appropriate responses to the COVID-19 and Oregon wildfires disasters, and support long-term voluntary compliance.

Major categories of L&D accounts held by DOR

L&D accounts held by DOR are primarily composed of tax debt, along with associated penalties, interest, and fees. These accounts can be broken out into two categories: failure-to-file (filing enforcement) and all others. These categories are frequently indicative of a taxpayer’s willingness to pay and the level of effort the agency will expend to resolve the account. For FY 20, the ending balance for failure-to-file accounts was \$345,802,090 and \$495,065,387 for all others.

All other debt

Multiple types of debt, such as self-assessed debt, deficiency assessment debt, and penalties for failing to comply with certain filing requirements are included in this category. Self-assessed debts constitute the bulk of debt types outside of failure-to-file assessments.

There are some taxpayers who diligently file and report taxes but are unable to pay their entire tax obligation by the due date. These are referred to as self-assessed debts, and they may progress to active collections. For some, the inability to pay is due to loss of a job, divorce, or illness. For others, they have overextended themselves financially and have chosen to pay other debts instead.

The complexity of computing their tax liability also may play a factor. In these cases, the taxpayer demonstrates a willingness to comply with tax law by timely filing and making payments to that liability throughout the year through estimated payments or withholding. But they are unable to pay the full amount due on time because they did not accurately estimate their tax liability at the start of the year. Generally, a taxpayer who self-assesses a tax liability is more willing and proactive in resolving the amount due, even after the balance has progressed to collections.

A smaller subset of debt types in this category are deficiency assessment debts or debts resulting from an audit. While DOR accepts most returns as filed by taxpayers, a portion of these are audited, some of which result in additional amounts owed. Amounts resulting from an audit often result from taxpayers incorrectly calculating their tax obligation. In other cases, DOR’s interpretation of tax law differs from that of the taxpayer, and in such cases, taxpayers often exercise their right to appeal. The latter is especially true with corporations, which often appeal DOR audit decisions. For FY 20, debts in appeal have a combined value of \$121 million of DOR’s \$840 million L&D ending balance.

A tax debt is considered liquidated when the department issues a distraint warrant according to the Oregon Accounting Manual (OAM) 35.30.30. This occurs approximately 60 days after the department issues an assessment of the past due amount, a timeline outlined in statute. Debts in appeal are normally not included in the department’s L&D ending balance because, in general, appeals are received prior to the issuance of a distraint warrant. The \$121 million reported as L&D while in appeal status represent debt on which the taxpayer has exercised their right to appeal, but not until after the distraint warrant was issued. Appeals related to corporation audits account for 94 percent of that amount. Debts appealed after the issuance of the distraint warrant remain on DOR’s L&D ending balance until the courts make a ruling or the audited balance is paid.⁴

⁴ DOR is reviewing the potential of delaying the issuance of the distraint warrant an additional 30 days on certain tax types where appeals are often received between 60 to 90 days after the tax debt has been assessed. Doing so would result in the department no longer reporting accounts in appeal in the L&D balance until after the appeal process has concluded and only if the tax debt has been upheld.

Failure-to-file assessment debt

Third-party and federal tax information are also used to identify individuals and businesses that did not file a tax return, despite having a requirement to do so. These taxpayers are encouraged to file on their own, but if they do not, DOR will estimate the taxpayer's liability and assess the tax using the best information available. This activity is commonly known as filing enforcement and results in failure-to-file assessments (FTF). FTF debt amounts are the department's best estimate, and DOR believes this to be in line with statutory expectations found in ORS 305.265(10)(a).⁵ However, these debts are still only estimates and can increase—although they often decrease—at any time if the taxpayer files a return showing their self-reported tax liability. Only the taxpayer can report that they qualify for certain credits and deductions so those items are typically not included in the department's estimates.

Efficiencies resulting from automating some of DOR's filing enforcement processes have generally contributed toward growing the L&D balance. In DOR's legacy system, filing enforcement was done entirely manually. Nearly all of DOR's filing enforcement work—including FTF assessments—is now automated through use of business rules and third-party data stored in DOR's core system. DOR can begin enforcement action much faster than before and generate more FTF assessments. Although the increased efficiency in performing filing enforcement work is a contributor to increasing DOR's L&D balance, it is necessary to continue to do this work in order to protect the state's largest revenue stream.

