

Oregon Department of Revenue
Tax Professional's Liaison Meeting 10/26/2018
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Financial Institution Data Matching (FIDM) Program

The State of Oregon is perceived to have a large accounts receivable balance. Legislators would like to reduce this debt to help pay for services for the residents of Oregon. However, unlike other entities such as a bank, car dealer or other type of lender, the State does not get to choose its debtors. Everyone (with certain thresholds) who produces income in Oregon or is a resident of Oregon and produces income from elsewhere owes taxes. They may pay that tax debt through withholding, estimated payments or in a lump sum when they file their return.

However, not everyone pays. So, the department exhausts several methods to try to encourage voluntary payments but eventually must resort to collection efforts. To help facilitate those collection efforts the legislators provided a new tool to the Department of Revenue (DOR) through SB 254 in the 2017 session. This bill created a program called Financial Institution Data Matching (FIDM).

Prior to FIDM, when collection efforts required garnishing funds held in an account at a financial institution, the DOR spent hours researching where a debtor might have an account and frequently sent garnishments to several financial institutions in hopes of finding an account. FIDM requires financial institutions to compare a list of State debtors against their list of account holders. The results of that comparison is sent back to the DOR. The DOR can then target their garnishments just to those institutions known to have an account of a debtor.

There have been a few delays in obtaining a signed agreement from every financial institution in Oregon. However, we have approximately 70% signed up and are having significant success with those financial institutions and their matching. We anticipate having all financial institutions be a part of the program by the end of the year or slightly thereafter.

Oregon Withholding

Overview:

- The IRS updated Form W-4 to better correspond to the federal Tax Cuts and Jobs Act of 2017. The allowances calculated no longer correlate to the number of allowances needed for Oregon withholding.
- In 2018, DOR updated Worksheet OR-WW to help employees convert the number of federal allowances into Oregon allowances. These Oregon allowances needed to be claimed on an "Oregon-only" version of
- For 2019, DOR is in the process of developing a new Oregon Form W-4 and Oregon Online Withholding Calculator. Both of these items will be released in December to allow employees to update their withholding prior to the new year.
- Please join the department in helping us spread the word about these new tools and the need to perform a paycheck checkup.

Form OR-W-4:

- This form is modeled after the 2017 federal Form W-4 and includes three similar worksheets to determine the correct number of allowances.
- Certain taxpayer situations are better supported through the Oregon Online Withholding Calculator. These situations will be identified in the form instructions.
- The following employees need to complete Form OR-W-4:
 - New Employees
 - Employees with recent personal or financial changes affecting their tax situation.
 - Employees who completed a 2018 or 2019 federal W-4 – without a specific “Oregon-only” version of the federal Form W-4.
- The following employees do NOT need to complete Form OR-W-4:
 - Employees who completed a 2017 or prior federal Form W-4 and their Oregon liability matches their Oregon withholding.
 - Employees who completed an “Oregon-only” version of the 2018 and 2019 and their Oregon liability matches their Oregon withholding.
- We are researching our current withholding formulas and processes to see if future changes need to be made.

Oregon Online Withholding Calculator:

- The calculator will be house on Revenue On-line as a non-logged in function.
- Its design is mirrored after the IRS’s withholding calculator.
- It estimates the taxpayers tax liability, anticipated withholding based upon the taxpayer’s current withholding elections, and determines the amount of tax to pay or refund the taxpayer is on target to receive. The calculator also determines the corrected number of allowances the taxpayer should claim to reduce their tax to pay or refund.
- The calculator’s results will only be as accurate as the inputs entered into the calculator.
- Taxpayers will only need to use the calculator one time (and whenever there is a personal or financial change affecting their tax situation).

What to Expect During an Audit

The following content is copied from the slide show presented at the meeting.

Statute of Limitation

ORS 314.410 - lets the department audit and propose adjustments to any tax period for 3 years from the later of:

Due date of the return

Receipt of the return

- We can audit ANY item that affects an open period.
 - This means we can issue refunds, create deficiencies, or assessments based on how the current period is affected by items from a closed period. For example; NOL’s and other loss Carryforward.
 - What we cannot do is issue refunds, deficiencies, or assessments on a closed periods.

