

## July Meeting

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**Date** July 14, 2020

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**Attendees** The following people attended the meeting via WebEx or on the phone:

**Technical Advisory Group**

Katie Baird  
Doug Conrad  
Lucy Dadayan  
Bob Heller  
Hart Hodges  
Gary Holcomb  
Patrick Jones  
Sharon Kioko  
Ashley Kittrell  
Steve Lerch  
Mellani McAlleenan  
Jeff Mitchell  
Andy Nicholas  
Pete Parcels  
Rick Peterson  
Kris Sjoblom  
Jim Schmidt  
Nick Turner

**Department of Revenue**

Kris Bitney  
Preston Brashers  
Sara del Moral  
Braden Fraser  
Don Gutmann  
Melissa Howes  
Valerie Torres

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**Personal Income  
Tax – Out of  
State Credit** Presenter: Sara del Moral

Question:

How do you know the level of out-of-state income? What happens with a Washington filer earns income in both Washington and Oregon? How do you distinguish?

Answer:

To estimate the Oregon income for each Washington return, we took four steps. First, we identify or estimate the amount of out-of-state tax paid. Second, for Oregon returns, we model the effective tax rate as a function of tax paid. Third, for each Washington return, we use this model to estimate an Oregon tax rate. Fourth, using the Oregon tax and the Oregon tax rate, we estimate the amount of Oregon income.

To estimate the amount of income from states other than Oregon, we used Oregon summary tables for its out-of-state credit to model tax payments to Idaho and other states by Washington residents. We modeled tax rate as function of tax paid, and used this to estimate income from Idaho and other states.

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Question:

Oregon rates are higher than being shown, for example, above \$250,000 in income have a tax rate of 9.1%.

Answer:

Yes, the rates shown are the effective rates, sorry about not making that clear.

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**Personal Income  
Tax – Out of  
State Credit,  
*continued***

Comment:

There are additional tax rates on certain areas and income. For example, the Multnomah County additional 1% tax on incomes above \$200,000.

Question:

If you live in Oregon but earn your income in Washington, do you pay your normal Oregon income tax, or do you pay the non-resident state?

Thinking about Walla Walla where people have cabin in Oregon and apartment in Washington. Would we see an exodus if Washington had a tax. What happens in Walla Walla may also be occurring in Spokane and Clark County.

Answer:

Our model does not adjust for those types of events. If a person had a greater tax liability in Washington, a person may change their state of residency.

Question:

How would Washington DOR verify the level of out-of-state earnings?

Answer:

Like we have now for business taxes, if Washington had a personal income tax, we would likely have audits of personal income tax records and would verify out-of-state earnings during an audit.

Additional information: The easiest way would be to verify it via payroll taxes withheld – state like for federal and we would be able to verify that during an audit.

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**State Tax  
Revenues**

Presenter: Lucy Dadayan

Lucy explained that her presentation is not focused solely on Washington, but rather on all the states and the way they are reporting their estimated revenues.

Question:

Regarding sales tax – is there any information that you have that shows that we should be factoring this into our Washington estimates?

Answer:

Forecasts for 2019-20 show the additional increase from the taxation of on-line and remote sales in the wake of the Wayfair decision.

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**State Tax Revenues,**  
*continued*

Question:

Slides 13 & 14 – were you surprised by the drop in services and durable goods? Does this represent people changing their spending patterns on short-term goods versus things that last a long time.

Answer:

Part of this relates to the spending on gas – as many people are working from home and not needing as much gas. Also the oil and gas prices have decreased. So that's what you see in the non-durable goods.

Question:

Do you have a slide like the sales tax declines in May (17) for personal income tax?

Answer:

Yes, towards the end of the presentation. We will get there.

Question:

Lower income versus higher income. Do you think the regressive nature of our tax system is impacting our lower income people more?

Answer:

Lower income folks are less able to self-isolate and are more impacted by COVID19, in general.

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**Next Meeting**

August 18, 2020

1 – 4 pm

The topic is “Modeling Tax Shifting” – particularly B&O and Property Tax

I am looking for presenters on this topics as this will be new modeling for the Department.

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