

2009

Oregon Department of Revenue Agency Overview

Presented to
House Revenue Committee



www.oregon.gov/DOR

January 30, 2009

Mission

We make revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.

Values

Highly Ethical Conduct

- The public's confidence in our management of the state's tax programs is critical to our ability to fulfill our mission. We earn that confidence by demonstrating honesty and integrity.
- Our policies and activities are characterized by honest, fair, and open behavior.
- We carefully safeguard taxpayers' money and confidential information.

Service and Operational Excellence

We are continually looking for ways to make tax systems work better and to make complying with complex tax laws simpler, faster, and affordable for all Oregon taxpayers, including those who have special needs. We provide services that allow taxpayers to do business with us in a way that suits their schedules using tools they're accustomed to. We constantly seek input from our employees, other taxing entities, and from taxpayers in that effort.

Fiscal Responsibility

- We responsibly manage our financial resources to fulfill our mission.
- We carefully process and account for the funds we collect.
- We assure that local governments are responsible in their budget processes through our supervision of the property tax system.

Quality Relationships

- We emphasize fair and respectful treatment of everyone with whom we work, including our co-workers, Oregon taxpayers, and our external partners.
- The quality and character of our people make us successful. We value and appreciate the unique contributions of all department employees.
- We understand and appreciate the similarities and differences of the citizens of Oregon. We want a workforce that reflects those similarities and differences.
- We believe that excellent service enhances all of our working relationships.

Accountability

- We measure ourselves against our goals and commitments.
- We hold ourselves responsible for our actions and the outcomes of our work.
- We ensure that the tax laws are administered fairly, equitably, and consistently.

Continuous Improvement

- We continually look for opportunities to better serve Oregon and its citizens.
- We encourage innovation and implement recognized best practices that will contribute to improved performance.

Vision: 21st Century Tax Administration

Our Vision: We are a model of 21st Century tax administration through the strength of our people, technology, innovation, and service.

Our mission is critical to the health of Oregon. We collect the dollars that go into the General Fund, making “revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.” During challenging economic times when the quality of life for some is threatened, we are responding to the dual challenge of reducing costs and generating additional revenue from taxpayers not paying their fair share.

Challenges

Tax administration across the country is undergoing a sweeping transformation. Taxpayers are demanding ways of doing business at times that are convenient to their schedules using tools that are commonplace in the private sector. Businesses are changing, and more are using complex and sophisticated practices to reduce or avoid paying taxes. State agencies must adopt enterprise-wide strategies for partnering and addressing issues that affect citizens.

Meeting expectations and demands is difficult even in a strong economy. Solutions do not lie simply in adding more staff doing more of the same. What is needed is transformation.

Meeting Challenges Head-On

The Department of Revenue is transforming itself to keep up with a changing environment and to anticipate citizen needs and behaviors. During this first phase, we are building a solid plan for the next 5–7 years that:

- Modernizes our technology.
- Strengthens our workforce.
- Develops new business processes.
- Builds key partnerships with those who can help us achieve our mission.

Key Issues for the Department's 2009–11 Budget

The 2009–11 biennium presents the Department of Revenue with some key opportunities and challenges. State revenues for the 2009–11 biennium are projected to be down by almost \$1 billion, forcing state agencies to cut critical services. The Department of Revenue is responding to the budget environment by increasing efforts to collect taxes from those who owe.

Additionally, citizens are demanding that we provide services that suit their schedules using tools commonplace in the private sector. Some businesses are using complex and sophisticated practices to reduce or avoid paying taxes. Taxpayers and the legislature expect us to ensure that everyone pays their fair share, and that we do so using information effectively to anticipate compliance issues and to address them effectively.

As we approach 2009–11, the department has identified the following key issues:

- **Compliance:** The personal income tax program has engaged in an extensive study on the issues of compliance and will be bringing recommendations for the legislature's consideration. The major issues that will impact our budget in 2009–11 include:
 - Need for better tools to identify and address non-compliance.
 - Ability to share taxpayer information with partner agencies.
 - Technology to improve measurement of non-compliance and manage accounts receivable.
- **Technology:** We recognize the need for an appropriate information technology (IT) infrastructure that will allow us to transform business processes. Our core legacy systems are coming to the end of their useful lives, and as we develop replacement systems we need to have a clear picture of how they will support our business in the future.
- **Continuous improvement:** We believe that continuous improvement is key to achieving our vision of being a model of 21st century tax administration. To that end, we have adopted "continuous improvement" as one of our six values. We are proposing improvements to these other key department operations:
 - **Statewide digital tax lot system, Oregon Map Project (ORMAP)**, is a multi-year project to provide a statewide digitized base map by tax lot.
 - **Online County Assessment Function Funding Assistance (CAFFA) grant applications** would provide a web-based tool for counties that would allow faster, more efficient CAFFA applications and processing.
 - **Industrial property return processing** replaces outdated manual systems, resulting in increased service to the counties using the same amount of department resource.
 - **Taxpayer self-sufficiency** means taxpayers could resolve their debts and/or obtain information without having to contact a department employee.
 - **Capturing W2 information electronically** allows employers of 250 or more employees and payroll service providers to file W-2 forms electronically with the department.

- **Digital fax service** allows us to receive fax transmittals without printing, thus supporting faster processing.
- **Information technology transformation** is aimed at meeting the changing needs of the public and aligning our technology in support of our business.
- **Video conferencing** uses telecommunications to bring people at different sites together, therefore reducing travel costs; reducing emissions created by travel; and allowing increased participation in planning, training, and other events.
- **Evolution of tobacco tax programs:** In 2007, funding for all tobacco tax administration and enforcement activities was shifted from a continuous appropriation and expenditure limitation model to a biennial appropriation model. One consequence is that only the full legislature can change the amount of resources used for tobacco tax compliance, which prevents the department from responding quickly to changing circumstances.

The department has requested legislation to restore the continuous appropriation for the administration and enforcement of the tobacco tax programs.

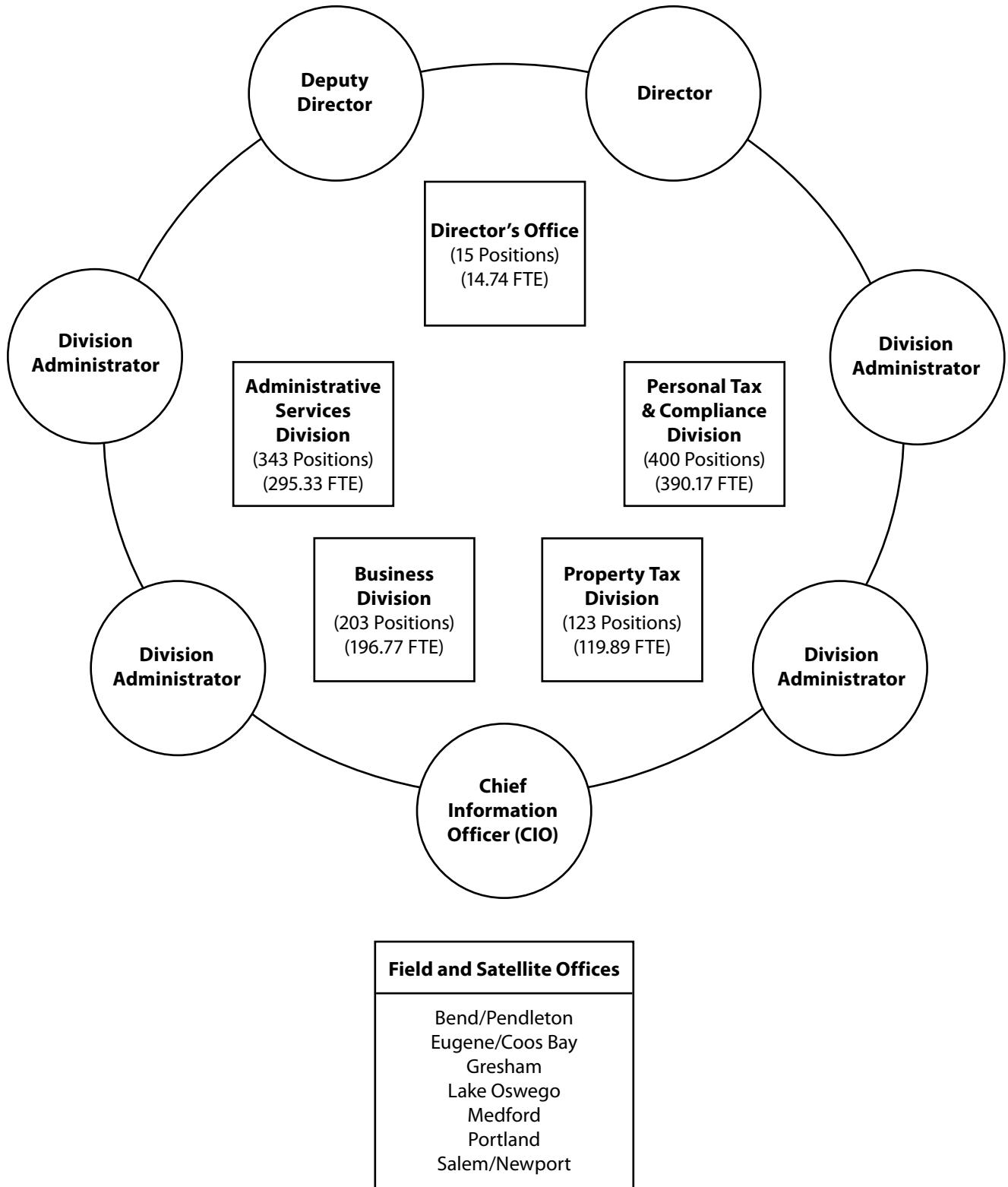
Between 2003 and 2008, the Department of Revenue worked closely with the Department of Justice and Oregon State Police to enforce compliance with tobacco tax laws. The three agencies concluded that it is not currently necessary to dedicate law enforcement resources for this purpose, and have disbanded the task force model. Department of Justice and Oregon State Police remain available on request should the need arise.

