Oregon
Corporate Excise
and
Income Tax

Characteristics of Corporate Taxpayers

2010 Edition

Covering Fiscal Year 2010 Corporate Tax Receipts
and Tax Year 2008 Corporate Tax Returns

OREGON
DEPARTMENT
OF REVENUE

150-102-405 (Rev. 12-10)

To order additional copies, please contact:

Publications
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555
503-945-8636

Statistical publications are also available at

http://www.oregon.gov/DOR/STATS/statistics.shtml

Taxpayer assistance

General tax information....................www.oregon.gov/dor
Salem 503-378-4988
Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon......................1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Oregon
Corporate Excise
and
Income Tax

Characteristics of Corporate Taxpayers

2010 Edition

Covering Fiscal Year 2010 Corporate Tax Receipts
and Tax Year 2008 Corporate Tax Returns

Prepared by
Research Section
Oregon Department of Revenue
Salem OR 97301-2555

150-102-405 (Rev. 12-10)

Contents

Introduction...iii

Section 1 How Corporations Are Taxed
A) Background and Tax Calculation...1-1
B) S Corporations...1-7
C) Insurance Corporations...1-8

Section 2 Corporate Tax Receipts
Timing of Tax Payments...2-1
Trends in Corporate Tax Receipts...2-1
Receipts by Industry Sector...2-3

Section 3 Corporate Tax Returns
A) Summary of All Corporate Returns...3-1
Timing of Filing Tax Returns...3-2
Timing of Receipts for Tax Year...3-3
History of Tax Returns Filed...3-4
B) Summary of C Corporation Tax Returns...3-5
Taxable Income Category...3-6
Industry Sector...3-7
State of Commercial Domicile...3-8
Apportioned Returns...3-9
Credit Usage...3-10
Minimum Tax Returns...3-14
C) Summary of S Corporation Tax Returns...3-16

Appendices
A—Glossary of Corporate Terms...A-1
B—Selected Glossary of Industry Sectors...B-1
C—Data Construction...C-1
D—Surplus Kicker...D-1

Exhibits

Section 1 How Corporations Are Taxed

A) Background and Tax Calculation

Exhibit 1.1—Components of Oregon Corporate Tax 1-2
Exhibit 1.2—Contribution of Factors to Apportionment Percentage 1-3
Exhibit 1.3—Corporate Tax Rates, 1929 to Present 1-4
Exhibit 1.4—Corporate Alternative Minimum Tax 1-5

B) S Corporations

C) Insurance Corporations

Section 2 Corporate Tax Receipts

Exhibit 2.1—Receipts by Tax Year 2-1
Exhibit 2.2—Net Receipts (Graph) 2-2
Exhibit 2.3—Receipts History 2-2
Exhibit 2.4—Receipts by Industry Sector (Graph) 2-3
Exhibit 2.5—Receipts by Industry Sector 2-4
Exhibit 2.6—Receipts Index of 12-Month Totals (Graph) 2-5

Section 3 Corporate Tax Returns

A) Summary of Corporate Returns

Exhibit 3.1—Type of Return Filed 3-1
Exhibit 3.2—Returns Received by Month 3-2
Exhibit 3.3—Receipts for Tax Year by Month 3-3
Exhibit 3.4—Return History 3-4

B) Summary of C Corporation Tax Returns

Exhibit 3.5—By Taxable Income Category 3-6
Exhibit 3.6—By Industry Sector 3-7
Exhibit 3.7—By State of Commercial Domicile 3-8
Exhibit 3.8—Apportioned Returns 3-9
Exhibit 3.9—Industry Sector for Multistate (Apportioned) Returns 3-9
Exhibit 3.10—Credit Usage 3-10
Exhibit 3.11—Business Energy Facilities Credit Claimants by Industry Sector and Taxable Income 3-11
Exhibit 3.12—Pollution Control Credit Claimants by Industry Sector and Taxable Income 3-12
Exhibit 3.13—Qualified Research Activities Credit Claimants by Ind. Sector and Taxable Income ... 3-13
Exhibit 3.14—Minimum Tax Returns 3-14
Exhibit 3.15—Minimum Tax Payment Details 3-14
Exhibit 3.16—Minimum Tax Returns by Industry Sector 3-15

C) Summary of S Corporation Tax Returns

Exhibit 3.17—S Corporation Summary 3-16
Exhibit 3.18—S Corporation Characteristics 3-16
Exhibit 3.19—S Corporation Returns by Industry Sector 3-17

Appendices

Exhibit C.1—Corporate Filing Calendar C-1
Exhibit C.2—Tax Year 2007 C Corporation Tax Returns: Tax-Year Ending Month C-2
Exhibit D.1—Corporation Kicker History D-1

Since 1929 corporations in Oregon have paid a form of income tax. These revenues were 5.9 percent of the General Fund in the 2009-10 fiscal year, and are projected to be about 7 percent of total General Fund revenue in the 2009-11 biennium.

Oregon Corporate Tax Receipts 2009-10 Fiscal Year	
Corporate Tax Revenue	$353.6 million
Percent of General Fund	5.9%

This summary report describes the characteristics of Oregon corporate taxpayers and is divided into three sections:

Section 1 contains background information on the taxation of corporations in Oregon. It includes descriptions of the computation of tax and how payments are received.

Section 2 provides descriptive information based on corporate tax receipts through fiscal year 2010. Tax law requires corporations to make quarterly estimated payments on anticipated taxes for the current year in addition to making payments or receiving refunds at the end of a tax year. This receipt data is a rich source of information that allows for timely analysis of trends in overall corporation payments and in the specific industry sectors.

Section 3 focuses on corporate tax returns corresponding to tax year 2008. Corporations must file tax returns that contain detailed information about their income and the calculation of final tax liability. These details allow for more thorough analysis of the characteristics of Oregon corporate taxpayers. However, because corporations do not file tax returns until well after the end of a tax year and often obtain deadline extensions before filing their returns, the information from return data is not as current as the data from receipts.

Together, these three sections provide a comprehensive description of corporate taxpayers in Oregon using the most current information available at the time of publication.

In January 2010, Oregon voters passed Measure 67, which confirmed the 2009 Legislature’s passage of House Bill 3405 and made three changes to corporate and partnership taxes:

- Created a second marginal rate on C corporations and some S corporations.
- Increased the minimum tax on C corporations and S corporations.
- Created a $150 minimum tax on partnerships.

The impacts of these changes are discussed later in this report.

Background

Oregon began taxing corporate net income in 1929, the same year that the state began taxing personal income. The state initially enacted these taxes to offer relief from property taxation. The 1929 law states that "…the revenue derived from the tax shall reduce by corresponding amount the direct tax levy which the tax commission would otherwise apportion to the several counties of the state" (*Corporation Excise of 1929*, Oregon Laws 1929, Chapter 427, sec. 23). Legislation enacted in 1951 broke this explicit tie to the property tax. From that time forward, revenues from the corporate tax have contributed to the General Fund for general appropriations.

Although commonly referred to as "Oregon corporate income tax," corporations are subject to either the corporate excise tax or the corporate income tax.

Corporations doing business in Oregon pay the **excise tax**. Doing business means any transaction or transactions in the course of a corporation's activities conducted within Oregon. A corporation is doing business when it engages in any profit-seeking activity in Oregon. Corporations not doing business in Oregon but with income from an Oregon source pay the **income tax**. Most corporations pay the excise tax.

Current tax law also treats corporations differently according to their organizational structure. For example, C corporations pay corporate excise or income taxes on their income, while the income of S corporations passes through to shareholders who are then taxed under the personal income tax system. These distinctions are discussed in greater detail later in this report.

Tax Calculation

Below is a basic description of the calculation of taxes for corporations subject to the Oregon corporation excise or income tax. Because the corporate tax program is complex, not every detail is presented here. Instead, this discussion focuses on the major components of the computation of this tax. Exhibit 1.1 provides a flowchart of this computation that is discussed below. For additional information, please refer to the Oregon Department of Revenue's Corporation Tax Forms and Instructions available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

Starting Point: Federal Taxable Income

Oregon's definition of taxable income for corporations is tied to federal taxable income. Federal taxable income is essentially gross income minus the tax deductible costs of doing business such as salaries, repair and maintenance, employee benefit programs, and depreciation. The Oregon corporate return modifies federal taxable income through additions and subtractions.

Additions

Additions are sources of gross income that are taxable in Oregon but not by the federal government or deductions allowed under federal law but not allowed under state law. Some common Oregon additions include state or municipal interest income, and Oregon excise tax or other state taxes measured by net income or profits.

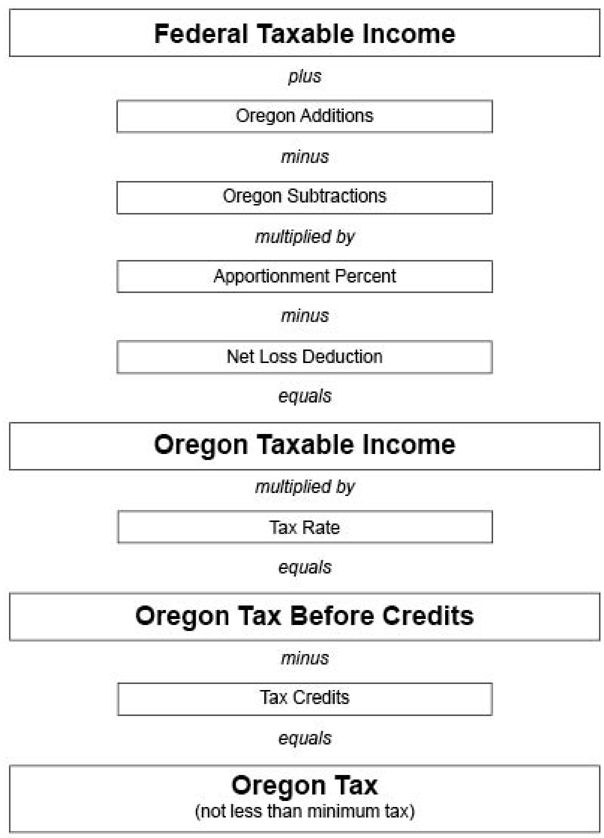
Subtractions

Subtractions are sources of gross income that are taxable at the federal level but not by Oregon, or deductions allowed by state law but not allowed under federal law. Subtractions include dividend deductions and income of non-unitary corporations. The *State of Oregon 2011-13 Tax Expenditure Report* provides a detailed discussion of subtractions available for corporations. The report is available at http://www.oregon.gov/DOR/STATS/statistics.shtml.

Apportionment of Business Income

For purposes of state taxation, income of corporations that conduct business exclusively in Oregon is taxed only by Oregon. Corporations doing business in more than one state must determine the share of their income earned from Oregon activities.

