



Date: February 21, 2024

To: Chair and members of the House Revenue Committee
From: Scott Bruun, VP Government Affairs, OBI
RE: Support for HB 4031 /Clarifying Taxpayer Confidentiality

Good morning, Chair Nathanson and members of the Committee.

My name is Scott Bruun, and I am the VP of Government Affairs for Oregon Business & Industry, or "OBI." OBI is a statewide business association representing businesses from a wide variety of industries from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600+ member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. OBI's primary mission is to strengthen the business climate in Oregon.

Thank you for the opportunity to testify in support of HB 4031.

The issue at hand is about the confidentiality of taxpayer information, a concept which has been a pillar of law, as well as taxpayer trust and confidence, for as long as anyone can remember. And what we are trying to do with HB 4031 is assure the clarity of that trust, that confidence, and that law, in Oregon statute.

Clarity of statute is a good thing of course, especially when a lack of absolute clarity may lead parties down a path toward serious negative ramifications. And while OBI believes that existing statute already prohibits public disclosure of confidential taxpayer information at the state and local levels, we have felt compelled to work with others to find language that leaves zero opportunity for doubt or ambiguity.

The language in the amendment you will see does just that. It will clearly prohibit public disclosure of local taxpayer information, consistent with the longstanding prohibition by the state of state taxpayer information as well as the federal government's clear prohibition of disclosure, which I'll circle back to in a moment.

There are two primary reasons for the legislature to engage on this issue right now. The first reason is to protect Oregon taxpayers. Whether those taxpayers are individuals, organizations or businesses, each has a longstanding right and expectation of confidentiality. I mean ask yourself, how would you think or react if your private tax information was disclosed involuntarily?

Confidentiality of tax information is widely held to be a critical element of taxpayers' willingness to provide information to taxing authorities and comply with tax laws. And for businesses, tax records likely contain proprietary financial information related to a business' operations and markets. This information is considered to be closely held trade secret and is legally protected as such by the federal government.

The second primary reason for the legislature to act now is, indeed, the black-and-white rules of the federal government:

Federal law prohibits states and other entities it has information sharing agreements with from disclosing taxpayer information. Section 6103 of U.S. code imposes strict penalties on governments and individuals sharing taxpayer information. Penalties include losing information-sharing rights to IRS data as well as potential criminal penalties for individuals.

Notably, the City of Portland, as one example, has an information sharing agreement with the IRS as well as the Oregon Department of Revenue. Because of this, and also because Oregon is responsible for the actions of its political subdivisions, if the City of Portland were somehow required to disclose taxpayer information as a public record, the IRS could very well discontinue its information-sharing agreement with both the city and state.

The effect of losing the information-sharing agreement with the IRS would cause massive harm to Oregon's revenue system and stream, requiring the Department of Revenue to administer the income tax without the support of federal audits, forms, or returns. It would arguably make it impracticable to administer an income tax in Oregon.

Madame Chair, Committee, I believe that no one wants to put the state or our local jurisdictions at such risk, and I'm also confident that we all want to maintain taxpayer trust. For these reasons I ask you to strongly support HB 4031.

Thank you.

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