

# Corporate Activity Tax Overview

## What is Commercial Activity?

“...the total amount realized by a person, arising from transactions and activity in the regular course of the person’s trade or business...”

## Key Parameters for Tax Calculation

Threshold to file is \$1 million

Subtraction of 35% of either Cost-of-goods-Sold or Employee Labor Costs

Excludes wholesale and retail sale of groceries<sup>1</sup>, motor fuel

Tax is \$250 + 0.57% of commercial activity above \$1 million

## Who is Affected?

All businesses (i.e. corporations, partnerships, LLCs, proprietorships, etc.) above the \$1 million threshold may be affected. The table below provides some projections by size.

Commercial Activity (\$M)	Number of Businesses	Share
< \$1M	410,000	91%
\$1M to \$2M	17,000	4%
\$2M to \$5M	13,000	3%
> \$5M	10,000	2%
Total	450,000	100%

## Estimated Revenue Impact (from 2019 Session)

	Biennium (\$M)		
	2019-21	2021-23	2023-25
Student Success Account	\$1,596	\$2,806	\$3,063
General Fund*	-\$423	-\$699	-\$762
Net Impact	\$1,173	\$2,107	\$2,301

\* These estimates are driven by reductions in the Personal Income Tax rates for the three lower brackets: from 5%, 7%, and 9% to 4.75%, 6.75%, and 8.75%.

## Timing of Payments

It is an annual tax, but quarterly estimated payments for 2020 are currently due in April, July, & October of 2020; and January of 2021. Tax returns are due April 15, 2021. Businesses are required to register with the DOR once they reach \$750,000 of commercial activity during 2020 and then make estimated payments. However, those that expect to owe less than \$5,000 for the year are not required to make estimated payments -- depending on circumstances, such tax amounts roughly correspond to commercial activity of up to \$2.5 million.

<sup>1</sup> Grocery stores are subject to the tax to the extent they sell non-grocery items.