FTF debts are different from other tax assessments with regard to appeal rights. Self-assessed tax debts do not have appeal rights, because the taxpayer self-reported that an amount is due. Although a taxpayer can appeal a deficiency assessment, they must do so within 90 days of the assessment date. Appeal rights on FTF debt, on the other hand, do not expire until the taxpayer files a tax return, which replaces DOR's FTF return as the record of the taxpayer's self-reported tax liability. Senate Bill 495, passed during the 1999 legislative session and codified in ORS 305.265(10)(b),⁶ removed the 90-day appeal period limit for FTF assessments and gave taxpayers an indefinite amount of time to file and report the correct amount due. This indefinite amount of time to file a return causes significant fluctuation in the L&D balances over time.

There are many reasons that make FTF assessments more likely to age to L&D. Until a self-assessed return is filed by the taxpayer, an FTF assessment is the official liability for that taxpayer. Additionally, FTF assessments are often accompanied by large penalties (up to 100 percent of the amount of the tax liability) for not filing and paying on time for multiple filing periods. Also, the taxpayer must pay the past-due L&D amount, as well as continue to withhold or make estimated payments for the current filing period. This can create a financial burden for the taxpayer. Lastly, a taxpayer may not agree with the assessment but did not respond to DOR's requests to resolve the matter until after collection activities have ensued.

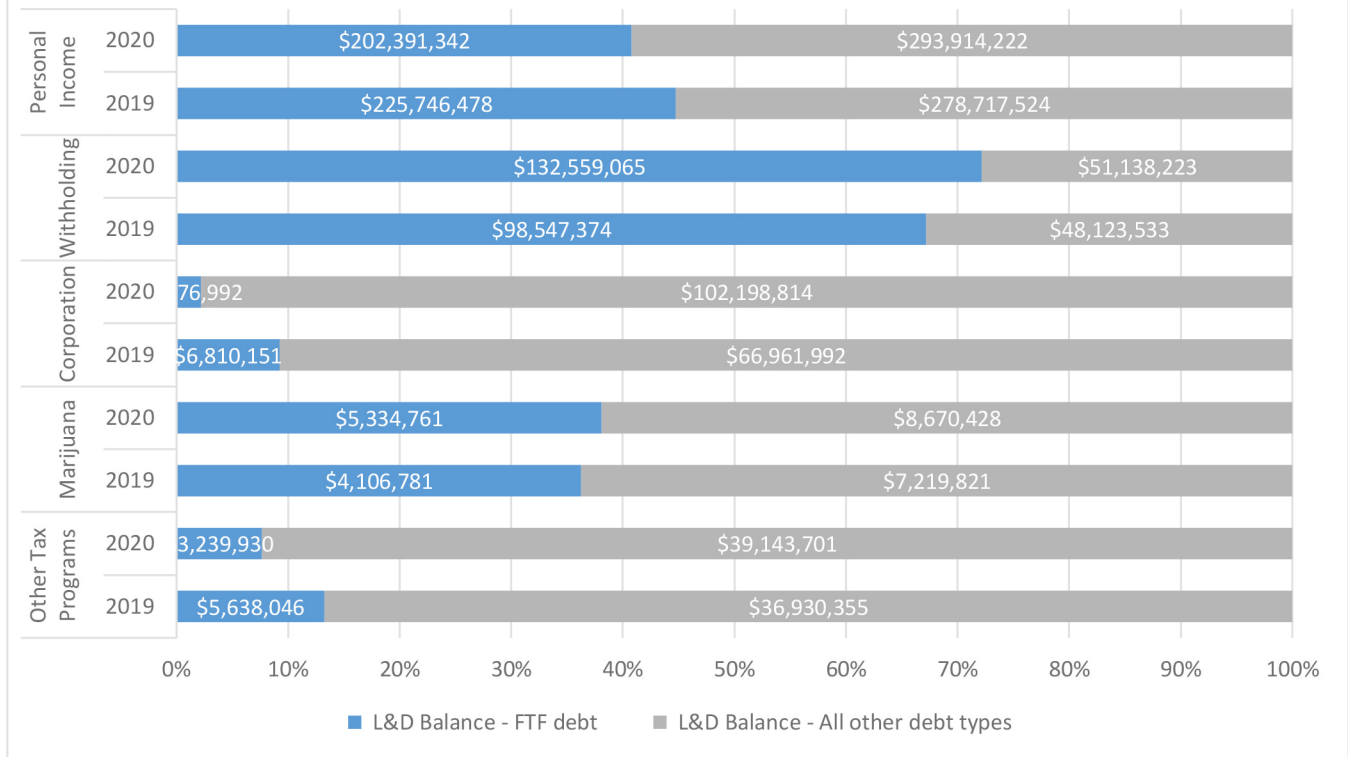
DOR's collection activities support its filing enforcement activities. FTF assessments would have little effect on enforcing tax law if collection of the amounts established by these assessments were not pursued. Revenue agents report that, in many cases, taxpayers do not respond to multiple attempts by DOR to contact them until after collection activity begins (for example, through wage or bank garnishment). Still, it is important to note that the principal purpose of filing enforcement is not to establish amounts to be collected by the department's revenue agents, but to compel the taxpayer to file the missing return, file future returns on time, and, overall, to ensure the long-term health of the state's tax system. In some cases, these balances are resolved entirely by the taxpayer filing a return for the FTF period, and it may even result in a refund.

