

SMART GROWTH COALITION

March 4, 2025

Chair Nancy Nathanson
Vice Chairs E. Werner Reschke & Jules Walters
House Committee on Revenue
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Sent electronically

RE: HB 2871 Contravenes State & Federal Laws Protecting Taxpayer Confidentiality

Dear Chair Nathanson, Vice-Chairs Reschke and Walters, and Members of the Committee:

Thank you for the opportunity to submit these comments on behalf of the Smart Growth Coalition regarding HB 2871. We are concerned the legislation blatantly violates state and federal laws prohibiting the disclosure of taxpayer and tax return information, posing a serious risk to the state's ability to administer and collect income taxes. We ask that you reject this measure and any others seeking to dissolve taxpayer confidentiality protections.

About the Smart Growth Coalition

The Smart Growth Coalition is a consortium of traded sector businesses with significant operations in Oregon. Our coalition was formed in 1999 to add technical expertise to state legislative proceedings regarding proposed reforms to state tax law affecting businesses who have made investments in jobs and capital projects in the state. Our members are unified in their commitment to sound tax policies that encourage investment in Oregon and provide technical simplicity and clarity to the state tax code.

State and Federal Laws Prohibit Tax Return Disclosure

Under existing state and federal laws, the Department of Revenue is strictly prohibited from publicly disclosing a tax return, information from a tax return, or any particulars included within a tax return.¹ These nondisclosure laws were created in the 1980s following a series of episodes where tax returns and tax return information were weaponized for political purposes.

¹ O.R.S. § 314.835 explicitly prohibits state officials from disclosing "any particulars" disclosed within a tax return document. 26 U.S. Code § 6103 strictly prohibits federal or state revenue officials from publicly disclosing a federal tax return or information from a federal tax return.

The prohibition is treated with the utmost seriousness and strictly enforced. In 2024, for example, an Internal Revenue Service contractor was sentenced to five years in prison for publicly disclosing taxpayer records.²

The consequences for a state violating the federal prohibition against disclosing tax return information are severe. State revenue directors and officials could face criminal prosecution, including imprisonment and civil penalties. Additionally, the Internal Revenue Service could discontinue its information-sharing agreements with the state, denying critical access to federal tax information that serves as the starting point for state income taxes. Since Oregon's primary source of revenue is the income tax, and the state relies on federal terms, definitions, and returns to administer its income tax, losing access to federal tax records would be catastrophic to the state's ability to collect revenues.

HB 2871 Blatantly Violates State & Federal Nondisclosure Laws

Under the introduced measure, taxpayers with more than 20 percent of their gross receipts derived from public contracts must attach statements to their tax returns disclosing contract amounts and the percentage of their public contract gross receipts relative to their overall gross receipts. Further, the measure dissolves this statement from the strict confidentiality protections afforded to tax return information under state law, allowing non-governmental organizations and individuals to access taxpayer information. Considering the statement includes information from the federal tax return, such as the taxpayer's national gross receipts, the measure appears to blatantly violate federal nondisclosure laws.

Weaponizing the Tax System for Political Purposes is Wrong

Oregon already goes to great lengths to publicly disclose the value of state contracts. Anyone with access to a computer can review contracts to understand their requirements and values. It is unnecessary to create a new requirement for contractors to submit a statement with their tax return and make that statement available to the public. Doing so would undermine the core of the state's revenue system and pose a serious risk of state officials facing criminal penalties for violating federal nondisclosure laws. The committee should reject this measure and any other proposals seeking to disclose taxpayer information.

Sincerely,

Jeff Newgard
Smart Growth Coalition

² See "[Ex-IRS contractor sentenced to 5 years in prison for leaking Trump's tax records](#)," National Public Radio, January 30, 2024.