Exhibit 1.1
Computation of the Oregon Corporate Income Tax



Before tax year 1991, a corporation’s income was apportioned to Oregon by a three-factor formula. The factors used in this formula were Oregon payroll relative to total payroll in all states, Oregon property relative to total property in all states, and Oregon sales relative to total sales in all states. An Oregon percentage was calculated for each of these factors and these three percentages were weighted equally to determine an overall apportionment percentage that was applied to total income of the corporation.

In 1991, Oregon switched to a double-weighted sales factor to arrive at the apportionment percent: 50 percent of the sales factor plus 25 percent of both property and payroll factors. Tax years starting on or after May 1, 2003 used super-weighted sales (i.e., the apportionment percent was 80 percent of the sales factor plus 10 percent each of the property and payroll factors). Tax years starting on or after July 1, 2005 use only Oregon sales relative to sales in all states to determine apportionment percentage.[1] Refer to Exhibit 1.2 for a table summarizing the changes to apportionment.

Exhibit 1.2—Contribution of Factors to Apportionment Percentage

	Property	Payroll	Sales
Three factor (pre-1991)	33%	33%	33%
Double-w eighted sales (1991)	25%	25%	50%
Super-w eighted sales (5/1/2003)	10%	10%	80%
Single sales factor (7/1/2005)	0%	0%	100%

The increase in the weight of the sales factor reduces Oregon taxes for those companies with significant property and payroll within Oregon but with most of their sales outside the state. At the same time, taxes increase for out-of-state companies with sales in Oregon but with small shares of property and payroll in the state.

Allocation of Nonbusiness Income

Income that does not arise from the regular activities of a taxpayer's trade or business is not apportioned using the apportionment formula, but is instead allocated to a specific state. This income, known as nonbusiness income, is generally allocated to the state where the income producing activity occurs. For instance, rental income or loss that is not associated with the taxpayer's regular business would be assigned to the state where the rental takes place. Nonbusiness income from intangible assets is assigned to the state of the taxpayer's commercial domicile (headquarters).

Net Loss Deduction

Apportioned losses carried forward from prior years may reduce a corporation's current-year taxable income. Oregon law allows an operating loss to be used to offset future tax liability for up to 15 years. Oregon law does not allow operating losses to offset past tax liability. Capital losses may be used to reduce the amount of capital gain income taxed by Oregon. Capital losses may be carried back up to three years, and then carried forward up to five years.

Taxable Income and Tax Before Credits

Oregon taxable income results from applying apportionment and allocation, then subtracting losses. Multiplying Oregon taxable income by the tax rate produces tax before credits. The tax

---

[1] The apportionment methods described here are used for most corporations. Certain wood-products companies must use a double-weighted sales apportionment formula for tax years 2006 through 2009. Utilities and telecommunications companies may elect to use a double-weighted sales formula. These two exceptions and the effect on these corporations' tax are described in more detail in the *State of Oregon 2009-11 Tax Expenditure Report*, which is available at www.oregon.gov/dor/stats/. Insurance companies use Oregon Form 20-INS and different factors for income apportionment, as described in detail in Section 1C.

rate has changed many times since corporate tax was introduced in 1929, with rates ranging from 5 to 9 percent. In 1987, the rate was reduced from 7.5 to 6.6 percent, where it remained until 2009.

With the voter approval of Measure 67 in January 2010, which confirmed the 2009 Legislature's passage of House Bill 3405, a second marginal corporate tax rate was created. For tax years beginning January 1, 2009, and before January 1, 2011, businesses pay a tax rate of 6.6% on taxable income up to $250,000, and a rate of 7.9% on any amount of taxable income greater than $250,000. For tax years 2011 and 2012, the tax rate remains 6.6% for income up to $250,000, while the tax rate for taxable income greater than $250,000 decreases from 7.9% to 7.6%. In 2013 and going forward, the tax rate is 6.6% for taxable income of $10 million or less, and 7.6% for taxable income greater than $10 million. Exhibit 1.3 provides a history of Oregon corporation tax rates.

Exhibit 1.3—Corporate Tax Rates, 1929 to Present

Year	Tax Rate	Type of Corporation
1929	5.0%	All Corporations
1932	8.0%	All Corporations
1955	4.0%	All Corporations
1957	6.0%	Regular Corporations
	7.0%	Public Utilities
	9.0%	Financial Corporations
1959	6.0%	Regular Corporations
	6.0%	Public Utilities
	9.0%	Financial Corporations
1963	6.0%	Regular Corporations
	6.0%	Public Utilities
	8.0%	Financial Corporations
1976	6.5%	Regular Corporations
	6.0%	Public Utilities
	6.5%	Financial Corporations
1977	7.0%	All Corporations
1978	7.5%	All Corporations
1987	6.6%	All Corporations
2009	6.6%	All Corporations, taxable income <= $250,000
	7.9%	All Corporations, taxable income > $250,000
2011	6.6%	All Corporations, taxable income <= $250,000
	7.6%	All Corporations, taxable income > $250,000
2013	6.6%	All Corporations, taxable income <= $10 M
	7.6%	All Corporations, taxable income > $10 M

Credits

A corporation can claim any of more than 35 applicable credits to reduce its Oregon tax liability. Only one of the credits, claim of right, is refundable. Most allow unused credit amounts to be carried forward and used in later years. See pages 3-10 to 3-13 for information on credit usage by C corporations. The *State of Oregon 2011-13 Tax Expenditure Report* also provides a thorough discussion of corporate tax credits. The report is available at www.oregon.gov/dor/stats/Statistics.shtml.

Oregon Tax

A corporation's net tax liability is the result of subtracting credits from the tax liability before credits. The corporation pays the greater of the calculated net tax liability or the alternative minimum tax.

When established in 1929, the corporation excise tax included a minimum tax of $25. The 1931 Legislature decreased the minimum excise tax to $10. Until 2006, the $10 minimum tax applied to each return filed by a corporation, whether or not the filing was a consolidated return. Beginning with tax year 2006, the minimum tax for corporations that filed a consolidated return changed so that the minimum $10 was paid for each corporation included on the consolidated return rather than $10 for the return.

With voter approval of Measure 67 in January 2010, which confirmed the 2009 Legislature's passage of House Bill 3405, a new alternative minimum tax structure was implemented effective for the 2009 tax year. The tiered minimum tax amounts are detailed in Exhibit 1.4.

The corporate minimum tax is based on Oregon sales, defined as the income received by a corporation from the sale of a product or service to an individual or business located in Oregon. For a corporation that only does business in Oregon, this amount is the total sales of the business. If a corporation does business in multiple states, the sales in Oregon would be used to determine the alternative minimum tax.

Exhibit 1.4—Corporate Alternative Minimum Tax

Oregon Sales	Minimum Tax
< $500,000	$150
$500,000 to $1 million	$500
$1 million to $2 million	$1,000
$2 million to $3 million	$1,500
$3 million to $5 million	$2,000
$5 million to $7 million	$4,000
$7 million to $10 million	$7,500
$10 million to $25 million	$15,000
$25 million to $50 million	$30,000
$50 million to $75 million	$50,000
$75 million to $100 million	$75,000
$100 million or more	$100,000

As before the passage of Measure 67, sole proprietors are not subject to a minimum tax. Prior to the passage of Measure 67, partnerships and limited liability companies taxed as partnerships were not required to pay a minimum tax. These businesses are now required to pay the greater of the net tax liability or a minimum tax of $150. The alternative minimum tax for S corporations filing excise tax returns increased from $10 to $150.

The taxation of S corporations varies from the C corporation structure because nearly all income of S corporations is passed on to the corporation's shareholders and taxed as personal income. The taxation of insurance corporations also varies from the C corporation structure. Insurance corporations use different definitions and application of apportionment factors and a different computation of taxable income that is based on their annual statement filed with the Oregon Insurance Commissioner. See Section 1B for more information on S corporations and Section 1C for additional information on insurance corporations.

For more information, please refer to Oregon Department of Revenue's Corporation Tax Forms and Instructions at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

Certain corporations are known as "pass-through" entities because their income (or loss) passes through to the individual shareholders, then is taxed as personal income. These S corporations (so named because of the section in the IRS Code describing them) must be U.S. corporations subject to certain limitations. S corporations must have:

- One class of stock;
- No more than 100 shareholders (no more than 75 shareholders before 2004);
- Only U.S. citizens or residents as shareholders;
- Only individuals, estates, or certain trusts as shareholders.

In exchange for these limitations, the S corporation receives certain tax advantages. A regular, or C corporation, pays taxes on income first at the corporate level. This income is taxed again when individual shareholders receive it as dividends. An S corporation avoids this double taxation because the income is not taxed at the corporate level. Oregon recognizes the S corporation election made for federal purposes allowing a corporation to function as a pass-through entity.

S corporations that are paying either the income or the excise tax file Oregon tax Form 20-S. Since S corporations generally pass their income through to their shareholders, relatively few of them have income that is subject to Oregon corporate tax. This type of income generally occurs when a corporation converts from a C corporation to an S corporation. Most S corporation filers pay the excise minimum tax, because they pass their income through to their shareholders. With voter approval of Measure 67, this minimum tax increased from $10 to $150 effective for the tax year beginning January 1, 2009.

The number of S corporations has been steadily increasing for many years. For tax year 1990, 18,437 S corporations filed returns in Oregon. For tax year 2008, 58,587 S corporations filed returns, two percent more than tax year 2007. For more statistics on S corporations, please refer to Section 3C.

For more information, please refer to Oregon Department of Revenue’s S Corporation Tax Instructions, Form 20-S, available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

Before 1997, foreign (out-of-state) insurers paid a retaliatory tax and gross premiums tax instead of the corporate excise tax. In response to legal challenges by foreign insurers, the 1995 Legislature enacted laws that made both foreign and domestic insurers subject to the same taxes. Starting with tax year 1997, all foreign and domestic insurance corporations have been subject to the corporate excise tax. Insurers file Form 20-INS.

For tax years beginning on or after January 1, 1997, and before January 1, 2002, Oregon law required foreign insurers to pay a transition tax to the Department of Consumer and Business Services (DCBS) as the gross premiums tax was being phased out. For tax years after 2001, foreign insurers are no longer subject to the transition tax, but are subject to the retaliatory tax that is paid to DCBS.[2] The excise tax is paid to the Department of Revenue. Oregon requires insurance companies to file their excise tax returns on a calendar-year basis.

Until 2007, insurers were required to use an apportionment formula with three equally weighted factors. These factors were:

- The Oregon share of real estate income and interest relative to total real estate income and interest;
- The Oregon share of wages and commissions relative to total wages and commissions;
- The Oregon share of insurance sales (total premiums written) relative to the total insurance sales.

Senate Bill 179, passed during the regular legislative session in 2007, changed the apportionment formula for insurance companies from three equally weighted factors to a single sales factor for the tax years starting on or after January 1, 2007. This change made treatment of the insurance companies similar to other corporations for the matters of apportionment.

