



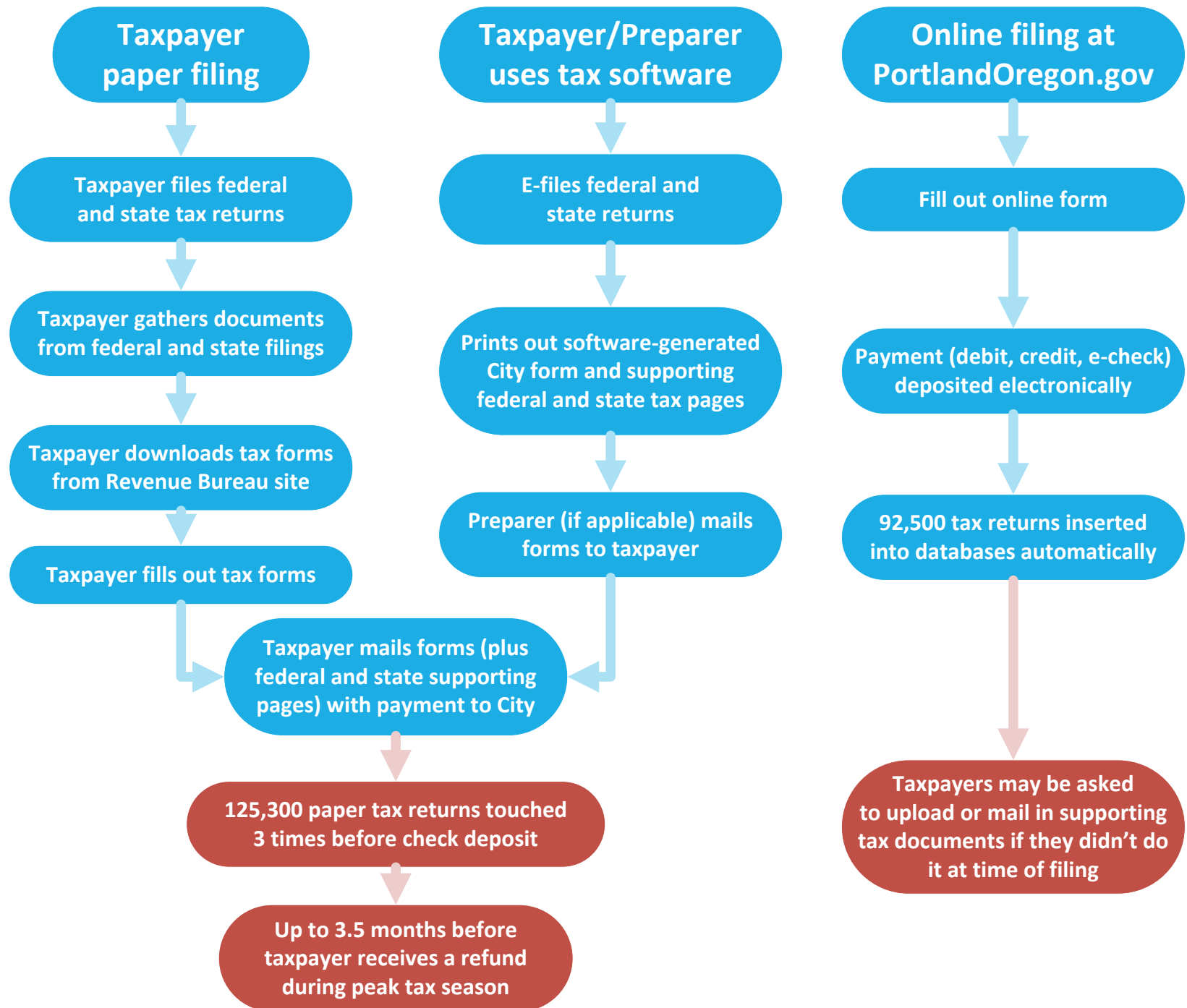
Tax Information Exchange Agreement between the IRS and the City of Portland

