Tax Practitioner Liaison Meeting

Oregon Department of Revenue - Fishbowl Meeting Room
Friday, October 23, 2009
9 a.m. – 11 a.m.

Welcome and Introductions **All**

Dee welcomed everyone and asked them to introduce themselves.

E-File and Numeric Codes: **Jeanie Davidson**

Jeanie went over Numeric Codes and explained how the codes should be used to avoid returns suspending.

1. Codes must be numeric. They cannot be alphanumeric.
2. Amounts must be positive. Negative amounts are unacceptable.
3. Don't mix codes; enter additions on the additions lines, subtractions on the subtraction lines etc…
4. Entering the same code several times with different amounts is not necessary. List the code once with one total amount.
5. Four Schedule OR-ASCs or OR-ASC-N/Ps can be submitted with your electronically filed return.
6. If the tax form has a line for the code please use the form line. Example, Form 40, Political Contribution credit on line 37.

Payroll Unit Update: **Cathy Tavares**

Carol Williams has been the contact person for Outreach and Education to schedule presentations for payroll and business taxes. Carol recently accepted another position, so Cathy Tavares will handle her duties. If you would like to schedule a presentation or additional information on the payroll tax programs, contact Cathy at (503) 945-8762 or through the Payroll Help E-mail. We are hoping to expand our website in the future, to get more information out to the public and to make it more user friendly. Cathy indicated that she will be asking for feedback and ideas from this group from time to time. She passed out a quick reference hand out with website links regarding DOR business information. The OTC's will be mailed out the end of this month. Mailing list for paper OQ's will also be put together. DOR would like to stress that it is very important we have correct mailing addresses for businesses on file to ensure that your coupons will be received timely and the forms when they come out in February.

iWire Update **Deanna Mack**

The department has recently begun requiring people to file W2's beginning with 2009 forms electronically. Our system is currently up and available for testing. The link is http://www.oregon.gov/sites/DOR/PERTAX/iwire_info.page. You will find the file specifications as well as the submission template. If you do not know if your software vendor will be supporting E-filing for W2's for Oregon, please contact them. The first deadline for filing is February 28, 2010, but because you e-file, the due date is extended to

March 31, 2010. The WR is still paper filed, but you do get that extra month to file the WR if you chose to e-file W2's.

Q: Do you have any plans to make it mandatory for all employers to file W2's?

A: Yes, we have adopted a rule that does phase-in employers. Everyone will be required to do so by 2011. Right now, the requirement is for any employer who has 250 or more employees or those employers who use a payroll service provider. Next year the requirement will be for any employers with 100 employees or less and the following year it will be required for those employers with less than 50 employees. There are hardship exceptions to the e-file requirement available in certain circumstances. Contact us for questions regarding iWire at: iWire.dor@state.or.us.

2009-11 Audit Focus **Cameron Campbell**

The main focus this biennium is schedule C for business, specifically the area of trades. Right now, it will be mostly in the repairs and maintenance field, statewide. We will focus mostly on the current years, 2007-2008. Due to the tax gap (under-reported income), one of the main focus areas for these audits will be gross receipts and gross income. We will be doing a bit of a payroll review. We will also be looking at transit taxes, more specific to Portland or Eugene areas. We will be evaluating our results, and noting any trends, as we go along, if we need to move on to a different topic or area within the trades field, the focus may no longer be repairs and maintenance.

Q: When you say repairs and maintenance, are you referring to the construction industry?
A: There is a repairs and maintenance topic in the IRS codes, so if you look at the NICS list of codes on the IRS website, you will find several different codes for repairs and maintenance.

One of the trends that we have noticed, is that people have been using the wrong NICS codes. For example, we are trying to focus our audits on repair and maintenance codes, and we end up with taxpayers who are horse farmers. One thing you can do to really help us, is to make sure you are using the right code for your client's type of business.
We are also going to continue partnership audits, which was started last biennium. We will also be focusing more this biennium, on self-employed filing enforcement. Because of a lack of resources in the last biennium, we were not able to concentrate on this field as much as we wanted to, so we are really going to emphasize it, over the next two years.

Q: Can you be more specific regarding the term "gross receipts"?
A: Regarding gross receipts, an auditor will be looking at the gross receipts and the gross income, which will involve bank statements, as well as any bookkeeping. We would want to see the summary ledger for the gross receipts, and we would want to trace those back to how they were originally entered into the system. We would also want to carry those forward to see how they were eventually deposited.

