

Tax Practitioner Liaison Meeting

Oregon Department of Revenue - Fishbowl Meeting Room

Friday, June 26, 2009

9 a.m. – 11 a.m.

Welcome and Introductions

All

Sofia Parra stood in for Dee and asked everyone to introduce themselves.

Legislative Update

Steve Purkeypille

• Federal Tax Subtraction Issues for 2009:

- **First time homebuyer credit** - In 2008, this credit was required to be paid back, so it was considered a loan instead of a credit. In 2009, it is not required to be paid back, and is, therefore, an actual credit and reduces the federal tax liability.
- **Making work pay credit** - \$400 single/\$800 joint tax credit that reduces your federal tax liability.
- **Social Security Benefit** - \$250 Social Security benefit is not a credit and does not reduce your federal tax liability.
- **Retired Federal and State Employees Stimulus Credit** - \$250 tax credit for federal and state government employees who do not receive Social Security; it reduces your federal tax liability.

New laws this year:

- **Increase in personal income tax rates for high income individuals (HB 2649)** – Income above \$125,000 single and \$250,000 joint will be taxed at 10.8%. Income above \$250,000 single and \$500,000 joint will be taxed at 11%. These rates apply for tax years 2009-2011. Beginning in 2012, rates drop to 9.9% for income above \$125,000 single and \$250,000 joint.
 - UND: The legislature created a provision to waive UND for 2009 due to the tax increase.
 - Federal Tax Liability Subtraction: HB 2649 includes a phase-out of the federal tax subtraction for upper-income taxpayers.
- **Corporate Tax Increase (HB 3405)** – Corporate minimum tax increases were explained. New corporate marginal rates are 6.6% for the first \$250,000 in taxable income and 7.9% for taxable income above \$250,000 (applies only to tax years 2009-2011). The rates will decrease from 7.9% to 7.6% for taxable income above \$250,000 for tax years 2012 and beyond.
- **Referendum on Tax Increases** is likely. If so, the election will be January 26, 2010.
- **Connection to Definition of Federal Taxable Income (HB 2157; HB 2078)** – Oregon is currently connected to the federal definition of taxable income as of December 31, 2008. House Bill 2078 will connect Oregon to the federal definition of federal taxable income as of May 1, 2009. This does include the federal stimulus provisions, however, there will be a selective add back required on the Oregon return for additional amounts allowed under the federal stimulus bill for:
 - IRC § 108 (discharge of indebtedness);
 - IRC § 179 (additional expensing); and
 - IRC §168(k) (bonus depreciation)

- **Unemployment Benefits:** If the personal income tax increase (HB 2649) is referred to the voters and it is rejected, the \$2,400 unemployment benefit exemption will be taxable and will need to be added back on the Oregon return.
- **NOLs** – Remember! Oregon follows federal treatment for NOL carry backs and carry forwards for **Personal Income Tax**.
- **Business Energy Tax Credit (BETC) (HB 2472)** – Limits high priced projects. Facilities or projects with \$5 million certified costs or more will have stricter guidelines. Not all projects will be certified by the Dept of Energy.
- **Residential Energy Tax Credit (HB 2078)** – Beginning in 2010, this credit will not be allowed for gasoline hybrid vehicles that are not electric plug-ins (ex: Prius).
- **Biomass Producers/Collectors Credit (HB 2078)** – will now be certified by the Dept of Energy.
- **Transferable Credits Limitation (HB 2068)** – Credits transferred for BETC, Biomass, and Diesel Engine Repower/Retrofit can only be transferred one time and may only be transferred to a C Corporation, an S Corporation, or a personal income taxpayer.
- **Registered Domestic Partners Imputed Income (HB 2839)** – Registered Domestic Partners may amend their 2008 tax return and claim (deduct) additional imputed income they received in 2008 but were not permitted to deduct on their “as if” tax return under previous law (certain requirements apply).
- **Sunset Credits (HB 2067)** – All income tax credits will be on a 6-year review cycle to make sure they are doing the job they were designed to do. With the exception of the following: exemption credit, credit for taxes paid to another state, claim of right credit, and surplus refund credit for corporations.
- **Political Contribution Check-off (HB 2004)** – New this year on the return will be a political contribution check off option (\$3 for single returns/\$6 joint returns). This will reduce the taxpayer’s refund.
- **Surplus Refund Calculation (SB 40)** – Changed to take into account credit for taxes paid to another state. We had circumstances where we sent a surplus refund to a nonresident who had no Oregon tax liability due to credit for tax paid to another state. The Legislature has changed this procedure to prevent reoccurrence.
- **Amnesty (SB 880)** – This bill has now passed and amnesty will occur from October 1 to November 19. Anyone who has not received a notice of deficiency or been assessed a tax is eligible. Approved applicants will receive a 100% waiver of penalty and 50% waiver of interest that would otherwise apply. A 25% post-amnesty penalty may apply to some individuals who should have come in under the amnesty program. More details to come.
- **Additional Compliance Measures (SB 690; HB 3082)**
 - Coming out of the department’s compliance report (released earlier this year), the made the following changes:
 - Allow disclosure of tax returns to local law enforcement to investigate tax crimes

- Allow disclosure of tax returns to the Board of Accountancy or Board of Tax Practitioners to investigate tax practitioners
 - Clarifies that the tax court may impose a penalty of \$5,000 when taxpayers make frivolous or groundless arguments
 - Allows the Department of Revenue to report tax debt to consumer credit reporting agencies
- Compliance Check Pilot Program (HB 3082) – Allows the department and three other state agencies to enter into a tax compliance check program. Would require “compliance” with the state’s tax laws in order to renew or apply for an occupational or professional license.