Title insurers file Form 20 instead of Form 20-INS and use the same apportionment factors as most other corporations.

For more information, please refer to Oregon Department of Revenue's Insurance Excise Tax Instructions and Form 20-INS, available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

[2] The retaliatory tax is based on a comparison of the taxes, fees, assessments, penalties, and fines that an Oregon insurance company would pay in the foreign state to the taxes, fees, assessments, penalties, and fines that the foreign insurer actually pays in Oregon. If another state heavily taxes Oregon insurance companies that do business in that state, the retaliatory tax applies that level of tax to the foreign state's companies that do business in Oregon.

Timing of Tax Payments

Exhibit 2.1—Corporate Tax Receipts in FY 2010 By Tax Year

Dollars in thousands

Tax Year	Net Receipts
2004 and prior	$38,322
2005	$1,642
2006	$5,486
2007	-$10,827
2008	-$137,157
2009	$375,417
2010	$103,251
Total	**$376,135**

Corporations file a tax return after the end of their tax year, which is usually the same as a calendar year. However, for some corporations, the tax year covers a period of time significantly different from a calendar year.[3] Because corporations may receive extensions to file returns, and they make quarterly estimated payments, nearly all of the payments associated with the Oregon corporate excise and income tax are received before the corresponding tax returns are filed. Other payments or refunds occur after the tax returns are filed due to amended or audited returns. Payments received by the Oregon Department of Revenue during any fiscal year (July 1–June 30) represent tax liabilities from many different tax years.

Exhibit 2.1 provides details on the tax years for which payments were received in fiscal year 2010. These are net payments—composed of estimated payments, final payments associated with a return, and refunds issued to taxpayers.

Most of the payments were received for tax years 2009 and 2010, while refunds issued for earlier tax years were significant. Exhibit 3.3 provides detailed information on the timing of corporate receipts for the tax year 2008.

Trends in Corporate Tax Receipts

Exhibit 2.2 shows net corporate tax receipts since fiscal year 1982-83. The actual net receipts were relatively flat throughout the 1980s, fluctuated throughout the 1990s, and sharply declined in fiscal year 2001-02, coinciding with recession. Beginning with fiscal year 2002-03, receipts began to rise and nearly quadrupled by fiscal year 2005-06 from fiscal year 1982-83. However, due to the recession, receipts dropped sharply in fiscal year 2008-09, but rebounded substantially in fiscal year 2009-10.

The lower line on the chart shows that real receipts (receipts adjusted for inflation) were lower in fiscal year 2008-09 than fiscal year 1982-83, even though net receipts were almost twice as much. The swings from fiscal year 1995-96 to fiscal year 1997-98 and from fiscal year 2005-06 to fiscal year 2006-07 are related to the distribution of corporate “kickers.”[4]

[3] For more detail on corporations’ fiscal years and the due dates of corporations’ tax returns, see Appendix C.
[4] The Oregon surplus credit, or kicker, occurs if revenues exceed the forecast by more than 2 percent. Oregon refunds this surplus to corporate taxpayers in the form of a credit. See Appendix D for more information and a history of kicker amounts.

Exhibit 2.2 - Oregon Corporation Excise and Income Tax Net Receipts

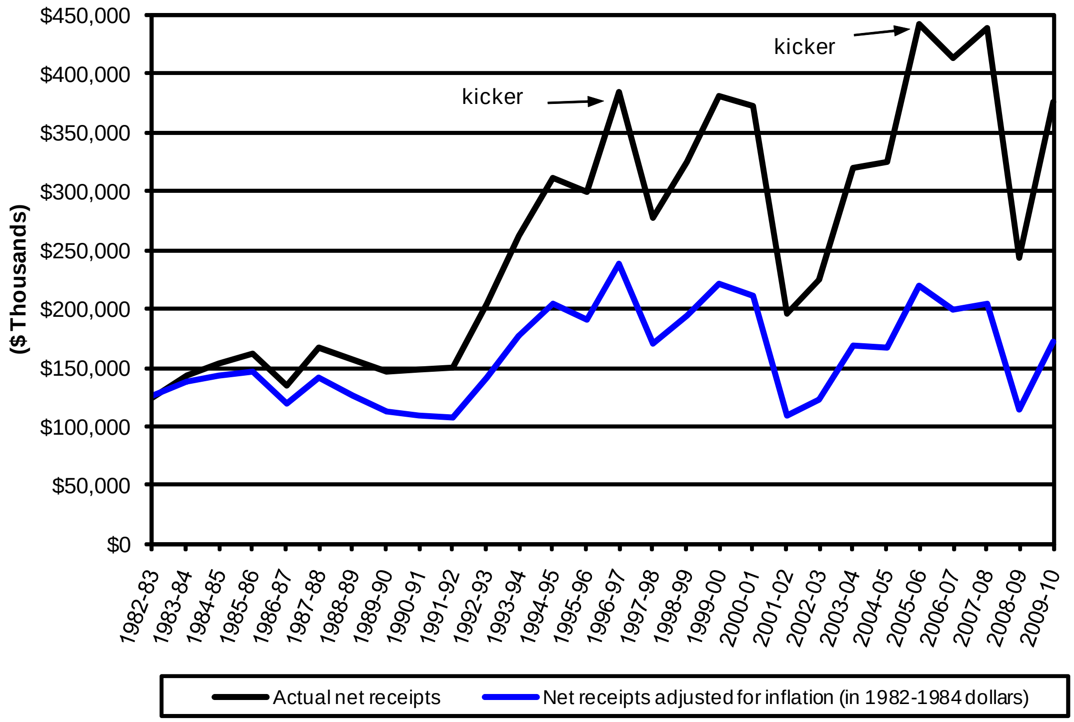


Exhibit 2.3 shows corporate receipts history for the 20 most recent fiscal years.

Exhibit 2.3—Corporate Receipts History

Dollars in thousands

Fiscal Year*	Net Receipts	Percent Change
1990-91	$149,074	1.5%
1991-92	$150,884	1.2%
1992-93	$204,605	35.6%
1993-94	$262,841	28.5%
1994-95	$311,848	18.6%
1995-96	$299,977	-3.8%
1996-97	$383,976	28.0%
1997-98	$277,481	-27.7%
1998-99	$324,295	16.9%
1999-00	$381,908	17.8%
2000-01	$372,969	-2.3%
2001-02	$196,272	-47.4%
2002-03	$225,525	14.9%
2003-04	$320,164	42.0%
2004-05	$324,936	1.5%
2005-06	$442,306	36.1%
2006-07	$413,226	-6.6%
2007-08	$438,313	6.1%
2008-09	$243,806	-44.4%
2009-10	$376,135	54.3%

* Fiscal year starts July 1.

Receipts by Industry Sector

Exhibits 2.4 and 2.5 (on the next page) show a comparison between corporate receipts in fiscal years 2009 and 2010, and provide some detail of which sectors contributed to the changes. In exhibit 2.4, the primary sectors that contribute to the “All Other” category include transportation and warehousing, information, and professional, scientific, and technical services. Total receipts increased by about 54 percent.

Exhibit 2.4 - Corporate Tax Receipts by Industry Sector

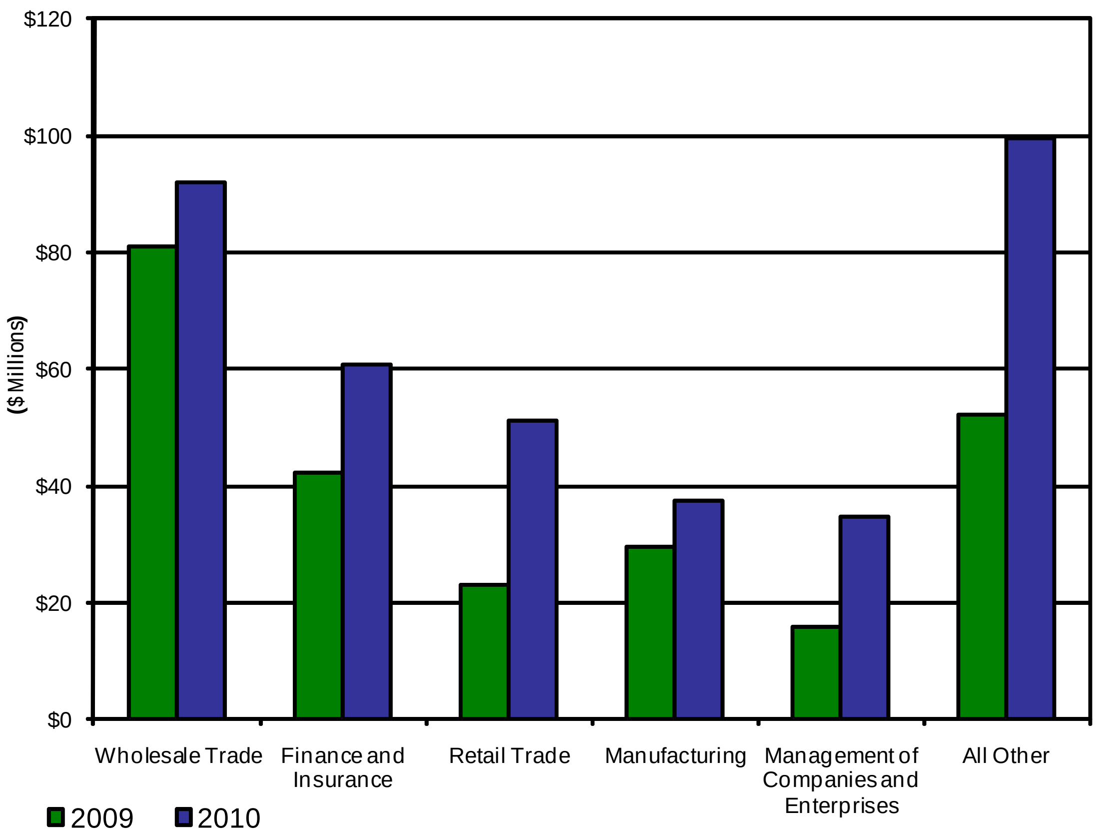


Exhibit 2.5 provides the detail of receipts from all sectors in fiscal years 2009 and 2010.

