In This Issue:

1 The IRS Reorganization: An Agency in Crisis
3 9-1-1: Taxpayer Calling the National Taxpayer Advocate
6 Ethics in Handling Information in Tax Audits
6 The Inheritance Tax Debacle continues....
7 Upcoming Tax Meetings
8 Legislative Update
8 Taxing Humor

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OREGON STATE BAR

Taxation Section

VOLUME 5, NUMBER 4 DECEMBER 2002

The IRS Reorganization: An Agency in Crisis

*By Jeffrey M. Wong**

Experienced tax practitioners can harken back to the 80's, when the US Tax Court carried over 75,000 income tax cases on its dockets and the IRS was aggressive and growing. Taxation was big business. Fully staffed from sea to sea, the IRS was on a mission from Congress to crack down on the abusive American tax shelter and curb the tide of taxpayers who weren't filing returns. There was work aplenty for the bar, and representing a handful of wealthy shelter groups could be the ticket to retirement.

But times changed. The Tax Reform Act of 1986 knocked the wind out of the tax shelter industry. A few years later, Graham-Rudman began cutting back on the government's revenue staff in a effort to balance the budget that must, at minimum, be described as a paradox (governments are the only businesses that consider reducing account receivable staffing to rectify a deficit). The Tax Court dockets ebbed, and the IRS got smaller as it lost employees to natural attrition without being able to replace them.

In the mid-90's, tax collection (never a popular platform), became politically incorrect. The shelter wars and the IRS' ruthless efficiency with unreported income had left America bloodied and bitter. Newt Gingrich vowed in 1992 to dismantle the IRS. Clinton never matched that threat, but in the middle of his watch, the IRS become Washington DC's whipping boy. It was publicly chastised and humiliated for overzealous use of the cruel tools that Congress had invented and bestowed upon it. Within the administration, heads rolled. A plethora of new statutes were enacted to tether the IRS' power. For the agency's workforce, the most dramatic new law was section 1203. It provides for summary termination of any IRS employee who violates a procedural provision of the tax laws while performing his or her duties.

The IRS' field employees and managers got the message. It was time to slow down. Way down. There would no longer be kudos for bringing an obstinate taxpayer to his knees. Injuring a taxpayer could mean involuntary retirement.

The IRS' National Office responded by vowing to reorganize. Since 1996, two basic forms of reorganization have been effected. The first involved efforts to become sincerely "kinder and gentler". Significant portions of the workforce that had formerly been dedicated to the wet work of tax enforcement were redirected into relief and service activities. Senior Revenue Agents and Officers manned the information windows and phone lines, acting as free tax advisors to the general public. They traveled the countryside on buses during filing season to help people prepare returns and solve collection problems. Rather than fighting those who refused to comply, the IRS began trying to make the system easier for those who wanted to comply.

The kinder and gentler approach also gave birth to new functions within the administration that help rather than hurt: for example, the offers-in-compromise policy was liberalized. In the late 90's, the IRS announced that it was time to make a deal, and hundreds of senior Revenue Officers across the country were reassigned from the field to work the deluge of offers that flooded the system. At its peak, the IRS in Oregon received over 100 new offers a month. A significant percentage of the offers received were accepted. Innocent spouse relief was similarly liberalized and publicized, and special groups were

formed to review the thousands of new innocent spouse claims. Last year, a special "Substitute for Return Reconsideration Unit" was opened in the Fresno Service Center. Rarely, now, will a taxpayer be forced to pay the tax, then sue for a refund after not filing a return and receiving an SFR deficiency notice. The IRS routinely agrees to reconsider its audit determinations and adjust the tax downward.

Perhaps the most historic change in tax administration has been creation of the Collection Due Process appeal. In 1998, Section 6330 of the Internal Revenue Code became law, giving taxpayers a right to judicial review before the IRS collects tax through levies and seizures. Previously, the Anti-Injunction Act barred all courts other than the bankruptcy court from interfering with IRS efforts to collect a tax. Section 6330 broke down that wall. Not only must the IRS give every taxpayer a right to judicial review before assets can be seized—it must also wait patiently until the court rules.

