



Arts Education and Access Income Tax Update

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

Office of Management & Finance -- Revenue Bureau

June 19, 2014

Overview

- Tax Year 2012 collections, costs and disbursements
- Tax Year 2013 collections and costs
- Overview of collection process and results to date
- Update on lawsuits
- Planned improvements for Tax Year 2014
- Questions?

TY 2012 Collections, Costs and Disburse- ments as of 5/31/2014 (rounded to nearest dollar)

Collections and Costs		
Gross Tax Collections	\$ 8,211,283	100.0%
Refunds to Taxpayers	\$ (74,053)	0.9%
Net Tax Collections	\$ 8,137,230	
Credit Card Fees (net)	\$ (16,872)	0.2%
One-time start up costs	\$ (589,085)	7.3%
Revenue Bureau collections costs	\$ (360,285)	4.5%
	\$ (966,242)	12.0%
Net Revenues (PCC 5.73.010 E)	\$ 7,170,988	
Disbursements		
Centennial School District	\$ 539,956	6.6%
David Douglas School District:		
David Douglas School District	\$ 947,256	
Charter School (1)	\$ 17,861	
	\$ 965,118	11.8%
Parkrose School District	\$ 294,264	3.6%
Portland Public School District:		
Portland Public Schools	\$ 4,408,990	
PPS Charter Schools (6)	\$ 103,249	
	\$ 4,512,239	55.0%
Reynolds School District	\$ 357,942	4.4%
Riverdale School District	\$ 40,429	0.5%
Total School Disbursements	\$ 6,709,947	83.5%
Regional Arts & Culture Council	\$ 425,000	5.2%
Disbursements to date	\$ 7,134,947	86.9%
Net revenues less disbursements	\$ 36,041	1.1%
Interest earnings on AEAF	\$ 22,276	
Available funds	\$ 58,317	

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

Tax Year 2012 Disbursement Calculations

Average Teacher Salary x K-5 Students / 500

Reynolds SD:	\$ 91,874.24	x	1,954	/	500	=	\$ 359,044.52
Riverdale SD:	\$100,569.43	x	200	/	500	=	\$ 40,227.77
Centennial SD:	\$ 96,870.39	x	2,787	/	500	=	\$ 539,955.55
Parkrose SD:	\$ 94,618.51	x	1,555	/	500	=	\$ 294,263.56
David Douglas SD:	\$ 94,536.57	x	5,010	/	500	=	\$ 947,256.45
DD Charter School:	\$ 56,883.51	x	157	/	500	=	\$ 17,861.42
Portland Public SD:	\$ 95,041.82	x	23,195	/	500	=	\$4,408,990.03
PPS Charter Schools*:	\$ 55,208.02	x	947	/	500	=	\$ 103,249.25

*PPS has 6 charter schools with average teacher salaries ranging from \$50,089 to \$64,337. The above calculation was done separately for each charter school and added together to get the correct disbursement amount. The above calculation is a representation of the calculation showing the correct total number of students and expected full disbursement.

Note: ODE determined that the Ivy and Southwest charter schools are sponsored by ODE, not PPS. As a result, Arts Tax funding for those two charter schools has not been provided.

Tax Year 2013 Collections

- \$6,235,862 gross revenues as of 6/19/14
- \$318,771 bureau expenses as of 5/31/14
- \$85,157 net merchant fee expenses as of 5/31/14
- April 15 reminder efforts included:
 - 301,000 reminder postcards in March
 - 104,000 email reminders in March/April
 - 43,000 “Did you forget?” emails after April 15

TY 2013 Expenses as of 5/31/2014

Bureau Cost Area	Ongoing 2014 Totals
Personnel	\$ 156,592
External materials & services	\$ 33,775
Printing & distribution	\$ 105,021
Technology services	\$ 23,383
Totals	\$ 318,771

2013 Budget carryforward	\$ 158,758
2014 Annual Budget	\$ 551,400

Remaining budget	<u><u>\$ 391,387</u></u>
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Percent of budget remaining 71%

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 ***	\$ 86,992
- Convenience fee revenue	\$ (1,835)
Net	<u><u>\$ 85,157</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

Overview of Collection Process and Results to Date

- Collection letters: 93,000* total letters and statements sent since January; 43,700 joint letters (for both tax years); 49,300 for one tax year
 - Collection letters TY 2012: 3,200 in January; 1,300 in March; 5,900 in April; 24,700 in May; 19,000 (to date) in June; 54,100 total
 - Collection letters TY 2013: 25,600 in May; 56,600 (to date) in June; 82,200 total
- TY 2012 May/June revenue: \$105,000 in May; \$166,000 in June to date; \$271,000 total
- TY 2013 May/June revenue: \$549,000 in May; \$220,000 in June to date; \$769,000 total
- Total May/June revenue both years: \$1.04 million
- Bureau will continue mailing collection letters to all non-filing accounts
- Penalty waivers for taxpayers that file within 30 days of date of letter; thereafter very limited waivers for good cause shown
- Only half of the collection letters sent in May are past due; none sent in June are past due; cannot update projections without more information

*54,100 + 82,200 = 136,300 – 43,700 (both years) = 92,600 (rounding error)

Two Lawsuits

- 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 19th; further briefing filed by plaintiff on October 11th, and City on October 17th; 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 31st. 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 2nd 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 was released to third party tax preparation vendors (e.g., TurboTax) in May; should be carried in 2015 product releases
- One single unified form will be used instead of separate forms for exemptions, etc.
- IRS partnership to share federal taxpayer information is on schedule; 400 page data security plan submitted for IRS approval in May; earliest possible date to receive data is January 2015; numerous milestones yet to meet; no guarantee we will have data in January
- The 2014 Arts Tax form is being 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)
- Reviewing website and other collateral materials for translation services

Questions, Comments?