Occasionally to accommodate schedules the department will ask to extend the timeline on an audit.

Audit Process

- The length of the audit varies depending on the:
 - Type of audit,
 - Complexity of the items being reviewed,
 - Availability of information being requested, and

- Your agreement or disagreement with the findings.
- There are three stages to an audit:
 - Examination of books and records.
 - Proposed adjustments.
 - Audit conclusion.

Information Request and Proposed Adjustment

- The IDR or Information Document Request is issued with 2 weeks to 30 days depending on the type of business and type of entity.
- We review the information and make an initial determination.
- We send you a letter explaining the proposed adjustments we intend to make.
- This is your opportunity to provide additional information.
- There will be another deadline, usually 2 weeks to 1 month.

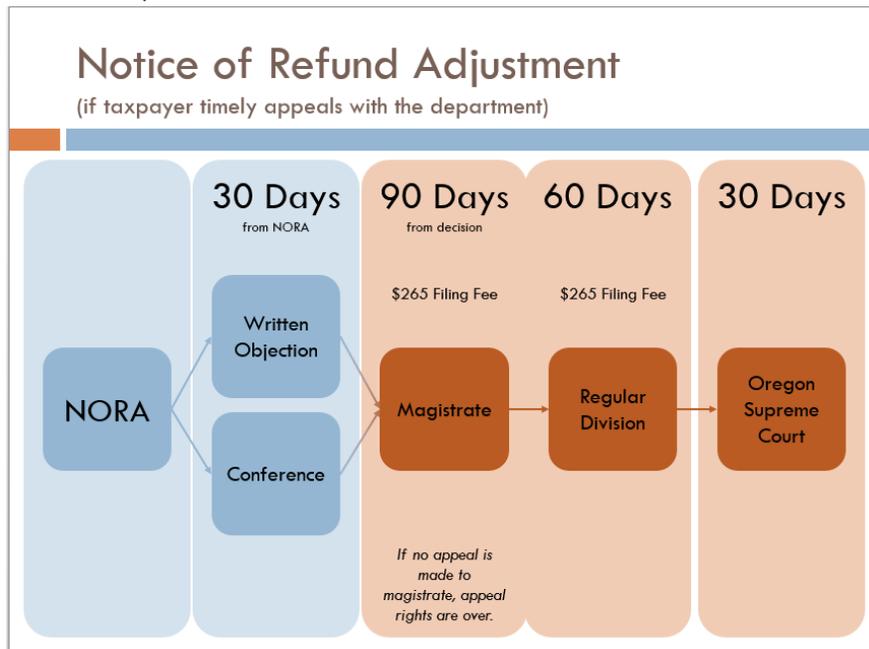
Conclusion of the Audit

We will either:

- Issue a Notice of Deficiency explaining the additional amount you need to pay and why. Or,
- Send a notice explaining that adjustments weren't necessary and the audited items are accepted as filed.
- Appeal**
- If you disagree with the adjustments, you can appeal.
- Appeal rights are explained in the Notice of Deficiency.

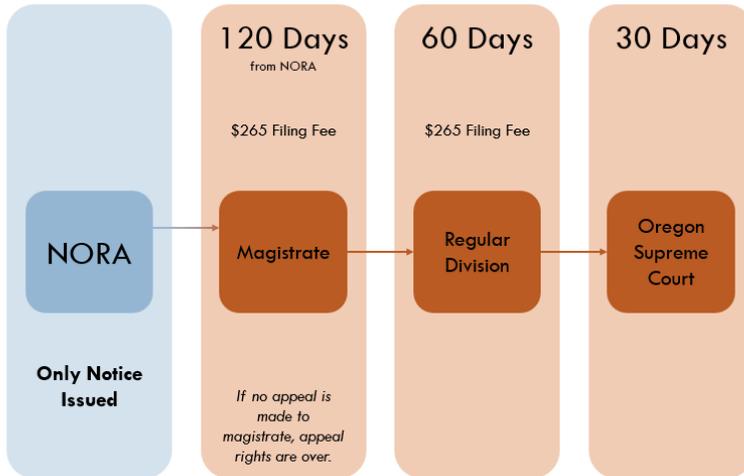
Appeals

- Notice of Proposed Refund Adjustment (NORA)
 - ORS 305.270
- Notice of Deficiency (NOD)
 - ORS 305.265, 280, 305
- Non-Filer Notice of Assessment (Estimated Return)
- Written Objection, or
- Request for Conference