The efforts to make the IRS a more helpful and forgiving agency have been largely successful. Taxpayers with the most common forms of tax problems can usually find an ear and helping hand somewhere within the organization. Unfortunately, the IRS' relief functions are now bogged down. The IRS continues to suffer an excess of attrition over new hiring. Innocent spouse, relief offers in compromise, SFR reconsideration, and CDP appeals usually take over a year. The backlog of claims within the system continue to climb. The taxpayer generally gets a stay on collection while his or her issues are considered, so at least the wait can be endured without harassment and financial disruption.

The IRS' other reorganization efforts were intended to increase efficiency. Faced with a declining workforce and a new agenda of relief work, Commissioner Rosotti had to wrestle with how to do more with less. The agency still had to process and monitor hundreds of millions of tax returns and collect billions of unpaid tax dollars. It was still expected to do a credible job of insuring the accuracy of filed returns and urging timely payment. It must now also provide the public with an unprecedented level of customer service.

Efficiency efforts have had two major effects. First, the IRS' geographic districts have been redefined. Oregon is no longer part of the Pacific-Northwest District, which formerly also contained the states of Hawaii, Alaska, and Washington. There is no longer a Western Region, which formerly held the Pacific-Northwest District. Instead, Oregon is part of Area 12, along with the states of Hawaii, Alaska, Washington, and Idaho. Area 12 reports directly to the National Office in Washington, D.C. Redistricting was intended to reduce the number of managers who bridge the gap between the National Office and field employees who deal with the public. There is debate within the organization as to whether this was accomplished.

The second facet of restructuring has been specialization. In prior years, the two primary functions of tax administration were housed in discreet Divisions: Examination and Collection. Within each district, the Exam and Collection Divisions were broken into smaller Groups; sometimes by geographic terrain (e.g. Downtown Portland versus Eugene), and sometimes by area of specialty (e.g. Large Case, Fraud, and Estate & Gift). Efforts are still underway to perfect a new breakdown that has four Divisions rather than two: Large Case, Small Business, Individual, and Employee Benefits and Exempt Organization. The focus is on the type of taxpayer, rather than the type of the work. Both the return examination and collection functions for each type of taxpayer are supposed to be supervised by managers with expertise in both types of work. These restructuring efforts are supposed to make the organization more efficient and easier to work with, by offering one-stop shopping to the public and developing expertise within each Division with issues that frequently arise within each group.

But several problems have emerged with restructuring. First, return examination and tax collection are radically different activities that require different knowledge and experience. Few IRS employees and managers can truly develop the ambidexterity necessary to efficiently work both types of issues.

Second, taxpayers often do not fall neatly into just one category. The same individual taxpayer may be a non-filer, the owner of a small business, the recipient of benefits from a trust, and a vendor for or buyer of products from a publicly traded corporation. He or she can thus generate tax issues that fall within all four divisions of the IRS' new structure. Turf battles are arising between different IRS groups over who has responsibility for a taxpayer's issues. Greater efficiency was arguably attained under the old system, which housed all of the multi-faceted taxpayer's exam issues under one manager, and all of his or her collection issues under another.

Finally, and most significantly, it is difficult to successfully reorganize when you don't have enough staff to get the work done in the first place. Congress is demanding new services from the IRS. As the government drives itself into a deficit with new security issues and efforts to curb the recession, the IRS is now being spurred on to increase collections. But the IRS simply cannot continue performing its basic functions of tax return and refund administration, providing kinder and gentler service, and monitoring and enforcing filing and payment compliance with a diminished working staff.

Ergo, the title for this article: the IRS is in crisis. During the early 80's, the IRS had over 10,000 Revenue Officers. It now has less than 6,000. In Oregon, audit and collection groups now have less than half the field employees they had during the early 90's. A significant portion of the staff has reached retirement age, and as attrition eliminates more staff hours, the IRS also suffers a loss in expertise. The hiring freeze was lifted last year and the Commissioner worked desperately to get new agents and officers on line. The situation was already so bleak that

calls rang out to former IRS employees to return to service and help train the new hires because the IRS could not afford the loss of more staff hours to training. The National Office recently announced that a new hiring freeze has been instituted. The IRS is again facing a significant reduction.

