

Oregon Department of Revenue
Tax Professional's Liaison Meeting 07/27/2018
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Minutes

Oregon Statewide Transit Tax

The statewide transit tax is a new income tax that will help fund public transportation services and improvements within Oregon. The tax is equal to one-tenth of one percent (.001) of the wages received by an employee who is an Oregon resident, or an employee who is a nonresident but who performs services in Oregon. **For tax year 2018, only wages earned and received from July 1, 2018 through December 31, 2018 are subject to this tax.**

- Employer must withhold from employee wages at the time of payment (similar to income tax withholding)
 - Employers currently subject to withholding income tax from employee wages are automatically subject to statewide transit tax.
 - Oregon residents must report and pay statewide transit tax if employer doesn't withhold because they are not required to (e.g. Oregon resident who works in Vancouver, WA).
 - These taxpayers will be required to file Form OR-STI, *Oregon Statewide Transit Individual Tax Return*.
 - Can be filed with annual personal income tax return (details to follow).
 - Oregon can't compel out-of-state employer outside of the taxing jurisdiction in Oregon to withhold income tax or statewide transit tax. These employers may register with DOR and withhold taxes as a courtesy to the employee.
 - Employer must withhold, report, and remit Statewide Transit Tax to DOR on a quarterly basis (e.g. 3rd quarter {July 1 – Sept. 30} filing and payment due date is October 31, 2018)
 - Agricultural employers (Form WA filers) and domestic employers (Form OA Domestic filers) file and pay the Statewide Transit Tax on an annual basis (filing and payment due date is January 31).

Exemptions to the Statewide Transit Tax

- Enrolled tribal members who receive income from a source on federally recognized Indian country in Oregon and reside on federally recognized Indian country in Oregon (ORS 316.777).
- Income derived from the exercise of rights of any Indian tribe to fish secured by treaty, Executive order or Act of Congress if IRC section 7873 doesn't permit a like federal tax to be imposed on such income (ORS 316.785).
- Any exemptions listed under ORS 316.162 (e.g. active service in the Armed Forces, services performed by a duly ordained, commissioned or licensed minister of a church, emergency forest firefighters who are temporarily employed, etc.)

The Oregon Employment Department's electronic withholding system did not have capacity to bring up a new program. As a result, the Oregon Legislature move the responsibility of payroll withholding to the Department

of Revenue. Since DOR could not use Employment's forms or system, we had to create our own forms and process for accepting withholding payments for this new tax.

Which returns must employers file?

1. Quarterly Statewide Transit Tax return
2. Statewide Transit Tax Employee Detail Report
3. Annual Statewide Transit Tax return
4. Form OR-WR Annual Withholding Tax Reconciliation Report
5. Payment Voucher – for cash, check, and money order payments

Forms may be filed on Revenue Online or by paper.

Payments can be made using Revenue Online, or with cash, check, or money order with the STT payment voucher.

Employers may **not** use

- Form OQ
- Form 132
- Form WA
- Form OA
- Form OTC payment voucher

Penalties

- Normal penalties under ORS chapters 305 and 314
 - Five percent penalty for failure to file/failure to pay by the due date
 - 20 percent penalty for failure to file after one month
 - 25 percent penalty for failure to file 30 days after Demand Notice
 - 100 percent penalty for failure to file for three consecutive years (12 consecutive quarters for statewide transit tax)
 - Additional penalty for knowingly failing to deduct and withhold statewide transit tax
 - \$250 per employee, capped at \$25,000 for each tax period
 - OAR 150-320-0510

Additional information from questions

- If there's an employee who doesn't work, close the account.
- Unless the income is exempt from this tax, the tax will be on wages as reported in box 1 of Form W-2. Wages and withholding will also be reported in box 14, though the Administrative Rule mandating this will not be in effect for 2018.
- If an employer withholds on wages not subject to the tax, the employee will file Form OR-STI to claim a refund.
- Estimated revenue from this tax is \$106M this biennium.

Statewide Transit Individual (STI) Tax

- Also known as the Statewide Transit Tax (STT) for withholding purposes.

- For tax year 2018, only wages earned from July 1, 2018 through December 31, 2018 are subject to this tax.
- The vast majority of wage earners (97.17%) will have this tax withheld from their wages and not have to do anything.
- .33 percent (.0033) of taxpayers who's out-of-state employer doesn't withhold will need to file Form OR-STI.
- Nonresident taxpayers working inside and outside Oregon might need to file Form OR-STI to claim a refund.

