Tax evasion common among Oregon residents

Income tax evasion continues to be widespread in Oregon, costing the state an estimated $40 million in revenues annually, costing the federal government about $120 million and causing honest people to pay higher tax bills.

One in four Oregonians (26.6 percent) admitted tax cheating of some sort in June interviews with 801 persons, who represent a scientifically-selected cross section of the Oregon adult population.

Underreporting of income was the most frequest tax evasion technique, followed by overstating of deductions, failing to file income tax forms at all and claiming unearned tax credits. More than one form of evasion is frequently practiced.

The survey, conducted by Oregon State University, is one of the first to focus on the level of non-compliance, on the amounts of revenue lost and on motivations for evasion: desire for more money and the belief they will not be caught.

The findings of the 1980 survey are summarized in a research report entitled "An Estimate of Income Tax Evasion in Oregon." Authors are Robert Mason and Helen M. Lowry. The study was carried out under a $23,000 contract with the Oregon Department of Revenue.

The 1980 research project esentially duplicated a 1975 OSU study on tax evasion among Oregonians. The 1975 project also involved 800 adults who were scientifically-selected to produce a representative sampling of all adults in the state. The findings of that study attracted national attention and concern by Congress on how to halt the huge tax revenue losses.

The 26.6 percent evasion level found in 1980 is slightly higher than the 23 percent of 1975 but the difference is not significantly statistically--it could be due to sampling fluctuations rather than a real difference, the report stated. There is some evidence that cheating is becoming "more skillful," however.

While the level of evasion may have increased slightly, important differences showed up in who is evading taxes now compared to 1975,it was pointed out in the project report.

For instance, women now engage in all forms of tax evasion as frequently as men, a result not found in 1975. More women in the work force may account for this increase.

Tax cheaters have also moved into the lucrative tax credit area, the study showed. Some had improperly claimed home weatherization and politican contributions.

Among the specific kinds of cheating found in 1980, twice as many self-employed persons said they overstated deductions as those who are not self-employed.

Those who underreport income are concentrated among the better educated, among the self-employed, among those whose taxes are not withheld, among renters and among newer residents to the state and community.

Illegal non-filers are over-represented among the elderly and those under 21, among persons with annual incomes under $10,000 and between $30,000 and $40,000 and among those whose taxes are not withheld.

None of these variables was associated with tax evasions five years ago. The new findings are indicative of current trends.