The Department of Revenue will continue its civil enforcement activities in the coming biennium.

Department of Revenue

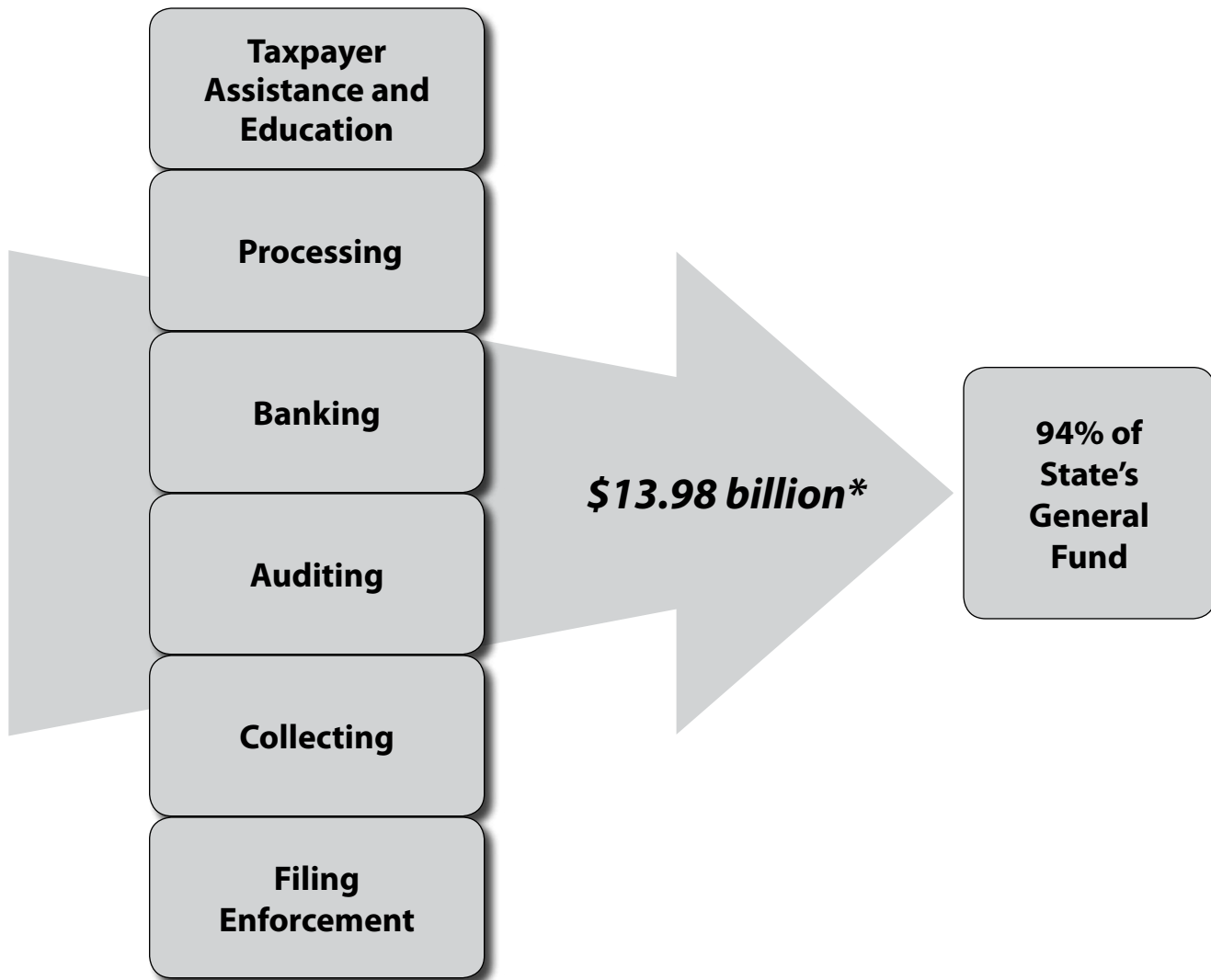
2009–11

Governor's Recommended Budget



Personal Income and Corporation Taxes

Projected 2009–11



FTE: 689.

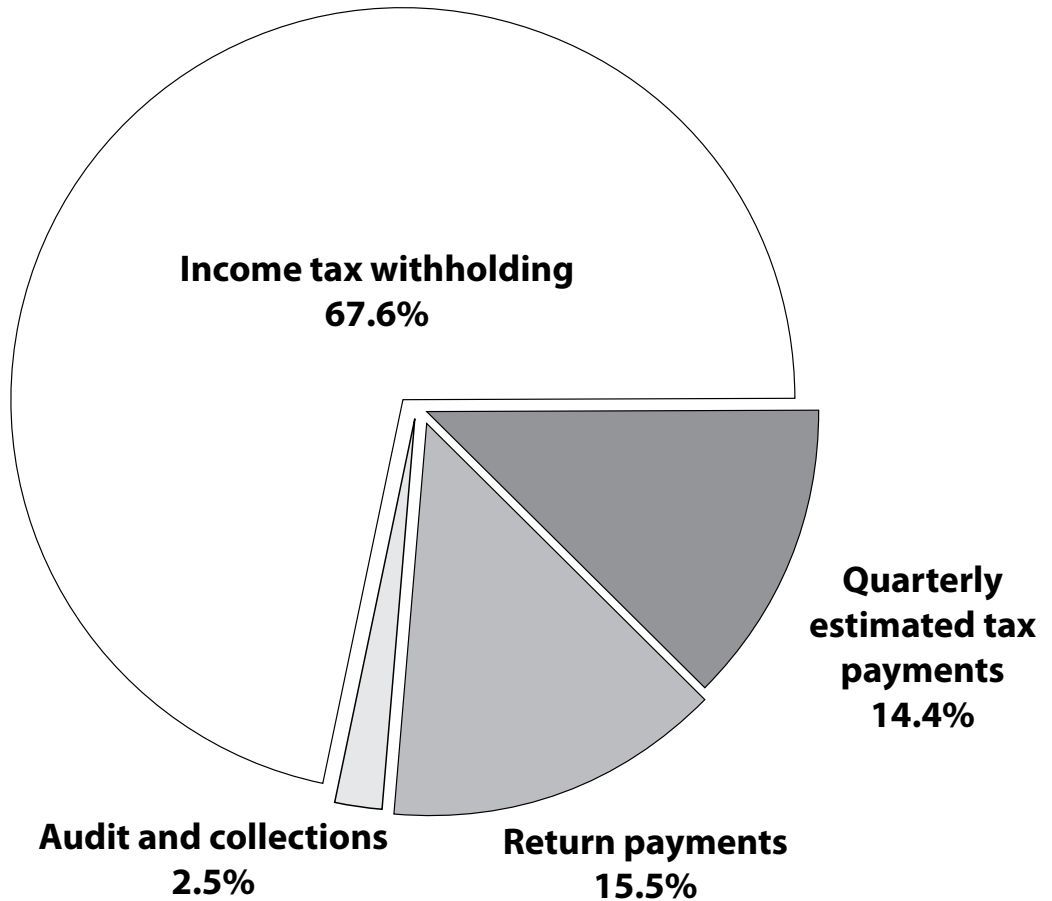
Administrative cost projected (2007–09): \$118.1 million.