The chart below illustrates DOR's two major categories of L&D debt: FTF and all other, by tax program. The four largest tax programs in terms of L&D balance at the end of the last two fiscal years are listed individually, while all other tax programs with an L&D balance are consolidated. Note that the tax programs materially affecting DOR's ending L&D balance also include the largest amounts of FTF balances.

⁵ ORS 305.265(10)(a)—“In the case of a failure to file a report or return on the date prescribed therefore (determined with regard to any extension for filing), the department shall determine the tax according to the best of its information and belief..”

⁶ ORS 305.265(10)(b)—“Notwithstanding subsection (14) of this section and ORS 305.280, and only to the extent allowed by rules adopted by the department, the department may accept the filing of a report or return submitted by a person who has been assessed a tax under paragraph (a) of this subsection.”

DOR Major Categories of Debt by Tax Program 2019 vs 2020 Fiscal Year End



Write-offs, adjustments, and removal from L&D balances

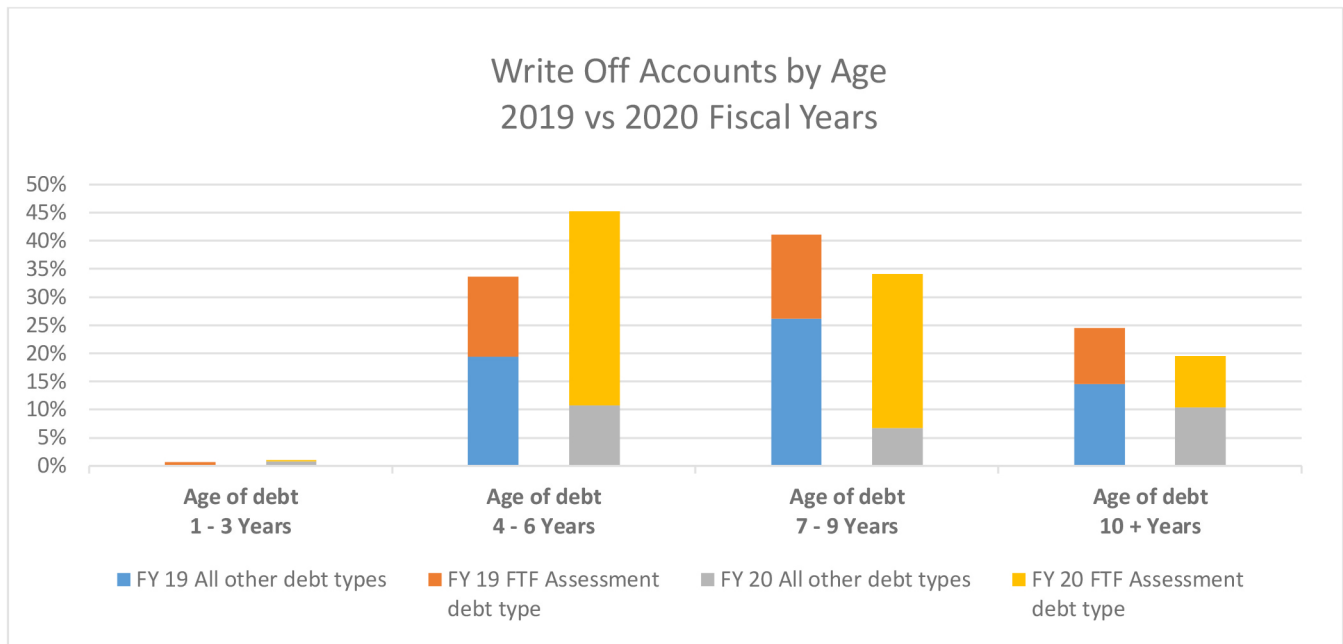
A write-off is an accounting transaction that removes the balance from the accounts receivable, but the amount remains legally enforceable. A debt qualifies for write-off after all reasonable efforts to collect the debt have been made and one of the nine attorney general-approved conditions listed in policy 35.50.10 of the OAM are met.