Processing Center Update

Sharon Johnston

As of 6/25/09 we have processed 333,563 2D returns, 1,044,142 ELF returns, and 367,644 Paper returns. Our overall volumes decreased by approximately 50,000 returns compared to last year at this time; we expected a slight decrease due to economic conditions but not this much. This year’s volumes are higher than 2007’s volumes though. Last year is the anomaly, not this year, due to the increase in returns we saw for taxpayers filing returns for stimulus.

Suspense Update

Jody Grilli

Current backlog is 45,883 new returns and 18,872 backlogged amended returns in Suspense with an 80-85% Suspense rate. We have processed 33,235 amends and cleared 140,345 so far this year. We are currently working on March amended returns. About 1,000 a week are being processed. We have 250 written objections that are being worked, several from late March but most from mid April. Should be done with what we are have right now sometime in November.

ELF Update

Mark Ruth

Total amended electronic returns received is under 200. ELF return volume is up about 3.5% over same day last season. 1,500 RDP returns received to date. Pretty evenly distributed between the 3 filing methods. For e-filing purposes, we require only the “as if” federal return along with the Oregon return. For paper filing and 2D, we need the original federal returns filed, as well as the “as if” return.

Discussion of website and electronic services available produced this question:

Q: Where does the department stand on having something on your website similar to “where’s my refund” that the IRS has, but would be “where’s my estimated tax”?

A: The department is very interested in building more of a presence on the web, and its definitely something we are interested in and plan to accomplish in the future, however, we do not have a time frame yet.

2D Update

Suzie McDonnell

For the current year, we have received over 349,000 2D Barcode returns. Also, we have received 35,000 prior year returns. Of those, over 10,000 were amended returns. This brings us to 6% over this time last year. For corporate returns, we have received 4,300 current year returns and over 1,300 prior year returns. We are down 32% from this time last year because electronic filing came on board this year for corporation.

Some of the issues we have noticed are due to data not being pulled into the barcode, for example, W-2 information, Form 10, federal identification numbers, BINs (business identification numbers), etc. Data needed for processing is not transferring over. We are also seeing a lot of returns where the data is not updated correctly and the information on the return

and in the barcode do not match. It is really important when you are filling out returns that you follow the software directions and enter all the information requested so the data is complete.

Board of Tax Practitioners

Ron Wagner

Just as a reminder, license renewals were due May 31st, with a 15-day grace period, which was June 15th. If they were not received or postmarked by that date, the license goes into “lapsed” status. Even though there is a grace period, that does not extend the period of time which you can prepare tax returns. If your license goes into lapsed status, you will have to pay a \$35 re-activation fee.

Regarding our budget – the Board’s budget does not come from the state general fund. The Board is 100% self-funded, but because we are a state agency, our budget has to be approved by the legislature and signed by the Governor, which has happened.

Budget Question: There was some information a while back that the Governor was taking a look at various state agency’s surplus. Are we subject to that?

A: It is recommended that we keep about 4 months worth of operating expenses to carry us through the slow times of the year. Our surplus is larger right now than the normal 4 months requirement because of 2 reasons. 1- There was no staff last year, which saved a considerable amount of personal expenses. 2- We collected on a fine that we had issued, which brought in about \$250,000. It is possible that the legislature could take some of our surplus for the general fund, however, that is highly unlikely.

Bill proposed to expand the authority of the board to have jurisdiction over those who prepare corporation returns, specifically, C-Corps, S-Corps, Partnerships, Trusts and Estates. It was passed through the Senate but died once it was moved to the House.

SB 865 was proposed which would require all bookkeepers to be licensed, however that bill died in committee.

HB 3163 regarding consumer protection specifically to strengthen laws in place regarding refund anticipation loans. The original moved it out of our statutes and over to the division of consumer and business services. It was reworked and left in the statutes of the Board of Tax Practitioners. This bill died as well. No changes on refund anticipation loans.

There was a lot of talk about an E-file mandate. Several other states have an E-file mandate, Oregon does not. Although there was quite a bit of interest by the legislature, a bill was never drafted. Thus no E-file mandate for Oregon.

National licensing – There continues to be interest in national licensing by the IRS but so far not much movement.

BTP newsletter will be coming next week, if you would like to receive a copy you can receive it electronically by signing up on our website, which is, www.oregon.gov/OTPB/.

As of a couple weeks ago, there were approximately 1700-1800 licensed LTCs who had renewed their licenses. We just sent out the “lapsed” license letters, and the number sent was down from last year.

OATC/OSTC Update

Ave Giddings

OATC just finished up our convention in Hood River.

For OR tax practitioners there is a 22% discount on Federal Tax Update through Western CPE. You need a special code on the registration form. There is a flyer if anyone is interested.

A big thank you to OATC for providing today's coffee.

Next Meeting: *July 24, 2009, 9-11 am in the fishbowl conference room, located at the Oregon Department of Revenue.*