Many veteran IRS employees can only shake their heads about what has happened to their agency, and the maze of bewildering cross-signals that come out of Washington, D.C. They wonder what the IRS will look five years hence. The backlog of unworked cases continues to grow. Audit output is less than half of what it was five years ago, and exam managers are appalled by the number of large deficiency cases that linger, untouched, on desks. Unpaid tax accounts have reached an all-time high, and some collection managers watch dispassionately, now, as the levels of assessed but uncollected taxes skyrocket. The world of unreported offshore investments is one which IRS management would dearly love to explore, but there simply aren't enough agents and officers to work those complex cases. Much of the work staff is demoralized, and that reduces output and efficiency even further.

America is thus experiencing a vacation from tax enforcement. Unfortunately, the only people who will benefit are those who do not comply with the tax laws. The program that continues to suffer the most from IRS understaffing is compliance enforcement. Once apprised that the odds are better in audit roulette, some taxpayers will increase their bets. As monitoring of the marketplace ebbs, record numbers of employers are racking up six and seven figure employment tax liabilities and many individuals are incurring more income tax than they can ever hope to pay.

This is bad for the government, the taxpayer, and everyone else. The government will never collect the revenue. Many taxpayers and their families will eventually be detected and, through a bankruptcy filing or offer in compromise, they and their families will be rendered destitute and sentenced to a long period of financial hardship that could have been avoided if the problem had been nipped in the bud. For everyone else, the math is simple: reduced revenue collection creates a deficit, and eventually, regardless of what the politicians say at election time, the deficit will have to be cured by tax increases. Those who comply will pay more to make up for those who didn't pay enough.

What does the IRS' operational crisis mean for the tax practitioner? Those who earn their living at the planning end of taxation conceivably go unscathed. The Internal Revenue Code is still unintelligible. Businesses are still born, grow, and merge. Wealthy people still enter their twilight years with more assets than they want the government to encumber. America's wealthiest corporations and individuals will remain under perpetual audit. There are fewer audits, but the consequences of detection remain largely the same. The IRS can still assess and collect unpaid tax. It still has enough staff to audit anyone and anything it puts its mind to. The tax lien is still a slow but lethal poison, and the IRS is still the most powerful debt collector in the land.

Those practitioners who want controversy work are in trouble. The IRS is creating fewer tax controversies, and the flow will not increase for several years. The IRS needs to bring new employees on board and train them. It needs to settle into its new structure and re-devote itself to work instead of self-analysis and retooling. Some predict that the IRS will never regain its prior levels of audit and collection activity. Customer service programs are here to stay, and they divert significant resources from compliance efforts.

Controversy practitioners must accommodate a shifting of inventories. There are fewer scholarly income tax controversies, and more of the grunge work of unreported income and unpaid employment taxes. A larger percentage of the tax-troubled client population will be broke, and in greater need of a bankruptcy filing or offer-in-compromise than a reduction in the amount assessed. The correct tax is irrelevant if you clearly owe more than you can ever pay.

The final word on the IRS reorganization will not be out for a long time. It appears that we can look forward to an administration that is more patient, forgiving, and helpful with errors. Perhaps, within the next decade, we will see an organization that is adequately staffed and has worked out the bugs with its new operating philosophy. From all appearances, however, the IRS will continue to stagger through a growing inventory of unworked cases for many more years.

* Greene & Markley, PC, Portland

9-1-1: Taxpayer Calling the National Taxpayer Advocate

*Elizabeth A. Munns**

Background

In 1998, with the Congressional mandate for the IRS to reorganize and revamp itself into a kinder and gentler organization, Congress called for a revised "Taxpayer Advocate" system headed by the National Taxpayer Advocate. Internal Revenue Code Section 7803(c) was amended to reflect this change. The call of the Congress was first and foremost for a Taxpayer Advocate, who could preserve taxpayer rights and solve problems that taxpayers have in dealing with the IRS.[1] It was designed to be the ultimate customer service department that, while reporting to the Commissioner of Internal Revenue, must file two detailed annual reports directly to the House Committee on Ways and Means and the Senate Finance Committee, without prior review or comment by the Commissioner of Internal Revenue, the Secretary of Treasury, the Oversight Board or any other officer or employee of the Department of Treasury or Office of Management and Budget.[2]