Exhibit 2.5—Corporate Tax Receipts
By Industry Sector

Dollars in thousands

Industry Sector *	FY 2009	FY 2010	Percent Change	Percent of Total Receipts
Agriculture, Forestry, Fishing, and Hunting	$3,864	$3,550	-8%	1%
Mining	($1,642) **	($234) **	-86%	0%
Utilities	($5,908) **	$3,024	-151%	1%
Construction	$6,713	$8,860	32%	2%
Manufacturing	$29,595	$37,540	27%	10%
Wholesale Trade	$81,031	$92,019	14%	24%
Retail Trade	$23,045	$51,212	122%	14%
Transportation and Warehousing	$10,259	$11,935	16%	3%
Information	$13,517	$29,589	119%	8%
Finance and Insurance	$42,380	$60,880	44%	16%
Real Estate, Rental, and Leasing	$1,839	$3,961	115%	1%
Professional, Scientific, and Technical Services	$7,753	$11,369	47%	3%
Management of Companies and Enterprises	$15,688	$34,856	122%	9%
Administrative, Support, and Waste Management	$5,297	$8,625	63%	2%
Educational Services	$1,013	$1,562	54%	0%
Health Care and Social Assistance	$4,855	$4,013	-17%	1%
Arts, Entertainment, and Recreation	$83	$442	433%	0%
Accommodation and Food Services	$1,576	$4,433	181%	1%
Other Services (except Public Administration)	$2,044	$5,053	147%	1%
Unknown	$804	$3,445	***	1%
Total	**$243,806**	**$376,135**	**54%**	**100%**

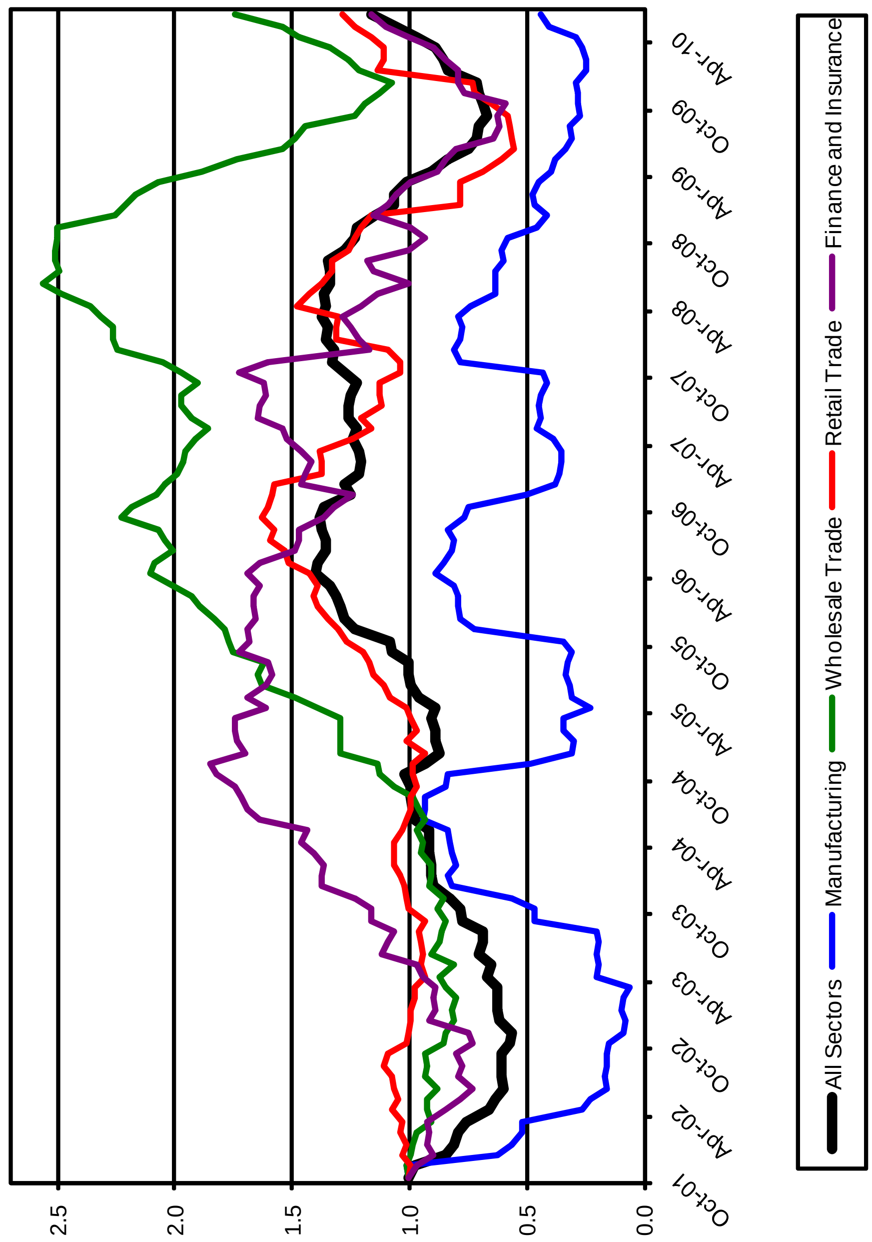
* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

** Negative amounts for these sectors are a result of significant refunds.

*** The magnitude of change is not meaningful for this category. The number of unclassified corporations and receipts attributable to them will drop significantly with time due to the on-going efforts to improve NAICS code assignment to corporate taxpayers.

Another way to look at changes in corporate tax receipts is to look at indexed values for the largest sectors. Exhibit 2.6 shows 12-month cumulative receipts of selected sectors, relative to their value in October 2001. Total receipts were decreasing through December 2002, then rose through November 2004. As of December 2006, total receipts returned back to their January 2001 level and stayed that way through late 2007. After rising modestly through late 2007 and maintaining this level through early 2008, receipts declined steadily until October of 2009, then began increasing rapidly.

Exhibit 2.6 - Corporate Tax Receipts Index of 12-Month Totals (October 2001 = 1)
October 2001 through June 2010



Summary of All Corporate Returns

Corporations may file one of four Oregon tax returns depending on their business structure and nature of their business. C corporations may file Forms 20, 20-I or 20-INS, while S corporations file Form 20-S.

- ***Form 20, Excise Tax*****.** Corporations doing business in Oregon file Form 20 and pay the corporation excise tax. For tax 2008 the minimum corporation excise tax is $10 multiplied by the number of affiliates in the group that are doing business in Oregon.
- ***Form 20-I, Income Tax.*** Corporations not doing business in Oregon, but with income from one or more Oregon sources, pay the income tax and file Form 20-I. Income is from an Oregon source if it is derived from tangible or intangible property located in Oregon or any activity carried on in Oregon that is not considered doing business in Oregon, whether intrastate, interstate, or foreign commerce. Income tax filers are not subject to a minimum tax.
- ***Form 20-INS, Insurance.*** Insurance corporations file Form 20-INS and pay the excise tax. They are subject to the same minimum tax requirement as filers of Form 20.
- ***Form 20-S, S Corporation*****.** An S corporation is one that has chosen to pass net income through to its shareholders for taxation. This election is made with the Internal Revenue Service. S corporations subject to either the excise or the income tax file Form 20-S. Shareholders must include S corporation income or loss on their personal income tax returns. For tax year 2008 excise taxpayers pay a minimum tax of $10. Income taxpayers are not subject to a minimum tax.

If a corporation or group of corporations files a consolidated federal return, it also must file a consolidated Oregon return, reflecting the activities of all the members that are engaged in business activities that constitute a unitary business as defined by ORS 317.705.

Exhibit 3.1—Tax Year 2008 Corporation Tax Returns
Type of Return Filed

Dollars in thousands

Oregon Tax Form Filed	Number of Returns	Oregon Taxable Income	Oregon Net Tax
20 Oregon Corporation Excise Tax Return	31,225	$4,708,487	$250,876
20-I Oregon Corporation Income Tax Return	267	$4,044	$267
20-INS Oregon Insurance Excise Tax Return	1,148	$496,932	$27,397
20-S Oregon S Corporation Tax Return	58,587	$20,076	$2,028
Total	**91,227**	**$5,229,539**	**$280,568**

Timing of Filing Tax Returns

Corporations' tax years may cover a period of time significantly different from a calendar year.[5] Because of differing tax years and extensions for filing returns, most tax year 2008 returns were received during a two-year period.

Exhibit 3.2 shows when the returns were received. By December 2009, about 75 percent of the tax for tax year 2008 had been reported on returns.

Exhibit 3.2—Tax Year 2008 Corporation Tax Returns Received By Month

Dollars in thousands

Month	Number of Returns*	Net Tax Reported	Percent of Total Net Tax Reported	Cumulative Net Tax	Cumulative Percent
February 2009 or prior	6,878	$1,641	0.6%	$1,641	0.6%
March-09	21,096	$13,035	4.6%	$14,676	5.2%
April-09	15,572	$9,199	3.3%	$23,875	8.5%
May-09	2,570	$1,936	0.7%	$25,812	9.2%
June-09	3,655	$5,235	1.9%	$31,046	11.1%
July-09	3,304	$3,448	1.2%	$34,494	12.3%
August-09	3,926	$6,519	2.3%	$41,013	14.6%
September-09	14,979	$33,449	11.9%	$74,463	26.5%
October-09	7,194	$110,147	39.3%	$184,610	65.8%
November-09	1,678	$18,503	6.6%	$203,113	72.4%
December-09	2,055	$7,053	2.5%	$210,165	74.9%
January-10	1,795	$6,271	2.2%	$216,437	77.1%
February-10	1,311	$3,246	1.2%	$219,683	78.3%
March-10	1,378	$10,868	3.9%	$230,551	82.2%
April-10	890	$15,532	5.5%	$246,083	87.7%
May-10	506	$4,675	1.7%	$250,758	89.4%
June-10	809	$5,610	2.0%	$256,368	91.4%
July 2010 or later	1,631	$24,201	8.6%	$280,569	100.0%
Total	**91,227**	**$280,569**	**100.0%**		

* Net tax and number of returns reported in this table are based on original returns except w hen replaced by amended or audited returns.

[5] For more detail on corporations' fiscal years and the due dates of corporations' tax returns, see Appendix C.

Timing of Receipts for Tax Year 2008

Because corporations generally must make quarterly estimated payments of tax liability before their return is filed, and because of differences in filing periods, payments for any tax year will be received during several calendar years. Exhibit 3.3 shows that corporations significantly overpaid their 2008 tax liability through September 2009. Large corporations that pay less than their actual tax liability can face penalties, so it is likely that they overpay to avoid those penalties. The resulting overpayments lead to significant refunds beginning in October 2009.

