

## Board of Tax Practitioners

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
Other Funds	962,659	1,082,116	1,166,969	1,173,865	1,151,801
<b>Total Funds</b>	<b>962,659</b>	<b>1,082,116</b>	<b>1,166,969</b>	<b>1,173,865</b>	<b>1,151,801</b>
Positions	3	2	2	2	2
FTE	2.50	2.00	2.00	2.00	2.00

\* Includes Emergency Board and administrative actions through December 2022.

### Program Description

The Board of Tax Practitioners (BTP or the Board) is a seven-member citizen Board that protects consumers by ensuring Oregon tax practitioners are competent and ethical in their professional activities. The Board licenses and oversees tax preparers, tax consultants, and tax businesses. The Board currently licenses approximately 3,000 tax consultants and tax preparers and 1,000 tax firms and businesses. The Board develops initial competency examinations, monitors required continuing education programs for tax practitioners, and investigates and adjudicates complaints, and takes disciplinary action when appropriate. The seven-member board is appointed by the Governor and is composed of six licensed tax consultants and one public member.

### CSL Summary

BTP's 2023-25 current service level (CSL) budget is \$1,173,865 Other Funds and includes 2 positions (2.00 FTE). The CSL budget is a 0.6% increase from the 2021-23 legislatively approved budget, which is primarily due to adjustments for payroll expenses, standard inflation and price list adjustments for the costs of goods and services and state government service charges, and phasing out one-time costs related to fee increases adopted during the 2021-23 biennium. At CSL, the Legislative Fiscal Office estimates that BTP will have a 2023-25 ending balance of \$87,557 Other Funds, which is equivalent to 1.7 months of operating reserves. However, if BTP were to reduce expenditures by 5%, it would have an estimated ending balance of \$148,447 Other Funds in 2023-25, which is equivalent to 3 months of operating reserves.

### Policy Issues

BTP has made substantial efforts to reduce costs and increase workload efficiencies over the last few biennia, including relocating its office to a less expensive space, decreasing staffing as a result of new IT initiatives, and contracting with an exam proctoring company to reduce administrative tasks. As a result of this work, BTP has gone from four positions in the 2015-17 biennium to just two positions in the 2021-23 biennium. Despite these efficiencies and cost savings, BTP has faced some significant challenges in the 2021-23 biennium.

Initially, the Legislative Fiscal Office anticipated that BTP would need fee increases in the 2023-25 biennium. However, due to a steady decline of licensees and examination applicants and increasing costs due to inflation and other factors, BTP increased its licensing fees in April

2022 for the first time since 2008. Despite these fee increases, a continually declining licensee base with ever-increasing expenses has made it difficult to maintain a balanced budget. While the population of Oregon recently surpassed a 4 million people, which the state's Office of Economic Analysis projects will grow by 50,000 people each year, the total number of BTP licensees has been steadily declining since 2011. Overall licensing numbers peaked in 2010 with around 5,500 licensees, then declined steadily until 2016, when approximately 4,700 licenses were issued, at which time they stabilized to some degree. Between 2016 and 2020, between 4,620 and 4,929 tax consultants, tax preparers, and businesses were licensed each year. This steady decline in licensees is partly because the current average age of licensed tax consultants is 61 and the current average age of licensed tax preparers is 51, which means they are on average close to the age of retirement. The outbreak of the COVID-19 pandemic appears to have only exacerbated this trend, as BTP lost roughly 15% of its licensees between 2020 and 2022. Because of its declining licensee base, BTP was projected to have a revenue shortfall in the 2021-23 biennium. For that reason, the Legislative Assembly approved a one-time increase in expenditure limitation of \$72,100 Other Funds, which will be phased out after the 2021-23 biennium.

Another significant cost increase that took effect in 2021-23 was the TOMP reclassification of BTP's executive director from a Principal Executive Manager C to a Principal Executive Manager D position. The net result of this reclassification was that it increased BTP's biennial personal services costs by approximately \$60,000 Other Funds, or 5% of BTP's total budget. Although BTP recently hired a new executive director at a lower step level than its previous director, which will alleviate its personal services costs to an extent in 2023-25, projected cost of living adjustments for BTP's two positions will increase costs even further in 2023-25 and beyond.

BTP is not requesting additional resources or proposing significant program changes in the 2023-25 biennium. BTP's 2023-25 Agency Request Budget was developed with a primary focus to allow the Board to continue its operational-level focus on improving program efficiency.

In an effort to reduce expenditures, BTP is considering several reduction options going forward, including terminating its lease agreement and closing its offices, thus becoming a fully remote state agency; eliminating printed licenses and certificates and sending them via email instead; eliminate board member stipends and travel expenses by holding meetings remotely; eliminate travel budget costs; and eliminate the employee training budget. In total, these reduction options would generate estimated savings of \$60,890 Other Funds, which is 5.2% of BTP's 2023-25 CSL budget.

By the close of 2023-25, BTP is projected to have 1.7 months of operating reserves, which would be well below the ideal 3 to 6 months of reserves for other licensing boards. If licensees and fee revenues continue to steadily decline biennium after biennium, the Legislative Assembly may need to reconsider how BTP funds its operations, or at least how to increase BTP's operating reserves. Options might include more fee increases, exploring more reduction options, providing BTP with a small amount of General Fund, or trying to incentivize younger prospective tax practitioners to get licensed and thereby lower the average age of licensees.

### Governor's Budget Summary

The Governor's Budget is \$1,151,801 Other Funds and includes 2 positions (2.00 FTE). This is a 1.3% decrease from the 2021-23 legislatively approved budget. The Governor's Budget enables BTP to continue existing levels of service, though it represents a 1.9% decrease from BTP's 2023-25 current service level.

### Key Performance Measures

A copy of the BTP Annual Performance Progress Report can be found on the LFO website: [KPM - View Report \(oregonlegislature.gov\)](#)