Administrative cost percent: 1 percent.

*From December 2008 forecast.

How Oregon Collects Income Tax Dollars

Personal Income and Corporation Taxes



Fiscal year 2007–08.

Taxpayer-initiated payments are 97.5 percent of dollars collected.

Personal and Corporation Taxes Quick Facts

Personal Income Tax

- For tax year 2007, the department received 1.8 million returns:
 - 60 percent were filed electronically.
 - 19 percent were filed with a 2-D barcode that allows the department to process the return quickly.
 - 21 percent were filed on paper without a barcode.
- 11 percent of the 1.8 million returns filed were reviewed manually to determine accuracy and correct any errors.
- For fiscal year 2007–08, the department audited 33,200 personal income tax returns. These audits include reviewing the accuracy of income included on the return, subtractions from Oregon income, and credits. This amounted to \$48.9 million in assessments.
- Auditors reviewed 3,250 returns claiming the working family credit. Total adjustments from first-time claimants are \$3 million.
- The department has also worked with 14,600 taxpayers for an additional 15,100 returns that had not been previously filed. Of the taxpayers that we have contacted to file, 32 percent of them filed when we requested them to, 26 percent were found not to have a filing requirement, and 42 percent were billed for their taxes.
- For fiscal year 2007–08, the department collected \$95 million from taxpayers who filed and did not pay, from adjustments to returns, and from those taxpayers we have worked with to file their taxes.

Corporation Income Tax

- For tax year 2007, Oregon corporate tax returns numbered 83,250. Of those, 9 percent were filed using a 2-D barcode, 5 percent were filed electronically, and 86 percent were filed on paper.
- Of those corporation returns filed in tax year 2007, 19 percent were reviewed manually for errors.
- For fiscal year 2007–08, the department audited 960 cases. This generated \$54 million in additional tax assessments to corporations.
- For fiscal year 2007–08, the department worked on 680 filing enforcement cases on corporations who had not previously filed for \$3.4 million in additional tax adjustments.

Balanced Approach to Improving Compliance

The majority of Oregon individual income tax (80 percent) is reported and paid without our intervention. Most taxpayers take their obligations seriously but may need help with figuring their tax or interpreting complex income tax laws. Education and assistance are the main tools we use to inform taxpayers of their tax filing and paying obligations.

Education

We provide information in a variety of ways: on paper, through the web, or in person. In addition, we partner with tax practitioner groups, other state agencies, the IRS, and vendors who provide return preparation software.

Education takes many forms, including helping taxpayers to resolve issues with us, explaining basic record keeping requirements, helping validate credit amounts, etc.

Assistance

We try to provide assistance in the way that's most convenient for the taxpayer (within resource constraints). We have seven full-service field offices where taxpayers can get help, make payments, or file their returns. Field offices are located in:

- Bend
- Eugene
- Gresham
- Lake Oswego
- Medford
- Portland
- Salem

The department also operates satellite offices in Pendleton, Coos Bay, and Newport.

Our education and assistance for the past year included:

- Handling 268,000 calls to our Tax Services phone lines.
- Providing refund information to 281,000 taxpayers.
- Creating short-term payment agreements for 3,500 taxpayers.
- Serving over 25,000 taxpayers in person at our Salem office.
- Answering over 15,000 e-mails and pieces of correspondence related to tax filing questions or concerns.
- Answering over 1,200 practitioner questions specific to Oregon during the filing season.
- Providing direct e-mail access for corporate taxpayers to assist them with their filing and compliance questions.
- Partnering with the Multistate Tax Commission to provide a central point of contact to help nonfiling taxpayers come into compliance through the National Nexus Program.

Enforcement

For taxpayers who are unwilling to voluntarily file and pay their fair share of taxes, we verify the information they submit, or in more extreme cases, establish the taxes due. We attempt to match our actions with their noncompliant behaviors.

We have three primary functions of enforcement—collection activity, audits, and filing enforcement.

Collection

Taxpayers can pay on liabilities in several ways, including credit cards and payment plans. They can also authorize electronic payments from their checking or savings accounts. Since January 2008, we have processed over 34,000 direct debit and credit card transactions, representing over \$16 million in payments of personal income tax.

Audit

Auditors review tax returns for accuracy and work with taxpayers to make sure all income, expenses, deductions, and credit items are reported correctly. Our automated tax return processing systems verify accuracy of returns and automatically adjust tax and bill or refund for certain adjustments.

Filing Enforcement

We pursue nonfilers, focusing on areas where we have automated data. During calendar year 2007, we brought in an additional 13,000 returns as a result of filing enforcement activity. For the coming biennium, we will focus more closely on self-employed individuals who have not filed.

Partnership is key to compliance

The department partners with the Employment Department, Board of Tax Practitioners, Board of Accountancy, other state taxation departments, the Internal Revenue Service (IRS), and private collection agencies to carry out education, assistance, and enforcement.

Personal and Corporation Taxes: Major Environmental Factors and Budget Drivers

Environmental Factors

- **Demographics:** Oregon's changing population requires increased taxpayer education and assistance to address the changing needs of taxpayers. Language differences, age, and cultural differences create additional challenges to offering services to all taxpayers.
- **Federal tax law changes:** Oregon's tax law is tied to the Internal Revenue Code. When changes are made at the federal level, Oregon typically ties to those provisions. This allows taxpayers to more easily comply with their Oregon tax obligations and eases administration of the income tax program for the department. If the legislature "disconnects" from any federal tax provisions, the department adjusts forms and instructions.
- **Business activity:** The change in business environment from a local economy to a global economy makes accurate measurement of business activity in Oregon difficult, especially in the areas of residency and nexus (taxable presence in Oregon). The increased use of Limited Liability Companies and partnerships creates additional opportunities to shift income between taxable entities beyond Oregon's boundaries. This makes it more difficult to identify the appropriate amount of income subject to Oregon taxation.
- **Electronic commerce:** Taxpayers expect their government to be able to transact business with them 24 hours a day / 7 days a week. Many taxpayers use computers and other electronic devices to conduct business and communicate. For example, electronic filing has increased from 50 percent of individual filers in 2005 to 60 percent in 2007. It is now the preferred method for filing by the majority of taxpayers. However, this also presents new challenges for compliance.
- **Corporate tax challenges:** Taxpayers have become increasingly sophisticated in the use of tax planning tools, including corporations, Limited Liability Companies, and trusts. These tax planning techniques make review and determination of tax due under Oregon law more difficult.

Budget Drivers

- **Long-term health of the income tax system:** When the income tax system is healthy, the revenue stream is more predictable because more taxpayers file returns and pay their taxes. To maintain a healthy system over the long term, the department invests budget resources in our staff, systems, and tools to maximize tax compliance.
- **Maintenance of state General Fund revenue stream:** We focus our resources on efficiently processing and banking the taxes that fund public service, and strategically concentrate on compliance issues to meet our desired outcomes of tax compliance.
- **Efficient tax administration:** To make tax compliance simpler, faster, and cheaper for taxpayers, the department invests its budget resources in technology and information management tools to deliver support to taxpayers who are trying to comply.

