OREGON DEPARTMENT OF REVENUE

Testimony for HB 2484 - Property Tax Extensions

An income tax return is how we tell the state and the federal government what income we made and how much tax we owe. For property tax, businesses file a return to show what property they have, when they bought it, and so on. This bill addresses an issue about how those returns are filed.

Problem

The Department of Revenue and our county partners recognized a problem with the property tax return extension process in 2007 and worked with the legislature to improve that process. Since the 2007 legislation the quality of the returns has not improved and the number of extensions has grown, causing more work in a narrower span of time. Taxpayers have reported confusion about where to file their extension requests and have complained about the resulting penalties.

Solution

This bill attempts to simplify the return filing process for business taxpayers and to strike a balance between tax administration workload and adequate time for businesses to file their return. The bill would extend the date for all taxpayers to file their property tax returns by two weeks and eliminate the current extension process.

Background

Oregon businesses are required to file returns on real and personal property each year for property tax purposes. Returns are due on March 1st but taxpayers may request an extension to April 15th for either good and sufficient cause or administrative need. Extension requests are generally filed with the county in the case of property appraised by the county, or to the Department of Revenue in the case of property appraised by the department. Companies with county appraised property located in multiple counties must file a single extension request to the Department of Revenue. Taxpayers who file late without an extension or miss the extension deadline are subject to penalties based on the assessed value of the property. The Board of Property Tax Appeals for each county may waive the penalty for good and sufficient cause, the assessor also has limited abilities to waive penalties for first time filers.

The current statutes are in part a result of a 2007 concept bought by the department and passed into law. The 2007 bill added the ability to grant an extension for "administrative need" and the ability to file a single extension request when property was located in more than one county. The goal of the 2007 concept was to enhance the accuracy of filings, simplify the extension request process. The changes have been unsuccessful; statistics suggest taxpayers requesting extensions tend to have *more* filing issues and the ability to file to the department for businesses with property in multiple counties has led to taxpayer confusion.

Mark Gharst
HB 2484 Testimony
February 9, 2015

The Department of Revenue, with the support of the Governor's office, is requesting that you pass this bill because it removes the confusion of where taxpayers file and balances workload issues on the administration side with added time for all.

You will see in the bill the two substantive changes are on page 2 line 28 where it changes the date from March 1st to March 15th and Page 3 line 7 where it eliminates the confusing language regarding where to file.

Section 1
Amends 308.290 to change the filing deadline from March 1st to March 15th for all taxpayers. Eliminates statutory reference to the extension process.

Sections 2, 3, 4 and 5
Conforms these other statutes by removing references that no longer apply.

Section 6
Specifies changes will apply to returns beginning with July 1, 2016 tax year.

Section 7
Specifies effective date.

Additional Considerations
Current staffing levels and the number of extension applications have prevented the Department of Revenue from reviewing each application on the basis of merit; instead it is the current policy of the department that all properly filed requests on state responsible industrial accounts are granted automatically unless the taxpayer had a previous extension that was revoked due to filing issues. The department understands that this policy does not meet the legislative intent of granting extensions only for good and sufficient cause or administrative need but does not have the resources to consider each application on the merits. County partners report wide variations in policy, some grant all applications where others subject each to strict scrutiny. The result is that taxpayers are held to different standards if their property is appraised by the state as opposed to the county, and even at the county level the standards vary depending on which county is processing the extension.

The department processes about 3,000 extensions per year for companies that have county responsible personal property in multiple counties, however many of these extensions are carried forward from a previous year based on unsupported claims of administrative need. No statistics are available about the number of applications or extensions granted at the county level.

Out of about 1,500 returns for state responsible industrial properties, the department granted about 500 to 525 extensions for each of the last five years. For 2014 returns, the department granted extensions on 35% of returns, or 525 of 1,491 total returns. Part of the intent of the 2007 law change allowing extension for administrative need was to improve the quality of reporting. In fact, the department has found that taxpayers who take an extension are more likely to file a return that is insufficient for processing, 12% of timely taxpayers file incomplete returns compared to 17% for taxpayers filing under an extension. The department cannot make a determination if the return is sufficient until the return is filed, and the result is that the current six week extension can actually result in a delay of processing well beyond that time.

The processing season for property tax returns runs from whenever the return is filed to when the roll is locked. This date varies by county but is no later than mid September. The department transfers values to the counties on state responsible accounts as the returns are processed, by administrative rule all values are to be transferred by July 1.

Stakeholder Feedback

When initially looking for a solution a year ago we contacted the Associated Oregon Industries. They were in transition with their tax position at that time and we received no feedback. We have since been in contact and shared the proposal in this bill and have not heard back any concerns. We also reached out to the Oregon Business Association, met with their finance committee in October, and after follow-up discussions no concerns were raised. Additionally we met with Jan Meekcoms with the National Federation of Independent Businesses and shared the concept. We reached out to individual taxpayers but only received minimal response, most of which was positive. We contacted one accountant who works for the largest property tax consulting service in the US who had filed an extension request incorrectly due to the confusion of where he was to file the extensions. He was supportive of a change that would eliminate current confusion facing taxpayers about whether to file with the state or the county for their extension. He commented that under the current system they would sometimes file to both the state and county because they were uncertain of the proper place to file.

We worked with the county assessors on this concept and the association supports it.

Treatment in Surrounding States

In the nine western contiguous states property tax filing extensions are not allowed in five states, two states allow a 30 day extension, one state may give 'one or more' 30 day extensions with good cause, and one state allows a 10 day or 20 day extension with a fee of $20 or $40.

Anecdotally we had heard the some companies that file multiple returns for businesses prefer to file an extension in Oregon so they can file returns in states with no extension period.