

Oregon Department of Revenue

Tax Professional's Liaison Meeting 5/29/2020

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### **IRS Updates – Economic Impact Payments and People First Initiative**

- Many resources are available at [www.irs.gov/coronavirus](http://www.irs.gov/coronavirus). This page includes answers to frequent Economic Impact Payment (EIP) questions, such as payment amounts and phaseout thresholds.
- EIP resources also include a “Check Your Payment Status” tool for filers, and an “Enter Your Payment” tool for non-filers. The direct deposit period is over, so payments are currently being issued by check or debit card. Those not eligible for payments include, dependents and nonresident aliens, and taxpayers generally need a social security number to qualify for the EIP. More details will be available later about processing details, such as non-filer paper submission options and impacts on 2020 returns.
- A new web page for the “People First Initiative” can be reached from the Coronavirus page, and it offers lots of information about relief for COVID-19 related hardships. Many useful details are found in the recently updated “Frequently Asked Questions” area. This includes details of collections and audit procedures, plus a clarification that the statutory deadline for requesting refunds on 2016 returns has been extended to 7/15/20.
- An important element of the People First Initiative is that installment agreement payments can be suspended until 7/15/20. However, taxpayers will need to work directly with their bank to stop direct debit payments, and banks can charge fees for this procedure. Suspended payments will need to start again on 7/15/20, and it's important to note that banks may need up to about two weeks to make this happen.
- You should expect information to be available later this summer regarding details of new electronic filing procedures for amended returns.

### **IRS Updates – Families First Coronavirus Response Act and CARES Act**

- By going to <https://www.irs.gov/coronavirus/coronavirus-tax-relief-and-economic-impact-payments-for-individuals-and-families> you'll see a link to a the “press release on paid sick leave” which has important details about relief for workers now available as part of the Families First Coronavirus Response Act. This release includes specific information about paid leave, paid sick leave credit, child care leave credit, and other provisions.

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- At <https://www.irs.gov/coronavirus/coronavirus-tax-relief-for-businesses-and-tax-exempt-entities> you can follow a link to important points from the “Employee Retention Credit” made available as a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This refundable credit against certain employment taxes is equal to 50% of qualified wages paid by employers; note that caps apply to available employer and employee amounts.

### **IRS Updates – Filing and Payment Deadlines**

- From the Coronavirus page you can follow a link to a new web page which describes details about most federal tax filing and payment deadlines being extended to 7/15/20. The new deadlines are automatic, and if more time is needed to file then an extension must be requested by July 15th. The IRS expects most refunds should happen within the normal 21-day processing time, and it’s also important to repeat that 7/15/20 is now the statutory deadline for claiming refunds for tax year 2016 returns.
- The online resources on the deadlines page include news releases and official guidance, with IRS Notices 2020-18 and Notice 2020-23 including some of the most important details. Notice 2020-23 identifies all the forms affected by the deadline changes, and other helpful information is found in the FAQs for the filing and payment deadlines.
- Retirement plan FAQs found at <https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers> and at <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers#iras> to explain many details. This includes information about employer and employee contribution deadlines being extended until 7/15/20, waiver of some penalties for early withdrawal, the ability to spread taxable distributions over a three-year period, and other retirement plan provisions.
- IRS operations continue to evolve in the current situation as priorities focus on the safety of taxpayers and employees, and you can link to the latest operations and services status from the Coronavirus page. Much of the IRS work is experiencing backlogs, especially for paper submissions, and processing will happen as soon as possible in the order documents were received. Returns are still being processed and refunds are being issued, but since many services are limited or not available it’s recommended that electronic options be used when possible. It’s encouraging that the automated phone lines and the practitioner priority service lines have reopened, and some IRS employees at Kentucky, Texas, and Utah facilities are being phased back to work starting June 1<sup>st</sup>.

### **DOR Updates - CARES Act**

- Oregon continues the federal rolling reconnect, so any CARES Act impacts on federal taxable income are tied to the Oregon return. This connection could change partially or entirely, depending on what happens in a special legislative session.

