

2019

Oregon Department of Revenue

Government-To-Government Annual Report

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Executive Summary

The mission of the Oregon Department of Revenue is to make revenue systems work to fund public services that preserve and enhance the quality of life for all citizens. We partner with Oregon tribes to achieve this mission. Representatives from the personal income tax, cigarette and other tobacco products tax, corporation, and property tax programs work together with tribes to resolve issues. Following are items of interest for 2019.

- Personal and corporate income tax program—Provided education and assistance; continued to streamline return processing; maintained an online portal for added taxpayer and tribe member self-sufficiency; participated in the Economic Development and Community Services Cluster and other tribe-state events.
- Cigarette and other tobacco products (OTP) tax program—began to work toward revenue sharing agreements with the Cow Creek tribe for cigarette and OTP tax.
- Property tax program—Participated in the Economic Development and Community Services Cluster and other events; continued involvement with representatives from the tribal tax group.

Department Statement

The Oregon Department of Revenue continues to maintain good relationships with Oregon tribes. The department's tribal key contact, Nia Ray, takes the lead in working with employees who are developing and implementing programs affecting the tribes. The primary contacts with the tribes are:

Personal income tax—Ben Gille

Property tax—Linda Blacklock

Corporation tax and Corporate Activity Tax—Don Jones

Cigarette and other tobacco products tax—John Galvin

Developing partnerships to achieve our mission is of primary concern. The unique legal status of Oregon tribes as sovereign nations makes the tribes some of our most important partners. As such, we are active participants in the Economic Development and Community Services (EDCS) Cluster group meetings and attend the annual summit to build and improve these partnerships. The Department of Revenue took the first rotation of state agencies co-facilitating the EDCS Cluster meetings in 2019. The Department of Consumer and Business Services will co-facilitate in 2020.

Personal Income Tax Program 2019 Highlights

The department's personal income tax program deals directly with tribe members. Our goal is to provide assistance and education to tribe members so they can meet their filing requirements.

The department is continuing to encourage wage earners to evaluate the impact of the 2017 Tax Cut and Jobs Act on their state tax situation and to make adjustments to their Oregon withholding to avoid having to pay additional tax at the end of the year. For

2019, the department created its own withholding form, OR-W-4, and an online withholding calculator to help Oregon taxpayers determine what their correct state tax withholding should be. The OR-W-4 and online withholding calculator will be updated and available for 2020 in December 2019. For more information, please visit www.oregon.gov/dor.

The 2019 Legislature passed House Bill 2119 which disconnects Oregon from federal personal income tax withholding provisions and gives the department the ability to determine the method and process for Oregon tax withholding. Also starting in 2020, employers will be required to withhold at a rate of 8 percent for Oregon purposes if a wage earner does not submit an OR-W-4 when they make changes to their federal Form W-4 or start a new job. Employers should provide their employees with the OR-W-4 in these situations.

There was no change to the tax exemption for income earned by enrolled tribe members that live and work in Indian Country located in Oregon. They still must file an Oregon return with the 2019 Schedule OR-EIS *Exempt Income Schedule for Enrolled Members of a Federally Recognized Indian Tribe* form each year, even when their situation has not changed and their income is still exempt. A post office box for home or work addresses should not be used on the form. A physical street address located in Oregon is required and eliminates delays in processing the return. Also, it helps us keep our list of addresses that meet the definition of "Indian Country" updated as the list of properties put in trust continues to grow. This exempt income is not subject to Oregon taxation and withholding requirements. A tribe member can submit a Form OR-W-4 to their employer to claim exempt from withholding using the exemption code "A." House Bill 2119 also requires that exemption certificates must be renewed annually by February 15 starting in 2020. Tribal members that still meet the requirements for exempting their wages from Oregon taxation must submit a new OR-W-4 annually to inform their employer not to withhold state taxes on the qualifying wages.

We continue to get questions from qualifying tribe members who derive income from work or business activity performed in and outside of Indian Country. For employees, the income that is exempt is only the wages earned for work performed in Indian Country located in Oregon. This can be determined by calculating the percentage of days worked in Indian Country to total days worked for the year. For business owners, the business must be located in Indian Country in Oregon and the percentage that is exempt is based on the services performed, or sales that occurred, in Indian Country.