The first eight conditions listed in OAM 35.50.10 are approved for use by all state agencies. The ninth condition refers to an agency-specific attorney general-approved criteria. DOR’s agency-specific criteria apply when all of the following is true for the past three years:

- No assets located;
- No payments received on any debt;
- No correspondence received, returns filed, or contact made; and
- If applicable, a lien is on record, but no significant collection progress has been made (ORS 293.240).

DOR reports \$42 million in write-offs during FY 20. During fiscal year 2019, DOR implemented an enhanced system process to write-off accounts based on the criteria above. At implementation, the enhanced write-off system processed many older accounts, resulting in the larger \$68 million written off. This ongoing work allows DOR to better organize the accounts receivable in order to focus collection efforts on the most collectible accounts.

Below is a graph that depicts the age and type of debt written off and removed from active work queues during each of the past two fiscal years. Each bar represents, by percentage, the amount each category contributed to the write-off total for each fiscal year. DOR’s enhanced write-off system helps to write-off uncollectible accounts timelier, as can be visualized by the increase in the percentage of accounts written off between four to six years for FY 20. Accounts in write-off status are tracked by the system and returned to active collections if the account becomes collectible again.



A cancellation is also an accounting transaction that removes the balance from the accounts receivable. It is distinct from a write-off, though, because it also permanently removes the liability from the debtor’s account. A cancellation is considered final, and the debt cannot be restored for future collection. DOR reports cancellations under the “adjustment” line of the annual L&D report to the LFO.

Generally, amounts determined to be uncollectible are written off, unless DOR determines the amount should be cancelled under ORS 305.155 because all of the following apply:

- The tax has been delinquent for seven or more years;
- All reasonable efforts have been made to collect;
- The taxpayer cannot be located or is dead; and
- The tax is wholly uncollectible.

DOR may also cancel an amount if it determines that the administration and cost of collection would exceed the amount the agency expects to recover. A primary example of the use of this cancellation authority can be found in DOR’s process for offers of compromise, otherwise known as settlement offers. These cancellations are subject to a rigorous review and approval process using criteria approved by the Oregon attorney general. Additionally, an amount may be cancelled as a result of a bankruptcy case determination.

Amounts assessed and reported as L&D and subsequently reversed are removed from DOR’s L&D balance. These reversals also have the effect of reducing DOR’s ending balance. These are considered neither write-offs nor cancellations, but are reported in the “reversals” line of the L&D report to the LFO. These reversals can be initiated due to a taxpayer having filed a return after DOR assessed an FTF or because of appeal case decisions and amended returns. In these cases, associated penalties and interest are also reversed.

L&D account reduction efforts—2020

With regard to DOR’s L&D balance, it is important to consider that the agency has two objectives that seem to be in opposition. On one hand, DOR strives to optimize collection and reduce the amount owed to the state. On the other hand, DOR must address tax filing noncompliance, which inevitably contributes to the L&D balance. Not every dollar added to DOR’s L&D balance will be collected. In some instances, filing enforcement activities create a balance in order to compel certain taxpayers to file a return. Therefore, DOR’s success in managing its accounts receivable cannot be measured solely by the L&D ending balance as compared to prior reporting periods, but must also consider the impacts of its enforcement activities on both the L&D balance and Oregon’s tax system. While enforcement activities result in significant increases to DOR’s ending balance, failure to perform such activities is likely to result in loss of overall revenue for the state.

There are some factors outside of DOR's control, such as new tax programs or the overall health of the economy, that may increase the L&D balance. DOR's approach to counter the increase is three pronged:

1. Reduce the number of debts that could potentially age to L&D status.
2. Improve DOR's processes, access to data, and tools to optimize the collection of L&D debts.
3. Manage the agency's L&D balance by means other than collections.