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- Provisions of the CARES Act, such as SBA grants, would be taxable by Oregon if included in federal taxable income. Other sections of the Act, like those that provide for loan payment subsidies, aren't as clear about taxability, but typically if a grant would have been treated as taxable in the past it remains taxable.
  - Unemployment compensation remains clearly taxable and no provision is included in the CARES Act to exempt these benefits. It's highly encouraged for taxpayers to request withholding on this income using Form 1040WH through the Employment Department since federal and state withholding isn't automatically withheld from unemployment pay.
  - The one-time stimulus payments don't appear to be taxable because they're structured as advance payments of a 2020 refundable federal credit. However, due to Oregon's federal tax subtraction, the stimulus payment could reduce the taxpayers federal tax subtraction on the 2020 Oregon personal income tax return. The stimulus payment is a federal refundable credit, which reduces the federal tax.
  - If a taxpayer claims the new \$300 charitable deduction to federal AGI and itemizes for Oregon, then the federal deduction that flowed through to Oregon can't be included as part of the Oregon itemized charitable deductions.
  - Employers are now able to make payments for student loans of their employees, and this is treated as a business expense flowing through to the employer's Oregon return. This results in the employee not being allowed to take the interest expense subtraction on their personal income tax return.
  - CARES Act allows for a modification of net operating losses (NOL) by granting a five-year carryback period. The only difference in Oregon's NOL treatment is for items Oregon is prohibited from taxing. The changes are expected to result in a higher than normal amount of NOL amended returns.
  - Other CARES Act provision, such as modification of the excess business loss limitation, means that taxpayers will need to amend 2018 and 2019 Oregon returns to take advantage of any changes that should flow through to Oregon. Also, changes to the business interest limitation, qualified investment property, and deductibility of over-the-counter medical products are tied to the Oregon return.

#### **DOR Updates - Director's Orders**

- Director's Orders are required when it's determined that actions of the Governor and the IRS will impair the ability of Oregon taxpayers to take actions within the legally prescribed time.
- Director's Order 2020-01, extended filing and return payment deadlines for personal income tax, transit self-employment, and fiduciary taxpayers to July 15, 2020, but *didn't* extend the 2020 estimated tax payments like the IRS did. However, Oregon's safe

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harbor rules for underpayment of estimated taxes still apply and the FAQs on the DOR site has some good information about how you can estimate your payments.

- Similar extensions apply to corporate excise and income taxpayers for filing and tax payments, but the estimated tax payment timelines also didn't change. No extension was provided for any other type of Oregon tax or for the filing of Oregon information returns, such as marijuana, withholding, Corporate activities tax, etc.
- Director's Order 2020-02, provided the automatic extension to July 15, 2020 will include *any* return, which also now extends fiscal filers. If any three-year statute of limitation is set to expire during the allowed time period, then it will be extended as well. The estimated tax payments for 2020 still aren't extended. The Order also extended the time to submit a Written Objection or Conference appeal from 30 days to 90 days for notices issued from March 1, 2020 and before June 16, 2020. The department didn't get the programming done in time for this change so some notices were assessed during the normal 30 day timeframe instead of waiting the 90 days. Those Notice of Assessments that were done too early, were issued a notice titled "Invalidating a Notice Previously Issued" to alert taxpayers that they have more time to appeal. The Order also gives the Department an additional 60 days to issue a Notice of Assessment, Notice of Refund Denial, or Conference Decision letter for the notices that received the additional time to appeal. The Magistrate appeal timeline isn't affected by this Order.
- Clicking the "tax relief options" link on the department website and it will take you to <https://www.oregon.gov/dor/Pages/COVID19.aspx> where the most up to date information is found about Oregon and federal relief efforts. The Oregon relief information will be continually updated, and this includes the "Director's Orders" and related "Director's Orders FAQs".

#### **DOR - Upcoming**

- The department has recently heard that some people are not able to receive our Revenews. We have specifically heard from Comcast customers, but there may be more out there. The department is working on this issue and expect to have an update at the next meeting.
- The department's previous director, Nia Ray, has left the agency for a new adventure. We hope to have an announcement at the next meeting of who our new director will be. Our interim director, is Satish Upadhyay.
- News about a special session and other announcements or changes will be available as soon as possible via the department's website and Revenews.

#### **DOR - Q & A**

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- Follow-up questions sent to [taxprofessional.meeting@oregon.gov](mailto:taxprofessional.meeting@oregon.gov) will be responded to, and answers to the Oregon questions already submitted will be found on the tax professionals page of the DOR site.

**Next meeting is scheduled for July 31, 2020.**