The National Taxpayer Advocate was designed to serve as the centralized leader for local Taxpayer Advocates. Under the amended law, the National Taxpayer Advocate is now selected by the Secretary of Treasury from candidates recommended by the Commissioner of Internal Revenue and IRS Oversight Board. The candidates for the position must be individuals with backgrounds in customer service as well as tax law and with the added prior experience of representing individual taxpayers. The candidate must not have been employed by the IRS during the two years preceding the candidate's appointment and, if appointed, agree not to accept employment with the IRS for at least five years after ceasing to be the National Taxpayer Advocate.[3]

The National Taxpayer Advocate oversees and manages the Office of the Taxpayer Advocate established in 1996 by the Taxpayer Bill of Rights 2. The Office of the Taxpayer Advocate replaced the Problem Resolution System headed by the Taxpayer Ombudsman. By call of Congress, each state is to have at least one local Taxpayer Advocate. Each local Taxpayer Advocate reports directly to the National Taxpayer Advocate and operates independently of any other Internal Revenue Service office. Most of the rules established by the Taxpayer Bill of Rights 2 in 1996 remain in effect for the revised Office of the Taxpayer Advocate after the creation of the National Taxpayer Advocate in 1998.

Functions of the Office

The Office of Taxpayer Advocate must: assist taxpayers in resolving problems with the IRS; identify areas that taxpayers have problems in dealings with the IRS; to the extent possible, propose changes in the administrative practices of the IRS to help alleviate the areas identified that taxpayers have problems with in dealing with the IRS and to identify potential legislative changes that may be appropriate to mitigate such problems.[4]

The Office can be broken down into two main functions, one which helps the individual taxpayer and one which helps taxpayers collectively. While the role of the Office which helps taxpayers collectively is an important one, this article will only discuss the assistance provided for the individual taxpayer. (Perhaps a reader will be inspired to write a follow-up article?)

911 Assistance for the Individual Taxpayer

The Office has one tool in particular at its disposal in performing its duties to assist the individual taxpayer: the Taxpayer Assistance Order. The Taxpayer Assistance Order prevents qualifying taxpayers from suffering a significant hardship.

The Taxpayer Assistance Order is issued to those taxpayers who file an application, Form 911, with the Office of the Taxpayer Advocate and show, in the determination of the Taxpayer Advocate, that the taxpayer is suffering or is about to suffer a significant hardship as a result of the manner is which the internal revenue laws are being administered by the Secretary of Treasury or the taxpayer meets such other requirements as prescribed by the Secretary of Treasury in its regulations.[5] A Taxpayer Assistance Order is issued at the discretion of the Taxpayer Advocate.

A "significant hardship" is described in the Internal Revenue Code as an immediate threat of adverse action; a delay of more than 30 days in resolving a taxpayer account problem; the taxpayer will incur significant costs if relief is not granted or irreparable injury to; or a long-term adverse impact on the taxpayer if relief is not granted.[6] The list is not meant to be exhaustive. In fact, the instructions for Form 911 list additional instances when relief should be requested, including if the taxpayer did not receive a response or resolution to a problem by the date promised or a system or procedure has either failed to operate as intended or failed to resolve the taxpayer's problem or dispute with the IRS.

What can the Taxpayer Assistance Order provide? A Taxpayer Assistance Order may require the Secretary of Treasury to release property of the taxpayer levied upon or cease any action, take any action as permitted by law, or refrain from taking any action with respect to the taxpayer under chapter 64 (collection), subchapter B of chapter 70 (bankruptcy and receivership), chapter 78 (discovery of liability and enforcement of title) or any other provision of law that the National Taxpayer Advocate specifically describes in the Taxpayer Assistance Order.[7]

The running of any period of limitation with respect to the actions described above are suspended for the period beginning on the date of the taxpayer's Form 911 and ending on the date of the National Taxpayer Advocate's decision regarding the taxpayer's Form 911 and any period specified by the National Taxpayer Advocate in the Taxpayer Assistance Order issued pursuant to the taxpayer's Form 911.[8]