How to Prepare for an Audit
At the beginning of the audit, you will receive the opening letter, along with the document request. Usually there is about a 2 week response time, or you may be given a specific date. This does not mean that we expect to have the case closed or the interview within two weeks. This is just to establish communication and to start the open dialog that is necessary to get the audit process started. We will want a signed authorization to represent. We cannot discuss anything in any meaningful depth or conduct the audit with you if we do not have the signed authorization. The sooner you can get that to us, the easier and the smoother the audit process will be. If you receive a document request and you do not understand what we are asking for, call and ask questions. Every opening letter should have the auditors name and phone number at the bottom. Either have your client there for the initial interview, or have a basic knowledge of their operations. How does the money flow, how are the expenses paid? Do they use a cash register? What is their business? How does it function? We need to know this information in order to follow the numbers ourselves.
Have supporting documentation for every expense claimed on the return. This will make things go much smoother.

Q: If we called you and said that the client does not have any real bookkeeping system, is that going to color your attitude towards that return?
A: No, it should not. It might change how you would have to provide support for the return, or what we have to do to examine it. However, as long as the client is legally entitled to that expense, and they can document that they incurred that expense, that is all that is necessary.

When it comes time to send out the "Proposed Report" there can be some confusion, because many people confuse it with a bill. It does look like a bill, but it is not. We send out the proposed report because at that time, we believe we have a good understanding of where things are at in the examination. When you get it, if you are confused or do not agree with it, just let us know. It is not the final report, it can be changed, if you can provide further documentation.

Q: When the client gets a letter, how long should we wait before calling without being considered nagging?
A: There should be an agreement. If the auditor says, I will get back to you in two or three weeks, and you do not hear back in three weeks,, give the auditor a call.

Make sure that you can provide copies of original receipts. We do not usually need the original receipts; however, we do need to have a copy of the original receipt. If you have only PDF images as receipts, that may cause some issues in the examination.

Q: You send a letter that you want to see "A" but when we get to the examination; you actually want to see "B" & "C". Can you explain that?
A: There are a couple of different reasons that can happen. If we get to the examination, and you've brought the items I want to look at, but I see a lot of errors, I will say okay, there's a lot of errors, so I'll need to see this and that. I might even say I need to see the rest of the expense items, because obviously there are problems with the return. However, I would not expect you to bring items that I have not specifically asked for. We can expand the scope to anything on the return, if we have to, but we would not have the expectation,

that you have documentation, at this meeting, for items not previously discussed.

Q: If, during the audit, the preparer provides information that did not make it onto the return, do you consider those?
A: Absolutely, yes.

Amnesty Update **Steve Purkeypile**

Just as a reminder, Oregon's Amnesty program is currently underway. Applications are due by November 19, and the returns must be received by January 19, 2010. Amnesty is available for any return that has not been filed, or for any return that needs to be corrected, however it is not available for accounts receivable. Any debt that we already have on the books and that the taxpayer is currently paying on, is not eligible for Amnesty. We have received just over 800 applications so far, and the same amount of returns, however, just to emphasize - - you still have until January 19th, to submit the return. We have received over 1,300 phone calls about Amnesty and 14,000 hits on our website, www.oregontaxamnesty.com. There is a payment plan allowed for Amnesty, it is generally, a 1-year plan. If you need more time, you will have to provide reasons/documentation on why you need more time. If you break the payment plan, the law says you are out of Amnesty, unless there is reasonable cause. The department has just issued a temporary rule on Amnesty defining what reasonable cause is for this purpose. Did the taxpayer use ordinary care and prudence in trying to abide by the terms of the installment agreement? We will consider the following items: death in the family, serious illness, destruction by fire or natural disaster, unavoidable and unforeseen absence, unplanned and significant changes in the taxpayer's financial status through no fault of their own. (The rule is available at www.oregontaxamnesty.com.) Bankruptcy, itself, is not considered a reason to escape the payment installment agreement. However, we will consider the circumstances surrounding and leading to bankruptcy. These are all listed in the rule, which you can access at our Amnesty website, listed above.

OATC/OSTC Update **Ave Giddings**

OATC has a lot of education coming up, go to the website for more information.

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

Next Meeting: December 4*, 2009, 9-11 am in the fishbowl conference room, located at the Oregon Department of Revenue.*

We now have several ways to obtain updated information and ask questions!!!

PayrollTax News LISTSERV: A bi-monthly e-mail newsletter providing that latest information and updates. To self-subscribe, simply go to our website @ http://www.oregon.gov/DOR/BUS/payrolltaxnews.shtml

NEW!! Oregon Employer Blog: Read information and be able to provide feedback on the latest tax issues. Simply go to http://oregonemployerinfo.blogspot.com

PayrollHelp DOR: Get your payroll tax questions answered within 24 to 36 hours!!! Simply submit these by e-mail to payroll.help.dor@state.or.us

" WE'RE ON THE WEB! "

www.oregon.gov/DOR/BUS

I. Getting started: Information

Starting a Business in Oregon
http://www.oregon.gov/DOR/BUS/starting.shtml

Oregon Business Guide – How to Start a Business in Oregon
http://www.filinginoregon.com/forms/pdf/business/1100.pdf