REVENUE BUREAU INNOVATION FUND/BUDGET PROPOSAL

Current Tax Process: Paper-Heavy, Complex, Burdensome

The Arts Tax is not currently available in tax software programs

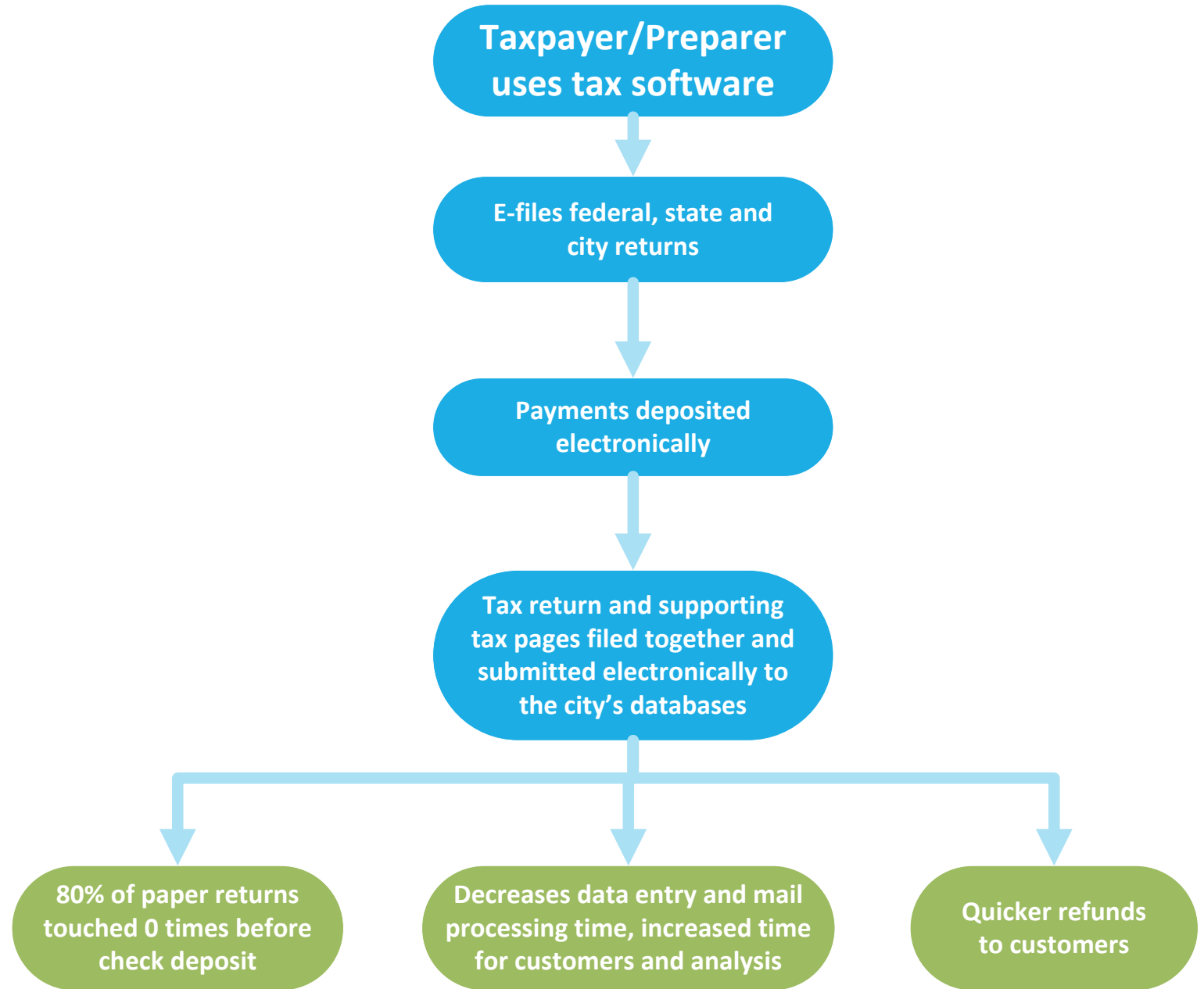
Online filing at PortlandOregon.gov is not affiliated with or tied into any tax software (e.g., TurboTax)



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

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
Total Ongoing Revenues	\$1.8 to \$4.5 million

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

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

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
Total Innovation Fund Request	\$295,000

*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?

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