



Department of County Management
Finance and Risk Management

Office of the Chief Financial Officer
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Portland, Oregon 97214

Eric Arellano
Chief Financial Officer

9/3/2021

City of Portland Revenue Bureau,

Multnomah County held a public hearing on August 23, 2021 (2:35-3:08 pm) to review proposed administrative rules for the new Preschool for All (PFA) Personal Income Tax. The hearing was held to provide direction, clarify the rules, and answer any questions from the public before formal adoption. The administrative rules will allow Multnomah County to implement, collect, and enforce the new personal income tax. The County made available the proposed administrative rules on July 30 and allowed for public comment and/or questions through August 31.

Background: the voters of Multnomah County approved Measure 26-214 on November 3, 2020, which established a new personal income tax (effective January 1, 2021) to fund preschool services within Multnomah County, for program details please see the following link (<https://www.multco.us/dchs/preschool-all>).

The PFA program is funded by a personal income tax of 1.5% on taxable income over \$125,000 for individuals and \$200,000 for joint filers, and an additional 1.5% on taxable income over \$250,000 for individuals and \$400,000 for joint filers. The rate will increase by 0.8% in 2026.

Hearing Summary: 23 proposed rules were read in summary format

- **Rule 11-5-000 Purpose and Applicability** discusses the purpose of the Preschool For All Income Tax and that the Administrative Rules apply to the Administration of the tax.
- **Rule 11-5-103 Additional Definitions** adds six new definitions to terms already defined in the Preschool For All Tax Code. The six added definitions are Administrative Rules, Appeals Board, Individual, Multnomah County Taxable Income, Oregon Taxable Income, and Received.
- **Rule 11-5-106 Nexus** discusses that the tax applies to all Individuals with substantial nexus to Multnomah County.
- **Rule 11-5-109 Tax as a Debt; Collection Authority** clarifies that the Preschool For All Tax, including penalties and interest assessed, becomes a debt to Multnomah County when the liability is incurred and who has authority to collect this debt.
- **Rule 11-5-112 Administration** discusses the authority of the Administrator to administer and enforce the Preschool For All Tax Law and Administrative Rules and provides examples of what those administration and enforcement tools may include.

- **Rule 11-5-115 Administrative Authority** discusses the requirements of a third-party administrator to notify the Multnomah County Chief Financial Officer if additional administrative rules are proposed prior to a public hearing being held.
- **Rule 11-5-118 Ownership of Taxfiler Information** states that Multnomah County is the sole owner of all Preschool For All Taxfiler information and specifies who has access to the information.
- **Rule 11-5-121 Taxfiler Representation Restrictions** discusses prohibitions on who may represent a Taxfiler in any Preschool For All Tax matters before the Administrator.
- **Rule 11-5-124 Information Request, Examination of Books, Records or Persons** details the Administrator's authority to require and or examine Taxfiler books, records, tax returns, other records and require the attendance of knowledgeable persons after providing reasonable notice.
- **Rule 11-5-127 Taxfiler Records Retention** defines the length of time a Taxfiler must keep all records, including State and federal tax returns, used to prepare a Preschool For All Tax return.
- **Rule 11-5-130 Return Due Date** clarifies the due date of a return if the date falls on a weekend or holiday; and requires a declaration that the statements/information of the tax return are true. It also discusses that forms are provided but failure to receive a form does not relieve anyone from the responsibility to pay the Preschool For All Tax.
- **Rule 11-5-133 Estimated Payments by Individuals** clarifies how an estimated payment will be applied if there is no indication of the tax year included with the estimated payment.
- **Rule 11-5-136 Payments of Tax by Original Due Date; Underpayment Penalty Safe Harbor** discusses the April 15th return due date; any extension of time to file is not an extension of time to pay and how to avoid underpayment penalties.
- **Rule 11-5-139 Payment Plan; Fee** authorizes payments plans and a set up charge for a payment plan.
- **Rule 11-5-142 Liability for Unpaid Withholdings** discusses the employer's duty to hold in trust any amounts withheld from employee paychecks for the Preschool For All Tax; failure to pay amounts withheld are subject to penalty and interest assessments; and any withholding liabilities transfer to the new or surviving business in the case of purchases or mergers.
- **Rule 11-5-145 Settlement Offers and Agreements** discusses the Administrator's authority to make settlement agreements or grant hardship relief.
- **Rule 11-5-148 Changes to Federal or State Tax Returns** discusses the Taxfiler's requirement to file an amended return and the timeframe for filing the amended return if their income is changed by the IRS or state Department of Revenue, or if the Taxfiler files an amended return with one or more of those agencies. The rule also authorizes the assessment of penalties and interest on any additional tax due, or denies a refund if the amended return was not filed within the time limits.
- **Rule 11-5-151 Penalties for Violations** discusses the penalties for violating the confidentiality provisions of the Preschool For All Tax Law.

- **Rule 11-5-154 Civil Penalty for Unauthorized Access of Tax Information** adds two additional definitions for Database and Loss, and imposes fines on an individual who accesses the Database without authorization.
- **Rule 11-5-157 Penalties for Violations of Personal Income Tax Law** authorizes the Administrator to assess penalties on any return filed with the intent to evade the Preschool For All Tax, or on any return with a substantial understatement of tax. This rule also authorizes the Administrator to waive all or part of the penalty if the Taxfiler can show reasonable cause for the understatement and that the Taxfiler acted in good faith.
- **Rule 11-5-160 Payments Applied** clarifies how tax payments will be applied on a Taxfiler's account.
- **Rule 11-5-163 Interest on Refunds** discusses when interest will be paid if the Taxfiler is entitled to a refund once a tax return has been filed.
- **Rule 11-5-166 Accountability of Funds; Audits** states that the Preschool for All Tax revenues and expenditures are subject to performance audits by the Multnomah County Auditor or the City of Portland Auditor.

Based on the review of comments received during comment period, the administrative rules listed above are formally adopted as of September 3, 2021. If questions please let me know

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Arellano", written in a cursive style.

Eric Arellano
Chief Financial Officer