OREGON DEPARTMENT OF REVENUE

2020 Adjusted Return Project
Unemployment Exclusion

Background

The American Rescue Plan Act (ARPA) was approved March 11, 2021 which declared that the first $10,200 of Unemployment Insurance income was not taxable for the 2020 Tax Year (filing single). However, the tax season began February 16, 2021 which meant some taxpayers had already filed returns which would need to be adjusted to reflect the ARPA directive.

The IRS directed taxpayers to not amend their returns and declared that they would create an automated solution to issue refunds. This was an unprecedented move by the IRS. Adjusting filed returns usually occurs by taxpayers filing amended tax returns or through audit enforcement activity. The Department of Revenue (DOR) followed IRS guidance and planned how to adjust taxpayer returns on their behalf.

Additionally, the IRS extended the individual tax return filing deadline from April 15 to May 17, 2021. This extension allowed for some flexibility as DOR determined the most effective and fastest way to adjust taxpayer returns before the May 17 filing deadline.

Solution

By March 2021, more than 173,000 returns had been filed claiming unemployment benefits and needed adjustment. DOR quickly determined that an automated solution would take more time and resources than were available, so a team of about 150 staff, were identified to complete manual review and adjustments to accounts.

Staff, primarily auditors and staff who review returns, were redirected from other duties. Within about one week, training and procedures for manually adjusting returns were developed and deployed.

A variety of communications were also developed for the project including: messages that DOR would adjust returns for impacted taxpayers; instructions to file correctly after approval of ARPA; confirmation that software vendors made mid-season changes to reflect ARPA changes; distribution of more than 275,000 letters (adjustment explanations or paper checks); and call center tools to address a call surge.

Results

Of the 173,000 returns that were reviewed, from March 30 to May 4, 2021, the Adjusted Return Team completed work on more than 164,000 returns. The team finished the project almost two weeks before the May 17 deadline to file tax returns. That equated to approximately $91.5 million in adjustments credited to 164,000 taxpayers, including $4 million in offsets to existing taxpayer debts. More than 17,000 returns had a change in tax liability, but no refund, and 9,000 returns are being resolved through normal processing and further review.

Costs

While it was important to issue refunds as quickly as possible to this group of affected taxpayers, there was an impact to diverting staff resources to this project. At least 200 audits did not occur because the entire team of Personal Income Tax auditors was adjusting returns. Many employees worked late nights and weekends on the project which will increase staffing costs for the agency. Mailing costs will increase due to the 275,000 letters sent to taxpayers. There was an increase in call volume of about 100 calls per day, regarding refunds from this project. Some IT development resources were diverted to help make the project successful. Finally, normal processing work was delayed for the tax season, but the total impact won't be known until the tax season is over.

By the Numbers – As of May 5, 2021

Status

Total returns reviewed	173,478
Total returns adjusted	164,071
Under further review	9,407

Adjustments

Total returns adjusted	164,071	$91,500,000
Refunds issued	146,621	$81,000,000
Liability reduction (no refund)	17,450	$6,500,000
Offsets to debts owed		$4,000,000
Average refund		$580

Contact

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