

**Priority:** Accountability

**Lead Agency:** Finance Budget & Tax

**Program Offer Type:** Existing Operating

**Program Contact:** Dave Boyer

**Related Programs:**

**Frameworks:**

### **Executive Summary**

The ITAX Administration Program manages the administrative function for the Multnomah County three year personal income tax (ITAX) for the tax years 2003, 2004 and 2005 in accordance with Ballot Measure 26-48 approved by the voters in May 2003, Board Resolution 03-145 and other Administrative Rules adopted by the Board or ITAX Administer. The program also manages the inter-governmental agreement with City of Portland Bureau of License, communication to the public and distribution of tax collected to County school districts and County programs.

This program offer cuts the current service level for this program by \$583,782 from the level of FY 2005.

### **Program Description**

Multnomah County voters approved Ballot Measure 26-48 authorizing a three year personal income tax in May 2003. The program is responsible for managing the administrative functions of ITAX and has an IGA with the City Bureau of Licenses to collect the tax. The City has implemented a tax system, continuously improving the tax system and the collection of the ITAX. The program also manages the IGA's with the various school districts that receive ITAX funds. The County is responsible for the accounting for ITAX; maintaining a complete and accurate county resident database; maintaining current administrative rules; communicating all relevant issues to taxpayers; and designing and distributing all county income tax forms. This program is also responsible for working with tax consultants and county employers to address their administrative issues related to ITAX. Based on initial estimates from the State Department of Revenue, they estimated that the administrative costs to collect the tax would be \$7 million per year. The County's actual cost in FY04 was \$4.6 million and estimates that it will cost less than \$4.6 in FY05 and FY06.

### **Program Justification**

The ITAX program is linked to the Accountability Priority and is necessary for the taxpayers to have assurance that the county is collecting this tax appropriately and effectively. The collection and distribution of the ITAX also directly contributes to the Safety, Education and Basic Living Needs Priority areas through the funding it provides. The program will collect over \$336 million in three years of which about 70% will be distributed to schools. In FY06, tax calendar year 2005, the ITAX will sunset and we anticipate that there will be about \$25 million still to be collected by this program.

### **Performance Measures**

Results are achieved by taxes collected. The goal is to have 90% of the tax collected within 12 months of the due date and 97% collected within three years of the tax due date.

According to the Internal Revenue Service, about 87% of income which is taxable by the IRS is collected.

### **Summary of last year's program results and this year's expected results**

For taxes due on April 15, 2004, for Tax Year 2003, 90% of the taxes have been collected as of January 15, 2005.

## Program Mandate: 1 Mandated Program & Funding Level

In May of 2003, the voters of Multnomah County approved a personal income tax effective January 1, 2003.

Board Resolution 03-145 sets the Administrative Rules for the ITAX.

## Revenue/Expense Detail

	Proposed General Fund	Proposed Other Funds	Proposed General Fund	Proposed Other Funds
<b>Program Expenses</b>	2005	2005	2006	2006
Personnel	\$308,636	\$0	\$254,227	\$0
Contracts	\$4,253,753	\$0	\$3,211,218	\$0
Materials & Supplies	\$250,900	\$0	\$250,900	\$0
Internal Services	\$504,900	\$0	\$283,655	\$0
Subtotal: Direct Exps:	<b>\$5,318,189</b>	<b>\$0</b>	<b>\$4,000,000</b>	<b>\$0</b>
Administration	\$0	\$0	\$0	\$0
Program Support	\$0	\$0	\$0	\$0
Subtotal: Other Exps:	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Total GF/non-GF:	<b>\$5,318,189</b>	<b>\$0</b>	<b>\$4,000,000</b>	<b>\$0</b>
Program Total:	<b>\$5,318,189</b>		<b>\$4,000,000</b>	
Program FTE	0.00	0.00	2.20	0.00
<b>Program Revenues</b>				
Program Revenue for Admin	\$0	\$0	\$0	\$0
<b>Total Revenue:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Explanation of Revenues

ITAX revenues are estimated to be \$112 million for FY06.

## Significant Program Changes

Reduced 1.0 FTE in FY06. During the start up of the program, the County used 2 FTE communications staff to keep businesses, employees, community partners and the media informed on the ITAX. Communication requirements have decreased due to the sunset of the tax and the County is able to reduce personal services by about \$54,000.