



# Arts Education and Access Income Tax Update

Status Update for the Arts  
Education and Access Fund  
Citizen Oversight Committee

Bureau of Revenue and Financial Services -- Revenue Division

October 28, 2014

# Overview

- Tax Year 2012 collections, costs and disbursements
- Tax Year 2013 collections, projected costs and projected disbursements
- RACC Disbursements Overview
- Update on lawsuits
- Planned improvements for Tax Year 2014
- Questions?

# TY 2012 Collections, Costs and Disbursements as of 09/30/2014 (rounded to nearest dollar)

## Collections and Costs

Gross Tax Collections	\$8,867,157	100.0%
Refunds to Taxpayers	(76,149)	0.9%
<b>Net Tax Collections</b>	<b>\$8,791,008</b>	

Credit Card Fees (net)	(16,872)	0.2%
One-time start up costs	(589,085)	6.7%
Revenue Bureau collections costs	(360,285)	4.1%
	<u>(\$966,242)</u>	<u>11.0%</u>

**Net Revenues (PCC 5.73.010 E)** \$7,824,766

## Disbursements

Centennial School District	539,956	6.1%
David Douglas School District	965,118	11.0%
Parkrose School District	294,264	3.3%
Portland Public Schools	4,512,239	51.3%
Reynolds School District	357,942	4.1%
Riverdale School District	40,429	0.5%
<b>Total School Disbursements</b>	<b>\$6,709,948</b>	<b>76.3%</b>

Regional Arts & Culture Council	1,100,000	12.5%
<b>Disbursements to date</b>	<b>\$7,809,948</b>	<b>88.8%</b>

Net revenues less disbursements	14,818	0.2%
Interest earnings on AEAF	22,276	
<b>Available funds</b>	<b>\$37,094</b>	

# TY 2012 Expenses as of 5/31/2014 (frozen/final)

Cost Area	\$600K	\$525K	2013 Totals
	One-time	Ongoing	
Personnel	\$ 151,999	\$ 318,899	\$ 470,898
External materials & services	\$ 104,656	\$ 31,096	\$ 135,752
Printing & distribution	\$ 252,654	\$ 696	\$ 253,350
Technology services	\$ 79,776	\$ 9,594	\$ 89,370
Totals	\$ 589,085	\$ 360,285	\$ 949,370

2013 Annual Budget	\$ 1,125,000
Remaining budget	\$ 175,630
Percent of budget remaining	16%

## Personnel

- One-time charges = business process design, mapping, testing
- Ongoing charges = customer service and tax return/check entry

## External Materials & Services

- Computer programming (vendor services)
- Office equipment and workstation setup
- Database purchases

## Net merchant fees

- Merchant fees ***	\$ 72,401
- Convenience fee revenue	\$ (55,529)
Net	<u>\$ 16,872</u>

## Printing & Distribution

- PO box set-up
- Address list purchase
- Initial postcard and other mailings

## Technology Services

- Phone installation
- Programming online services
- Ongoing = phone and computer usage

\*\*\* Merchant fees are not part of Bureau costs

**TY 2013**  
**Collections,**  
**Estimated Costs**  
**and**  
**Disbursements**  
**as of 09/30/2014**  
 (rounded to nearest dollar)

**Collections and Projected Costs**

Gross Tax Collections	\$8,388,487	100.0%
Refunds to Taxpayers	(4,349)	0.1%
<b>Net Tax Collections</b>	<u>\$8,384,138</u>	

Credit Card Fees - estimated to year end	(115,000)	1.4%
Revenue Bureau costs - estimated to year end	(800,000)	9.5%
	<u>(\$915,000)</u>	<u>10.9%</u>