It is important to remember the Taxpayer Advocate Orders are meant to provide the taxpayer with a relatively inexpensive and fast way to resolve various disputes with the IRS and improve the fairness of our tax system.[9] They are not meant to replace the established administrative or judicial components of our tax system.[10]

Note of Caution

A special note of caution for any taxpayer using or any attorney advising a client to use the Office of the Taxpayer Advocate is to think very carefully about the issue of confidentiality. While the Office's very title describes it as an "advocate" for the taxpayer, it is not an advocate in the

traditional sense. We may know an advocate to be a person who promotes the cause of another, or as in most of our lines of work, a lawyer. However, as indicated on page 3 of the "The National Taxpayer Advocate's Fiscal Year 2003 Objective Report to Congress":

"Independent, critical thinking on behalf of taxpayers does not mean blind acquiescence to a taxpayer's or group of taxpayers' demands. Critical thinking does not require the advocate to be critical only of the IRS. A Taxpayer Advocate Service employee must be true to his or her foundation as an ombudsman. The advocate must provide an impartial assessment of the situation and determine the appropriate course of action, free from influence of both the IRS and the taxpayer. The Taxpayer Advocate owes a duty to the tax system, in addition to his or her duty to the IRS and the taxpayer."

What does this mean for the individual taxpayer? As indicated in the above quoted section, the Office of the Taxpayer Advocate has duties to the tax system itself, to the IRS and to the taxpayer. These duties may often conflict with the role as a "taxpayer advocate", and most possibly to the detriment of the taxpayer. Furthermore, the statutory confidentiality rules are discretionary. Each local taxpayer advocate *may*, at the taxpayer advocate's discretion, not disclose to the IRS that a particular taxpayer contacted the Office of the Taxpayer Advocate *or any information provided by* the taxpayer.[11] The discretionary ability to withhold information would, therefore, imply the discretionary authority to *disclose* information.

One of the goals listed in "The National Taxpayer Advocate's Fiscal Year 2003 Objective Report to Congress" is to begin to implement the confidentiality provisions of IRC Section 7803. The National Taxpayer Advocate, Nina E. Olson, writes:

"We are developing an analytical approach that will assist Local Taxpayer Advocates and their employees in deciding what taxpayer-provided information should be disclosed to the IRS. We will conduct an intensive case-study training program for all of our employees based on this analytical model. The training will occur within the employee's work groups, in their posts of duty, so that it is incorporated into their day-to-day activities and taxpayer contact." (Page 4.)

Attorneys advising clients to use the Office of the Taxpayer Advocate should advise and caution their clients that information provided to the Taxpayer Advocate may not be confidential and may be disclosed to the IRS. Even though the Office of the Taxpayer Advocate was designed to assist taxpayers in resolving problems with the IRS, clients should not in any way expect the same level of confidentiality as with their attorney.

Contact Information

The local offices of the National Taxpayer Advocate are statutorily required to maintain a separate phone, facsimile and other electronic communication access and a separate post office address.[12]

A taxpayer desiring the assistance of the National Taxpayer Advocate can use one of many avenues of contact. They can submit Form 911, Application for Taxpayer Assistance Order, to the taxpayer's local Taxpayer Advocate Office. In Oregon the address is, 1220 SW 3rd, Stop O-405, Portland, Oregon 97204 or by facsimile to (503) 326-5453. The taxpayer can call the local Taxpayer Advocate. The number in Oregon is (503) 326-2333. Or the taxpayer can call the National Taxpayer Advocate's helpline, toll-free at (877) 777-4778, or for TTY/TTD at (800) 829-4059. As phone numbers and addresses are always subject to change, up-dated phone numbers and addresses can be obtained and should be verified by calling the helpline or checking the IRS's website at www.IRS.gov prior to submitting any information.

Hopefully, anyone contacting the local Taxpayer Advocate will have better luck then our office had with our call on behalf of a client. We called the local office, left our requested message, and never heard back. It may be one of those situations where it was just a fluke, but frustrating nonetheless. I will say, however, that after meeting with the National Taxpayer Advocate, Nina E. Olson, in Portland for a breakfast with other local practitioners and contacting her thereafter, her office was very responsive and a fine example for the local offices reporting directly to her.

