

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 880-B

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Barnhart
Carrier – Senate: Sen. Burdick**

Action: Do Pass the A-Engrossed Measure as Amended and Be Printed B-Engrossed

Vote: 15 – 6 – 1

- House – Yeas: Buckley, C. Edwards, D. Edwards, Galizio, Gilman, Jenson, Kotek, Nathanson, Shields
– Nays: Garrard, Richardson, G. Smith
– Exc:
- Senate – Yeas: Bates, Carter, Johnson, Monroe, Nelson, Walker
– Nays: Girod, Verger, Whitsett
– Exc: Winters

Prepared By: Jim Carbone, Department of Administrative Services

Reviewed By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: June 22, 2009

Agency

Department of Revenue

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Biennium

2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
Other Funds	\$ 0	\$ 0	\$ 1	\$ 1	100%

Position Summary

Authorized Positions
Full-time Equivalent (FTE) positions

(1) Includes adjustments through the December 2008 meeting of the Emergency Board
* Excludes Capital Construction expenditures

Summary of Revenue Changes

Senate Bill 880 directs the Department of Revenue to develop and administer a tax amnesty program for corporate income and excise tax, personal income tax, inheritance tax, and transit district (self-employment) taxes. It is estimated the program will net \$16.2 million in revenues for 2009-11 that will be deposited in a Tax Amnesty Fund

In addition, the amnesty program is estimated to increase General Fund revenue directly in 2009-11 by \$200,000 from new taxpayers identified during the amnesty program.

Summary of General Government Subcommittee Action

Senate Bill 880 offers tax amnesty to individuals and corporations that have underreported or failed to file tax returns, if they participate in this program between October 1 and November 19, 2009. All penalties and one-half of the associated interest would be waived for taxpayers that come forward and file delinquent original returns or amend tax returns and pay any underreported tax. Outstanding taxes and interest must be paid on or before May 31, 2011. In addition, taxpayers who were eligible, but did not participate in the amnesty program, would be subject to an additional 25% penalty. The bill limits participation to tax years for which the taxpayer was not issued a notice of deficiency or assessed a tax.

The bill establishes a Tax Amnesty Fund and directs all moneys – except for transit taxes – received by the agency under the program be deposited in the fund. Transit taxes collected under amnesty are distributed to the transit districts less the agency’s administrative costs. The bill allows DOR to recover program costs up to \$1 million and provides \$1 Other Funds expenditure limitation to be increased by the Legislature or the Emergency Board once the agency certifies costs incurred to administer the program.

Moneys in the Tax Amnesty Fund on July 31, 2011 are transferred to the General Fund. The bill sunsets the program on January 2, 2014, with the remaining fund balance as of that date also transferred to the General Fund.

The Subcommittee discussed the disposition of amnesty revenues and the timing and budget challenges around starting up and completing the amnesty program early in the biennium. The Department expects to spend about \$700,000 for a media campaign to advertise the amnesty that will include television and radio spots, print ads, pamphlets, publications, and website advertising. Other program costs totaling just under \$300,000 include those for extra staffing and extended service hours, return processing, and system programming. The Subcommittee adopted the budget note below, anticipating the Department will request reimbursement of program costs when it makes the report to the Legislature.

Budget Note

Before March 1, 2010, the Department of Revenue shall report to either a Joint Committee on Ways and Means or the Emergency Board on results of the tax amnesty program. The report should include a summary of program costs, actual and projected tax amnesty fund balances, and the amount of amnesty revenue broken out by tax program. The report may also address other statistical information on participation and/or demographics, along with any enforcement needs or efforts related to the tax amnesty program.

The Subcommittee expressed concern that taxpayers making inadvertent filing errors that are identified and adjusted in the future might be burdened with the 25 percent post-amnesty penalty. The Subcommittee adopted amendments clarifying circumstances under which post-amnesty penalties should be imposed, including holding taxpayers harmless from penalties related to all but the most serious federal tax violations such as fraud and tax evasion. Testimony and discussion made it clear that the intent of this bill is to increase participation in and long term compliance with Oregon's tax laws, not to penalize taxpayers for unintentional errors.