- **Information technology solutions:** We depend on technology to meet the needs of our taxpayers. From making it easier for taxpayers to pay their taxes to accessing information whenever and wherever they want it. Through technology, the department manages growing workloads and reduces costs by making our current systems more efficient and effective.

Budget Issues

- **Compliance:** The personal income tax program has engaged in an extensive study on the issues of compliance and will be bringing recommendations for Legislative consideration. The major issues which will impact our budget in 2009–11 include:
 - Need for better tools to identify and address noncompliance.
 - Ability to share taxpayer information with partner agencies.
 - Technology to improve measurement of noncompliance and manage accounts receivable.
- **Refundable credits:** Refundable credits are misunderstood by many taxpayers who make mistakes in claiming or calculating the credits. The department has diverted resources from other areas to manage these refundable credits. Our challenge is to ensure that refunds are correct and timely while providing sufficient review to protect the General Fund from erroneous claims.
- **Electronic filing support:** The IRS is changing the technology platform currently being used for filing of electronic returns. This impacts those states, such as Oregon, that piggyback their state filings with the IRS. We are working with the IRS, other states, and software vendors to transition to the new electronic platform for personal income tax returns, scheduled for implementation in 2010.
- **Document management:** The department continues to receive approximately 400,000 personal income tax paper returns and more than 89,000 corporate tax paper returns. The department needs to efficiently manage and store paper documents electronically, resulting in better access for employees who work with the returns.

2009 Legislation

HB 2157: Reconnect to Provisions of Internal Revenue Code

Oregon tax laws refer to federal tax laws in various areas such as in definitions and tax credits. The references are to a fixed date, which is currently December 31, 2007. This concept updates the reference to December 31, 2008 and adopts retroactively federal changes made in 2008.

HB 2158: Kicker Check-Off Box Modification

Current law allows individual income taxpayers to donate a future kicker check to the State School Fund. This concept revises the law to require that the taxpayer indicate a maximum donation amount.

HB 2159: Business Energy Tax Credit

Makes technical corrections to statutes allowing transfer of the Business Energy Tax Credit.

HB 2160: Stamping of Other Tobacco Products

Authorizes the Department of Revenue to provide by rule the method and manner of verifying payment of tax on other tobacco products. Also provides a continuous appropriation for funding of the tobacco tax programs.

HB 2161: Central Assessment Statute Rewrite

The purpose of this concept is to update archaic language, reorder definitions, conform filing date changes throughout the central assessment laws, and generally improve the readability of the statutes.

HB 2162: Appeal Period Start Date

Creates a date on which the property tax appeal period starts when board of property tax appeals orders are personally hand delivered rather than mailed.

SB 180: Inclusion of "Captive" Entities in Consolidated Corporate Tax Returns

Require a corporation's consolidated tax return to include certain "captive" entities in order to clearly reflect income of the unitary group.

SB 181: Requiring "Add-Back" of Certain Corporate Expenses

Requires that expenses related to a corporate taxpayer's use of a related corporation's intangible assets be added back to the taxpayer's income by adopting a Multistate Tax Commission uniformity proposal relating to "add-backs."

SB 182: Adopt Multistate Tax Commission Definition of "Financial Organization"

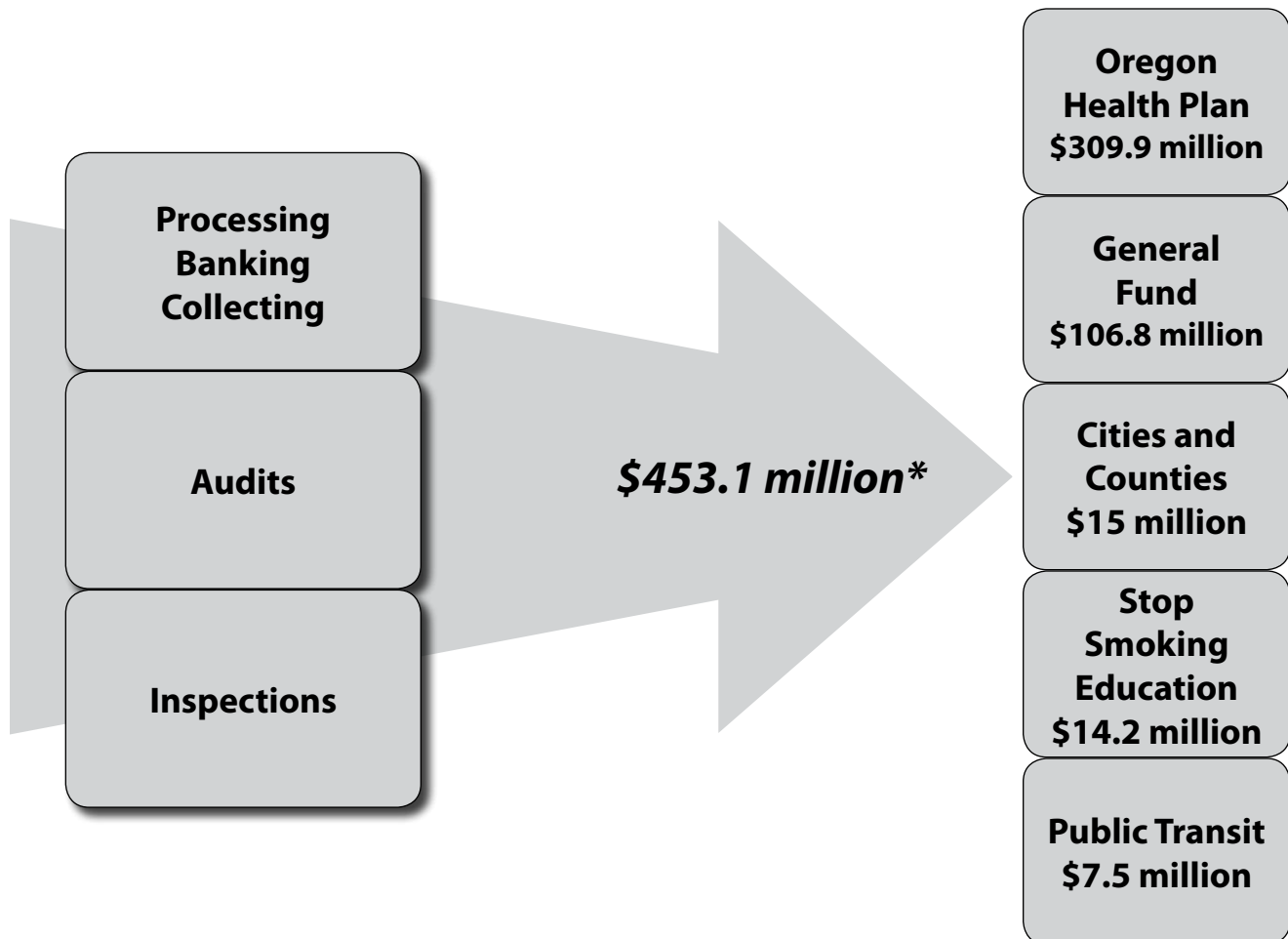
The concept eliminates obsolete provisions of chapter 317 that were relevant when financial organizations were taxed at a different rate than nonfinancials. It also amends the definition of a "financial organization" for purposes of apportioning income to reflect a uniformity proposal of the Multistate Tax Commission.

SB 183: Adjustments to Market Value

This concept rounds out implementation of the 2007 law to allow taxable value on a property tax account to be reduced when buildings are demolished or removed. It will more fully implement the 2007 legislation, SB 697.

Cigarette and Other Tobacco Taxes

Projected 2009–11 (under current law)



Administrative and enforcement cost (2009–11): \$3.4 million.

Administrative and enforcement cost percent: < 1 percent.

**From December 2008 forecast.*

Cigarette and Other Tobacco Taxes Quick Facts

Administration and Enforcement

The Department of Revenue's tobacco tax program is responsible for the administration and enforcement of Oregon's cigarette and other tobacco products tax programs. Over the past three biennia, the tobacco tax program has relied upon the Tobacco Compliance Task Force to identify, investigate, and prosecute criminal violations of our tobacco tax laws.