Notice of Proposed Refund Adjustment

(if taxpayer does not timely appeal)



Notice of Deficiency (NOD)

(Processing adjustments, Audits, RAR/CP2000, Other States Audits)



An RAR/CP 2000 is an IRS adjustment that's relayed to us by the IRS.

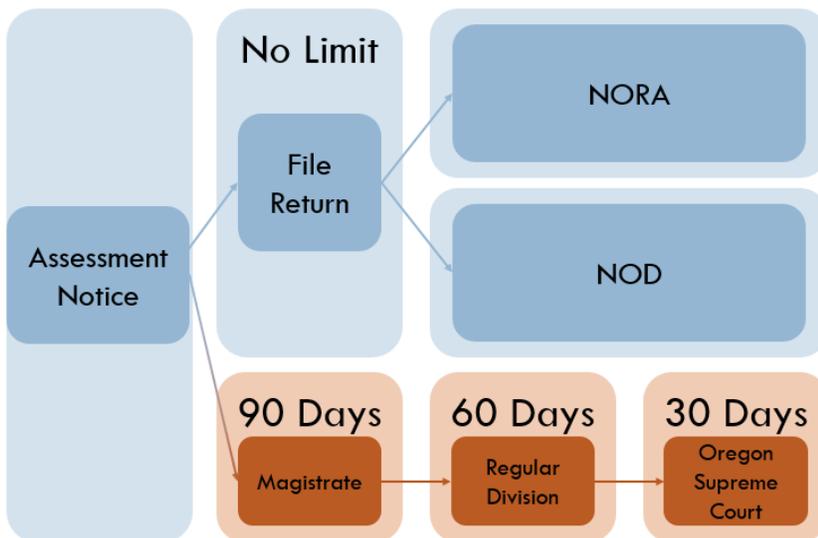
A Notice of Deficiency has the same appeal rights as a Notice of Refund Adjustment, plus the 2 years from full payment.

Notice of Deficiency (NOD) under ORS 305.305 (RAR/CP2000 or other state audit that **Was** appealed to the IRS or Other State)



When our notice of adjustment is based on an IRS or other state adjustment. If you provide us proof of the appeal in process, we will put the Account on Hold until the other appeal is complete. TP must send us a copy of the IRS or other state final determination notice for review and making our determination. Again, if TP disagrees with the result of the internal appeal, they have 90 days to appeal to Magistrate.

Nonfiler Notice of Assessment



When a TP is not in compliance – meaning they have not filed a return. We send them notices but fail to file a return as requested. We file an estimated return on their behalf.

They have no appeal rights with department until they file their return.

Once the return is filed and we process the return, if it results in a NORA or a NOD, they have the associated appeal rights.

For the 90 days after the estimated return is filed they can pay the the \$265 filing fee and appeal to magistrate. OR, they can file their return.

Written Objection

- A written objection is any written correspondence stating disagreement with a Notice of Deficiency that does not request a conference.
- Must be in writing
 - Revenue Online (ROL)
 - Mail/Hand Delivered
 - Email
- May be an amended return but better if it is not
- Best used when there is additional information for the auditor.

