

Oregon Department of Revenue
Tax Professional's Liaison Meeting 5/26/17
Facilitator: Sophia Sakoff
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Minutes

Columbia River OSTC new website address: www.ostc-columbiariver.org

Sophia opened the meeting at 9:00.

Legislative Update

Lois Williams - Agency Rules Coordinator / Legislative Liaison for PIT and Payroll/Withholding provided a legislation update. Sine die is expected the beginning of July. Stay tuned for updates, as these items are still under discussion.

Forecast came out 5/16:

- Budget Deficit is now at \$1.4 Billion
- More likely than not will have a **Kicker** (current law is to include as a refundable credit on the 2017 return, filed in Spring 2018, based on tax year 2016); \$400+Million

Big Packages that affect Revenue:

Transportation Package:

- Gas Tax Increase (not administered by Revenue)
- Transportation Tax:
 - Vehicles (1%)
 - Bicycles (1%)
 - Aggregate (?) – the kind of rocks that go into building roads
- Transit Tax (.001%, paid by employees) Currently, separate filing with DOR; quarterly, paid in accordance with when other payroll withholdings are remitted.

Commercial Activities Tax (not just corporations – all business types)

- Based on gross receipts; tiered system
- Personal Income Tax Provisions:
 - Reduced tax rate brackets
 - Increased standard deduction and/or exemptions
 - Increased Earned Income Credit provisions
 - Pass-Thru Entity rate provisions (possibly a credit for the CAT tax)

Cigarette Tax:

- Tax Increase
- Retailer Licensing

Transient Lodging Taxes:

- Authority to enter into intergovernmental agreements to administer local taxes (similar to MJ)
- Authority to exchange state lodging return info with local jurisdictions

Marijuana Tax: Distribution changes

Personal Income Tax Related specifically:

- Earned Income Tax (SB 398) – Employers must provide information about the EITC with all W-2s
- Lots of interest in increasing EITC awareness – brings money into the state
- Mortgage Interest (HB 3298) – Provide a refundable credit (up to \$994/\$855), eliminate the mortgage interest deduction from itemized deductions; credit is phased out for incomes \$200K-\$350K / \$100K-\$150K all others
- PTE – Still kicking around ideas:
 - NAICS Codes – only allowing certain industries
 - Increase # of employees (from one to 10)
 - Whether or not to allow amended returns
 - Stay tuned to CAT Tax we discussed earlier
- Energy Tax Credits (whether to allow to sunset at 12/31/17)

Our PIT Concepts:

- HB 2283 – RAPP (no backdating for payments made during extension)
- HB 2284 – Collateral Audit
- HB 2285 – Notice of Assessment (on the date of filing during the extension)
- SB 33 – Daily Interest Calculation (passed both chambers, but needs to go back to Senate to consider House amendments for 45-day interest start on Lodging and E911)

Budget Hearings over the past few weeks:

- Planning to fill staff vacancies (and see where our budget lands)
- Collections emphasis

Governor's Executive Order –

- Emphasis on Collections – statewide
- SB 89 – more state agencies, more accounts coming to Revenue

2016 Processing Season Update – Warren Naillon

Returns Processed this season year-to-date (date)

	PIT	%	CORP	%
MeF	1,633,264	84.33%	43,068	80.70%
2D	201,478	10.40%	1,963	3.68%
Traditional Paper	101,980	5.27%	8,337	15.62%
TOTAL	1,936,722		53,368	

Amended returns in processing:

- PIT Current Year = 258 with oldest date of 04/21/2017
- PIT Previous Year = 139 with oldest date of 04/12/2017