Exhibit 3.3—Tax Year 2008 Corporation Tax Receipts By Month

Dollars in thousands

Month	Net Reciepts for Tax Year*	Percent of Total Receipts for Tax Year	Cumulative Receipts	Cumulative Percent
March 2008 or prior	$10,486	3.7%	$10,486	3.7%
April-08	$31,825	11.2%	$42,311	14.8%
January-08	$17,490	6.1%	$59,801	21.0%
June-08	$62,379	21.9%	$122,180	42.9%
July-08	$8,860	3.1%	$131,040	46.0%
August-08	$4,779	1.7%	$135,819	47.7%
September-08	$65,148	22.9%	$200,967	70.5%
October-08	$22,634	7.9%	$223,601	78.5%
November-08	$36,534	12.8%	$260,134	91.3%
December-08	$79,356	27.9%	$339,490	119.1%
January-09	$34,034	11.9%	$373,525	131.1%
February-09	$10,073	3.5%	$383,597	134.6%
March-09	$24,876	8.7%	$408,473	143.4%
April-09	$21,101	7.4%	$429,574	150.8%
May-09	-$3,283	-1.2%	$426,291	149.6%
June-09	$11,848	4.2%	$438,139	153.8%
July-09	$3,487	1.2%	$441,625	155.0%
August-09	$6,102	2.1%	$447,728	157.1%
September-09	$7,073	2.5%	$454,800	159.6%
October-09	-$5,002	-1.8%	$449,798	157.9%
November-09	-$53,467	-18.8%	$396,332	139.1%
December-09	-$57,388	-20.1%	$338,943	119.0%
January 2010 or later	-$54,004	-19.0%	$284,939	100.0%
Total	**$284,939**	**100.0%**		

* Net receipts for the tax year w ill not match the tax liability reported on returns. This is primarily due to penalty and interest payments.

History of Tax Returns Filed

Exhibit 3.4 shows the recent history of corporate tax returns filed in Oregon. The number of returns has increased steadily since 1990. A decline in the number of C corporation returns since 1998 is balanced by the growth in the number of S corporation returns.

Exhibit 3.4—Corporate Return History

Dollars in thousands

Tax Year	Number of S Corporation Returns	Number of C Corporation Returns	Total Number of Returns	Tax After Credits (Before one time small sales credit)	Oregon Net Tax*
1990	18,437	35,510	53,947	$175,944	$175,857
1991	21,090	35,200	56,290	$173,644	$173,769
1992	23,731	35,660	59,391	$218,832	$215,751
1993	26,751	36,879	63,630	$324,148	$325,300
1994	29,752	38,344	68,096	$339,291	$339,423
1995	32,689	39,496	72,185	$449,406	$225,351
1996	35,337	38,852	74,189	$346,684	$376,841
1997	37,711	38,607	76,318	$401,527	$232,174
1998	40,567	39,735	80,302	$356,391	$357,981
1999	42,153	38,930	81,083	$392,577	$392,631
2000	44,047	38,410	82,457	$357,701	$357,996
2001	45,179	37,458	82,637	$242,790	$242,878
2002	46,744	36,527	83,271	$236,827	$237,051
2003	48,842	35,991	84,833	$285,120	$285,720
2004	50,980	34,883	85,863	$313,245	$313,480
2005	53,341	34,242	87,583	$458,336	$294,015
2006	54,771	33,130	87,901	$449,916	$449,970
2007	57,396	33,508	90,904	$413,586	$398,995
2008	58,587	32,640	91,227	$280,300	$280,569

* Net tax differs from tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D — "Surplus Kicker."

The following sections provide additional information about corporate taxpayers:

- Section 3B gives details for C corporation taxpayers, which file Forms 20, 20-I, and 20-INS.
- Section 3C summarizes information for S corporations, 20-S filers.

This section provides detail on C corporation taxpayers. C corporations paid more than 99 percent of the total corporate excise and income tax payments for tax year 2008. Taxpayers doing business in Oregon must file Form 20 or 20-INS. Only a few taxpayers are subject to corporate income tax. They are not doing business in Oregon and file tax Form 20-I. For ease of reading, the sections and exhibits that follow show the information pooled from these three return types, describing all C corporation taxpayers.

Summary characteristics are presented for the following types of C corporation tax returns:

- **Taxable income category**
- **Industry sector**
- **State of commercial domicile**
- **Apportioned returns**
  - — Total
  - — By industry sector
- **Credit usage**
  - — All credits
  - — Additional detail for business energy facilities credit
  - — Additional detail for pollution control credit
  - — Additional detail for qualified research activities credit
- **Minimum tax returns**
  - — By income group
  - — Reason for minimum tax payment
  - — By industry sector

Exhibit 3.5 shows the distribution of returns by taxable income category. Taxable income and book income are not necessarily the same because of differences in accounting rules. For example, a company that reports a profit on its public financial statements may have no taxable income. This exhibit shows the concentration of the corporate tax. The 186 largest corporations, in terms of taxable income, paid more than 58 percent of the total tax.

Exhibit 3.5—Tax Year 2008 C Corporation Tax Returns
Taxable Income Category

Dollars in thousands

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Zero Income or Loss*	21,396	$0	$313
$1 - $50,000	7,553	$85,408	$5,478
$50,000 - $100,000	1,088	$76,624	$4,858
$100,000 - $250,000	989	$157,701	$9,861
$250,000 - $500,000	508	$180,272	$11,014
$500,000 - $1 million	398	$283,032	$17,284
$1 million to $5 million	522	$1,145,443	$67,705
$5 million to $10 million	96	$666,790	$38,908
$10 million to $25 million	61	$898,222	$50,400
Over $25 million	29	$1,715,973	$72,720
Total	**32,640**	**$5,209,464**	**$278,541**

Percentage Distribution of Taxable Returns

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Zero Income or Loss*	65.6%	0.0%	0.1%
$1 - $50,000	23.1%	1.6%	2.0%
$50,000 - $100,000	3.3%	1.5%	1.7%
$100,000 - $250,000	3.0%	3.0%	3.5%
$250,000 - $500,000	1.6%	3.5%	4.0%
$500,000 - $1 million	1.2%	5.4%	6.2%
$1 million to $5 million	1.6%	22.0%	24.3%
$5 million to $10 million	0.3%	12.8%	14.0%
$10 million to $25 million	0.2%	17.2%	18.1%
Over $25 million	0.1%	32.9%	26.1%
Total	**100.0%**	**100%**	**100%**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.6 shows the distribution of returns by industry sector. For tax year 2008, the finance and insurance, wholesale trade, retail trade, and manufacturing sectors together accounted for 69 percent of total tax liability.

Exhibit 3.6—Tax Year 2008 C Corporation Tax Returns
Industry Sector

Dollars in thousands

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	1,630	$49,448	$2,981
Mining	91	$11,252	$423
Utilities	71	$73,669	$154
Construction	3,225	$194,502	$10,011
Manufacturing	2,324	$752,858	$32,640
Wholesale Trade	3,505	$1,433,446	$89,156
Retail Trade	2,334	$627,688	$28,502
Transportation and Warehousing	872	$198,581	$12,596
Information	975	$249,488	$15,364
Finance and Insurance	2,857	$865,934	$42,182
Real Estate, Rental, and Leasing	1,888	$59,650	$3,723
Professional, Scientific, and Technical Services	3,608	$139,707	$8,984
Management of Companies and Enterprises	1,089	$286,810	$14,926
Administrative, Support, and Waste Management	1,209	$75,992	$4,682
Education Services	222	$13,085	$845
Health Care and Social Assistance	1,752	$49,816	$2,957
Arts, Entertainment, and Recreation	383	$8,909	$562
Accommodation and Food Services	906	$37,921	$2,521
Other Services (except Public Administration)	1,956	$73,193	$4,842
Unknown	1,743	$7,515	$488
Total	**32,640**	**$5,209,464**	**$278,539**

Percentage Distribution

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	5.0%	0.9%	1.1%
Mining	0.3%	0.2%	0.2%
Utilities	0.2%	1.4%	0.1%
Construction	9.9%	3.7%	3.6%
Manufacturing	7.1%	14.5%	11.7%
Wholesale Trade	10.7%	27.5%	32.0%
Retail Trade	7.2%	12.0%	10.2%
Transportation and Warehousing	2.7%	3.8%	4.5%
Information	3.0%	4.8%	5.5%
Finance and Insurance	8.8%	16.6%	15.1%
Real Estate, Rental, and Leasing	5.8%	1.1%	1.3%
Professional, Scientific, and Technical Services	11.1%	2.7%	3.2%
Management of Companies and Enterprises	3.3%	5.5%	5.4%
Administrative, Support, and Waste Management	3.7%	1.5%	1.7%
Education Services	0.7%	0.3%	0.3%
Health Care and Social Assistance	5.4%	1.0%	1.1%
Arts, Entertainment, and Recreation	1.2%	0.2%	0.2%
Accommodation and Food Services	2.8%	0.7%	0.9%
Other Services (except Public Administration)	6.0%	1.4%	1.7%
Unknown	5.3%	0.1%	0.2%
Total	**100.0%**	**100.0%**	**100.0%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

Exhibit 3.7 shows the distribution of returns by the state of commercial domicile (the location of corporation's headquarters) as reported on the tax return. The state of domicile is not necessarily the same state as the address on the return or the state under whose laws the corporation was incorporated.

For tax year 2008, most of the corporate tax liability did not come from corporations domiciled in Oregon. Corporations domiciled outside of Oregon accounted for more than three-quarters of the total liability.

Exhibit 3.7—Tax Year 2008 C Corporation Tax Returns
Region of Commercial Domicile

Dollars in thousands

Region*	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Percent of Total Tax
Northeast	2,356	$813,889	$49,029	17.6%
Midwest	2,213	$1,021,834	$53,124	19.1%
South	2,665	$1,021,119	$59,129	21.2%
West	25,070	$2,338,540	$116,333	41.8%
Outside U.S.	336	$14,081	$926	0.3%
Total	**32,640**	**$5,209,463**	**$278,541**	**100%**

* Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
Midwest includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.
South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington D.C., and West Virginia.
West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Tax Year 2008 C Corporation Tax Returns
State of Commercial Domicile
Western Region

Dollars in thousands

State	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Percent of Total Tax
Alaska	42	$5,056	$253	0.1%
Arizona	179	$33,990	$2,117	0.8%
California	1,875	$561,475	$33,117	11.9%
Colorado	263	$62,076	$4,095	1.5%
Hawaii	30	$7,701	$508	0.2%
Idaho	152	$19,607	$1,283	0.5%
Montana	42	$4,457	$231	0.1%
New Mexico	16	$1,584	$101	0.0%
Nevada	119	$10,836	$712	0.3%
Oregon	21,085	$1,242,618	$61,796	22.2%
Utah	142	$9,232	$519	0.2%
Washington	1,113	$379,888	$11,598	4.2%
Wyoming	12	$18	$2	0.0%
Total	**25,070**	**$2,338,540**	**$116,333**	**41.8%**

Taxpayers doing business in multiple states must apportion their business income using an apportionment formula. For tax years beginning on or after July 1, 2005, Oregon uses 100 percent sales factor apportionment.[6]

Exhibit 3.8—Tax Year 2008 C Corporation Tax Returns
Apportioned Returns

Dollars in thousands

Apportionment	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Percent of Total Tax
Multistate (Apportioned)	12,533	$4,698,385	$248,451	89.2%
Nonapportioned	20,107	$511,078	$30,090	10.8%
Total	**32,640**	**$5,209,463**	**$278,541**	**100%**

Exhibit 3.9 shows the distribution of the multistate (apportioned) tax returns by industry sector.