Request for Conference

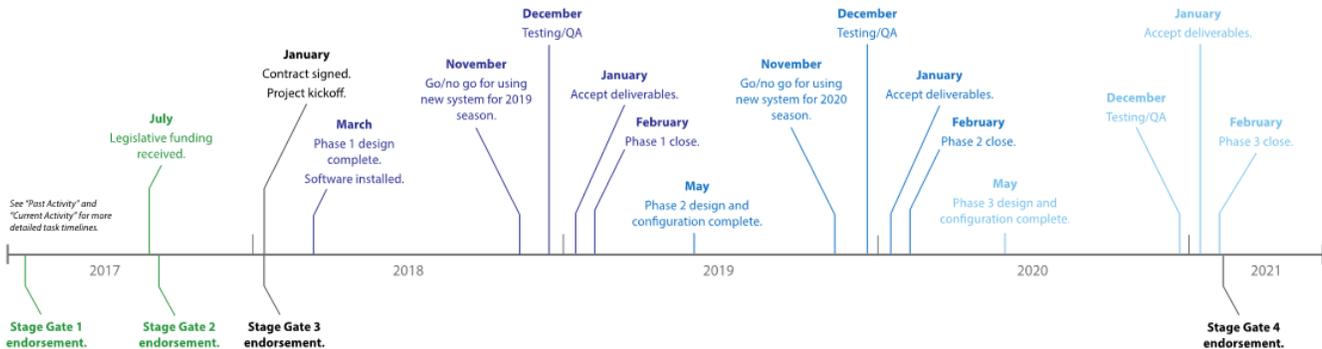
- Must be in writing and include name, SSN, tax year, and phone number.
- Indicate that it is a **conference request**
- May be delivered by:
 - Revenue on Line (ROL)
 - Mail/Hand Delivered
 - Email
- NOT an amended return
- Clearly state the objection *and* include any new information not previously provided
- Used for when you disagree with the auditors interpretation of the law.

Processing Center Modernization Project

Purpose

- Replace outdated and unsupported paper tax return and check processing systems.
- Benefits:
 - Stable systems that are supported by the vendor.
 - Automate many physical processes.
 - Better control of taxpayer information.
 - The ability to begin capturing more data from paper tax returns once the system has been implemented.

Schedule



Project Phases

- Phase One
 - Corporate tax
 - All paper payment types
 - Statewide Transit Tax (STT)
- Phase Two
 - Personal income tax
 - Lane and TriMet transit self employment tax
 - Pass through entity tax
 - Statewide Transit Tax (Self-employed)
- Phase Three
 - Estate/Fiduciary tax
 - Timber tax
 - Withholding tax
 - Property tax deferral
 - Correspondence

Helpful Tips

- **Keep your software up to date**
- **E-file**
- **Print actual size (NOT - fit to page)**
- Cut payment coupons
- No staples or paper clips
- SSN/FEIN on checks
- Reprint full 2D return when making corrections

New Law Updates

- We will again be doing updates throughout the state this year. The 2019 Legislative Session will begin a week earlier and so we will need to cut off updates January 15, 2019. Many have already scheduled but if you need to, contact Daron Prara.
- Due to the number of anticipated updates this year, we are going to have auditors in Salem Main and all of the field offices do the updates in their community. The Policy Unit will continue to do the updates with greater than 50 attendees.
- A look ahead to next year, the agency is looking at ways we can more effectively give updates statewide using technology. Our speakers are familiar with the training material and present information on behalf of all of our programs but are not necessarily the subject matter expert (SME). Using technology, we are planning on presenting in a centralized location where we can have all of our SME's available to present and answer your questions while you participate from a location in your community or in your home. Because we can go more indepth with each topic, we can extend our updates to 3 hrs of training instead of the current 2 hr standard.

Questions from the tax professionals

- During the FIDM presentation, there were many collection related procedural and policy questions asked. Marcus was tasked to present and answer questions related to FIDM and it was suggested that we have a collections representative come to the December meeting to answer questions.
 - See the December 7, 2018 meeting minutes.
- Will there be any forgiveness for interest on the underpayment of estimated tax (UND) related to under withholding?
 - No. Under withholding related to tax law changes do not meet an exception or waiver requirement. A waiver provision to under withholding due to changes in federal tax law would require a legislative change. At this time, the IRS is not waiving interest or penalties due to under withholding.
- Will the withholding tables still be available for employers or will they have to use the formulas?
 - The withholding tables will be available; however, they will only be accurate if the employee claims the same number allowances for both federal and state purposes.