**Net Revenues (PCC 5.73.010 E)**      \$7,469,138

**Disbursements (projected)**

Centennial School District	556,155	6.6%
David Douglas School District	994,072	11.9%
Parkrose School District	303,092	3.6%
Portland Public Schools	4,647,606	55.4%
Reynolds School District	368,680	4.4%
Riverdale School District	41,642	0.5%
School contingency	150,000	1.8%
<b>Total School Disbursements</b>	<u>\$7,061,246</u>	<u>84.2%</u>

Regional Arts & Culture Council	425,000	5.1%
<b>Disbursements to date</b>	<u>\$7,486,246</u>	<u>89.3%</u>

Net revenues less disbursements	(17,108)	-0.2%
Interest earnings on AEAF	25,000	
<b>Available funds</b>	<u><u>\$7,892</u></u>	

# TY 2013 Expenses for CY 2014 as of 09/30/2014

<b>Bureau Cost Area</b>	<b>2014 Totals</b>
Personnel	\$ 314,422
External materials & services	\$ 63,395
Printing & distribution	\$ 215,464
Technology services	\$ 14,384
Internal materials & services	\$ 16,869
 Totals	 \$ 624,534

2013 Budget carryforward	\$ 175,630
2014 Annual Budget	<u>\$ 551,400</u>
Remaining budget	<u><u>\$ 102,496</u></u>
Percent of budget remaining	19%

## **Personnel**

- Ongoing charges = customer service and tax return/check entry

## **External Materials & Services**

- Computer programming (vendor services)
- Office equipment, supplies
- Email verification expenses

## **Net merchant fees**

- Merchant fees	\$ 105,528
- Convenience fee revenue	<u>\$ (8,197)</u>
Net	<u><u>\$ 97,331</u></u>

## **Printing & Distribution**

- Non-filer mailings
- Postcard mailing

## **Technology Services**

- Phone and computer costs
- Programming online services

\*\*\* Merchant fees are not part of Bureau costs

# RACC Disbursements Overview

## Actual or Guaranteed Disbursement

Jan-14	\$200,000	actual
Apr-14	\$125,000	actual
Jun-14	\$100,000	actual
Jul-14	\$350,000	actual
Aug-14	\$125,000	actual
Sep-14	\$200,000	actual
Nov-14	\$425,000	guaranteed
(cash on hand)		
TOTAL	\$1,525,000	

## Projected Future Disbursements

By August, 2015: \$356,000 to \$846,000

## Two Lawsuits: No Change Since Last Update

- Both challenge the constitutionality of the tax, one in the Tax Court and one in Circuit Court
- City Attorney is representing the Revenue Bureau
- Oregon Tax Court dismissed the case on jurisdictional grounds; petitioner appealed to the Regular Division of the Tax Court; City moved to dismiss on jurisdictional grounds; hearing held September 19<sup>th</sup>; further briefing filed by plaintiff on October 11<sup>th</sup>, and City on October 17<sup>th</sup>; Regular Division granted the City's motion to dismiss on March 10, 2014. Plaintiff failed to file appeal. This case is concluded.
- Multnomah County Circuit Court found in favor of City regarding constitutionality of Arts Tax; petitioner appealed to Oregon Court of Appeals. City's answering brief filed January 31<sup>st</sup>. The Court denied the petitioner's motion for oral argument, so the court will decide the case on the briefs only. The court took the case under advisement on May 2<sup>nd</sup> without oral arguments. If the court decides to affirm without drafting an opinion we should receive a decision soon. If the court decides to draft an opinion we may not get one for up to one year.



# Planned Improvements for Tax Year 2014

- The 2014 Arts Tax form will be carried in many tax preparation products; see handout
- IRS partnership to share federal taxpayer information: income tax data anticipated in the fall of 2015
- The 2014 Arts Tax form has been translated into Spanish, Vietnamese, Chinese, Russian, Romanian, Ukrainian, Japanese, Somali, Arabic and Laotian (recommended by City of Portland ADA Coordinator: 5% of population *or* 1,000 per language, whichever is less)
- One single unified form will be used instead of separate forms for exemptions, etc.

Questions, Comments?