

**Vote 'NO' on
Senate Bill 212A**

From the Desk of
Senator Brian Boquist

<p>What is the impact of SB 212A?</p>	<p>The overarching issue and concern related to Senate Bill 212A is not limited to the specific subject listed. Rather, from an important perspective, the Senate Bill advances the concept that disconnecting from federal tax statute and provisions is a simple course of action and thus it is easy and acceptable to step away from conformity.</p>
<p>What is the effect of disconnect and thus limited conformity?</p>	<p>Disconnecting from federal statute and provisions significantly increases tax complexity and would cause a lack of conformity between state and federal.</p>
<p>Why is the lack of conformity aka disconnecting between state and federal tax statute and provisions not a desirable course of action nor strategy?</p>	<p>It adds significant complexity for both taxpayers and tax advisors.</p> <p>Taxpayers:</p> <ul style="list-style-type: none"> • Record keeping: Taxpayers are impacted by additional complexity in their own record keeping which increases the potential for negative issues and possible non-compliance in some cases. In the example of businesses, additional costs may be incurred in fulfilling the extra record keeping needed to comply. • Planning: Taxpayers are impacted in planning for both personal and business issues. Rolling reconnect adds to the certainty because they will know that the decision made for federal purposes won't impact their Oregon tax obligation and compliance. <p>Tax Advisors:</p> <ul style="list-style-type: none"> • Tax advisors must ensure that they are researching the differences between state and federal statutes and provisions in areas that are not always routine. This has potential for impact on taxpayers both in the cost of preparation as well as timely completion. Contrary to some thinking, building in differences at a state level as compared to federal adds complexity and is not viewed by many tax advisors as a positive. Rather, many tax advisors would prefer to instead provide other valuable and helpful advisory service to clients versus the tracking and oversight of exceptions to ensure client compliance. The risk of discrepancies in software as Oregon is a small market is also a possibility. • Importantly, it should also be noted that not all taxpayers utilize the services of tax advisors. Complexity increases the potential for non-compliance by those taxpayers as they may not be aware of nor understand the differences between Oregon and federal statute and provisions especially where Oregon may not be in conformity. <p>Potential impact on Oregon Department of Revenue:</p> <ul style="list-style-type: none"> • It should also be considered that there could be the potential for a cascade effect and thus negative impact on the Oregon Department of Revenue (DOR) as well. The more complex the process of understanding the differences between state and federal statutes and

	<p>provisions, the higher the risk of unintended noncompliance by taxpayers. Complexity can carry material burdens for many participants in the income tax system.</p> <ul style="list-style-type: none"> • This risk has the potential for the DOR to need to advance a higher volume of notices to taxpayers that require needed corrections or fulfillment due to non-compliance. Were there to be an increase in the exceptions in filings, there is a potential cost factor to the DOR, and thus ultimately to the State of Oregon to ensure compliance. This also has potential to place the DOR in a position of having to determine if an audit of the taxpayer's return is warranted, which to do so, in order to maintain compliance, adds unintended activity thus cost to the overall state filing process, and potentially collection activity as well. • Regardless of costs, the DOR must be consistent and cannot, and should not, choose to ignore compliance thus would potentially be impacted as they advance lack of compliance notifications, notices of audit, etc., to taxpayers. • A worrisome possibility is that some taxpayers, already facing the recent federal tax changes, may begin to lose confidence in the Oregon tax system. To that point, periodically some tax advisors will share that they have a client that is considering or intending to move to another nearby state where state tax complexity does not exist. This does not serve Oregon well. Oregon should not be seen as a state that is complex and thus makes compliance difficult for taxpayers.
<p>What are the considerations related to state conformity to federal statute based on the Tax Cuts and Jobs Act (TCJA)?</p>	<ul style="list-style-type: none"> • More than a year after passage of the TCJA, taxpayers and tax advisors alike are continuing to work through the significant layers of complexity of the federal legislation. Additionally, new guidance continues to be issued by Treasury and the IRS related to some provisions. The impact of Oregon non-conformity means that there is potential for <u>even more</u> complexity across several versions of federal provisions. This could necessitate additional future modifications on a state level. • It is also important to note that based on the timing of the Oregon legislative sessions related to non-standardized Treasury and IRS pronouncements, the complexity is compounded.

Thank you for the opportunity to express our concerns.

**Rob Douglas
On behalf of
Oregon Society of CPAs
we urge you to oppose Senate Bill 212A.**