

Tax Professional Liaison Meeting

Oregon Department of Revenue Friday, May 21, 2021

Meeting via Zoom 9:00 a.m. – 11:00 a.m.

Facilitator: Daron Prara

Oregon Department of Revenue

Personal Income Tax Policy Analyst

Agenda

Welcome – Daron Prara

Corporate Activity Tax – Robin Elliot

Personal Income Tax – Jackie Hovey

Break

Compliance Section – David Armstrong

Revenue Online – Dan Melzer and Shannon Richards

Association updates and upcoming events

Please remember:

- ✓ In the event we do not have adequate time to answer all questions, you may e-mail your question to: TaxProfessional.Meeting@oregon.gov
- ✓ The department does not issue continuing education credit for this meeting. However, credit may be issued by the Oregon Association of Tax Consultants (OATC). For more information and to register, please visit: <https://www.oatc-oregon.org/events/EventDetails.aspx?id=1514447>.

Welcome – Daron Prara

Daron gave an overview of the meeting agenda and who the presenters would be for each agenda item.

Daron mentioned that code words would be given periodically throughout the meeting for attendees who wished to receive OATC credit for the meeting. You must keep track of the code words to provide to OATC when asking for credit.

Daron reminded attendees that the department had scheduled a proposed rules process for Tuesday, May 25, 2021 at 9:00 am and that interested parties could go to the department website and offer comments for the proposed rules changes.

Daron said that the PowerPoints for each of the presenters will be posted on the website along with the minutes.

Corporate Activity Tax (CAT) – Robin Elliot (CAT Policy Analyst)

Robin provided an overview of trends and information the CAT unit is seeing during the first filing season. She used a PowerPoint slide presentation to show quick CAT facts.

She noted that generally, CAT may apply to all business entity types. Although, just as there are specific items that are excluded from commercial activity, there are also specific entities which are explicitly excluded from CAT as found in Oregon Revised Statute (ORS) 317A.119.

Robin presented some information in addition to what was on the slides:

- ❖ Companies must register for the CAT within 30 days of realizing \$750,000 in commercial activity for the year.
- ❖ Companies are required to file a return upon exceeding the \$1M threshold.
- ❖ Taxpayers who anticipate owing more than \$5,000 for the year are required to make quarterly estimate payments.
- ❖ For the purpose of subtracting CAT labor costs it's important to ensure that you are only including individuals who meet the definition of an employee under the CAT in your calculation.
- ❖ Further guidance regarding the CAT labor costs subtraction may be found in Oregon Administrative Rule (OAR) 150-317-1200.
- ❖ Applying for an extension of time to file must be done before the filing deadline.

Robin identified some processing issues for this first year of required filing:

- ❖ The department has received over 6,000 extension requests from businesses which have not registered for the CAT.
- ❖ Businesses did not believe they would be subject to the CAT and thus did not register earlier.
- ❖ Some businesses were not aware of the CAT in general and the CAT unit is working on additional outreach to assist such taxpayers.

Robin pointed out some basic return (Form OR-CAT) issues:

- ❖ Line 1 is for total amount of Oregon commercial activity **after allowable exclusions**.
- ❖ Line 2 is for reporting total amount of exclusion.
- ❖ Remember to include Form OR-EXC-CAT with your return to document the exclusions claimed.
- ❖ Subcontractor exclusions for single-family residential construction located in Oregon are being reported incorrectly. Single-family housing includes single-

family detached, or semi-detached houses and townhouses or rowhouses. They must also be separated from an adjacent unit by ground-to-roof wall, have no units constructed above or below, do not share heating or cooling systems, and do not share utilities.

- ❖ Some confusion is noted when using the substitute method:
 - Amounts reported on the incorrect lines
 - Substitute method box checked, but not reporting the associated apportionment percentage
 - Not including the required calculation worksheet to document the method they used
- Specific requirements for using the substitute method are detailed in CAT return instructions on pages 9 and 10.
- ❖ Further information regarding the subtraction and substitute method may be found in OAR 150-317-1200.