- The 2001 Legislature established the Tobacco Compliance Task Force consisting of staff from Revenue, Justice, and State Police.
- The task force was located at a common facility to insure communication and sharing of information for compliance and enforcement purposes.
- The task force also participated in enforcement of the master settlement agreement by gathering information and reporting violations.
- In July 2008, the task force members determined the number of tips for follow up by law enforcement members was not sufficient to justify the resources currently assigned to the task force. The task force model was changed to release the law enforcement staff for other duties, and move to a less formal relationship.

Cigarette Taxes

Oregon's cigarette tax is paid through the use of tax stamps that are purchased by about 90 Oregon licensed cigarette distributors. The current tax rate is \$1.18 per pack of 20 cigarettes.

Estimated cigarette tax revenues (December 2008 forecast):

- \$427 million for the 2007–09 biennium.
- \$391 million for the 2009–11 biennium.

Other Tobacco Products (OTP)

Oregon imposes a tax on the sale, storage, use, consumption, handling, or distribution of tobacco products other than cigarettes. The tax rate is 65 percent of the wholesale price.

- Validating OTP tax compliance is difficult. Unlike cigarettes, the product is not stamped so compliance relies on auditing.
- The tax is paid by the distributor at the time the distributor imports, produces, or ships the tobacco products into Oregon. There are more than 200 distributors of OTP.

Estimated OTP tax revenues (December 2008 forecast):

- \$63 million for the 2007–09 biennium.
- \$63 million for the 2009–11 biennium.

Cigarette and Other Tobacco Taxes: Major Environmental Factors and Budget Drivers

Environmental Factors

Redirection of the Tobacco Compliance Task Force: As of July, 2008, the task force partners determined that the number of tips obtained from the compliance specialists in the field and other sources did not justify a continuing commitment of resources to the task force by OSP (5 FTE) and DOJ (6 FTE). The OSP and DOJ resources have been redeployed, with commitment from both agencies to provide investigative assistance to the tobacco tax program as needed. The agencies are amending their joint memorandum of understanding to reflect these changes in their relationship.

Tax verification: Other tobacco products do not bear evidence that tax was paid.

Unlike cigarettes, other tobacco products don't have any stamp, markings, or other visible means affixed to verify payment of state tobacco taxes.

- The department introduced legislation to grant rule-making authority implementing some type of technology to stamp or otherwise verify the tax has been paid on moist smokeless tobacco.
- The department is working with members of the Federation of Tax Administrator's Tobacco Section to develop recommendations for technology for stamping or otherwise verifying payment of state tobacco tax. This group will be working with representatives from industry.

Effects of legislation: Legislation passed in the 2007 session implement a standard (fire safer cigarettes or FSC) to decrease the fire danger from unattended cigarettes and a ban on smoking in public places previously exempt from smoking bans. The FSC standards were effective January 1, 2008 and the smoking ban is effective January 1, 2009. It is too early to tell what impact this may have on cigarette and other tobacco tax revenues.

Relationship with tribes: The state of Oregon has signed revenue-sharing agreements with eight of 10 federally recognized tribes. These agreements allow the tribes to sell Oregon stamped cigarettes and avoid the complications of selling legal, nonstamped cigarettes.

Budget Drivers

Proposed rate increase: The Governor has proposed raising both the cigarette tax and other tobacco products tax to raise revenue. An increase in tax rates will increase the profit-incentive for noncompliance with Oregon's tobacco laws. Also, the Congress is condensing a tax rate increase on cigarettes.

Internet and mail order sales: Historically, the internet and mail-order tobacco market was dominated by a few large vendors. Our enforcement actions related to these activities changed the market dynamics resulting in the emergence of several smaller, less noticeable sites selling untaxed cigarettes.

We have partnered with other states to identify several of these smaller vendors. However, enforcement actions will be more costly as we lose significant economies of scale.

Policy Option Package

Jenkins Act tobacco enforcement: The department received \$259,773 Other Funds limitation for the department to continue compliance work resulting from sales of untaxed cigarette and tobacco products to Oregon residents by out-of-state sellers. Through the efforts of the Department of Justice, we are receiving reports from internet and mail order sellers of cigarette and tobacco products. These reports are produced under the federal Jenkins Act and identify sales to Oregon customers of cigarettes and tobacco products on which no Oregon tax has been paid. From July 2007 through December 2008, we have billed consumers \$1,566,272 and have received payments of \$953,896.

Other Taxes Administered by DOR

Projected 2009–11

✓ **Inheritance**

- Brings in: \$186 million.
- Funds: General fund.

✓ **Emergency (911) Tax**

- Brings in: \$80.8 million.
- Funds: 911 System.

✓ **State Lodging**

- Brings in: \$22.9 million.
- Funds: Tourism.

✓ **Hazardous Substance Fee**

- Brings in: \$5.2 million.
- Funds: Toxic waste reduction.

✓ **Amusement Device Tax**

- Brings in: \$4.2 million.
- Funds: General fund.
 - Counties.
 - Community college student fund.

✓ **Petroleum Load Fee**

- Brings in: \$3.6 million.
- Funds: Emergency response.

Tax Administration Services

Projected 2009–11

✓ Transit Taxes

- Brings in: \$477.5 million.
- Funds: TriMet.
Lane Transit District.

✓ Court Fines and Assessments

- Brings in: \$127.7 million.
- Funds: General fund.
State police.
Human services.
Emergency medical service.
Crime victims.
Police training.
Sexual assault.

✓ Other Agency Collections

- Brings in: \$76.6 million. If POP is approved, OAA will generate an additional \$14.4 million.
- Funds: State agencies.

✓ Senior and Disabled Deferral Programs

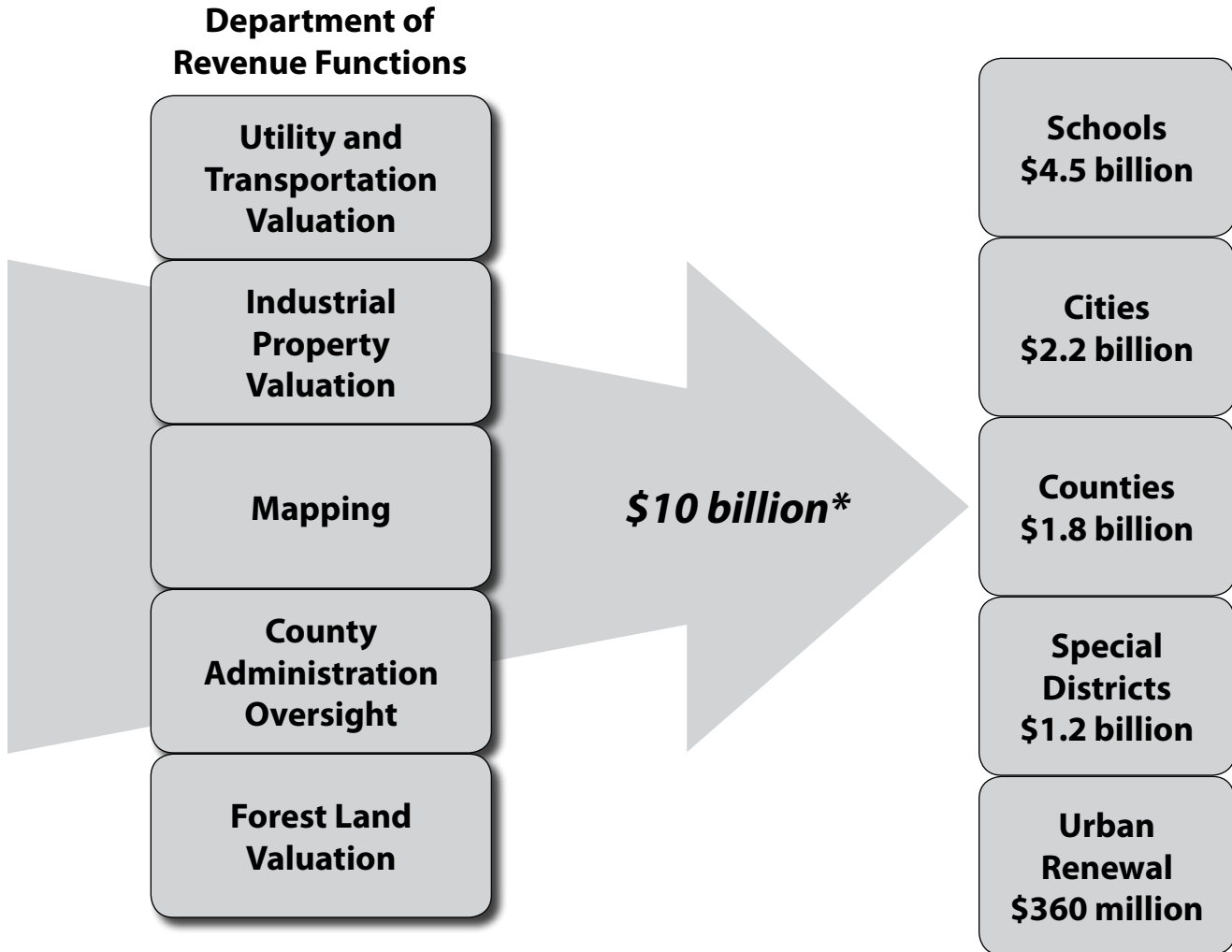
- Brings in: \$40.8 million.
- Funds: Pays property taxes on homes.
Oregon project independence.

