



# Tax Information Exchange Agreement between the IRS and the City of Portland

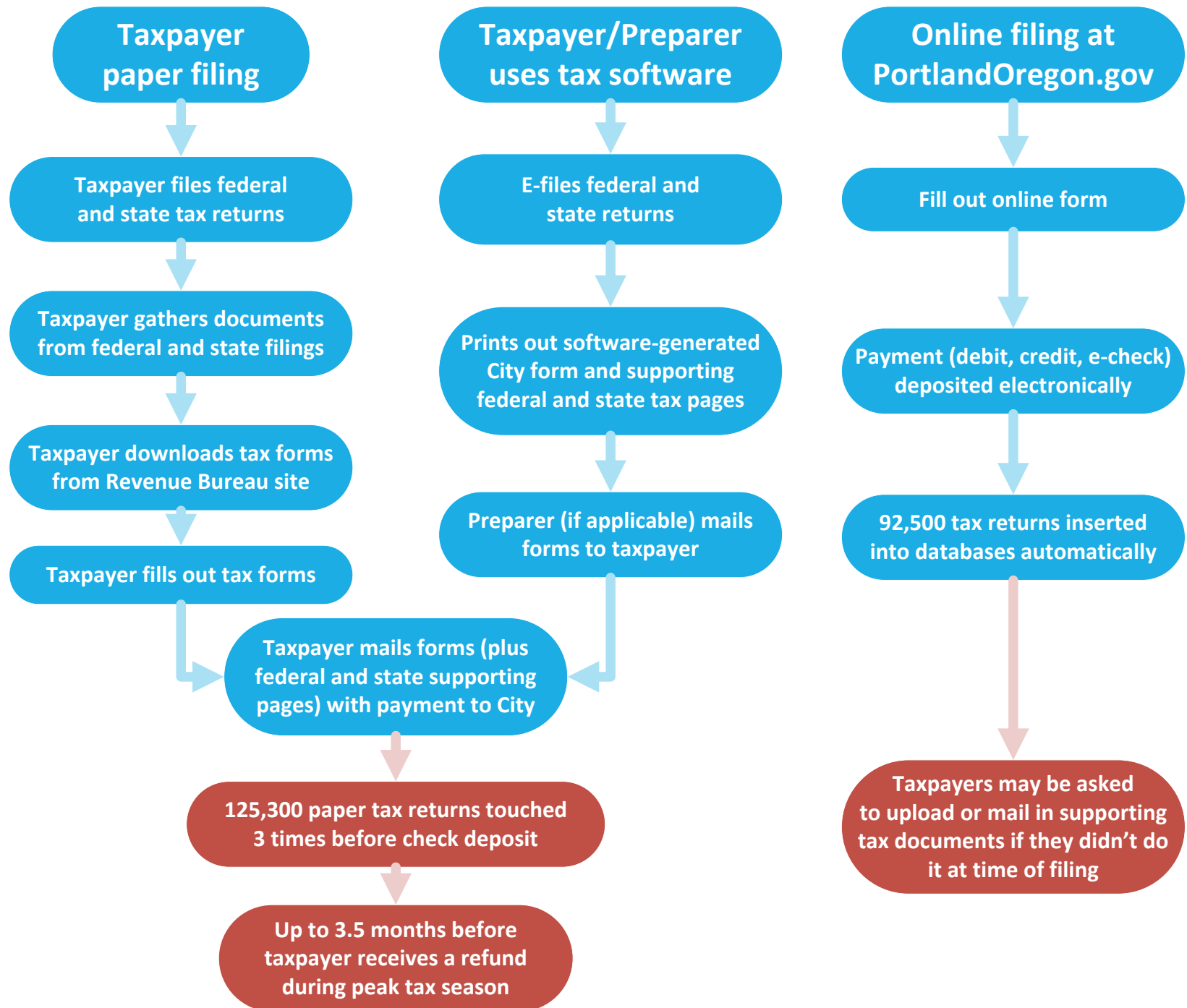
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REVENUE BUREAU INNOVATION FUND/BUDGET PROPOSAL

