Tax Practitioner Liaison Meeting

Oregon Department of Revenue – Fishbowl Meeting Room
Friday, December 3, 2010
9AM – 11AM

Welcome & Introduction **All**

Dee asked everyone to introduce themselves.

Processing Center Update **Theresa Schuh**

As of Dec. 1st DOR processed 1,775,561 returns and 67% were e-filed with the lowest rate of suspense, 8%; 14% were traditional paper with a 26% suspense rate; and 2D barcode returns came in at 19% with a suspense rate of 11.5%. We had 206,000 returns suspend this year, which is about 25,000 more suspended returns than we had last year and we have fewer staff to process those returns.

This year we have processed about 45,000 amended returns. We are currently processing refund amended returns received Aug. 17th. We are about 4 months behind in processing. The same staff that processes suspended returns also process amended returns and due to the hiring freeze, we have less staff to process these returns.

Regarding 2D returns, if you change any information on the return, you have to refresh the barcode, if you do not, our system will not capture any of the new information, and the return will suspend. This has been an issue with 2D amended returns.

The top ten mistakes made on professionally prepared original and amended income tax returns are:

- The amount claimed on the return does not match the amount in the taxpayer's estimated tax account.
- The amended increase or decrease in federal tax should be reported in the year the tax is paid or the refund is issued.
- The Oregon tax deduction is less than withholding for the current year.
- The practitioner's calculation is different than DORs calculation.
- Payment shown on the amended return is not equal to payments made on the original return.
- Tuition and fees subtraction claimed when no federal credit is claimed.
- Child and dependent care credit - the Oregon childcare credit we computed is different than what is claimed on the form.
- An incorrect code is used for an "other" addition, subtraction, or credit. We see many subtraction codes used on the credit line.
- The Oregon EIC we computed is different than what the practitioner claimed (either the federal EIC was computed incorrectly which changes the Oregon credit or the Oregon credit was computed incorrectly)
- The working family credit we calculated is different than what the practitioner used because of a computation error or the practitioner used an amount that is not in line with their income or number of children.

Clarification of Taxpayer Self-Sufficiency **Warren Naillon**

There were two questions from the last meeting regarding taxpayer self-sufficiency. First, whether a POA is required when a practitioner wants to use the self-sufficiency application. Ken reported, since a practitioner will have the information needed to use the application, the department does not require an actual POA, but the practitioner needs express consent from the taxpayer. The application contains a complete history of the taxpayers' information.

Debit card vs. credit card payment – A debit card is processed as a credit card by our system through the OPC (Official Payment Corporation) link, and OPC charges a convenience fee for using a credit card as payment their service. A debit or credit card can be used through OPC to pay estimated and current due taxes as well as assessed and delinquent taxes.

New Law Update **Ken Ross**

Tax year 2010 connection to the definition of federal law – Currently, we are tied to the federal definition of taxable income as of 12/31/09. This means that Oregon is not tied to any federal legislation passed during 2010 (including the Tax Relief Act, passed in December) and won't unless the 2011 Oregon Legislature adopts the changes.

The Severance Pay Subtraction is new for an individual who received severance pay from a former employer and then invested the severance pay in certain small businesses in Oregon, up to $500,000. There are some criteria that the individual has to meet in order to qualify. You can refer to 2010 Publication 17 ½, if you have taxpayers in this situation. We are expecting very few taxpayers to qualify for this subtraction.

Questions:
1. Is there a time limit on when you can you take the subtraction?
Yes, you must claim the subtraction in the year the severance pay is received. If the pay is received late in the year, the individual has until the due date of the return (including extension) to make the investment.

2. Can this subtraction create an Oregon NOL?
Possibly, but that's not the typical situation, since the subtraction is claimed in the year the pay is received.

There has been a change in the property basis for a decedent for Oregon. For 2010, the basis is the fair market value of the property at the time of death; or the decedent's basis, whichever is less. On the federal level, there is no estate tax in 2010. However, there is an Inheritance tax for Oregon if the estate is worth $1 million or more. For more information, see our Revenue Bulletin at http://www.oregon.gov/DOR/bulletins.shtml. You can also email our estate department with questions at estate.help.dor@state.or.us

For 2010, the federal tax subtraction limit is $5850 for all filing statuses. Every filing status is allowed the same amount to be subtracted unless they fall into the new income limits for phaseout. Married Filing Separate and Single filers begin the subtraction phase out at $125,000 AGI. All other filing statuses begin their phase out at $250,000 AGI.

The new law update is available in pdf form at:
http://www.oregon.gov/DOR/TAXPRO/docs/new_law_update_2010.pdf

IRS Update **John Blakeman/Brian Wozniak**

CPE requirements have been waived for a year, the test is not available.

The Hire Act: Payroll tax exemption & a retention credit for employees that the employer keeps for 52 consecutive weeks.

E-File Mandate: It is now the law that most pracs will be required to E-file if you prepare 100 or more tax returns for tax year 2010. In 2011, the threshold is reduced. The regulations were just issued & Brian will be sending those out via email.

E-Pay Mandate: Every small business that is required to make federal tax deposits will have to make those electronically as of 1/1/11.

1099K requirements go into effect in 2011. Any businesses that make all their payments with credit cards/debit cards/or the internet, do not have to issue 1099s.
Beginning in calendar year 2012, corporations will no longer be exempt from issuing 1099s and this will apply to goods and/or services paid for with cash/money order/checks only.

AMT will sunset at the end of the year going back to 2001 rates.

The IRS will not be doing any more speech requests due to budget restraints.

Thank you to OATC for providing today's coffee.

Meeting Changes
We will no longer meet monthly, beginning in 2011. Our first meeting will be April 22nd, with the traditional Processing Center tour. We will meet again on the fourth Friday in July and October, which is the 22nd and 28th, respectively. Then our last meeting of the year will be the first Friday in December, which is the 2nd.