Reduce amounts aging to L&D

- When appropriate, DOR solicits payment at the conclusion of an audit, prior to the debt reaching collections. As an example, the Proposed Audit Findings notice for the corporate and personal income tax programs informs the taxpayer that paying the amount due prior to the Notice of Deficiency gives them the chance to avoid more penalty and interest. It also brings in revenue for the state sooner.
- At the conclusion of an audit or filing enforcement activity, DOR staff ask taxpayers to amend or submit missing returns for other filing periods voluntarily to get into compliance. Taxpayers are more likely to file correctly at this point to avoid more penalty and interest and are more invested in paying amounts owed.
- Filing enforcement activities are prioritized on accounts that are more likely to result in revenue for the state. For example, DOR prioritizes filing periods where it has received estimated payments or withholding credit but have no return for which to apply the payment.
- Enhancements to DOR's system, serving to automate filing enforcement activities, enables more systematic, timely, and accurate FTF assessments. More timely filing enforcement activity allows DOR to address both compliance and collection sooner and more successfully. Better data and the use of that data allow DOR to establish higher-quality FTF assessments resulting in smaller, more accurate assessments.
- DOR increases revenue agent availability for contact immediately following filing deadlines to collect payments in full or establish payment plans sooner for amounts owed. This increased availability is accomplished by reassigning staff to answer calls during peak periods in order to reduce call wait times.
- DOR provides new tools and resources to help taxpayers voluntarily comply. For example, DOR created an online withholding calculator and an Oregon-specific Form W-4 to assist the public in determining the appropriate amount of Oregon withholding beginning with tax year 2018. This is, in part, in response to Congress passing the Tax Cuts and Jobs Act (TCJA) in December 2017. Some of the federal changes directly impact Oregon's personal income tax, including changes to calculating withholding allowances that may increase the risk of taxpayers not having enough withheld from their wages to cover their Oregon tax liability.
- Improve return and other required filing through electronic filing solutions. For smaller companies and individual businesses, the department has created a return document on Revenue Online that could be used to submit returns electronically. In response to the trend of businesses wanting to file in bulk, DOR has plans to implement a bulk filing portal that will be open to all Oregon businesses. DOR's annual Withholding Reconciliation (Form WR) has seen an 80 percent increase in electronic filing with a 65 percent decrease in paper filing since 2016. Electronic filing promotes more accurate and timely filing and reduces the need for filing enforcement and collection action.
- Adjust returns at the point of processing rather than issue a refund and bill later.
- DOR issues news releases and engages the public on social media platforms to inform the public on various topics, including topics that will serve to help taxpayers comply with Oregon tax requirements.
- Prior to COVID-19, DOR engaged the public in various locations throughout the state regarding the implementation of a new Corporate Activity Tax. These efforts continued through calendar year 2020, though, now remotely due to COVID-19. Additionally, DOR's legislative concept development and administrative rules processes engage external stakeholders early and openly. These efforts serve to improve compliance with tax law and reduce instances of amounts owed later on, due to lack of understanding or agreements on tax law.

Maximize collection of L&D debts

- DOR stores data files in a data warehouse allowing DOR to query the information for the entire account portfolio rather than one by one. This enables DOR to focus its finite resources on accounts more likely to yield a payment, rather than work accounts by oldest to newest. In the past, revenue agents used Oregon Employment Department wage data to help determine a debtor's ability to pay or to find a garnishment source, but they were limited to looking up each debtor individually. Now this data is loaded into a central data warehouse, along with other third-party data, and is queried to identify the most collectible

debts. During FY 19, DOR added two new data sets to its data warehouse: the State New Hire Report and Financial Institution Data Match. DOR continues to leverage all data sets to determine collectability of accounts and identify collection sources.

- DOR incentivizes debtors to set up automated clearing house (ACH) payment plans by offering them for up to 36 months, which is a longer repayment period than allowed for most other types of payment plans. These payment plans have proven more successful than traditional paper check or credit/debit card payment methods, in part because they are not dependent on the debtor remembering to make monthly payments.
- DOR partners with the Oregon Liquor Control Commission by sharing information for potential license sanctions when Oregon retailers owe recreational marijuana tax debt.
- DOR successfully implemented a component of Executive Order 17-09, commonly referred to as Vendor Coordination, with the Oregon Department of Transportation and State Financial Management System (SFMS) agencies. Under this program, if a vendor who contracts with one of these state agencies owes tax debt, their payment for services provided may be garnished and applied to their debt. Since the inception of this program in February 2018, DOR has collected payments on more than 600 debtor accounts for more than \$1 million.
- DOR utilizes an automated process to assign accounts to private collection firms (PCF) with strategies that expand beyond the minimum required by statute. This approach allows DOR to use better internal agency resources while appropriately leveraging external resources.
- Senate Bill 254 from the 2017 legislative session directed DOR to establish a data match system to report assets held at financial institutions by delinquent debtors, otherwise known as Financial Institution Data Match. DOR began paying financial institutions to match our debtor data to their account holders information during the first quarter of FY 19 and, as of November 2020, has established agreements to perform the data match with more than 94 percent of financial institutions in Oregon. This tool resulted in more efficient use of garnishments issued by the department.

