



## Agency response

*Questions from the Joint Interim Committee on Ways and Means Subcommittee on General Government*



January 14, 2020





**Is the content of the informational letters sent to taxpayers potentially subject to the Corporate Activity Tax (CAT) available to legislators?**

The content of the two letters can be found in the attached documents. Taxpayers received the letters through our GenTax system on Department of Revenue letterhead.

The initial letter was sent to approximately 450,000 businesses originally identified as potentially having commercial activity in Oregon based on the the last two years of filing activity. Those letters were mailed at a rate of 50,000 a week beginning in October 2019.

The second letter will be sent in the coming weeks in the same manner to an additional 236,000 Schedule C and Schedule E filers with small business or rental income reported in the last two years.

Both letters are intended to make businesses aware of the Corporate Activity Tax and the income thresholds for registration and tax liability to help them determine if they will or will not be subject to the tax. The addition of Schedule C and E filers has no impact on the revenue estimate or the number of taxpayers believed to be subject to the CAT.

## **New Corporate Activity Tax**

In 2019, the Oregon Legislature established the Corporate Activity Tax (CAT) through House Bills 3427 and 2164. The CAT is expected to generate \$1 billion of revenue per year. All net revenue from the CAT will be transferred to the Fund for Student Success, separate from the General Fund, and must be used for education and school purposes.

The new law requires businesses with Oregon commercial activity in excess of \$750,000 to register for the Corporate Activity Tax. Businesses with Oregon commercial activity in excess of \$1 million are required to file a CAT return. Businesses with taxable commercial activity in excess of \$1 million must pay the Corporate Activity Tax. The CAT imposes a \$250 tax on the first \$1 million of gross receipts after subtractions and 0.57% tax on gross receipts greater than \$1 million after subtractions.

Please be aware that the Corporate Activity Tax:

- Is effective January 1, 2020.
- Applies to any business entity that conducts business in Oregon.
- Requires returns to be filed using a calendar tax year.
- Applies to all business entity types including C and S corporations, partnerships, sole proprietorships, and others.
- Requires combined filing in some circumstances.
- Requires registration within 30 days after exceeding the \$750,000 registration threshold. Early registrations will be accepted. Beginning in early 2020, you can register electronically through Revenue Online.
- Requires returns to be filed annually by April 15.
- Requires estimated tax payments which are due April 30, July 31, October 31, and January 31 for the preceding quarter for those with an estimated tax payment requirement.

Please note: We're sending these informational letters to taxpayers in stages. As a result, you may receive this letter before other businesses in your area. If you know of other businesses that haven't yet received this information, please feel free to share it.

We'll be updating our CAT website as we get closer to the effective date of this tax. For more information and to receive updates by subscribing to our email notification list, visit our website at [www.oregon.gov/dor/business](http://www.oregon.gov/dor/business) and click on the Corporate Activity Tax link under Information.

**If you have questions, please call 503-945-8005 or email [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov).**

**Do you have questions or need help?**

[www.oregon.gov/dor](http://www.oregon.gov/dor)

(503) 378-4988 or (800) 356-4222

[questions.dor@oregon.gov](mailto:questions.dor@oregon.gov)

Contact us for ADA accommodations or assistance in other languages.

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The CAT is measured on a business's commercial activity—the total amount a business realizes from transactions and activity in Oregon. You are receiving this letter because in the past two years you have reported income that may be considered commercial activity.

Receiving this letter does not mean the department has or has not determined that you will be subject to the tax. Additional information below explains more about the CAT and who is subject to it.

The new law requires businesses with Oregon commercial activity in excess of \$750,000 to register for the CAT. Businesses with Oregon commercial activity in excess of \$1 million are required to file a CAT return. Businesses with taxable commercial activity in excess of \$1 million must pay the tax. The CAT imposes a \$250 tax on the first \$1 million of gross receipts after subtractions and 0.57 percent tax on gross receipts greater than \$1 million after subtractions.

Please be aware the Corporate Activity Tax:

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- Applies to any business entity that conducts business in Oregon.
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- Requires combined filing in some circumstances.
- Requires registration within 30 days after exceeding the \$750,000 registration threshold.
- Requires returns to be filed annually by April 15.
- Requires estimated tax payments that are due April 30, July 31, October 31, and January 31 for the preceding quarter for those with an estimated tax payment requirement.

Please note: We're sending these informational letters to taxpayers in stages. As a result, you may receive this letter before other businesses in your area.

For more information and to receive updates by subscribing to our email notification list, visit our website at [www.oregon.gov/dor](http://www.oregon.gov/dor) and click on the Corporate Activity Tax link. You can also follow @ORrevenue on Twitter.

**If you have questions, please call 503-945-8005 or email [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov).**

### **Do you have questions or need help?**

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- Email: [questions.dor@oregon.gov](mailto:questions.dor@oregon.gov).
- Contact us for ADA accommodations or assistance in other languages.