

PORTLAND NEWS

Portland businesses on track to dodge millions in city taxes owed

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Portland businesses are increasingly failing to pay their local business tax, officials say.

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By **Gordon R. Friedman**, gfriedman@oregonian.com
The Oregonian/OregonLive

Thousands of Portland businesses have not paid their city taxes and the problem has reached a crescendo this year, leaving millions of dollars of revenue uncollected as city bureaus prepare for budget cuts.

One City Hall observer, energy consultant Robert McCullough, has been pushing Mayor Ted Wheeler to take note of the past due business tax accounts, and to adjust city tax collection policies accordingly.

In response to questions from The Oregonian/OregonLive, Wheeler said Tuesday that he will propose to hire more tax collectors when he unveils his proposed budget later this month. "Portlanders and local businesses who faithfully pay taxes expect us to do our best at collecting all outstanding taxes," the mayor said. Wheeler is also in talks with the Portland chamber of commerce about raising local business taxes.

Every business operating in Portland must register with the city and, if it grosses at least \$50,000 a year, pay the city 2.2 percent of income it generates within city limits. That money -- more than \$100 million a year -- goes into the general fund, which pays for police, firefighters, parks and other city programs.

Thomas Lannom, Portland's top revenue official, said the city estimates business tax collections will be at least \$114 million this year, accounting for more than a third of the general fund.



But the share of businesses on track to pay the tax is at a 14-year low compared to this point in previous tax years, Lannom told The Oregonian/OregonLive last week.

Of 104,000 registered businesses in Portland, 15,700 -- or 15 percent -- haven't filed a return or have a past-due bill as of last month, he said.

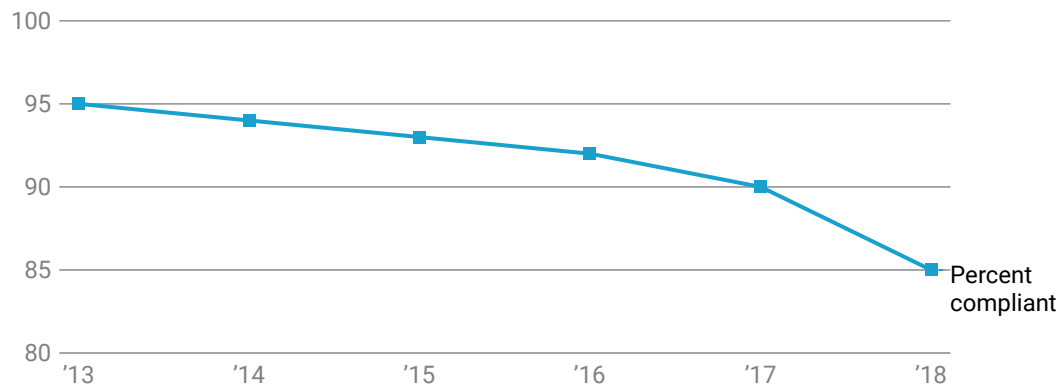
The city estimates that \$9 million owed will go uncollected this year. Lannom declined to provide a list of scofflaw businesses, citing laws that protect taxpayer information.

Tom Rinehart, the city chief administrative officer, acknowledged the ugly data during an interview last week. "There are a lot of people not paying," he said.



Portland business license tax compliance rate

Compliance rates for the city's business license tax have declined for years, but reached a 14-year low in 2018.



Each data point is for March of the referenced year. The tax is due July 1.

Chart: Gordon R. Friedman/The Oregonian • Source: City of Portland - Revenue Division • [Get the data](#) • Created with [Datawrapper](#)

At the same time the city is trying to collect on millions of dollars of unpaid business taxes, it is also going after a smaller pot of money: people who have failed to pay their arts taxes. The city has sent nearly 8,700 people owing a combined \$607,000 of arts taxes to collections agencies this since the fiscal year began on July 1, according to Lannom. More than \$140,000 has been collected from those accounts, he said, with collections agencies reaping \$32,000 on top of that in fees.



Lannom defended his bureau's business tax collection efforts. He said no public body collects 100 percent of the taxes its owed, and that Portland's collection rate is better than that of the IRS. The city is "very aggressive" in pursuing all taxes owed, Lannom said, noting that the city has sent tens of thousands of letters to businesses requesting tax payments and has filed lawsuits against hundreds of them to recoup money owed.

But, he said, "What's out of whack is the number of accounts have exploded." The number of business registered in Portland has grown more than 50 percent over the last two-and-a-half years, he said.

With so many more businesses to track, the city needs more tax collectors, Lannom said. His bureau has requested five more people to beef up operations beginning in July, he said.

Until that happens, Lannom has had to pull collections staff from pursuing past-due accounts to make and answer calls, contact businesses and handle paperwork.

Wheeler is set to unveil his proposed budget later this month. The official [city finance policy](#) states that profitable tax collection efforts "shall be the highest budget priority."



"My proposed budget will include investments in the technology and people necessary for more effective revenue collection," Wheeler told The Oregonian/OregonLive on Tuesday. "I believe these investments will more than pay for themselves."

McCullough, the energy consultant, said he's met with Wheeler twice since he took office to push him for more tax collectors, in part because of the growing number of delinquent businesses. The city ought to have the staff needed to collect what's owed on those accounts, McCullough argues.

"If we can't afford to run the city during a boom we can't afford to run it during the next recession," said McCullough, who made a name for himself in the energy sector as the man who revealed Enron's illegal blackout plots to Congress.

He added, "This isn't rocket science."

-- Gordon R. Friedman

GFriedman@Oregonian.com

503-221-8209

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