Wages NOT subject to regular withholding are not subject to this tax.

- Wages earned prior to July 1, 2018.
- Income received for domestic services in a private home.
- Income received for services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of the minister's ministry.
- Income received for active service in the Armed Forces of the United States if federal withholding isn't required.
- Income received by a nonresident that qualifies under the Amtrak Act and hydroelectric dam and waterway workers.
- Income received by an enrolled member of a federally recognized American Indian tribe that qualifies for the exemption from state income tax.
- Income received for temporary employment as an emergency forest fire fighter.
- Income received for planting or harvesting seasonal agricultural crops if the total wages received are less than \$300 annually.
- Income received for work performed as an independent contractor.

Taxpayers will tax-to-pay will complete "Part A" of Form OR-STI.

2018 Form OR-STI

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DRAFT 5, 07-19-18

Oregon Statewide Transit Individual Tax Return



19341801010000

Office use only	

Submit original form—do not submit photocopy.

Amended return Extension filed

First name and initial		Last name		Social Security number (SSN)
Current mailing address				Date of birth
City	State	ZIP code	Country	Phone
				() -

Part A—Tax to pay

1a. Taxable wages (see instructions).....	1a. \$.00
2a. Tax. Multiply the amount on line 1a by 0.001. Round to the nearest dollar.....	2a. \$.00
3a. Penalty and interest for filing or paying late (see instructions).....	3a. \$.00
4a. Tax due including penalty and interest. Line 2a plus line 3a..... This is the amount you owe.	4a. \$.00

Line 1a will generally be the amount from line 1 of Form W-2.

Taxpayers claiming a refund because their employer withheld wages not subject to this tax will complete “Part B” of Form OR-STI.

Part B—Claim for refund

1b. Portion of taxable wages from Form(s) W-2, box 14 subject to this tax (see instructions).....	1b. \$.00
2b. Tax. Multiply the amount on line 1b by 0.001. Round to the nearest dollar.....	2b. \$.00
3b. Tax withheld from Form(s) W-2, box 14 (see instructions). Include a copy of Form(s) W-2.....	3b. \$.00
4b. Overpayment. Line 3b minus line 2b.....	This is your refund. 4b. \$.00

The employer should report wages and withholding in box 14 of Form W-2.

Taxpayers can complete both sections of this form if they work for more than one employer and both situations apply. *This should be highly unlikely.*

Form OR-STI will be available to be filed online via Revenue Online. It does not need to be filed with the personal income tax return, however the same due dates apply.

Form OR-STI cannot be jointly filed. If the taxpayer files joint for PIT purposes, and one or both spouses need to file Form OR-STI, each spouse will complete their own Form OR-STI.

Schedule OR-A

:: continued below::

2018 Schedule OR-A

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Draft 1



Office use only

Oregon Itemized Deductions

Submit original form—do not submit photocopy.

First name and initial	Last name	Social Security number (SSN)
Spouse's first name and initial	Spouse's last name	Spouse's SSN

Read instructions carefully before completing this schedule.

Medical and dental expenses

Caution! Don't include expenses reimbursed or paid by others.

- 1. Medical and dental expenses. See instructions 1.
- 2. Federal adjusted gross income (AGI). Enter the amount from Form OR-40, line 7 or Form OR-40-N or OR-40-P, line 29F 2.
- 3. AGI threshold. Multiply line 2 by 7.5% (0.075) 3.
- 4. Medical and dental expense deduction. Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 4.

Taxes you paid

- 5. State and local income taxes. **Don't include Oregon income tax!** 5.
- 6. Real estate taxes. See instructions 6.
- 7. Personal property taxes 7.
- 8a. Foreign income taxes 8a.
- 8b. Total income and property taxes. Add lines 5 through 8a. **Don't enter more than \$10,000 (\$5,000 if married filing separately)** 8b.
- 8c. Other taxes. List type and amount: _____ 8c.
- 9. Taxes paid deduction. Add lines 8b and 8c 9.

Interest you paid

- 10. Mortgage interest and points reported to you on federal Form 1098 10.
- 11. Mortgage interest not reported to you on federal Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address: _____ 11.
- 12. Points not reported to you on federal Form 1098 12.
- 13. Mortgage insurance premiums. See instructions 13.
- 14. Investment interest. Include federal Form 4952 if required. See instructions 14.
- 15. Interest paid deduction. Add lines 10 through 14 15.