Exhibit 3.9 Tax Year 2008 C Corporation Tax Returns
Industry Sector for Multistate (Apportioned) Returns

Dollars in thousands

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Percent of Total Tax
Agriculture, Forestry, Fishing, and Hunting	164	$15,256	$925	0.4%
Mining	37	$5,701	$377	0.2%
Utilities	22	$70,116	$116	0.0%
Construction	817	$152,390	$7,237	2.9%
Manufacturing	1,019	$674,011	$27,891	11.2%
Wholesale Trade	2,264	$1,379,038	$85,913	34.6%
Retail Trade	615	$584,521	$25,856	10.4%
Transportation and Warehousing	357	$189,571	$12,003	4.8%
Information	523	$228,259	$14,557	5.9%
Finance and Insurance	1,929	$791,591	$37,747	15.2%
Real Estate, Rental, and Leasing	526	$29,100	$1,740	0.7%
Professional, Scientific, and Technical Services	1,553	$114,630	$7,336	3.0%
Management of Companies and Enterprises	893	$267,059	$14,086	5.7%
Administrative, Support, and Waste Management	438	$63,763	$3,885	1.6%
Education Services	81	$11,769	$757	0.3%
Health Care and Social Assistance	173	$16,158	$1,062	0.4%
Arts, Entertainment, and Recreation	98	$5,278	$349	0.1%
Accommodation and Food Services	132	$30,987	$2,060	0.8%
Other Services (except Public Administration)	269	$63,608	$4,201	1.7%
Unknown	623	$5,577	$352	0.1%
All	**12,533**	**$4,698,385**	**$248,450**	**100%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

[6] Section 1A provides more detail on changes in Oregon's corporate apportionment formula.

Many credits are available to corporate taxpayers. Not all taxpayers claiming a credit are able to use the full amount because their credits exceed their tax liability. Most unused credits may be carried forward for several years to offset future tax liability. Corporations must claim the full amount of credit, to the extent of their liability, before the credit may be carried forward.

Exhibit 3.10—Tax Year 2008 C Corporation Tax Returns
Credit Usage

Dollars in thousands

Credit	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
General Corporation Credits				
Business Energy Facilities	269	$74,635	194	$42,171
Dependent Care Assistance	16	$2,265	8	$1,066
Oregon Affordable Housing Credit	21	$7,070	18	$1,904
Pollution Control	72	$13,801	55	$4,730
Qualified Research Activities	207	$61,776	91	$6,021
Long-Term Care Facilities	6	$4	6	$4
Biomass production or Collection	14	$789	13	$455
Farm-Worker Housing Construction	8	$245	7	$117
Oregon Trust for Cultural Development	8	$15	7	$13
Other Corporation Credits	47	$6,488	31	$3,678
Insurance Only Credits				
Fire Insurance Credit	281	$7,092	243	$2,839
Oregon Life and Health IGA Assessments	23	$2	19	$2
Workers' Compensation Assessments	90	$3,723	78	$1,628
Total*	**902**	**$177,905**	**636**	**$64,628**

* The total number of taxpayers does not match detail due to taxpayers claiming multiple credits.

The three corporation tax credits with the highest total claims were business energy facilities, pollution control, and qualified research activities. Details for taxpayers claiming these credits are in the next three exhibits.

Exhibit 3.11—Tax Year 2008 C Corporation Tax Returns

Business Energy Facilities

Credit Usage by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Agriculture, Forestry, Fishing, and Hunting	24	$234	15	$139
Construction	12	$3,334	11	$2,693
Manufacturing	63	$12,808	41	$8,655
Wholesale Trade	33	$10,325	29	$2,524
Retail Trade	36	$13,710	24	$12,570
Transportation and Warehousing	11	$511	9	$172
Information	6	$33	5 or fewer	$22
Finance and Insurance	18	$17,739	14	$8,526
Real Estate, Rental, and Leasing	11	$228	10	$219
Professional, Scientific, and Technical Services	13	$25	9	$14
Management of Companies and Enterprises	15	$5,735	11	$2,326
Administrative, Support, and Waste Management	6	$42	5 or fewer	$7
All Other and Unknown	21	$9,911	12	$4,304
Total	**269**	**$74,635**	**194**	**$42,171**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss*	73	$2,545	0	$0
$1 - $50,000	35	$286	33	$32
$50,000 - $100,000	19	$113	19	$59
$100,000 - $250,000	26	$398	26	$133
$250,000 - $500,000	20	$927	20	$109
$500,000 - $1 million	19	$2,331	19	$395
$1 million to $5 million	46	$3,792	46	$2,890
$5 million to $10 million	10	$8,558	10	$1,634
$10 million to $25 million	9	$5,689	9	$5,689
Over $25 million	12	$49,997	12	$31,230
Total	**269**	**$74,635**	**194**	**$42,171**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.12—Tax Year 2008 C Corporation Tax Returns

Pollution Control

Credit Usage by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Agriculture, Forestry, Fishing, and Hunting	13	$64	9	$30
Manufacturing	25	$5,513	20	$2,576
Wholesale Trade	8	$1,651	8	$346
Management of Companies and Enterprises	6	$3,110	5 or fewer	$261
Administrative, Support, and Waste Management	6	$190	5 or fewer	$95
All Other and Unknown	14	$3,273	9	$1,421
Total	**72**	**$13,801**	**55**	**$4,730**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss*	17	$2,490	0	$0
$1 - $50,000	9	$22	9	$11
$50,000 - $250,000	8	$85	8	$48
$250,000 - $1 million	12	$2,768	12	$205
$1 million to $5 million	12	$1,305	12	$929
$5 million to $10 million	6	$1,542	6	$531
Over $10 million	8	$5,588	8	$3,006
Total	**72**	**$13,801**	**55**	**$4,730**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.13—Tax Year 2008 C Corporation Tax Returns

Qualified Research Activities

Credit Usage by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Manufacturing	77	$25,699	45	$3,198
Wholesale Trade	28	$5,418	12	$1,812
Information	39	$11,815	10	$506
Professional, Scientific, and Technical Services	38	$9,348	10	$227
Management of Companies and Enterprises	7	$8,647	5 or fewer	$6
All Other and Unknown	18	$849	12	$271
Total	**207**	**$61,776**	**91**	**$6,021**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss*	116	$38,049	0	$0
$1 - $50,000	12	$3,890	12	$19
$50,000 - $100,000	8	$148	8	$29
$100,000 - $250,000	11	$960	11	$78
$250,000 - $500,000	9	$5,922	9	$188
$500,000 - $1 million	10	$172	10	$169
$1 million to $5 million	26	$8,078	26	$1,653
$5 million to $10 million	6	$538	6	$538
Over $10 million	9	$4,018	9	$3,349
Total	**207**	**$61,776**	**91**	**$6,021**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

About 69 percent of all C corporation taxpayers paid the minimum tax for tax year 2008. Exhibit 3.14 shows the number of C corporations paying the minimum tax for various income levels. For tax 2008, each corporation doing business in Oregon that is part of an affiliated group is subject to a $10 minimum tax. Taxpayers in higher taxable income categories paying the minimum tax have credits that reduce their tax liability to the minimum tax amount.

Exhibit 3.14—Tax Year 2008 C Corporation Tax Returns
Minimum Tax Returns

Oregon Taxable Income Category	Tax Returns Paying Minimum Tax	Total Number of Returns	Percent Paying Minimum
Zero Income or Loss*	21,375	21,396	99.90%
$1 - $50,000	986	7,553	13.05%
$50,000 - $100,000	28	1,088	2.57%
$100,000 - $250,000	30	989	3.03%
$250,000 - $500,000	23	508	4.53%
$500,000 - $1 million	14	398	3.52%
Over $1 million	41	708	5.79%
Total	**22,497**	**32,640**	**68.9%**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Most taxpayers paying the minimum had no income in the current year or used a loss carried forward from another year to result in zero taxable income. Exhibit 3.15 details the reasons for minimum tax payments.

Exhibit 3.15—Tax Year 2008 C Corporation Tax Returns
Minimum Tax Payment Details

Reason For Minimum Tax Payment	Number of Returns
Current Income	
Zero income or loss in current year	17,215
Minimal income in current year	1,192
Losses Carried Forward	
Losses carried forward from prior years result in zero income or loss	3,755
Losses carried forward from prior years result in minimal income	92
Credits	
Credits reduce tax to minimum	216
Combination	
Combination of losses carried forward and credits reduce tax to minimum	27
Total	**22,497**

Minimum tax returns appear in all industry sectors. Exhibit 3.16 shows minimum tax returns by sector.

Exhibit 3.16—Tax Year 2008 C Corporation Tax Returns
Minimum Tax Returns By Industry Sector

Industry Sector *	Returns Paying Minimum Tax	Total Returns	Percent Paying Minimum
Agriculture, Forestry, Fishing, and Hunting	1,157	1,630	71.0%
Mining	73	91	80.2%
Utilities	57	71	80.3%
Construction	2,301	3,225	71.3%
Manufacturing	1,557	2,324	67.0%
Wholesale Trade	2,089	3,505	59.6%
Retail Trade	1,621	2,334	69.5%
Transportation and Warehousing	584	872	67.0%
Information	748	975	76.7%
Finance and Insurance	1,831	2,857	64.1%
Real Estate, Rental, and Leasing	1,357	1,888	71.9%
Professional, Scientific, and Technical Services	2,501	3,608	69.3%
Management of Companies and Enterprises	737	1,089	67.7%
Administrative, Support, and Waste Management	815	1,209	67.4%
Education Services	148	222	66.7%
Health Care and Social Assistance	1,319	1,752	75.3%
Arts, Entertainment, and Recreation	262	383	68.4%
Accommodation and Food Services	632	906	69.8%
Other Services (except Public Administration)	1,370	1,956	70.0%
Unknown	1,338	1,743	76.8%
Total	**22,497**	**32,640**	**68.9%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

With few exceptions, S corporations pass their income (or loss) through to their shareholders. The income is not taxed at the corporation level; rather, it is taxed as income of the shareholders. S corporation income is taxed at the corporate level when an S corporation has built-in gains or net excess passive income.

S corporations paying either the income or the excise tax file Form 20-S. For tax year 2008, the minimum tax for excise taxpayers is $10. Income tax filers are not subject to a minimum tax. Corporations doing business in Oregon are subject to the minimum excise tax even if they pass their income through to shareholders.

