

TAX: Energy credits could cost the state \$968.1M in revenue

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had a chilling effect at the Department of Revenue. The agency never moved ahead with a project focused on energy tax credits, despite finding problems on 21 tax returns claiming business energy tax credits that were audited for other reasons since July 2013.

Lax oversight

Around the same time, the Oregon Department of Energy also scaled back its oversight of the tax credit sales. The department quietly stopped enforcing pricing and other rules for the sales in fall 2011, which allowed private brokers to strike deals in which the prices were never verified by the state.

The Department of Energy has struggled to track the private deals, including verifying who was entitled to the tax breaks and how much they paid for them.

Anthony L. Buckley, chief financial officer for the energy agency, was reluctant to say the buyers and sellers of tax credits have reported all those transactions to the Department of Energy.

"I can't say with any real surety that they are," Buckley said. "I think the transactions are in jeopardy if they don't. The third-party buyer can't

use that certificate unless it's registered with the Department of Revenue, and that can only be done through us."

The department is working to clean up the mess, with a retroactive rule change that would clarify all the private deals since mid-2012 were above-board.

Business energy tax credits issued between 2006 and 2014 could cost the state up to \$968.1 million in tax revenue, according to the Department of Energy. A majority of that cost — \$703.6 million — comes from tax credits that were sold to investors.

The companies and individuals who bought those credits could realize a total gain of \$209.4 million, which is the difference between the value of the tax credits and the price taxpayers paid to purchase them, according to analysis by the EO Media Group/Pamplin Media Group Capital Bureau.

Audit project nixed

On April 6, 2012, William Minor, a state tax auditor in Medford, suggested a project to specifically look at whether taxpayers who claimed business energy tax credits had failed to pay capital gains taxes. Minor had just finished an audit that netted the state \$57,000 in taxes, including

from previously unpaid capital gains tax on an energy tax credit.

Joann Martin, manager of the compliance section at the Department of Revenue, laid out the issues in an April 11, 2012 email to the agency's director, Bucholz.

"The (tax) credits can be large and the gains substantial," Martin wrote, and the IRS had ruled that profits from sales of the credits were taxable.

"The political issue is that the brokers of these sales have sold them as non-taxable transactions — which they aren't," Martin wrote. "They feel that we should have told them long ago about the (taxability) issue, and since we didn't, it's 'unfair' to tax them now. Plus, taxing this process is 'anti' business."

Bucholz asked Scott Nelson, who was then-Gov. John Kitzhaber's business adviser, how to proceed.

"We have told our auditors that if they come across the issue in the normal course of an audit, they are to make the adjustment but we have told them that we will not 'run a project' to identify these taxpayers until we get direction from the Governor's office," Bucholz wrote in an email to Nelson, before an April 11, 2012 meeting on the subject.

After Bucholz' meeting with Nelson, a manager at the Department of Revenue told auditors to ignore any problems they found related to the business energy tax credit.

"If you come across a BETC (Business Energy Tax Credit) that was sold by one entity to another and there is a potential capital or ordinary gain issue please do not audit that issue," manager Keith Shribbs wrote on April 13, 2012. Shribbs explained that a bill planned for the 2013 legislative session would retroactively make any income from the credits non-taxable, "so we don't want to waste our or the taxpayers time in this case."

When the Legislature adjourned in 2013 without passing the tax credit bill, Bucholz wrote in an email to Martin, "the previous moratorium on running a 'project' to find and bill these taxpayers is lifted and any auditor that wants to pursue these taxpayers and bill them is free to do so."

However, the Department of Revenue never went ahead with a specific audit project to look at the energy tax credits.

Joy Krawczyk, a spokeswoman for the agency, said that auditors still have a large amount of independence to

look for known problems.

"Without talking to each individual auditor, I wouldn't be able to get an idea why they didn't go with it," Krawczyk said of the business energy tax credit project.

Auditors have addressed problems with the energy tax credits that came to light while they were looking at other issues. They found problems on tax returns for 21 taxpayers who claimed the renewable energy and efficiency tax breaks, out of a total 34 audits of business energy tax returns since July 2013.

The department would not say how much tax those investors owed the state, because the number of filers audited was small enough the Department of Revenue did not want to risk disclosing their identities. However, the audits resulted in changes for 21 of the taxpayers.

"Basically, for all audits when there's a change made, it means something wasn't reported properly whether it was intentional or unintentional," Krawczyk said. "And normally the taxpayer will end up paying more taxes."