Gifts to charity

- 16. Gifts by cash or check. See instructions 16.
- 17. Gifts other than by cash or check. Include federal Form 8283 with your return if over \$500 17.
- 18. Carryover from prior year 18.
- 19. Total gifts to charity. Add lines 16 through 18 19.

Other miscellaneous deductions

- 20. See instructions and list type and amount: _____ 20.

Oregon itemized deductions

- 21. Oregon itemized deductions. Add lines 4, 9, 15, 19, and 20 21.

Enter the amount from line 21 on Form OR-40, line 16 or Form OR-40-N or OR-40-P, line 37.

— You must include this schedule with your Oregon income tax return —

- Schedule OR-A will be used by all filers who itemize deductions. Taxpayers who itemize for both federal and state will file both federal Schedule A and Oregon Schedule OR-A.
- Oregon follows federal definitions, including limits.
- The \$10,000 limit on state and local tax (SALT) applies to Schedule OR-A.
 - Do not include Oregon income tax in the \$10,000 limit.

Taxes you paid

5. State and local income taxes. **Don't include Oregon income tax!**

- The statewide transit tax is an Oregon income tax and can't be included on Schedule OR-A as state taxes paid. It can be included on the federal Schedule A.
- Do not take deductions on Schedule OR-A if an Oregon credit is claimed for the same income. For example, do not claim a deduction on Schedule OR-A for contributions to the University Venture Fund if you're claiming the credit for contributions to the University Venture Fund.
 - Since these items will no longer be deducted, addbacks won't be required when the credits are claimed.
- The same provision applies to subtractions. Subtractions that were previously reduced if related to expenses include in federal itemized deductions no longer need to be reduced. Don't include these expenses on Schedule OR-A and claim the full subtraction on the Oregon return.
 - Interest on local government bonds
 - Interest and dividends on US bonds and notes
- Follow all federal requirements! If it's not allowed for federal purposes, it's not allowed for Oregon.
 - Example: Miscellaneous itemized deductions subject to 2% AGI threshold – SUSPENDED!!!
- Federal instructions and publications should be referenced if there is a question about an item's deductibility.
- Your software will support this form. Remember to verify the software is calculating correctly! There is risk with any new form or calculation so perform your due diligence.

Local Taxpayer Advocate

David Vawser visited the group and reminded us of all the services the LTA provides. David also shared the sad (for us) news that he is retiring, and his last day with the IRS is Tuesday, July 31.

Congratulations David, and thank you for your 30 years of service!

Visit <https://www.irs.gov/advocate/local-taxpayer-advocate> for more information about the IRS Local Taxpayer Advocate.

Board of Tax Practitioners

Howard Moyes visited from the Oregon Board of Tax Practitioners.

- The Board is considering requiring two hours of CE of Oregon-specific tax education.
- Licensing tests are being outsourced to a company that will provide online test taking. This will speed up the efficiency of the licensing process.
- Will the LTC exam be open book? No.

The IRS has asked us to promote their Data Security for Tax Professionals information

<https://www.irs.gov/pub/irs-pdf/p4557.pdf>

<https://www.irs.gov/pub/irs-pdf/p5293.pdf>

DOR updates from Sophia

- Sophia will not be facilitating again until next year. A member of our Compliance staff will facilitate the October meeting, and a member of the PIT Policy staff will facilitate at the December meeting.
- Keep your eyes open for a Revenews about our W-4 worksheet. This will be needed to help Oregon taxpayers ensure their withholding is correct.
- Due to all the federal changes, the unexpected changes to federal Form 1040, and Congress' promise of a 2.0 tax reform this October, it has been decided that the department will not be printing Publication OR-17 for the 2018 tax year. The reasons being:
 - It is highly unlikely the information in a printed version will still be accurate by the time the tax season begins.
 - Making this decision now enables us to further enhance the online PDF version of the publication for ease of use and searching.
 - Relying solely on an online version of the publication will allow us to update the content as changes arise. Our current practice does not allow for this because the printed version cannot be different from the online version.
- You are free to print some or all of the publication yourself. Please check back to our website often to ensure your printed version is up to date.

Thank you for attending. Next meeting is October 26, 2018.