

# Tax Administration

Presentation to  
Joint Committee on Student Success Subcommittee on Revenue

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# Conceptual Description of Tax Bases

- Commercial activities tax is imposed on gross receipts.
  - Gross receipts are calculated using market-based sourcing.
- Business activities tax is gross receipts minus input costs (i.e. purchases from other firms, cost of goods sold).

# Broad Assumptions

- Implementation phase.
- Impacts all entity types—individuals, partnerships, S-corporations, and C-corporations.
- Impacts all business types:
  - Large and small.
  - Sole proprietors.
  - Farms.
  - Rentals.
- Separate tax program in addition to current tax programs.
- Insurance/financials taxed separately.
- Implementation costs.
- Exemptions/deductions/modifications not considered.

# Broad Assumptions—Administration

- Calendar-year filing.
- Additional staff.
  - Programming.
  - New administrative rules.
  - Forms/instructions.
  - Outreach/education.

# Commercial Activities Tax (CAT)

- Broad tax base.
- Low single-tax rate.
- Minimum tax.
- Annual filers pay minimum tax in advance.
- Annual/quarterly filing based on amount of business gross receipts.

# Business Activities Tax (BAT)

- Narrow tax base.
- Single tax rate.
- No minimum tax.
- Annual filing requirement.
- Quarterly estimated payments for large businesses.

# Tax Type Comparison

	CAT	BAT
Calculation	Gross receipts	Gross receipts minus input costs
Tax base	Broad	Narrow
Tax rate	Generally lower	Generally higher
Minimum tax	Yes	No
Filing frequency	Quarterly*	Annual
Payment frequency	Quarterly*	Quarterly*
Administration costs	Lower	Higher

*\*Quarterly filing and payment frequency is for large businesses.*

# Tax Administration Costs

	Simple* CAT	Simple* BAT
Policy	Lower	Higher
Outreach/education	Lower	Higher
Forms	Same	Same
System configuration	Same	Same
Return processing	Higher	Lower
Enforcement efforts	Lower	Higher
Collections	Lower	Higher

*\*Simple means no exemptions, deductions, or modifications.*

# Questions?

If you have additional questions after today,  
please contact:

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