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
January 26, 2016
Overview

• Status of tax year 2014 collections
• Lawsuit
## TY 2014 Collections, Costs to Date, & Estimated Disbursements

Collections and Costs are as of 12/31/2015. (rounded to nearest dollar)

Compliance rate: 67.5%

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross Tax Collections</td>
<td>$9,160,352</td>
<td>100.0%</td>
</tr>
<tr>
<td>2</td>
<td>Refunds to Taxpayers</td>
<td>($9,949)</td>
<td>0.1%</td>
</tr>
<tr>
<td>3</td>
<td><strong>Net Tax Collections</strong></td>
<td>$9,150,403</td>
<td></td>
</tr>
</tbody>
</table>

### Collection Costs

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Credit Card Fees</td>
<td>($88,258)</td>
<td>1.0%</td>
</tr>
<tr>
<td>5</td>
<td>One-time start up costs</td>
<td>($)-</td>
<td>0.0%</td>
</tr>
<tr>
<td>6</td>
<td>General Fund Overhead Charge</td>
<td>($25,000)</td>
<td>0.3%</td>
</tr>
<tr>
<td>7</td>
<td>Revenue Division collection costs (PCC 5.73.090 A)</td>
<td>($892,149)</td>
<td>9.7%</td>
</tr>
<tr>
<td>8</td>
<td><strong>Total Collection Costs</strong></td>
<td>($1,005,407)</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

### Net Revenues (PCC 5.73.010 E)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>$8,144,996</td>
<td>88.9%</td>
</tr>
</tbody>
</table>

### Projected Disbursements**

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Centennial School District</td>
<td>$541,171</td>
<td>5.9%</td>
</tr>
<tr>
<td>11</td>
<td>David Douglas School District Schools</td>
<td>$938,109</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>David Douglas School District Charter School (1)</td>
<td>$18,060</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td><strong>Total David Douglas School District Disbursement</strong></td>
<td>$956,169</td>
<td>10.4%</td>
</tr>
<tr>
<td>14</td>
<td>Parkrose School District</td>
<td>$324,847</td>
<td>3.5%</td>
</tr>
<tr>
<td>15</td>
<td>Portland Public School District Schools</td>
<td>$4,403,924</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Portland Public School District Charter Schools (7)</td>
<td>$120,328</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td><strong>Total Portland Public School District Disbursement</strong></td>
<td>$4,524,252</td>
<td>49.4%</td>
</tr>
<tr>
<td>18</td>
<td>Reynolds School District</td>
<td>$393,788</td>
<td>4.3%</td>
</tr>
<tr>
<td>19</td>
<td>Riverdale School District</td>
<td>$45,950</td>
<td>0.5%</td>
</tr>
<tr>
<td>20</td>
<td><strong>Projected Total School Disbursements</strong></td>
<td>$6,786,177</td>
<td>74.1%</td>
</tr>
<tr>
<td>21</td>
<td>Regional Arts &amp; Culture Council</td>
<td>$1,250,000</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

### Projected Total Disbursements to Date

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>$8,036,177</td>
<td>87.7%</td>
</tr>
</tbody>
</table>

### Projected Total Disbursements to Date

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>$108,819</td>
<td>1.2%</td>
</tr>
<tr>
<td>24</td>
<td>Contingency reserve</td>
<td>($100,000)</td>
</tr>
<tr>
<td>25</td>
<td>Interest earnings on AEAF</td>
<td>$43,072</td>
</tr>
<tr>
<td>26</td>
<td><strong>Balance</strong></td>
<td>$51,891</td>
</tr>
</tbody>
</table>

*Ongoing administrative costs are capped at an average 5 percent or less of Gross Revenues over a five year period. PCC 5.73.090 A, emphasis added.*

**For school districts, tax year 2014 disbursement is estimated by doubling the first disbursement (made December 2015). The remaining half will be disbursed in March 2016. RACC estimated disbursement is based on the remaining funds after accounting for the school district disbursement.
Percentage of Total Expenses and Disbursements

