

*An Update on Recent  
Changes Affecting  
Oregon*

# CURRENT ISSUES IN CORPORATE TAXATION

# OUTLINE

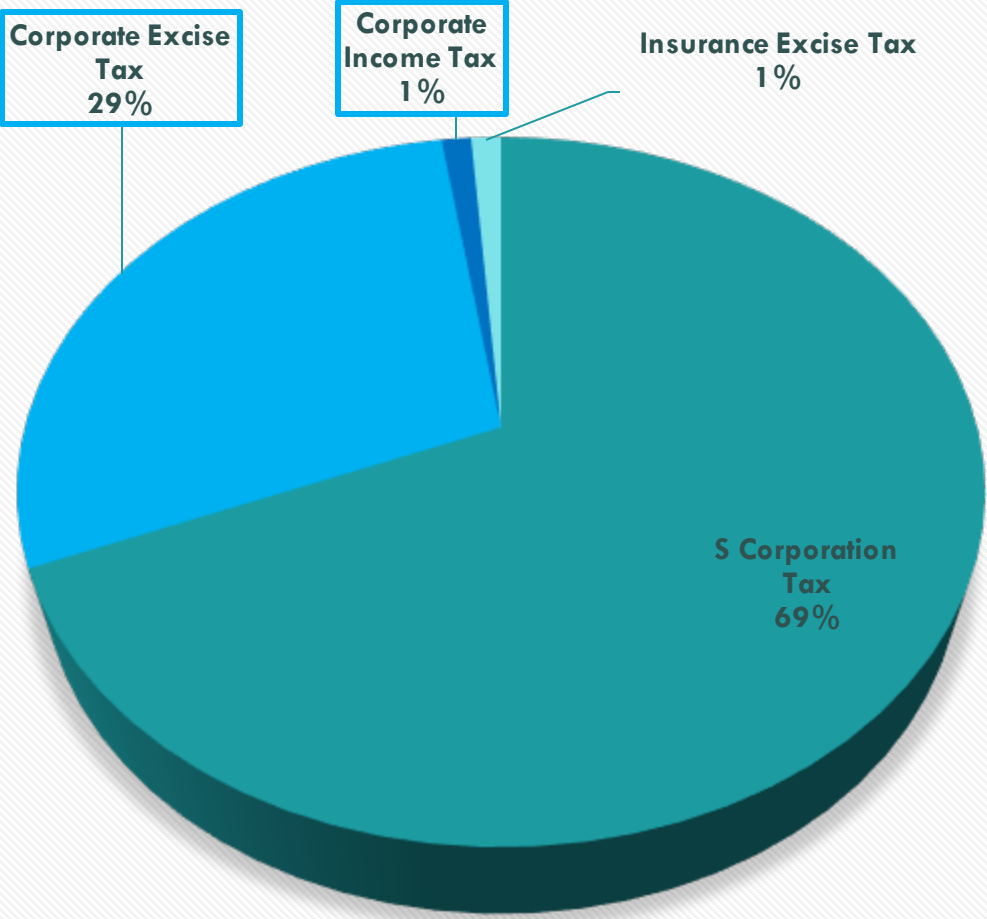
Current Oregon Data

Key Terminology and Current Oregon Issues

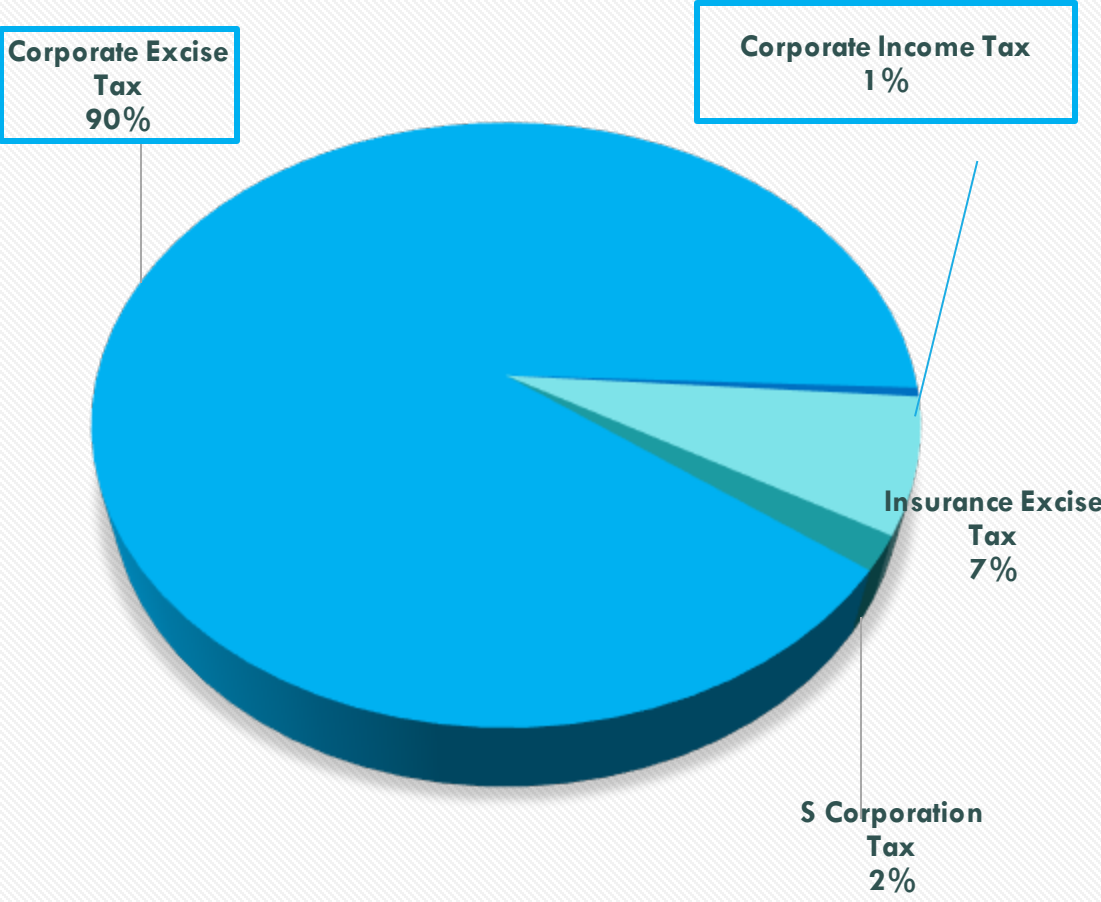
