



HB 2084: IMPROVING TAX COMPLIANCE OF OREGON'S BUSINESS CONTRACTORS

My name is Jim Scherzinger and I am representing Tax Fairness Oregon, a network of volunteers who advocate for a rational and equitable tax code.

Current law requires state contractors to attest they are in compliance with state tax laws and allows state agencies to deny contracts to those that are out of compliance. Also, under current law, the Department of Revenue publishes a list of delinquent taxpayers. In creating the list, the Department gives the delinquent taxpayer an opportunity to negotiate a payment plan that would resolve the delinquency and only includes them on the published list if no agreement is reached.

Recent news reports show some of the people and entities on the delinquent list have been large state contractors.

This bill seeks to address this primarily by increasing enforcement:

- More clearly defining compliance with the tax laws
- More clearly requiring attestations as a condition for the execution of a contract and demonstrations of continued compliance
- Requiring agencies to verify compliance with the Department of Revenue before contract execution and reverifying it periodically during the contract.

Tax Fairness Oregon supports both efforts to improve the collection of delinquent taxes and the idea that the state does business only with conscious business owners. This is particularly important when the delinquent taxpayer is benefiting from the taxes faithfully paid by the Oregon citizens and companies. However, as near as we can tell, the actual language in the bill was based on a general effort to require greater enforcement and not a specific analysis of the obstacles preventing better enforcement of existing law.

For example, in our research on the issue, we heard references to difficulties in enforcing existing law because of the entity's corporate form. Although parties involved in a large delinquency might also have a large state contract, the actual entities might be separate organizations. This was an issue that the California Legislature considered when they improved the effectiveness of their large delinquent lists in 2011 (AB 1424). We believe that if HB 2084 doesn't address the practicalities of these issues there is a high risk that the increased enforcement outlined in the current version of the bill will be more burdensome than effective. The Department of Revenue's experience in trying to implement the current law would be very useful in identifying these issues as would input from the state's contracting agencies.

Furthermore, the bill imposes a substantial workload on lawful taxpayers and state agencies. We recommend a workgroup of DOR and contracting officers to identify the obstacles above and the particular enforcement tools most important to improving compliance. We would be happy to participate and share the materials we have gathered.

We read the bills and follow the money