- Projected Total School Disbursements: 75%
- Regional Arts & Culture Council: 14%
- Administration Costs/Credit Card Fees: 11%
### All TYs Combined: Collections, Costs, Disbursements & Estimated Disbursements (rounded to nearest dollar)

#### Revenues

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Amount (USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross Tax Collections</td>
<td>$ 27,253,609</td>
<td>100.0%</td>
</tr>
<tr>
<td>2</td>
<td>Refunds to Taxpayers</td>
<td>$(98,517)</td>
<td>0.4%</td>
</tr>
<tr>
<td>3</td>
<td>Net Tax Collections</td>
<td>$ 27,155,092</td>
<td></td>
</tr>
</tbody>
</table>

#### Collection Costs

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Amount (USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Credit Card Fees (net of convenience fees)</td>
<td>$(203,498)</td>
<td>0.7%</td>
</tr>
<tr>
<td>5</td>
<td>One-time start-up costs</td>
<td>$(589,085)</td>
<td>2.2%</td>
</tr>
<tr>
<td>6</td>
<td>General Fund Overhead Charge</td>
<td>$(50,000)</td>
<td>0.2%</td>
</tr>
<tr>
<td>7</td>
<td>Revenue Division collection costs (PCC 5.73.090 A)</td>
<td>$(2,027,233)</td>
<td>7.4%</td>
</tr>
<tr>
<td>8</td>
<td><strong>Total Collection Costs</strong></td>
<td>$(2,869,816)</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

#### Net Revenues (PCC 5.73.010 E)

<table>
<thead>
<tr>
<th></th>
<th>Amount (USD)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total School Disbursements</strong></td>
<td>$ 20,240,857</td>
<td>74.3%</td>
</tr>
<tr>
<td><strong>Total Disbursements to Date</strong></td>
<td>$ 24,220,857</td>
<td>88.9%</td>
</tr>
</tbody>
</table>

**Note:** Ongoing administrative costs are capped at an average 5 percent or less of Gross Revenues over a five year period.

**For school districts, tax year 2014 disbursement is estimated by doubling the first disbursement (made December 2015). The remaining half will be disbursed in March 2016. RACC estimated disbursement is based on the remaining funds after accounting for the school district disbursement.
Percentage of Total Expenses and Disbursements

- Total School Disbursements (Actual and Projected) - 76%
- Regional Arts & Culture Council - 15%
- Administration Costs/Credit Card Fees - 9%
Tax Year 2014 Expenses for Calendar Year 2015 as of 12/31/15

<table>
<thead>
<tr>
<th>Bureau Cost Area</th>
<th>2015 Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$ 461,646</td>
</tr>
<tr>
<td>External materials &amp; services</td>
<td>$ 84,068</td>
</tr>
<tr>
<td>Printing &amp; distribution</td>
<td>$ 264,115</td>
</tr>
<tr>
<td>Technology services</td>
<td>$ 67,021</td>
</tr>
<tr>
<td>Internal materials &amp; services</td>
<td>$ 15,298</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$ 892,149</strong></td>
</tr>
</tbody>
</table>

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

**External Materials & Services**
- Computer programming (vendor services) - Merchant fees $ 88,979
- Office equipment, supplies - Convenience fee revenue $ (721)
- Email verification expenses

**Net merchant fees**
Net $ 88,258

**Printing & Distribution**
- Non-filer mailings
- Postcard mailing

**Technology Services**
- Phone and computer costs
- Programming online services

*** Merchant fees are not part of Division costs
Net Payments by Tax Year

as of January 26, 2016
Changes for Tax Year 2015

- Veterans disability benefits (VA income) will be exempted from taxable income
- Permanent filing exemption for permanently disabled individuals
  - In addition to the current exemption for seniors
  - Tied to Oregon income tax definition of permanent disability
Wittemeyer v. City of Portland
No Change Since Last Update

• Lawsuit challenges the constitutionality of the tax, plaintiff alleges tax is a “poll” or “head” tax
• City Attorney is representing the Revenue Division
• Awaiting decision from the Oregon Court of Appeals