Recent Changes to Corporate Tax Law

# CORPORATE RETURNS, 2016

### Number of Returns

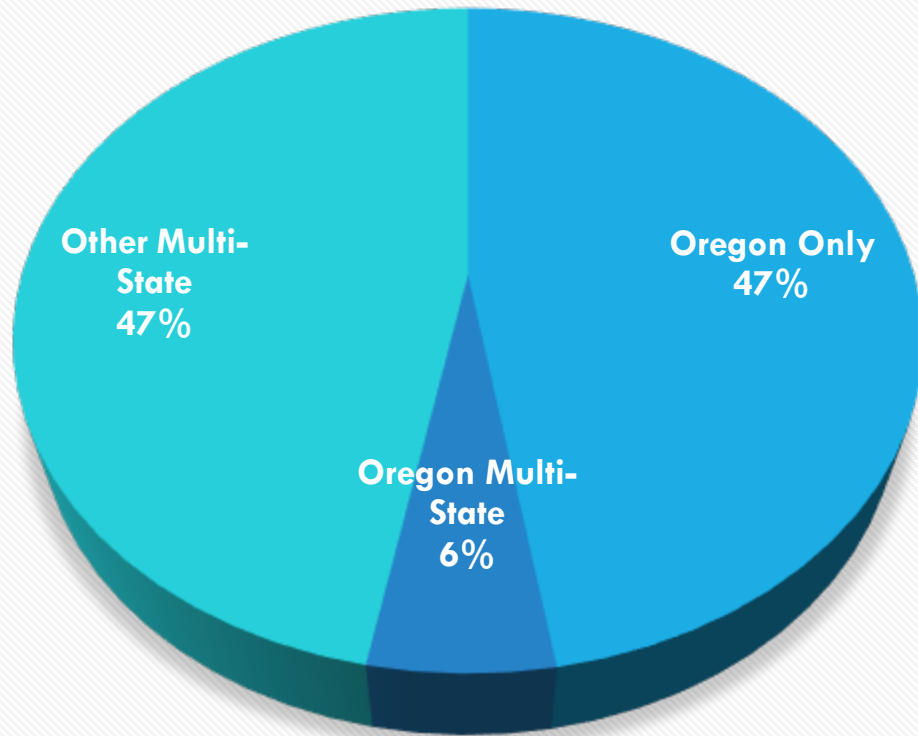


### Oregon Corporate Tax Revenue by Filing Status

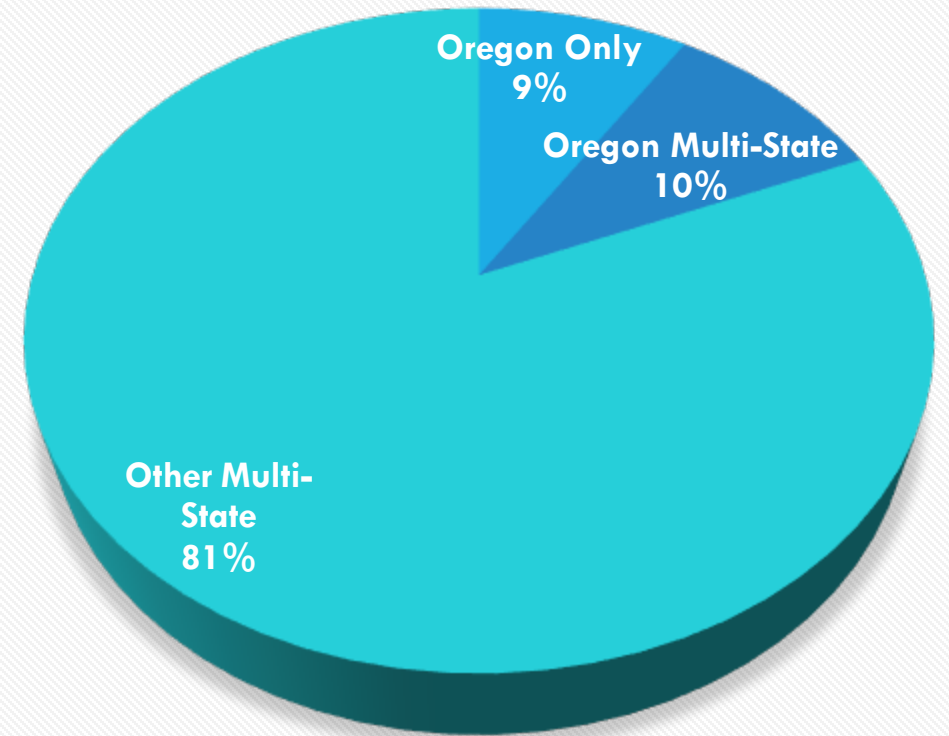


# CORPORATE TAX BY TYPE, 2016

Number of C-Corporation Returns, 2016



Tax Liability (Net Tax) for C-Corp., 2016



# KEY TERMINOLOGY

Nexus

Cost of Performance  
vs. Market Based

Joyce vs. Finnigan

Worldwide vs. Water's  
Edge Reporting

# NEXUS

DOES THE STATE HAVE AUTHORITY TO TAX?