We also actively participated in cluster meetings and other events throughout 2019 and hosted the EDCS cluster meeting in April 2019. At that time we handed off the co-facilitation duties to the Department of Consumer and Business Services. We shared information with cluster members on our agency budget, the new Corporate Activity Tax program that applies to corporations, pass-through entities, and sole proprietors starting in 2020, and other bills passed by the 2019 Legislature that impact our personal income tax program and tribe members.

Ongoing

One of our goals is to assist Oregon taxpayers in becoming more self-sufficient. We continue to encourage personal income tax payers to use our secure website, Revenue Online. Through Revenue Online, taxpayers can access their account at any time to view letters from us, make payments, file returns, securely communicate with us, and update contact and personal information. This site provides a way for tribe members to scan and submit their 2019 Schedule OR-EIS.

We continue to update and maintain tribe information regarding taxation on our website at www.oregon.gov/dor. We welcome feedback and comments from tribe members on the effectiveness of the website. We work to improve the user's experience with the site and the information provided.

Cigarette and OTP Tax Program 2019 Highlights

Under the provisions of ORS 323.401, the department maintains cigarette tax refund agreements with eight Oregon tribes: Confederated Tribes of the Warm Springs Indian Reservation, Confederated Tribes of the Umatilla Indian Reservation, Klamath Tribes, Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Coquille Indian Tribe, Burns Paiute, and Confederated Tribes of Coos, Lower Umpqua, and Siuslaw. We also have an OTP refund agreement with the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw.

Tribe members aren't required to pay Oregon's cigarette or OTP tax. Under these agreements, the tribes agree that their retail outlets will purchase cigarettes and OTP for retail sale from state licensed distributors that have already paid the Oregon tax. In turn, we agree to share tax revenue with the tribes based on an estimate of the cigarette or OTP tax we believe was paid by tribe members. We believe the agreements are in the best interest of the tribes and the state of Oregon and assist us in effectively administering Oregon's cigarette tax program. By the end of 2019, we will have shared more than \$1.26 million in cigarette and OTP revenues with participating tribes this year.

We attended the EDCS Cluster meetings throughout 2019.

Ongoing

We are working with the Cow Creek tribe for cigarette and OTP tax revenue sharing agreements. Upon signing of the cigarette agreement, all tribes in Oregon will be participating in cigarette tax revenue sharing. We anticipate completing agreements with Cow Creek in 2020.

We continue to work on revenue-sharing agreements with the Klamath and the Confederated Tribes of the Umatilla Indian Reservation tribes for tax revenue from tobacco products other than cigarettes sold by tribal retail outlets. We are also continuing our work with the Confederated Tribes of the Umatilla Indian Reservation on both amending their cigarette revenue-sharing agreement and securing a revenue-sharing agreement for tobacco products other than cigarettes. These agreements are like

the one negotiated with the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw in 2014.

Property Tax Program 2019 Highlights

The Tribal Tax Work Group (TTWG) is composed of representatives from the tribes, county assessment offices, Oregon Department of Justice, Governor's Office, and the Department of Revenue. The TTWG has been dormant since 2014 since there were no new property tax issues brought forward by tribal representatives or other members of the work group. However, we are always available to address new issues should the need arise.

We actively participated in cluster meetings and other events throughout 2019.

Ongoing

We continue to partner with local jurisdictions to share information and provide training and workshops on property tax matters that may impact tribes or their members. The Property Tax Division is always ready to assist tribes in addressing complex property tax matters like exemptions or valuation. We regularly provide central assessment data to tribes to assist them in administering their own tribal tax codes.

Corporation Tax Program 2019 Highlights

We attended cluster meetings and Legislative Commission on Indian Services meetings during 2019. We also participated in an Affiliated Tribes of Northwest Indians Economic Development Corporation event. We're ready to work with the Oregon tribes on any corporation income tax matters.

Ongoing

We continue to attend meetings with the tribes and the Legislative Commission on Indian Services to maintain awareness of the tribes' concerns and further develop our relationship with them. We invite the tribes to participate in our legislative and rules processes.

We also work cooperatively with tribal representatives to address issues and answer questions, which helps develop a mutual understanding.