* Abbott & Associates PC, West Linn

1 *Committee Report for s105-174, hr2676,* Senate Finance Committee.

2 IRC § 7803(c)(2)(B)(i).

3 IRC § 7803(c)(1).

4 IRC § 7803(c)(2)(A).

5 IRC § 7811(a)(1).

6 IRC § 7811(a)(2).

7 IRC § 7811(b).

8 IRC § 7811(d).

9 *Congressional Record 10/7/98*, p. S15076.

10 IRC Reg. § 301.7811-1(c)(3).

11 IRC § 7803(4)(A)(iv).

12 IRC § 7803(4)(B).

Ethics in Handling Information in Tax Audits

*By Richard Kilbride**

The tax controversy business is not what it once was, due to budget constraints at the IRS. Nevertheless, most tax practitioners are faced eventually with the task of managing the information flow from the client to the IRS or ODR in an audit situation. In this process, the practitioner may learn information that is both detrimental to the interests of the client and critical to the taxing authority's understanding of the true situation. For example, a lawyer might discover a material amount undisclosed income, but the audit might be focused on capitalization issues.

It is clear that the tax lawyer must protect the secrets of the client. Therefore, the lawyer cannot reveal information detrimental to the client against the client's wishes. (The tax attorney – client privilege will be explored in depth in a future Newsletter.)

Every Oregon lawyer is prohibited from engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation, or conduct that is prejudicial to the administration of justice. DR 1-102(A)(3) & (4). Thus, a lawyer cannot misrepresent the facts, which can occur by an affirmative action or statement, or by half-truths or silence when the other party is under a misapprehension of the facts. *Heise v. Pilot Rock Lbr. Co.*, 222 Or. 78 (1960). An intentional failure to disclose material facts, whether or not intended to deceive, is misrepresentation in this context, even if there is no reliance. *In re Conduct of Huffman*, 331 Or. 209 (2000). Many disciplinary cases deal with lawyers making misrepresentations to a court by omitting material facts from applications, pleadings and the like. Oregon cases have required "complete candor" with courts, particularly in ex parte situation. See, e.g., *In re Greene*, 290 Or. 291 (1980).

The ethical problem arises because of the dual role of any taxing authority. It is both an opposing party in a controversy and the entity responsible for the just administration of the tax system. Clearly, affirmative misrepresentations to such authorities would – and should – be grounds for discipline. But discreet silence could also be viewed as misrepresentation, if facts exist that, if known by the taxing authority, would materially change the outcome of a administrative controversy.

Simply assuming that the client secrets rule trumps the misrepresentation rule is misguided, because the disciplinary rules do not provide an ordering principle. If the IRS is like a court, i.e., it is always wearing its tax administration hat, presumably an attorney must withdraw rather than violate either mandate. But this interpretation leaves the client without representation: every lawyer he or she hired would be in that position. The preferred approach appears to recognize the inherently adversarial nature of the audit and appeal process and view the taxing authority as an opposing party. Taking this approach, if an auditor or appeals officer asks about a specific question about an area of the return, the lawyer cannot misrepresent the facts and must withdraw if he or she cannot obtain consent from the client to disclose the facts. But, under this view, if the inquiry is focused elsewhere on the return, there is no affirmative duty to bring up other issues. Unfortunately, in the real-world conversations of audits and appeals, the distinction may not be quite so clear and in fact there is little guidance in this area.

The wise tax practitioner will advise his or her clients at the time of engagement of this potential ethical dilemma. Determining whether the client wishes the lawyer to disclose or to withdraw can make later decisions much easier.

*Newport

The Inheritance Tax Debacle continues....

*By Elizabeth A. Munns**

On October 25, 2002 Governor Kitzhaber vetoed legislation presented by the Fifth Special Session of the Oregon Legislature, House Bill 4077. HB 4077 would have corrected the apparent oversight in failing to adopt the Federal Tax Reform Act of 1997, which incrementally increased the exemption from $600,000, and would have changed the Oregon law imposing a tax on decedents dying on or after January 1, 2002. The Governor's veto leaves the inheritance tax issue unresolved and the exemption amount at $600,000.