Oregon Business Guide – Employer's Guide for Doing Business in Oregon
http://www.filinginoregon.com/forms/pdf/business/1103.pdf

II. Tax Programs: Payroll

Payroll Withholding Taxes:
http://www.oregon.gov/DOR/BUS/withholding.shtml

Out of State Employers Working in Oregon:
http://www.oregon.gov/DOR/BUS/publications.shtml

Transit Rate – TriMet & LTD:

- Listed in brochure
- http://www.oregon.gov/DOR/BUS/payroll_updates shtml

Transit Self Employment taxes:
http://www.oregon.gov/DOR/BUS/IC-500-406.shtml

TriMet Transit Map:
http://mobilitymap.trimet.org/

Independent Contractor Information:
http://www.oregonindependentcontractors.com/

III. Getting your State Identification Number (BIN)

Combined Employers Registration 150-211-055 (Rev. 12-07)
http://www.oregon.gov/DOR/BUS/docs/211-055.pdf

Registration Report 150-211-054 (Rev. 07-09)
Withholding on IRAs, Annuities, and Compensation Plans
http://www.oregon.gov/DOR/BUS/docs/211-054.pdf

ONLINE – Combined Employers Registration
http://www.filinginoregon.com/index1.htm

- Business Registration Services
  - Register Online

IV. What's Next: Reporting and Paying:

Tax Information and Power of Attorney 150-800-005 (Rev. 12-06)
http://oregon.gov/DOR/PERTAX/docs/800-005.pdf

Quarterly Tax Report – filing online
http://egov.oregon.gov/EMPLOY/TAX/OTTERhome.shtml?redir=Y

Combined Payroll Tax Forms
http://www.oregon.gov/DOR/BUS/forms-payroll.shtml

Oregon Withholding tax tables, 151-206-430 (Rev.12-06)
http://www.oregon.gov/DOR/BUS/docs/206-430.pdf

V. Reporting and Paying Electronically:

Electronic Reporting Methods: OTTER, SETRON, IVR
http://www.oregon.gov/EMPLOY/TAX/index.shtml

ACH Debit – Electronic Funds Transfer
http://www.oregon.gov/DOR/ESERV/docs/eft/102-041.pdf

ACH Credit – Electronic Funds Transfer
http://www.oregon.gov/DOR/ESERV/docs/eft/102-042.pdf

EFT – Questions and Answers
http://www.oregon.gov/DOR/ESERV/eft-faq.shtml

VI. Common Questions:

Registrations and Withholding – Common Questions
http://www.oregon.gov/DOR/BUS/faq-withhold.shtml

Transit - Common Questions
http://egov.oregon.gov/DOR/BUS/faq-transit.shtml

W-2 reporting – General Information
http://www.oregon.gov/sites/DOR/PERTAX/iwire_info.page

Payroll tax basics for employers – General Information
http://www.oregon.gov/DOR/BUS/payroll_basics.shtml

VII. Making Changes and Corrections:

Change in Status Report, 150-211-157 (Rev.12-07)
http://www.oregon.gov/DOR/BUS/docs/211-157.pdf

VIII. Additional Information:

Oregon Department of Revenue - BLOG
http://oregonemployerinfo.blogspot.com/

Payrolltax-News Listserv - Subscribe to receive complete and up-to-date payroll tax information
http://www.oregon.gov/DOR/BUS/payrolltaxnews.shtml

IX. Additional Resources:

BOLI: Bureau of Labor and Industries:
http://egov.oregon.gov/BOLI/TA/T_FAQ_Tafaq.shtml

"Business In Oregon"
http://www.oregon.gov/

"Business in Portland"
http://www.portlandonline.com/index.cfm?c=25781

Construction Contractors Board:
http://www.oregon.gov/CCB/

Department of Consumer and Business Services: (Workers Compensation)
http://egov.oregon.gov/DCBS/wcd_info.shtml

Employment Department (Unemployment Insurance Tax)
http://www.oregon.gov/EMPLOY/TAX/index.shtml

Employment: Account Information Center:
http://www.oregon.gov/EMPLOY/TAX/YourAcctInfoPage.shtml

IRS:
http://www.irs.gov/

IRS – form W4
http://www.irs.gov/pub/irs-pdf/fw4.pdf?portlet=3

IRS – Apply for EIN
http://www.irs.gov/businesses/small/article/0,,id=102767,00.html?portlet=4

Licenses Permits and Registrations:
http://licenseinfo.oregon.gov/

New Hire Program:
http://www.dcs.state.or.us/employers/

Prevailing Wages Responsibilities (contractors)
http://egov.oregon.gov/BOLI/WHD/PWR/W_PWR_Contractor.shtml