✓ Elderly Rental Assistance

- General Fund appropriation: \$6.4 million.
- Funds: Elderly rental relief and nonprofit homes for the elderly.

Property Taxes

Projected 2009–11



FTE: 155.

Administrative cost projected (2007–09): \$27.9 million (excludes Oregon Map Project and funds passed-through to counties)

*From December 2008 forecast.

Timber Taxes

Projected 2009–11

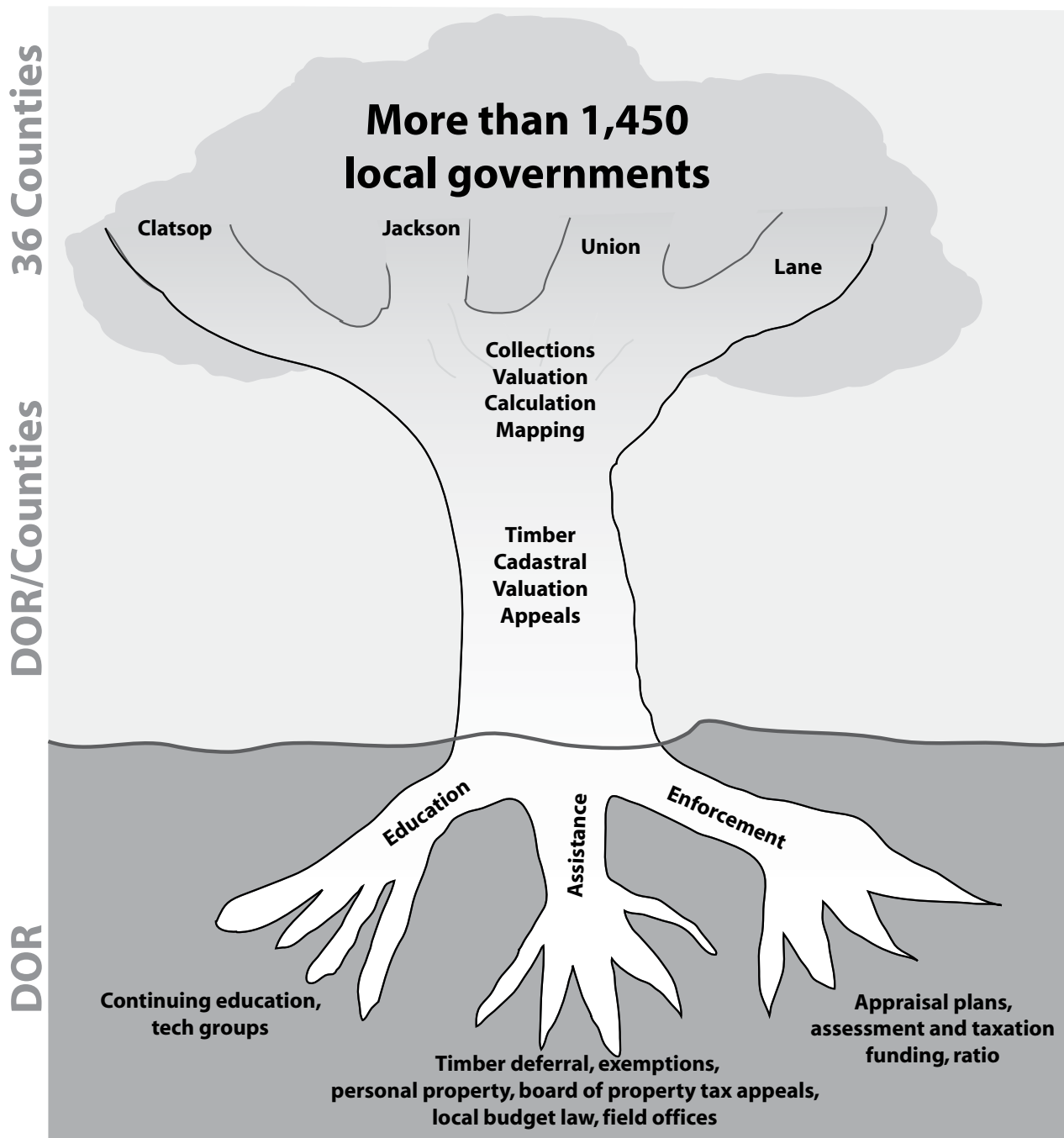
✓ **Forest Products Harvest Tax**

- Brings in: \$14.1 million.
- Funds: Oregon forest resources institute.
Emergency fire fund.
Forest practices act.
Oregon State University forestry research.

✓ **Small Owner Timber Tax**

- Brings in: \$612,400.
- Funds: Counties.
Community colleges support fund.
State School Fund.