Reducing L&D balance through other means

- DOR utilizes accounts receivable management tools such as write-off and cancellation to remove appropriate amounts from its L&D balance. See the section titled “Write-offs, adjustments, and removal from L&D balances” above for more information on DOR’s recent enhancements and progress.
- Not all debts are resolved through a payment. DOR uses the authority granted in ORS 305.265(10)(b) to encourage taxpayers to file a return to establish their correct tax liability, even after the debt has aged to L&D. DOR also encourages closed businesses to provide appropriate notification and final returns to the department for payroll withholding programs. This approach serves a dual purpose of resolving a large portion of FTF debts while also reducing the agency’s L&D balance and promoting long-term voluntary compliance. This is done by collecting only amounts associated with the taxpayer’s self-reported tax liability.
- In FY 19, DOR completed a feasibility study related to the establishment of a combined collections division. The feasibility study recommends centralization of DOR’s collections function over the next two biennia. DOR is currently in the process of planning for this reorganization and has begun the transition in the 2019-21 biennium. The centralized organizational structure is expected to promote centralized collections accountability, the establishment of standards and processes that govern the department’s interaction with debtors.

Future L&D reduction efforts

In addition to continuing the efforts described in the section above, the department has operational plans that aim to ensure continued progress toward reducing the amounts owed to the state. Actions include, but are not limited to:

- **Ongoing evaluation and possible adjustment of collection processes and policies necessary because of the COVID-19 pandemic and the subsequent economic downturn.** COVID-19 has impacted Oregon taxpayers differently. While some continue to have an ability to pay, not all taxpayers do. While other states halted their collection processes entirely, DOR took a balanced approach to relief, knowing not all taxpayers were impacted the same. DOR has responded by implementing certain COVID-19 collection relief provisions such as extended payment plans or collections holds when taxpayers communicate an economic hardship due to the virus. Some of these provisions, such as a standard 36-month payment

plan, may continue post the pandemic crisis. During the pandemic, DOR continues to collect on past due balances, taking collection action when appropriate. For example, DOR continues to issue garnishments to collect amounts owed, but policies and requirements have been adjusted to ensure that the department does not garnish Oregon taxpayers experiencing economic hardship due to the pandemic. Collection staff are taking additional steps to look for recent unemployment insurance claims or other indicators of economic hardship before issuing garnishments.

- DOR's 2019 report to the legislature indicated the agency's plans to implement an enhanced automated system to issue garnishments in specific situations. DOR implemented that system during FY 20, however, the automation was turned off shortly after implementation due to the unprecedented increase in unemployment created by the pandemic. DOR plans to add additional data points that will help determine a debtor's employment status and will continue to evaluate for the best time to turn the automated process back on.
- **Expanding the information available to taxpayers online, particularly about collections and tax obligations.** Based on site analytics and user feedback, DOR has recently improved navigation on its website to make it quicker and easier for taxpayers to find the information they're looking for. DOR is currently in the process of consolidating and updating content related to collections on the department's website.
- **Implementation of Senate Bill 523 (2019)—for public notification of certain amounts owed to the state.** DOR partially configured for this new authority to post certain debt on the department's website, but paused due to the COVID-19 impact on the economy and potential unintended consequences for many Oregonians and Oregon businesses, that are normally in compliance, but experiencing hardship currently. The department will resume implementation after further evaluating impacts.

Conclusion

DOR continues in its commitment to learn and improve on L&D collection and accounts receivable management tools and processes. In recent years, DOR has enhanced the timely writing off of uncollectible accounts and automated the issuance of garnishments in specific situations. Collection activity and accounts receivable management in DOR's core system will continue to mature as DOR completes additional enhancement initiatives including:

- The establishment of a Collections Division.
- Automating the cancellation of debts that meet eligibility criteria.
- Scoring debts to ensure appropriate treatment of accounts.
- Improving taxpayer self-sufficiency tools.
- Establishing operation metrics and accountability standards, and new key performance metrics.