The Department of Revenue has just released a revised Form IT-1 for deaths on or after January 1, 2002. The Department has taken the position, relying on State Statutes, that no Oregon return is required to be filed unless a Federal Estate Tax return is required to be filed. Therefore, according the instructions to IT-1, for an estate valued at under $1,000,000, a return is not required to be filed. Furthermore, if a return is filed with a gross estate of less than $1,000,000, the State Death Tax is equal to $0.00. The Department does caution, however, that if the Legislature does not adopt the 1997 Federal changes, estates dating back to 1998 could owe additional Oregon Inheritance Tax due to the exemption amount being tied to the pre-1997 Federal law of $600,000.

We expect more to come as the Legislature reconvenes for their 2003 legislative session and hope that both the Legislature and the new Governor are able to provide Oregon taxpayers with the guidance to prepare accurate and timely returns.

*Abbott & Associates PC, West Linn

Upcoming Tax Meetings

PORTLAND

Portland Luncheon Series
Contact: Mark Huglin
mark@draneaslaw.com

December 20, 2002
Current Tax Legislation Issues
Speaker: Mark Prater, Chief Tax Counsel Majority for Senate Finance Committee

Portland Tax Forum
Contact: Mark Golding
mgolding@hagendye.com

Oregon Law Institute

February 28, 2003
Estate and Distribution Planning for Retirement Benefits — *The Intensive All Day Workshop featuring Natalie B. Choate*
7.25 MCLE Credits.
For more information, see http://www.lclark.edu/org/oli/03_02_28.html

SALEM

Mid-Valley Tax Forum
Contact: David Roth
droth@heltzel.com

EUGENE

Eugene-Springfield Tax Association
Contact: Jeffrey D. Kirtner
jkirtner@hershnerhunter.com

EUGENE (cont'd)

January 28, 2003
Section 1031 Exchanges
Speaker: Ronald A. Shellan, Miller Nash LLP

February 25, 2003
Update on Discount Planning and Basis Adjustment Trusts
Speaker: Stephen O. Lane, Gleaves Swearingen Potter & Scott LLP

Eugene Estate Planning Council
Contact: Howard Feinman
hfeinman@rio.com

January 9, 2003
Understanding Long-Term Care Issues – Taxability of Premiums and Benefits
Speaker: Ray Schmier, J.D., CLU, CHFC

March 4, 2003
Life Insurance Trusts – Legal Issues
Speaker: Kip Steincross, J.D., General Counsel's Office, Wells Fargo Bank

From the Editor:

We welcome your contributions to, and suggestions for, the newsletter. To submit an article, please call or email me with your idea rather than sending the article along first. If you have ideas for ongoing columns, let me know.

Gwendolyn Griffith
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email: *gwengriff@speerhoyt.com*

Editors note: *Articles included in this newsletter are informational only and should not be construed as providing legal advice. For legal advice please consult the author of the article or your own tax advisor.*

Legislative Update

A Bar sponsored bill sponsored by the Tax Section and addressed in the June, 2002 newsletter regarding Oregon's Independent Contractor's Statutes has moved into drafting at the Legislative Counsel. The proposed Bill would more line up the Employee/Independent Contractor Rules with the Federal Rules for employment tax withholding and collection. The proposed statute would follow more closely the 20 factor test of Revenue Ruling 87-41. In addition, the legislation would require that Section 530 relief allowed under Federal Rules would be allowed for State tax collection purposes as well. The change is intended to bring Oregon Rules in line with Federal Rules.

Taxing Humor...

- If you love something, set it free.
  If it comes back, it will always be yours.
  If it doesn't come back, it was never your to begin with.
  But...
  If it just sits in your living room, messes up your stuff, eats your food, uses your telephone, takes your money, and doesn't appear to realize that you actually set it free in the first place, you either married it or gave birth to it.
  (Either of which is probably tax deductible.)
- Insanity comes from overtaxing a clever mind.
- For every tax problem there is a solution which is straightforward, uncomplicated and wrong.
- Making out your own income tax return is something like a do-it-yourself mugging.

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