Exhibit 3.17—Tax Year 2008 S Corporation Tax Returns
S Corporation Summary

Dollars in thousands

Type of Filer	Number of Returns	Number Paying Minimum Tax	Oregon Taxable Income	Oregon Net Tax
Excise Tax	57,342	57,035	$19,313	$1,977
Income Tax	1,245	1,184	$763	$51
Total 20-S	**58,587**	**58,219**	**$20,076**	**$2,028**

Exhibit 3.18 shows that most 20-S filers do not apportion their income between Oregon and other states, and most are domiciled (i.e., have their headquarters) in Oregon.

Exhibit 3.18—Tax Year 2008 S Corporation Tax Returns
S Corporation Characteristics

Dollars in thousands

	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Apportionment for 20-S Filers			
Multistate (Apportioned)	7,508	$9,297	$793
Nonapportioned	51,079	$10,779	$1,235
State of Domicile for 20-S Filers			
Oregon	52,100	$15,350	$1,650
Other	6,487	$4,726	$378

Exhibit 3.19 shows the distribution of 20-S returns by industry sector. For tax year 2008, the wholesale trade, retail trade, and agriculture, forestry, fishing, and hunting sectors together contributed 48 percent of the total tax payments.

Exhibit 3.19—Tax Year 2008 S Corporation Tax Returns Industry Sector

Dollars in thousands

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	2,284	$4,148	$295
Mining	104	$17	$2
Utilities	41	$0	$0
Construction	10,021	$722	$146
Manufacturing	3,470	$1,296	$128
Wholesale Trade	3,247	$4,009	$333
Retail Trade	5,189	$3,503	$336
Transportation and Warehousing	1,708	$131	$26
Information	982	$209	$23
Finance and Insurance	2,233	$914	$82
Real Estate, Rental, and Leasing	4,192	$1,674	$151
Professional, Scientific, and Technical Services	8,074	$566	$116
Management of Companies and Enterprises	371	$539	$39
Administrative, Support, and Waste Management	2,813	$1,078	$98
Education Services	503	$14	$6
Health Care and Social Assistance	3,369	$284	$84
Arts, Entertainment, and Recreation	938	$86	$17
Accommodation and Food Services	3,697	$63	$41
Other Services (except Public Administration)	2,850	$367	$52
Unknow n	2,501	$457	$54
Total	**58,587**	**$20,077**	**$2,029**

Percentage Distribution

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	3.9%	20.7%	14.5%
Mining	0.2%	0.1%	0.1%
Utilities	0.1%	0.0%	0.0%
Construction	17.1%	3.6%	7.2%
Manufacturing	5.9%	6.5%	6.3%
Wholesale Trade	5.5%	20.0%	16.4%
Retail Trade	8.9%	17.4%	16.6%
Transportation and Warehousing	2.9%	0.7%	1.3%
Information	1.7%	1.0%	1.1%
Finance and Insurance	3.8%	4.6%	4.0%
Real Estate, Rental, and Leasing	7.2%	8.3%	7.4%
Professional, Scientific, and Technical Services	13.8%	2.8%	5.7%
Management of Companies and Enterprises	0.6%	2.7%	1.9%
Administrative, Support, and Waste Management	4.8%	5.4%	4.8%
Education Services	0.9%	0.1%	0.3%
Health Care and Social Assistance	5.8%	1.4%	4.1%
Arts, Entertainment, and Recreation	1.6%	0.4%	0.8%
Accommodation and Food Services	6.3%	0.3%	2.0%
Other Services (except Public Administration)	4.9%	1.8%	2.6%
Unknow n	4.3%	2.3%	2.7%
Total	**100.0%**	**100.0%**	**100.0%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

Additions. Those modifications required by Oregon law that are added to federal taxable income in computing Oregon taxable income.

Apportionment. A method of attributing income to the states in which a multistate or multinational corporation is doing business. The corporation's business income is divided (based on an apportionment formula) among the taxing states.

Allocation. A method of attributing income to the states from which a multistate or multinational corporation receives nonbusiness income.

Apportionment Formula. Taxpayers doing business (or with income sourced) both in Oregon and in other states use the specified formula to apportion their income to Oregon. For tax years beginning on or after July 1, 2005, 100 percent sales apportionment (with a few exceptions) should be used. Section 1A describes apportionment history in detail.

Biennium. The period of two fiscal years for which the state budgets are determined. For example, July 1, 2009 to June 30, 2011 is referred to as the 2009-11 biennium.

Business Income. Income that arises from the regular course of a taxpayer's trade or business. It includes income from tangible and intangible property, if such property constitutes an integral part of the taxpayer's regular trade or business.

C Corporation. Refers to Internal Revenue Code subchapter "C." These corporations are "regular" corporations—they pay tax at the corporate level.

Combined Reporting. A method for determining the portion of total income of a unitary group of corporations attributable to each taxpayer in the group. Each corporation taxable in Oregon uses its own Oregon factors to determine its Oregon taxable income and its tax liability. Each corporation's net losses, credits, etc. are kept separate and distinct. Once each corporation's tax liability has been determined the sum of liabilities is paid as one entity. For Oregon, this is the applicable method for tax years that began before January 1, 1986. See *Consolidated Reporting* for the applicable method for tax years that began on or after January 1, 1986.

Commercial Domicile. Under ORS 314.610(2), the principal place from which the trade or business of a taxpayer is directed or managed (generally, the headquarters).

Consolidated Reporting. Under federal law IRC 1504, a filing method that allows certain related corporations (more than 80 percent ownership) the convenience of filing a single tax return and paying one tax amount.

Under ORS 317.710, Oregon requires unitary corporations included in the consolidated federal return to file consolidated Oregon returns for tax years that began on or after January 1, 1986. See *Unitary Group.*

Credits. Dollar-for-dollar reductions in tax liability. Corporation tax credits claimed often include credits for pollution control, research and development, business energy credit, and affordable housing credit. A comprehensive list of tax credits can be found in the

State of Oregon 2011-13 Tax Expenditure Report, available at http://www.oregon.gov/DOR/STATS/statistics.shtml.

Doing Business. A taxpayer is doing business when it engages in any profit-seeking activity in Oregon. What transaction or transactions need be entered into within this state in the course of such an activity to constitute the doing or carrying on of business within the state is primarily a question of fact, depending upon the circumstances in each case. For example, a corporation is doing business in Oregon if it:

- Provides services to customers in Oregon;
- Has sales activity in Oregon;
- Has inventory in Oregon;
- Has an office in Oregon;
- Has a place of business in Oregon where affairs of the corporation are regularly carried on.

Domestic Corporation. An Oregon domestic corporation is a corporation that is organized (incorporated) under the laws of this state.

For federal corporation tax purposes, the term refers to U.S. corporations (as opposed to corporations organized in foreign countries).

Excise Tax. A tax imposed on corporations for the privilege of doing business in a state. This tax is measured by income. C corporations pay the greater of net excise tax liability or an alternative minimum tax between $150 and $100,000, based on total Oregon sales for the tax year. Excise tax filers that are S corporations, partnerships or limited liability companies taxed as partnerships pay the greater of net tax liability or a $150 minimum tax. Before voter approval of Measure 67, the minimum excise tax was $10 for C corporations and S corporations.

Federal Taxable Income. The starting point for determining Oregon taxable income (line 28 of federal Form 1120). More specifically, income or loss determined under Chapter 1, subtitle A of the Internal Revenue Code (IRC Sections 1 through 1563).

Foreign Corporation. For Oregon purposes, a corporation organized under the laws of another state. For federal corporation tax purposes, a corporation organized in a foreign country (Oregon identifies these as “alien” corporations).

Income Tax. A tax on the income of those corporations that have Oregon-source income but are not doing business here. See *Doing Business*.

LIFO Recapture Tax. The last in, first out (LIFO) recapture amount is the amount, if any, by which the amount of inventory assets using the first in, first out (FIFO) method exceeds the inventory amount of such assets under the LIFO method.

Measure 67. In January 2010, Oregon voters passed Measure 67, which confirmed the 2009 Legislature’s passage of House Bill 3405. The legislation created a second marginal tax rate on C corporations. In addition, the legislation increased the minimum tax on C corporations and S corporations and created a $150 minimum tax on partnerships.

Minimum Tax. For tax years beginning on or after January 1, 2009, C corporations pay the greater of net excise tax liability or an alternative minimum tax between $150 and $100,000, based on total Oregon sales for the tax year. Excise tax filers that are S corporations, partnerships or limited liability companies taxed as partnerships pay the greater of net tax liability or a $150 minimum tax. There is no minimum tax for sole proprietors or for corporate income taxpayers.

Multinational Corporation. A corporation that conducts business in, or has income sourced to, more than one country.

Multistate Corporation. A corporation that conducts business in, or has income sourced to more than one state.

Net Receipts. Net corporate collections received. Estimated payments and final payments, less refunds, equals net receipts.

Nexus. A connection or link between a corporation and a state sufficient to empower the state to tax the corporation's income.

Nonbusiness Income. Under ORS 314.610(5), nonbusiness income is all income that does not arise from the taxpayer's normal business activities. Each item of nonbusiness income is generally allocated to one state rather than being apportioned to all states where the corporation does business.

Non-unitary Business. A business entity that does not belong in a unitary group. See *Unitary Group.*

Oregon Net Tax. Net tax differs from Oregon tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D—"Surplus Kicker."

Oregon Taxable Income. Federal taxable income after Oregon's statutory modifications have been applied. For multistate corporations, this is after the apportionment percentage is applied.

Parent Corporation. A corporation that owns or otherwise controls other corporations. These other corporations are called "subsidiaries."

Passive Investment Income. Gross receipts derived from royalties, rents, dividends, interest, annuities, and certain sales or exchanges of stock or securities. A small number of S corporations must pay corporation income tax because they have passive investment income.

Payroll Factor. One of three factors used in apportioning the business income of multistate or multinational corporations. The payroll factor is expressed as a fraction: the numerator is Oregon payroll, and the denominator is total payroll.

Property Factor. One of three factors used in apportioning the business income of multistate or multinational corporations. The property factor is expressed as a fraction: the numerator is the average value of business property located or used in Oregon, and the denominator is the average value of business property located or used everywhere.

Retaliatory Tax. A tax based on a comparison of the taxes, fees, assessments, penalties, and fines that an Oregon insurance company would pay in another state to those that an insurer from that state actually pays in Oregon. If the tax burden to the other state is higher for an Oregon insurance company doing business in that state, the retaliatory tax applies that same level of taxation to the foreign state's companies that do business in Oregon.

S Corporation. Refers to Internal Revenue Code subchapter "S." S corporations are "pass-through" entities, in which the corporation's income and losses are passed through to the S corporation's shareholders, where they are taxed as personal income. A corporation qualifying under this section can have no more than 100 shareholders, which should be U.S. citizens or residents. Also there should be only one class of stock (though there may be voting and nonvoting shares). Trusts holding stock must meet certain conditions as well.