Issues we saw with returns

- We had several traditional paper returns (PIT, Partnership, Fiduciary, payment vouchers) filed with masked identifiers. (FEIN or SSN) These were software produced returns that should have been the “taxpayer copy” not a “government copy”. Preparers need to be aware that DOR needs to have a non-masked identifier for correct processing.
- Please reprint the entire 2D return after making changes so the changed data is included on the return as well as in the 2D barcode. Paper returns received with a 2D barcode are scanned into our system. Changes made to a return after it has been printed will not be captured if the return has not been reprinted after the changes were made, as the 2D barcode will still reflect the information on the return when initially printed.
- Software prepared returns might be slightly different than the Agency fillable returns. The gray lines/boxes on the Agency fillable forms should not print when using tax preparation software.
- Preparers need to ensure the proper taxpayer’s data is on the face of the voucher, as well as the scan line at the bottom of the voucher. Payment vouchers are not “read” by DOR staff. The scan line at the bottom of the voucher is fed through our banking machine with the check. If a preparer has a client’s account open in their software for the purpose of printing a voucher, the scan line does not update even if the body of the voucher is overwritten. You will print a voucher with one taxpayer’s data in the body, and another taxpayer’s SSN in the scan line. The payment will post to the taxpayer’s account in the scan line.
- Use the approved versions of payment vouchers. If your software indicates a form is a “draft” or “unavailable”; that means the vendor is still testing their forms with us. Wait

for your software to update before printing forms and vouchers that are still in a draft version.

- Use the most current version of software available including any updates that need to be downloaded

We have completed our seasonal processing

Conference Appeal

Conference Officer Rod King provided an overview of the conference process. Our written material about this topic is being updated, and the minutes will be updated when that process is complete.

PTE Reduced Tax Rate & Form OR-41

The reduced tax rate for qualifying pass-through income under ORS 316.043 is allowed on Form OR-41 if the qualifications of the statute are met. The department anticipates this will impact very few taxpayers. If you have a Form OR-41 client who meets the qualifications for the reduced tax rate, please call 503-945-8693 and we will provide further instructions.

Future Topics

We had a discussion to drum up ideas for future topics to be presented at these meetings.

Some of the highlights include:

- Not-for-Profit businesses
- Washington residents working in Oregon - Amtrak
- EBE – Mileage logs, travel expenses for contractors, home office expenses
- Cash based businesses – marijuana
- Kicker
- Subtraction for marijuana business expenses not allowed on the federal return

If you have a suggestion for a topic, please email your idea to sophia.sakoff@oregon.gov.

Q & A's

Q – Is it acceptable to photocopy W-2s and 1099s and include the PDF with an efiled return? Will that prevent a request for a copy of these forms?

A – Yes, this is acceptable, and in most cases, will speed processing. Keep the originals with the taxpayer's records.

Q – Will a state issued ID number be required to efile 2017 returns?

A – No. If your client has a state issued ID, we highly encourage providing that information when your tax preparation software asks for it. Having this information allows us to identify the validity of the return which speeds up processing. This is a joint effort that is being supported by the IRS, all income tax states, and software vendors as a means to reduce the number of fraudulent returns filed. Some states have passed laws making the state issued ID requirement mandatory. Oregon has not taken this step at this time, so participation remains optional.

Q – What does it mean when my client's return is in "manual review"?

A – There are many reasons a return may be stopped during processing. Some examples are:

- Withholding unreasonable (amount of withholding doesn't make sense compared to reported income)
- Large refund
- Fraudulent return suspect
- Missing information
- Claimed the Working Family Household and Dependent Care credit

Processing criteria is determined at the start of each tax season. Criteria that will stop a return during processing is called an "edit". If a return hits an edit, processing stops and the system assigns the return to a queue to be manually processed. At this time the "manual review" message will appear on the taxpayer's account. The "manual review" message means the return is in a queue and does **not** mean the return is actively being reviewed. During heavy processing, there are tens of thousands of returns in the queue, and they are worked in the order received.

Many returns in "manual review" are able to complete processing automatically once someone evaluates the reason the return was stopped. Other returns require more information, and that's when we will issue a letter. Because this is a manual process, it takes time, and a return can be in "manual review" for several months before being looked at. It does **not** mean someone at the department has been reviewing the return for a month.

Q – If we have additional support information, may it be included with the return as a PDF.

A – If the return is being electronically filed, YES! If your software supports attachments, the department can accept them, and we encourage this and it can prevent us from requesting the information later. If the return is being paper filed as a 2-D return, then no. Please only include the required forms. At this time we do not have the capability to process or image supporting documentation for paper-filed returns and this information will be stripped and shredded.