Auditors are still reviewing filings by more than a dozen taxpayers who claimed business energy tax credits.

LANDSCAPE: Tried to leave the ordinance very open-ended

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example, pathways longer than 30 feet must have landscaped lighting and rock beds cannot make up more than one third of the landscaping credit.

"A lot of people have a lot of gravel and very little planting and are calling it landscaping," Spencer said.

The ordinances was drafted by the Community Enhancement Committee as part of the committee's efforts to increase Hermiston's curb appeal, but not everyone was happy with the proposed new rules.

Kathy Erz, a local business owner, said she spends an extra \$40 to \$50 a month on her summer water bill to water the landscaping at one of her businesses, plus \$100 a month for someone to weed and mow. She said not everyone can afford the upkeep or the original planting and design costs.

"This is an unfunded mandate against businesses," she said.

Diana Ables said right now she doesn't own any commercial property, but would like to, and some of the property she has looked at isn't landscaped at all, meaning she would probably have to tear up part of the parking lot.

"It makes it very cost-prohibitive for us," she said.

Spencer said 3 percent of a property isn't as much as it sounds — Fiesta Foods has nine percent of its property landscaped and still has plenty of room for parking. And he said city staff have discretion in allowing for alternatives like window planters and decorative lighting when a property's slope or location isn't conducive to much green space.

Councilwoman Jackie Myers, who sits on the Community Enhancement Committee, said the committee tried to leave the ordinance very open-ended, allowing property owners to do what works best for their situation.

"We did try to structure this so it wouldn't be a burden on people," she said.

In the end Myers, Rod Hardin, John Kirwan, Manuel Gutierrez and Drotzmann voted in favor of moving forward with a public hearing and state review process, while Doug Smith, Lori Davis, Clara Beas-Fitzgerald and Doug Primmer voted no.

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WHEAT: Farmers can only insure up to 85 percent of their crop

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As it is, he figures to harvest somewhere in the high-teens to mid-30s on bushels per acre, depending on the location of the field.

"In an agricultural endeavor, you just have to roll with it and stay in business," he said.

This year actually marks the third straight year of below-average precipitation for the region's wheat farmers after a solid season in 2012. That's compounded the problem for growers like Rietmann who manage their fields in a wheat-fallow rotation to build up moisture deep in the soil.

Larry Lutcher, soil scientist with Oregon State University Extension Service in Morrow County, said the cumulation of three dry years in a row has left farmers with virtually no water left in

storage. He predicted yields could be less than 10 bushels per acre on land that typically grows 35-40 bushels.

"Even with crop insurance, it gets difficult to make ends meet," Lutcher said. "They'll get by, but they certainly won't make any money generating yields like this."

Umatilla and Morrow counties rank first and second by a wide margin in Oregon wheat production. Last year, the two counties combined to harvest 17.8 million bushels of winter wheat on 357,000 acres, according to the National Agricultural Statistics Service.

In 2012, the counties harvested 21.7 million bushels, thanks in part to higher rainfall. Precipitation in Ione averaged 12.23 inches between the months of September and June from 2010-2012, but just 7.5

inches from 2013-2015.

The timing of rains is also an important factor, said Jason Middleton, director of grain operations for Pendleton Grain Growers. Dryland farmers always need precipitation in May and June to finish a winter wheat crop, and precipitation has essentially shut off the past month, he said.

"I would expect (yields) to be down across the board this year," Middleton said.

Lower yields means more farmers could fall back on crop insurance to make them whole. Debbie Morrison, an agent with Wheatland Insurance in Pendleton, said she expects a lot of claims in the coming weeks.

"I don't think we'll have the high yields we were looking for," Morrison said. "As soon as they start harvesting, they'll call me and tell me if they're light."

Crop insurance provides coverage based on a field's production over the past 10 years, marking a guaranteed value that can be set either to yield or revenue. If harvest comes in below the guarantee, insurance pays the rest.

Farmers can only insure up to 85 percent of their crop, and the higher the percentage, the higher the premium, Morrison said.

Don Wysocki, soil scientist with OSU Extension in Umatilla County, said this is the kind of year crop insurance is designed to protect. He said the best farmers can do now is hope for a burst of rain in August or September, which will allow for earlier planting of next year's crop.

"An inch of rain in early September would do a lot of good," Wysocki said. "Yield expectations would be better if you can plant during the optimal time period."