Robin described some payment issues:

- ❖ If the CAT return results in a zero-tax due, there is no need to enter \$250 in the amount owed field or to send a payment.
- ❖ Taxpayers who wish to pay by ACH must submit a new application for the CAT specifically; the program is unable to use the Corporation tax addenda information.
- ❖ Submit only payments directly related to the registered program and return being filed. Do not submit payments for a subsidiary that is not part of a unitary filing through CAT ACH channels.
- ❖ When submitting payments, make sure end dates match the intended filing period. Inaccurate end dates cannot be allocated properly.

Robin encouraged feedback from practitioners in order to streamline the CAT filing process. General questions and feedback may be sent to the CAT team at cat.help.dor.@oregon.gov or you may call (503) 945-8005.

Personal Income Tax – Jackie Hovey (Personal Tax and Compliance Policy Analyst)

Jackie provided an overview on why the department needed to redesign some forms and vouchers. She discussed an upgrade to our scanning process necessitated the redesign to increase efficiency and accuracy.

Jackie stated the redesign is a multi-year undertaking beginning with the Corporation section last year and moving to Personal Income Tax this year. Due to scanning requirements of a lot of spacing between lines, we are seeing some forms increasing in

the number of pages. She mentioned the Resident form is increasing from 4 to 8 pages and the Nonresident forms are increasing from 5 to 11 pages. Other forms e.g., Form 10 used to calculate UND will remain one page, but it will no longer have the table to calculate interest. The table will now be found in the instructions.

Jackie urged preparers to keep the calculation worksheet with tax records.

Jackie said not all the feedback increasing the voucher from about one-third of a page to a full page was complimentary. She offered that about all we can do is apologize for the inconvenience.

Jackie reminded everyone that if a payment is mailed with the return, you no longer need to include a voucher. Although if you are making an estimated payment or an extension payment and you are not doing it online, you still need to use a voucher.

She also addressed the effect of the federal Recovery Rebate credit and advance (stimulus) payments on the federal tax subtraction.

Jackie spoke about how a smaller federal tax subtraction meant more of a taxpayer's income was subject to Oregon tax. As a result of disgruntled taxpayers, the Oregon Legislature is exploring ways to mitigate the problem and what effect the changes would have on the Department of Revenue. She said to stay tuned for we hope to know what the Legislature will decide by the time the session ends next month.

2020 Adjusted Return Project PowerPoint Presentation – David Armstrong (Personal Tax and Compliance Policy Analyst)

David talked about how the American Rescue Plan Act (ARPA) allowed for the exclusion of the first \$10,200 in unemployment benefits based on your modified adjusted gross income and how by the time Congress passed the legislation, many Oregonians had already filed their tax returns. He presented a timeline that showed when the Department of Revenue announced automatic corrections for taxpayers who had already filed. The department enlisted 150 employees (mostly auditors) who adjusted 164,000 already filed returns in 36 days.

David spoke about how the project resulted in audits being placed on hold and how return processing was delayed during the five-week project.

David stressed that if you have any clients who still need to have their returns adjusted for this issue, the quickest resolution would be to utilize Revenue Online.

Revenue Online (ROL) – Shannon Richards (Tax Auditor) **and Daniel Melzer** (Public Service Representative)

Shannon and Daniel provided an overview of ROL specific to tax professionals. They covered how to register as a tax professional, adding access to client accounts, submitting requests and documents, and canceling access to a client's account. They took attendees through a step-by-step tutorial on the ROL website to accomplish the tax professional tasks.

There are some important factors to keep in mind:

- ❖ When a tax professional is setting up an account to have access to a client's account, there MUST have been a previously filed return for the year.
- ❖ Make sure you have filed a return for yourself or your company has submitted a payroll return.
- ❖ Make sure you select as "tax professional" and not as an individual.
- ❖ Once your e-mail is added, you may not change the username even if you change your e-mail. If you wish to change the username, you must close the account and set it up again with the new username.
- ❖ Your client needs to keep third-party access turned "on" in order for you to access their account.