Partners in Property Tax Administration



Oregon Map Project

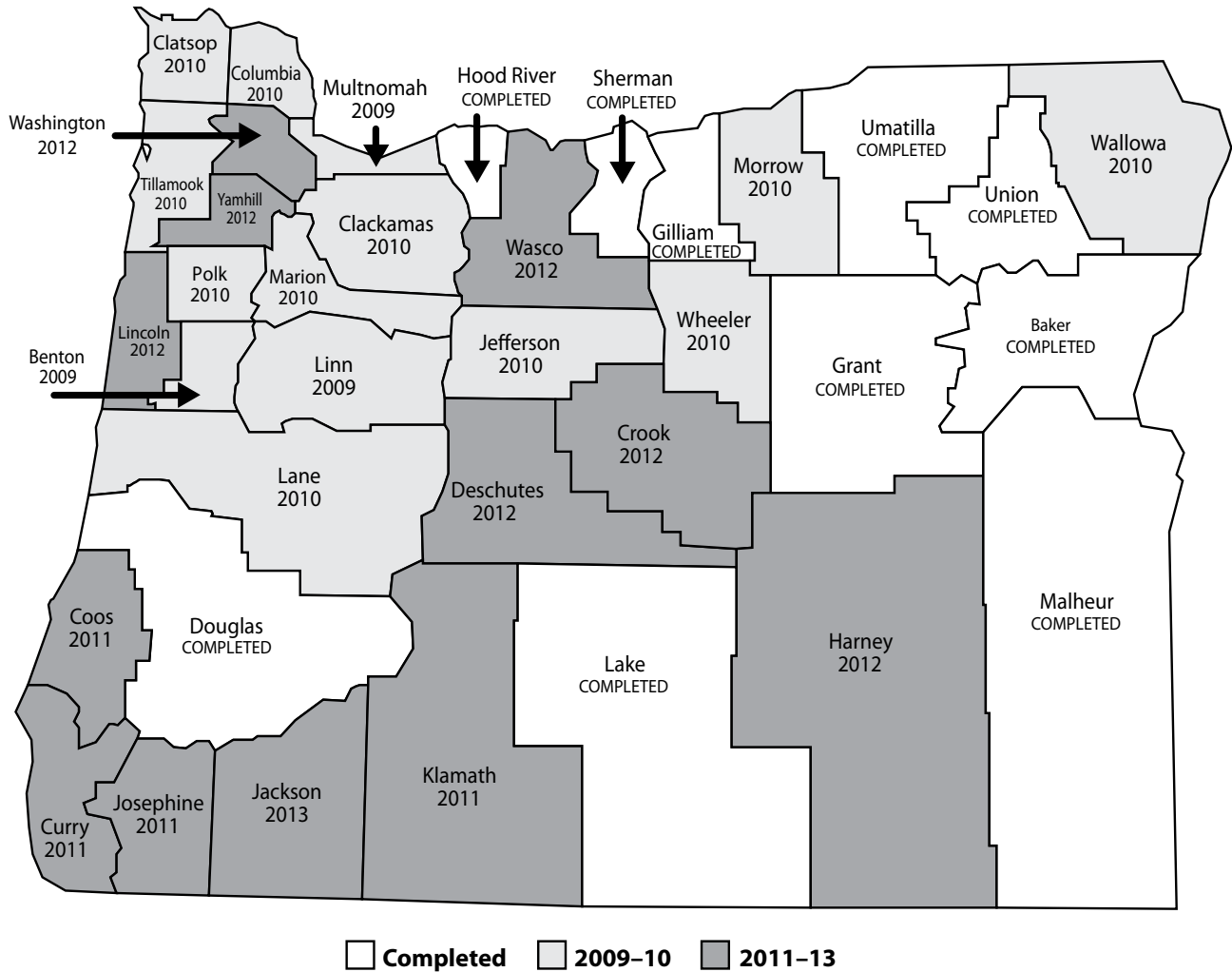
- The Oregon Map Project (ORMAP) is developing a statewide property tax lot base map that is digital, continually maintained, and publicly accessible. The move from paper to computer-based mapping will improve the administration of Oregon's property tax system.
- ORMAP involves department leadership working collaboratively with a variety of stakeholders in public service and private industry to meet the ORMAP goals.
- The department provides administration and coordination of the ORMAP program. Counties may apply for and receive funds for ORMAP projects through a grant process administered by the department.
- The goal of the ORMAP project is to create a statewide digital property tax map system that will support county assessment and taxation functions as well as an array of public and private geographic information systems (GIS) applications by October 2012.

What are the Benefits of a Statewide Tax Lot Base Map?

- Provides a base map system that supports the administration of the property tax system and supports a multi-purpose land information system.
- Builds a base map system that has the potential to support a wide variety of GIS applications for local government, state government, and the private sector.
- Citizens can access assessor maps online, avoiding trips to the assessor's office or waiting for information through the mail. More than 1.9 million maps were downloaded in 2007 from the ORMAP site alone.
- Current program promotes local collaboration, input and ownership, and encouraging public and private sector participation.



ORMAP Current Goal Completion Dates



The map depicts the current time frame, by county, for completion of the digital statewide tax lot map.

Why the State Appraises for the Counties

Department of Revenue Appraisal Responsibility

Complex properties typically require a high level of appraisal expertise. The department values industrial property over \$1 million in value. Industries that require unitary appraisal are communications, power, and transportation companies.

The concept of unitary appraisal is not unique to Oregon, but in fact, it is used by most states for valuing similar properties.

ORS 308.515 requires the department to value these types of properties:

- Properties that are usually complex in design, construction, and operation and require a high degree of technical expertise.
- Entities usually operating in multiple states and counties.

2008–09 Tax Year

Centrally Assessed Properties

Total real market value: \$14.1 billion, 446 taxpayers.

- Utilities.
- Communications.
- Airlines.
- Railroads.

Industrial Properties (for industrial properties valued at more than \$1 million)

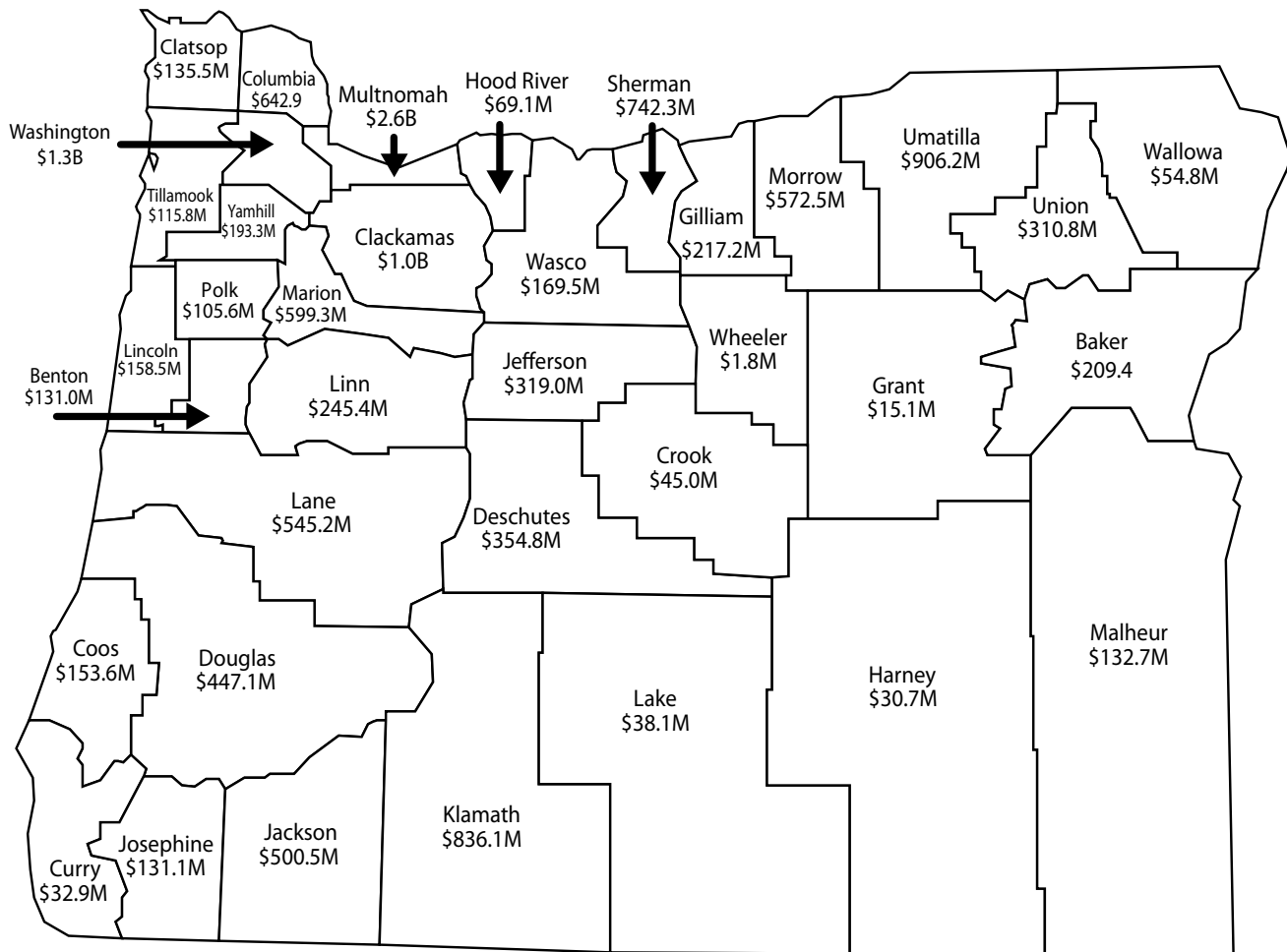
Total real market value: \$16.2 billion, 840 sites.

- Food processing.
- Wood products.
- Electronics.
- All other.

Because of the complexity of Oregon's property tax system it's difficult to state with precision, but the properties valued by department experts generate approximately \$800 million per biennium in property tax revenues for schools, counties, cities, and other special taxing districts.

