

HB 3427-1: Corporate Activity Tax and Personal Income Tax Rate Reduction

Personal Income Tax Rates

Section 1 (ORS 316.037):

- Reduces the personal income tax (PIT) rates to 4.75%, 6.75%, 8.75%, and 9.9%

Section 2:

- The PIT rate changes are effective beginning January 1, 2020

Corporate Activity Tax

Sections 3 (Definitions):

- | | | |
|--|---------------------------------|-----------------------------|
| • Business receipts | • Forgiven or transferred debts | • Motor vehicle fuel |
| • Business receipts of financial institution | • FR Y-9 | • Person |
| • Business receipts of an insurer | • Governmental entity | • Retailer |
| • Cost of inputs | • Groceries | • Taxable business receipts |
| • Doing business | • Insurer | • Taxpayer |
| • Excluded person | • Internal revenue code | • Unitary business |
| • Financial institution | • Labor costs | • Unitary group |
| | | • Wholesaler |

Section 4 (Accounting Methods):

- Accounting method for this tax aligns with federal accounting method

Section 5 (Unitary Groups):

- Files as a single entity, excluding transactions among members

Section 6 (Taxation of Property Transferred into State):

- Purchases made outside Oregon and transferred into Oregon are considered business receipts

Section 7 (Joint and Several Liability):

- All members of a unitary group are liable for taxes due

Section 8 (Corporate Activity Tax Imposed on Business Receipts):

- Tax is imposed on each person with taxable business receipts for privilege of doing business in this state
- Calendar tax year
- Nexus

Section 9 (Subtraction):

- 25% of the greater of inputs or labor, up to 95% of business receipts
- Apportionment for multi-state businesses

Section 10 (Rate of Taxation):

- \$250 + 049% of taxable business receipts above \$1M
- No tax due if the person's business receipts are less than \$1,000,000

Section 11 (Sourcing of Business Receipts):

- Conditions when sourced to Oregon
- DOR alternative method of sourcing receipts
- DOR rule-making authority

Local Tax Preemption

Section 12 (Local Tax Pre-emption):

- Locals can't create a similar tax
- Excludes any such taxes in effect and operative on March 1, 2019

Registration Procedures

Section 13 (Registration):

- If business receipts of at least \$500,000, then must register with DOR
- Application information included
- DOR rule-making authority

Section 14 (Records):

- Requirement for those doing business in Oregon to keep relevant records

Returns and Payments

Section 15 (Returns, Payments):

- Requirement to file a return if business receipts exceed \$1,000,000
- Due dates to DOR, safe harbor of 80%
- DOR rule-making to allow extensions

Section 16 (Accounting, Installment Payment):

- The CAT liability is payable to DOR

Collection

Section 17 (Rules, Uniformity):

- DOR rule-making authority, generally

Section 18 (Quitting Business, Successor):

- Defines 'successor'
- Tax liability is due upon change in ownership
- Successor can withhold tax amount from purchase price
- When tax isn't due

Applicability of Tax Laws

Section 19 (Applicability of Tax Laws):

- Chapters 305 and 314 for administration apply for this tax

Disposition of Proceeds

Section 20 (Payments to Department of Revenue):

- All tax, interest, and penalties are due to the Department of Revenue; then turned over to the State Treasurer

Section 21 (Suspense Account, Other Disposition):

- All receipts credited to a suspense account that is separate and distinct from the General Fund; refunds are paid out of this account
- Net of refunds, net revenue is transferred to the Fund for Student Success; working balance of funds may not exceed \$500,000
- Amounts are continuously appropriated to DOR for related administrative expenses

Underpayment or Underreporting

Section 22 (Interest and Penalties):

- No interest is due for penalties under certain circumstances

Section 23 (Applicability):

- Section 25 applies for tax year 2020 only if return is timely filed

Fund for Student Success

Section 24:

- FSS is established separate and distinct from the General Fund
- Fund consists of money from the Corporate Activity Tax
- Funds used solely for early learning programs and pre-k through 12th grade education

Applicability

Section 25 (Applicability):

- The CAT applies to tax years beginning on or after January 1, 2020

Parts Not Severable

Section 26:

- Legislative intent is that all parts of the Act are inseparable

Captions

Section 27:

- Captions are not part of law

Effective Date

Section 28:

- Takes effect on the 91st day after sine die.