

Secretary of State
STATEMENT OF NEED AND FISCAL IMPACT
A Notice of Proposed Rulemaking Hearing accompanies this form.

FILED
9-8-16 2:35 PM
ARCHIVES DIVISION
SECRETARY OF STATE

Department of Revenue
Agency and Division

150
Administrative Rules Chapter Number

Interest rates, interest start dates, definition of interest period.

Rule Caption (Not more than 15 words that reasonably identifies the subject matter of the agency's intended action.)

In the Matter of:

150-305.0140; 150-305-0142

Statutory Authority:

ORS 305.100; 305.220

Other Authority:

Statutes Implemented:

ORS 305.220

Need for the Rule(s):

150-305-0140 - Amend to update annual interest rate charged on deficiencies and delinquencies from 4% to 5% based on increase of IRS' 2016 third quarter interest rate, per ORS 305.220; clarify the definition of 'interest period'.

150-305-0142 - Amend to update annual interest rate paid on refunds from 4% to 5% based on increase of IRS' 2016 third quarter interest rate, per ORS 305.220; clarify the definition of 'interest period'; define the refund interest start dates for personal income taxes, corporation taxes (excise and income) and other tax programs.

Documents Relied Upon, and where they are available:

IRS Revenue Ruling 2016-12 (<https://www.irs.gov/pub/irs-drop/rr-16-12.pdf>).

Fiscal and Economic Impact:

Interest paid to businesses and individuals requesting tax refunds will increase for interest periods beginning on or after January 1, 2017.
Interest paid by businesses and individuals with outstanding liabilities will increase for interest periods beginning on or after January 1, 2017.

Statement of Cost of Compliance:

1. Impact on state agencies, units of local government and the public (ORS 183.335(2)(b)(E)):

There is no impact to state agencies and a de minimis effect on the counties and the public. These changes tend to be clarifying in nature and do not affect the cost.

2. Cost of compliance effect on small business (ORS 183.336):

a. Estimate the number of small business and types of businesses and industries with small businesses subject to the rule:

Oregon has approximately 123,000 small businesses with fewer than 250 employees that employ 81% of the state's workforce. Oregon has approximately 105,646 small businesses with fewer than 100 employees. Based on this information and information from tax returns reporting number of employees, we estimate Oregon has approximately 91,848 number of small businesses with fewer than 50 employees who are subject to this rule.

Oregon Small Business Development Center Network (www.bizcenter.org/about/our-impact/)

Business Oregon (www.oregon4biz.com/assets/docs/DataPacket09.pdf)

Oregon Department of Revenue Research Section, 10/14/13, Wage file extract - 2012 tax year

b. Projected reporting, recordkeeping and other administrative activities required for compliance, including costs of professional services:

There is a de minimus effect on those subject to the rules as these changes tend to be clarifying or interpretive in nature and does not affect projected reporting, recordkeeping or other administrative activities or costs.

c. Equipment, supplies, labor and increased administration required for compliance:

None known.

We communicate with and are working with small business liaison groups such as the Oregon State Bar Tax Section and the Oregon Society of Certified Public Accountants to obtain their input into how these rules will impact their clients, some of whom are small businesses.

Administrative Rule Advisory Committee consulted?: No

If not, why?:

The determination of interest to be paid and charged by the department is a matter of mathematical calculation outlined in ORS 305.220. The department lacks authority to set interest rates other than as provided in law. The department is directed to announce interest rate changes by publishing rate changes in administrative rule.

11-22-2016 5:00 p.m.	Lois Williams	lois.j.williams@oregon.gov
Last Day (m/d/yyyy) and Time for public comment	Printed Name	Email Address