Oregon Centrally Assessed Property Roll

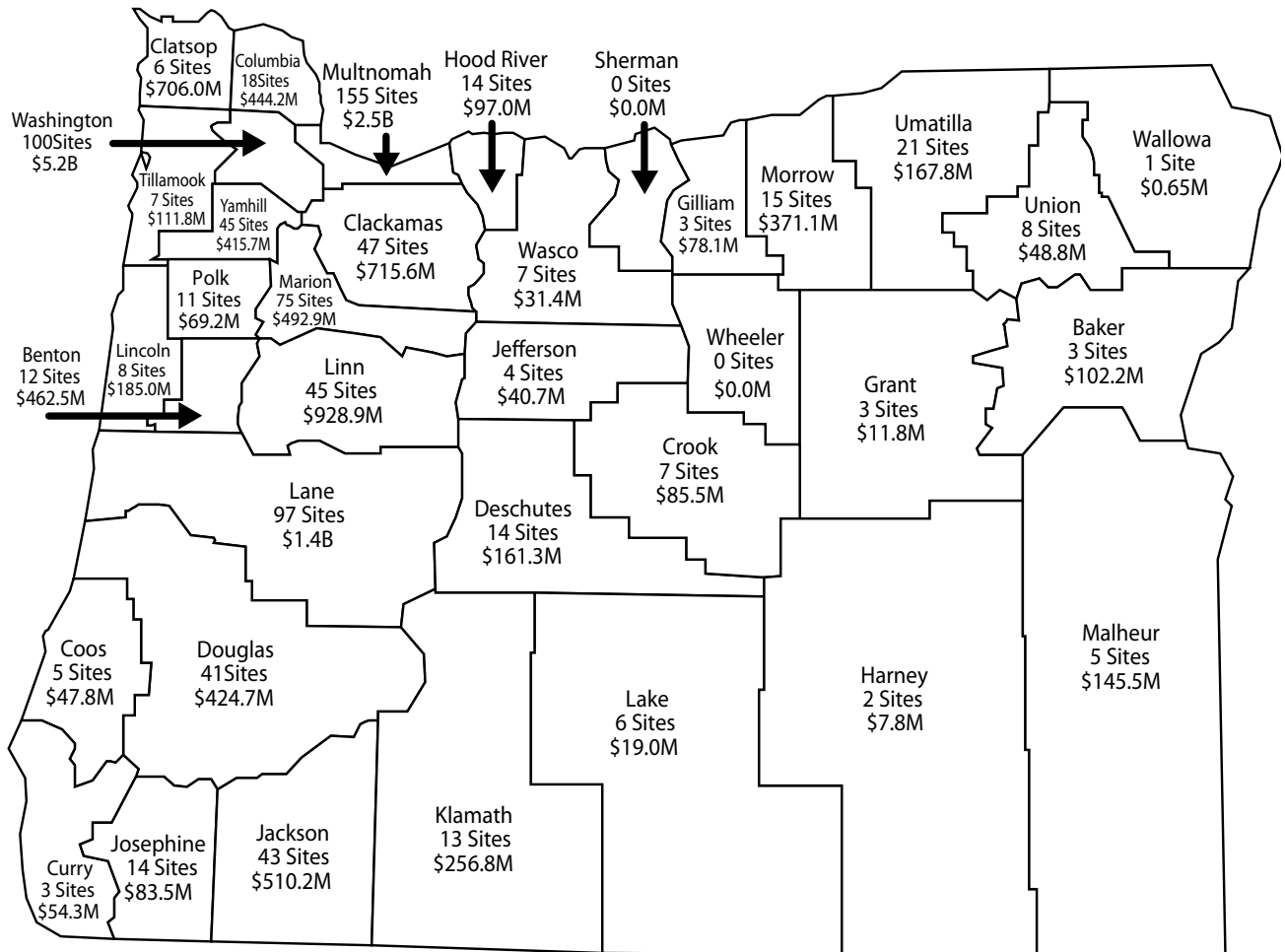
Total Real Market Value by County 2008 Tax Year



**Statewide Market Value
\$14.1 billion**

State Appraised Industrial Sites

Total Real Market Value by County 2008 Tax Year



**Statewide Market Value
\$16.4 billion**

Property Taxes: Major Environmental Factors and Budget Drivers

Environmental Factors

- **Resources:** Local government resources have not kept pace with the cost of providing essential services in part due to the property tax limitations.
- **Demographics:** When population grows, there can be additional revenues but also additional need for local government services.
- **Interest rates:** Funding the system depends partly on the number of real estate recordings at the county level. As interest rates rise, there are fewer recordings, so fewer dollars are available for funding.
- **Global manufacturing environment:** Industrial property values may decrease due to increased competition globally.
- **Competing interests:** Private industry stakeholders want lower values while local government stakeholders want higher ones.
- **Citizen demands:** Electronic access to state government is in increasing demand from taxpayers and information seekers.

Budget Drivers

- **Economy:** A robust economy encourages additional growth and strong property tax; economic downturns result in lower property values.
- **System complexity:** The overlay of voter approved initiatives, statutorily approved exemptions, and special assessments create a complex property tax system.
- **Partnerships:** The partnership between state and local government serves as the foundation of the property tax system.
- **Technology:** We are on a continuous quest to find information technology solutions to help run the system more efficiently and effectively at all levels.
- **System health:** Maintaining the health of the property tax system requires both short-term and long-term strategies and solutions.

Modeling Excellence One Building Block at a Time

The Department of Revenue has just completed Phase 1 of its most significant, long-range strategic planning and implementation process in more than a decade. The building blocks of our success are our strategic goals. These strategic goals describe what we must accomplish if we are to achieve our mission. Each goal is a building block. Even though the goals are separate, often the achievement of one goal is dependent on the achievement of another.

The results of our success will be evident: Streamlined business processes, the ability to meet customer demands and keep up with rapidly changing taxpayer behaviors, and a strengthened workforce that models 21st century tax administration.

Strategic Goals and Breakthrough Concepts

Maintain and Enhance a Talented, Forward-looking Workforce

- DOR has an environment that attracts and retains innovative and focused employees.
- We develop and use creative recruitment practices.
- We develop leaders at every level, every day.
- We make it possible for our people to do their work anywhere, anytime.

Create a Culture of Constant Improvement

- We actively seek and develop new ideas to improve our business.
- We challenge our assumptions.
- We ask, “Can we do this better?”
- We use leading tools and technology to improve our business.

Deliver High-quality Business Results

- We create clear, measurable objectives to achieve our business goals.
- We will make decisions based on relevant, sufficient, and reliable information.
- We understand the effect our performance has on our business goals.
- We understand the value of our performance.
- We create value through enterprise thinking.

Become a Customer-focused Organization

- We act like we have competitors.
- We think like a customer.
- We reach out to customers in ways that meet their needs.

Partner with Others to Achieve our Mission

- We partner with those who can help us serve our customers or achieve our business goals.
- We understand our partners.

Preserve and Enhance Public Confidence

- We adopt and implement industry standards and best practices for information security.
- We communicate with the public in clear, plain language.
- We provide services in a timely manner.
- We ask ourselves, “What is the right thing to do?”

Enhance Voluntary Compliance and Collection of Taxes Due under the Law

- We give taxpayers access to the information they need to do business with us.
- We develop strategies and allocate resources in a manner that maximizes compliance.
- We understand the factors that influence taxpayer behavior and how we offset those behaviors.
- We accurately predict taxpayer noncompliance.

Next Steps: Putting Our Plan Into Action

Our strategic planning process has identified numerous potential opportunities to enhance the agency’s performance and increase the benefit to the state. We must now take the next step by evaluating these potential opportunities and determining which we should pursue. Many elements are interdependent, so it will be important to evaluate them from a broader perspective rather than the perspective of a single functional area.

One of our first steps is to compare our agency business plan to our new strategic vision to identify areas of overlap and agreement. Once we have integrated the two bodies of work, we will develop implementation plans, build strong business cases, and focus our efforts toward achieving success.