Sales Factor. One of the three factors used in apportioning the business income of multistate or multinational corporations. The sales factor is expressed as a fraction: the numerator is Oregon sales, and the denominator is total sales.

Single Sales Factor. Use of only the sales factor to apportion multistate or multinational income. In Oregon, most corporations use the single sales factor for apportioning income for tax years that began on or after July 1, 2005

State Surplus Refund (Kicker). Oregon is required by law to refund excess revenue when revenues collected for the biennium are more than 2 percent higher than forecast at the time the budget was adopted. Refunds are made in the form of a credit on the tax return for the second year of the biennium.

Subsidiary Corporation. A corporation controlled or owned by another corporation. See *Parent Corporation.*

Subtractions. Those modifications allowed by Oregon law that are subtracted from federal taxable income in computing Oregon taxable income. A comprehensive list of subtractions can be found in the *State of Oregon 2011-13 Tax Expenditure Report*, available online at http://www.oregon.gov/DOR/STATS/statistics.shtml.

Super Weighted Sales Factor. Using a sales factor of greater than 50 percent in the formula used to apportion multistate or multinational income. In Oregon, most corporations used this method for apportioning income in tax years that begin on or after May 1, 2003, but before July 1, 2005.

Tax After Credits. Amount of tax liability after subtracting credits.

Tax Due. Amount of final tax liability after subtracting tax credits and pre-payments, when applicable.

Tax Liability. The amount of tax owed by a taxpayer.

Unitary Business. A unitary business is one that has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by:

- Centralized management or a common executive force;

- Centralized administrative services or functions resulting in economies of scale;
- Flow of goods, capital resources, or services showing functional integration.

See also *Unitary Group.*

Unitary Group. Under ORS 317.705(2), a corporation or group of corporations engaged in business activities that constitute a unitary business.

Sector classification information is based on the 2002 North American Industry Classification System (NAICS) sectors.

A brief description of industries found in each sector appears below. Additional information regarding the NAICS system may be found at www.census.gov.

NAICS Sector Code	NAICS Sector Title and Description
11	**Agriculture, Forestry, Fishing, and Hunting.** Includes farming, animal production, logging, and support activities.
21	**Mining.** Includes the extraction of mineral solids, liquid minerals, and gases. Also includes mineral quarrying such as crushed gravel and sand mining.
22	**Utilities.** Includes electric, natural gas, and water utilities.
23	**Construction.** Includes residential and commercial construction, and specialty trade construction.
31	**Manufacturing.** Includes food, apparel, wood products, paper, chemical, plastics, machinery, computer products, electronics, and furniture manufacturing.
42	**Wholesale Trade.** Includes wholesalers for durable and nondurable goods. Also includes wholesale trade agents and brokers.
44	**Retail Trade.** Includes motor vehicle dealers. Includes furniture, building material, garden equipment, food, drug, clothing, sporting goods, music, and general merchandise stores. Includes non-store retailers such as catalog, online, and mail order firms.
48	**Transportation and Warehousing.** Includes air, rail, water, and truck transportation. Includes charter buses and sightseeing operations. Includes postal service and courier services.
51	**Information.** Includes book, newspaper, radio, and television broadcasting, telecommunications, data processing, and libraries.
52	**Finance and Insurance.** Includes banks, mortgage lenders, insurance companies, and pension funds.
53	**Real Estate and Rental and Leasing.** Includes offices of real estate agents and brokers. Includes automobile, videotape, consumer electronics, and industrial machinery rental and leasing services.

NAICS Sector Code	NAICS Sector Title and Description
54	**Professional, Scientific, and Technical Services.** Includes legal services, architectural and engineering firms, accounting, advertising, photographic, marketing, and veterinary services.
55	**Management of Companies and Enterprises.** Includes offices of bank holding companies and other holding companies.
56	**Administrative and Support and Waste Management and Remediation Services.** Includes employment and security agencies. Includes exterminating, janitorial, and landscaping services. Includes waste management and remediation.
61	**Educational Services.** Includes technical and trade schools. Includes educational support services.
62	**Health Care and Social Assistance.** Includes offices of doctors and dentists. Includes hospitals, nursing care facilities, and day care facilities.
71	**Arts, Entertainment, and Recreation.** Includes performing arts, sports, museums, theme parks, golf and skiing facilities, and bowling centers.
72	**Accommodation and Food Services.** Includes hotels and restaurants.
81	**Other Services (except Public Administration).** Includes automotive, electronic equipment, industrial equipment repair, and household goods repair. Includes personal care services, dry cleaning, and photo finishing services.

Collections and Returns Data

The Integrated Tax Accounting (ITA) system used by the Oregon Department of Revenue provides information on corporation income and excise tax payments. We used tax return data for the most recent year with complete information.

The Department of Revenue Research Section checks the tax return data for errors to construct a finalized data set used for our analysis. Returns that are not internally consistent are identified and to the extent possible, inconsistent data are modified in a manner believed to correct errors on the returns. For example, if the return claims a credit that is not allowed, the reported amount is replaced by zero. Certain discrepancies or minor errors may not be resolved.

Due Dates for Returns

Corporations are required to file a tax return after the end of their tax year. For many corporations, the calendar year is their tax year. However, others file on a fiscal year basis. These fiscal year filers extend the length of time needed to obtain a complete database of return information. As you can see from Exhibit C.1, a corporate taxpayer that starts its fiscal year on December 1 would start tax year 2008 in December 2008. The taxpayer's tax year would end November 2009. The taxpayer's Oregon return would be due by March 15, 2010. Then the taxpayer could submit a federal filing extension, extending the time to file both federal and state returns by six months. So, a corporation that starts its fiscal year on December 1 may file its 2008 Oregon return as late as September 15, 2010.

Taxes must be paid by the original due date of the return to avoid interest and penalty charges, whether an extension is filed or not. Therefore, payment data for a given year is normally complete sooner than return data.

Exhibit C.1—Corporate Filing Calendar

Tax Year Begins	Tax Year Ends	Oregon Corporation Return Due Date*	Due Date with Extension
January 1	December 31	April 15	October 15
February 1	January 31	May 15	November 15
March 1	February 28	June 15	December 15
April 1	March 31	July 15	January 15
May 1	April 30	August 15	February 15
June 1	May 31	September 15	March 15
July 1	June 30	October 15	April 15
August 1	July 31	November 15	May 15
September 1	August 31	December 15	June 15
October 1	September 30	January 15	July 15
November 1	October 31	February 15	August 15
December 1	November 30	March 15	September 15

* Federal corporation returns are due on the 15th day of the third month after the end of the corporation's tax year. Oregon returns are due one month after federal returns.

The corporation excise and income tax database is revised for amended and audited returns. These returns replace the original where applicable. Amended returns and audit results received after finalizing the publication master database will not be reflected in the analysis.

Tax Period

Although corporations may have varying fiscal years, most are calendar year filers. Exhibit C.2 shows the filing period for all tax year 2008 C corporation returns. A corporation's tax year 2008 is based on a filing period that begins any time in calendar year 2008. If the tax year starts on July 1 and ends on June 30, then tax year ending month is June.

Exhibit C.2—Tax Year 2008 C Corporation Tax Returns

Tax Year Ending Month

Dollars in thousands

	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Percent of Oregon Tax
January	594	$365,487	$16,008	5.7%
February	450	$55,384	$3,639	1.3%
March	1,928	$171,251	$9,827	3.5%
April	591	$66,306	$4,333	1.6%
May	582	$170,188	$8,800	3.2%
June	2,659	$287,107	$17,519	6.3%
July	414	$45,859	$2,871	1.0%
August	564	$108,551	$2,649	1.0%
September	1,993	$241,686	$15,285	5.5%
October	837	$40,125	$2,516	0.9%
November	407	$36,367	$2,303	0.8%
December	20,641	$3,584,219	$190,609	68.4%
Part year with Dec.*	532	$15,651	$1,034	0.4%
Part year without Dec.**	448	$21,283	$1,147	0.4%
Total	**32,640**	**$5,209,464**	**$278,541**	**100.0%**

* Part-year returns with ending date in December.
** Part-year returns with ending date other than December.

Sector Classification

NAICS codes are assigned based on information reported by the Oregon Employment Department. The Employment Department classifies firms based on their reported principal activity in Oregon. For certain multistate corporations, their activity in Oregon may differ from their primary activity in the United States as a whole. For example, a certain manufacturer may produce a product at several plants in the United States. However, in Oregon, its only activity may be the wholesale trade of the manufactured good. This classification also may differ from the sector reported on the taxpayer's federal or state tax return. We try to assign a sector classification for taxpayers lacking this information and make other changes as appropriate.

The state surplus refund, or kicker, refers to the provision in Oregon law that returns money to taxpayers if actual revenues exceed forecasted revenues by at least 2 percent.

The kicker is determined by separating all General Fund money into corporate taxes and all other General Fund revenue and comparing collections at the end of a biennium to the forecast at the close of the regular session. If collections of corporate taxes are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is returned to corporate taxpayers. If the collections of all other General Fund revenues are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is returned to personal income taxpayers.

If corporate tax collections exceed the forecast, the money is refunded as a credit on the tax return for the tax year in which the biennium ends. The current kicker law was part of Measure 86, passed in 2000. It provided that the Legislature may vote to suspend the kicker with a two-thirds majority vote. During the 2007 legislative session, the corporate kicker was suspended and diverted into the Rainy Day fund. Small corporations with Oregon sales of less than $5 million were allowed to claim a one-time small sales credit. The amount of the credit was equal to 67 percent of the tax after all other credits. The 2007 Legislature also changed the kicker distribution. Beginning in 2009, any kicker will be calculated based on tax liability before credits, as opposed to how it was calculated for tax year 2005, using after-credit tax liability.

Exhibit D.1 shows the recent history of the corporation kicker.

Exhibit D.1—Recent Corporation Kicker History

Biennium	Tax Year	Surplus/Shortfall ($ Million)	Percentage	Surplus Credited* ($ Million)	Mean Credit for C Corps ($)	Mean for C Corps Receiving Benefit ($)
1989-91	1991	-$23	None	NA	NA	NA
1991-93	1993	$18	Suspended	NA	NA	NA
1993-95	1995	$167	50.1%	$224	$5,664	$12,239
1995-97	1997	$203	42.2%	$169	$4,378	$10,782
1997-99	1999	-$69	None	NA	NA	NA
1999-01	2001	-$44	None	NA	NA	NA
2001-03	2003	-$440	None	NA	NA	NA
2003-05	2005	$101	35.9%	$161	$4,829	$13,462
2005-07	2007	$344	Suspended	NA	NA	NA
2007-09	2009	-$236	None	NA	NA	NA

* Since the percentage credit is based on estimated liability, the amount refunded as a "surplus credit" differs from the surplus amount.