



HB 2084 - Seeking better tax compliance of those who do business with the state

House Revenue – Jody Wiser – 1.23.2024

Periodically there are news stories about individuals doing business with the state who are shady characters and who don't pay their taxes.

As it happens, HB 2084 exists because of an investigative news story. Hillary Borrud of the *Oregonian* [wrote an extensive piece](#) this summer about Sean Keys, an Oregonian with \$70 million in contracts with the state of Oregon, who was not paying Oregon taxes. His tax bills, until shortly before the story was published, were more than \$1.6 million.

It appears that he was using the state and counties as his bank. Borrud's investigation came from her perusal of Oregon's new tax [delinquency website](#), where the taxpayer owned \$925,000, a debt that mostly has been either cleared or put into a payment plan.

It is clear that the bill does not fully address the problem and that Keys isn't the only person the state has stumbled into business with who doesn't play by normal rules.

Just yesterday [Willamette Week published a story about another business](#) apparently playing loose with the law. This one is accused – among other things - of tax fraud, not just failure to pay. They are not on Oregon's delinquent taxpayer list.

If we read the news stories and the state's rules and law correctly, and we're not sure we do, currently anyone signing a contract with the state for more than \$1000 must sign a statement that says they comply with all the tax laws of the state.

We assume these businessmen signed those statements. The blank form we've seen gives no definition of tax compliance or what the consequences are for not telling the truth on the form. Is it "perjury" which is a felony, or "false swearing" or "unsworn falsification" which are misdemeanors? The jail terms and/or fines are significantly different, five years to five months in jail or \$125,000 to \$2500 in fines. And those fines were set in 1971. If indexed, a \$2500 fine would be \$18,000 today.

Of course, we wonder if the state ever imposes those fines or jail time. For some, compliance is dependent upon consequences.

Perhaps the taxpayer in Borrud's story is among those bidders and proposers who simply find the interest rates and penalties of the state and local jurisdictions lower than any they will be obligated to pay elsewhere while avoiding the hassle of loan applications, denials, etc. And perhaps they are aware that payment plans with the state can include reductions in those same taxes, penalties or interest.

We read the bills and follow the money

It is not clear in this draft of the bill when and how deeply the state contracting agency must verify tax compliance with DOR. It appears from Borrud's story the problem is not inquiring into all principles in a business. The bill should address how deeply into ownership and management the inquiry must go and give the contract size that sets the compliance inquiry in motion. Surely \$1000 is not the correct number and the current efforts are not deep or thorough enough. Each contract may be with a new LLC, so inquiring into each person in a company that is legally liable for any tax might be appropriate as would some time on LexisNexis.

The bill needs work. We think a workgroup during this session is in order. It might look deeper than taxes at the effectiveness of state's approval of contract partners. But clearly there is work to be done.

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