# Current Tax Process: Paper-Heavy, Complex, Burdensome

The Arts Tax is not currently available in tax software programs

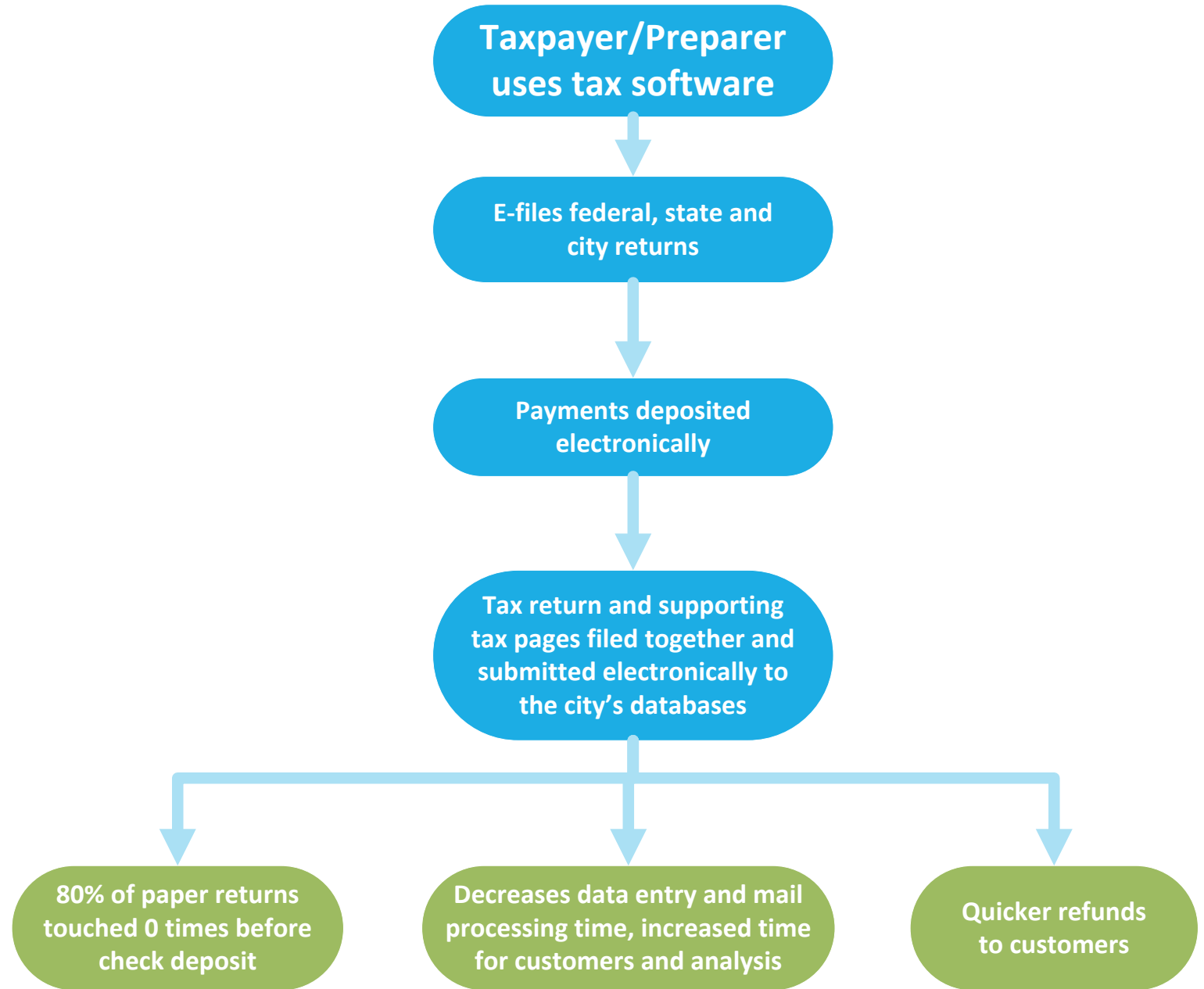
Online filing at [PortlandOregon.gov](http://PortlandOregon.gov) is not affiliated with or tied into any tax software (e.g., TurboTax)



# Future Tax Process: Fully Electronic, Seamless

IRS reports that more than 80% of taxpayers file electronically

Although the Revenue Bureau would continue to make current processes available, of the 217,800 tax returns received last year, we could expect 174,240 to come in via e-filing



# Projected Revenues

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Due to increased compliance of accounts associated with IRS data	
Portland Business Taxes	\$780,000 to \$2.3 million
Multnomah County Business Taxes	\$577,000 to \$1.7 million
Arts Tax	\$540,000
<b>Total Ongoing Revenues</b>	<b>\$1.8 to \$4.5 million</b>

*Substantial one-time business income tax revenues will also be realized as many taxpayers will be identified that have multiple unfiled or incorrectly filed previous tax years.*

*The Revenue Bureau believes these revenue projections are conservative based on confidential comparable city data released to us by the IRS.*

# Taxpayer Benefits

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## **Substantial reduction in tax filing burden for hundreds of thousands of local taxpayers**

- Information exchange allows Portland to implement e-filing (e.g., TurboTax) in conjunction with the Oregon Department of Revenue
- One-stop filing (no need to fill out separate forms and mail copies of tax returns)

## **Decreased wait time for taxpayer refunds**

- E-filing and electronic payments decreases administrative workload resulting in faster customer service

## **Increased tax compliance means more revenues for City services**

- Portland business tax dollars go to the Police Bureau, Fire Bureau, Parks Bureau and a variety of other City services
- Arts Education & Access Fund revenues are disbursed to six Portland area school districts to hire certified arts or music education teachers for elementary schools as well as grants to support non-profit Portland arts organizations

# Projected Expenses

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Technological and staffing expenses	
Bureau of Technology Services	
FY 13-14: technical staff, physical security upgrades	\$73,000
FY 14-15: hardware, software, technical staff time	\$57,000
Revenue Bureau	
FY 13-14: 1.0 FTE for 6 months	\$52,000
FY 14-15: 1.0 FTE	\$113,000
<b>Total Innovation Fund Request</b>	<b>\$295,000</b>

*Projected Ongoing Return on Investment  
(starting FY 14-15 or FY 15-16) is 6:1 (minimum) to 15:1 (maximum)*

# Why the Innovation Fund?

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## **Prior implementation attempts have shown project is a full-time effort**

- Further staffing cuts to add a position to implement the program would result in the loss of revenue-generating positions (tax collectors, etc.)

## **Role as the IRS Liaison is significant and ongoing**

- Administer technical and security protocols
- Conduct staff security trainings
- Write IRS reports demonstrating compliance
- Prepare for and facilitate IRS audits

## **Decreasing administrative and taxpayer burden requires long-term partnerships**

- E-filing information would come from Oregon Department of Revenue
- Tax software providers (e.g., TurboTax) for implementation of one-step e-filing
- Bureau of Technology Services and other City bureaus for payment and technology support