Early rains also allow farmers to spray for grassy weeds, such as cheatgrass and feral rye, before planting, which saves money on specialized herbicides they would otherwise have to use to kill the weeds while sparing wheat.

Growers certainly don't enjoy the dry years, Rietmann said, but they always plan for difficult conditions and aren't surprised when they happen. Dry periods are normal for the area, he said, and conditions always turn back around.

"There are worse things in life than a dry crop year," Rietmann said. "This is just part of farming ... I suspect somewhere on the other end of this, it will pick back up again."

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FLAG: Vandals have spray-painted several Confederate monuments in recent days

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tensions as the battle flag, and Confederate heritage groups say the outcry is misplaced, despite widely seen images of the church shooting suspect, 21-year-old Dylann Roof, holding the rebel flag.

At the least, however, the flag and other tributes remain a constant reminder of the nation's perpetual struggle with race, and of some Southerners' defiance of the federal government's efforts on civil rights.

"Statues and monuments aren't history," said Stan Deaton, a historian for the Georgia Historical Society. "They are what we choose to tell future generations about the past. ... It's a very delicate subject, and let's not kid ourselves: So much of it has to do with race."

In Kentucky, the Republican candidate for governor, Matt Bevin, and U.S. Sen. Mitch McConnell said Tuesday that a statue of Confederate President Jefferson Davis should be removed from the Capitol rotunda, where it sits just feet from a statue of Abraham Lincoln, whose election spurred the South's secession. Both men were born in Kentucky, a border state during the Civil War.

Top Mississippi Republicans appear divided over the state's flag, the last of the 50 state banners to include a specific image of the battle flag. House Speaker Phillip Gunn said Monday that the image, which appears in the top left corner of the Mississippi flag, is offensive and should be removed. Lt. Gov. Tate Reeves responded Tuesday that the decision should be up to Mississippians, who voted 2-to-1 in 2001 to keep the flag. Gov. Phil Bryant, also a Republican, said he supports that referendum result.

Chris McDaniel, a state senator and tea party hero who nearly unseated U.S. Sen. Thad Cochran last year, decried Gunn's call. "A cultural or historical cleansing of all things potentially offensive will do nothing to alleviate the problems caused by racism," he said.

Deaton, the Georgia historian, said McDaniel misses the point. "Symbols do matter and naming practices do matter," he said, arguing that the Confederate monuments across the region, placed mostly by Confederate veterans and women's groups in the late 19th and early 20th

centuries, offer "a very narrow interpretation of the past."

There were signs that the tension was spilling beyond the political realm. Vandals have tagged several monuments in recent days, including a Charleston statue of John C. Calhoun, a strong defender of slavery and secession before the war. It and other targets in Maryland and Texas were spray-painted with phrases such as "Black Lives Matter," a slogan rooted in recent police shootings of black men.

The leader of a national Confederate heritage organization argues that Roof's

actions should not reflect on American citizens who identify with the Confederacy.

"First it's the flags, then the monuments, then the streets names, then the holidays. I feel like it's open season on anything Confederate," said Kelly Barrow, commander in chief of the Sons of Confederate Veterans, adding that the

vandalism scares him.

"Is someone going to be attacked because they have an S.C.V. sticker on their car? We're open targets, battle flag or not," he said.

Barrow, based south of Atlanta, said the discussion over the monuments should at least wait until after the church victims' funerals.



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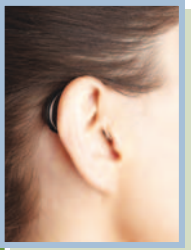
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Healthy Back Habits for Caregivers - CONCLUDED

TUESDAY, MAY 26, 3:30PM

Many adults spend a considerable portion of their week caring for aging parents, relatives, friends, or other adults. According to the results of a recent study, the stresses and strains of providing care to an ill loved one may take a considerable toll on the mental and physical health of care-givers — including their back and spine health. Learn healthy back habits to keep you safe.

Elder-Friendly Living: Modifying Your Home for Safety

TUESDAY, JUNE 23, 3:30 PM - CONCLUDED

No matter when the older person's home was built and regardless of whether it is modern or traditional in style, it likely was designed for young adults and their families. As adults age their homes also grow older, but most are not updated to accommodate the resident's changing needs. Home adaptation or modification can provide friendlier elder living so older occupants may continue to life safely in the comfort of their home.

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TUESDAY, JULY 28, 3:30 PM

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