Yes

Oregon can tax  
company

No

Oregon cannot  
tax the company

# NEXUS

## TANGIBLE PERSONAL PROPERTY

### PL 86-272

If the only interaction a company has with a state is the sale of *tangible personal property*, the state cannot tax the company

- “exempt under PL 86-272”

### Wayfair

Physical presence is *not* required to create substantial nexus

- Wayfair does not overrule PL 86-272
- South Dakota v. Wayfair

# NEXUS

## INTANGIBLE SALES

Cost of  
performance

Sales go to state  
where the work  
was *performed*

Market  
based

Sales go to state  
where *customer*  
*received the benefit*  
of the service



# NEXUS

## INTANGIBLE SALES

2017: SB 28 (CH 549)

Moved Oregon to market based apportionment

Cost of performance

Sales go to state where the work was *performed*

Market based

Sales go to state where *customer received the benefit* of the service

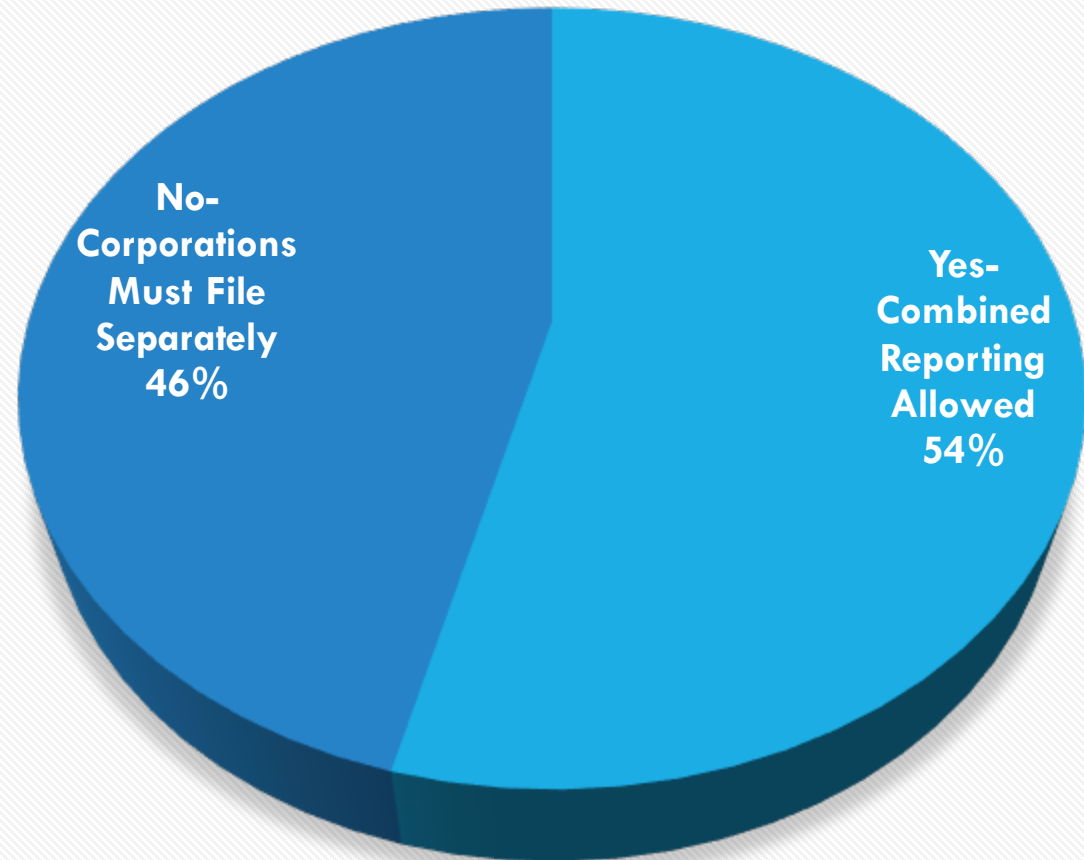


# WHO TO TAX? COMBINED REPORTING

If we have nexus, the question is now 'who' to tax?

- Some states allow combined reporting
- Others require all corporations to file separately

States by Combined Reporting Status, 2018



# COMBINED REPORTING ISSUES

## Worldwide

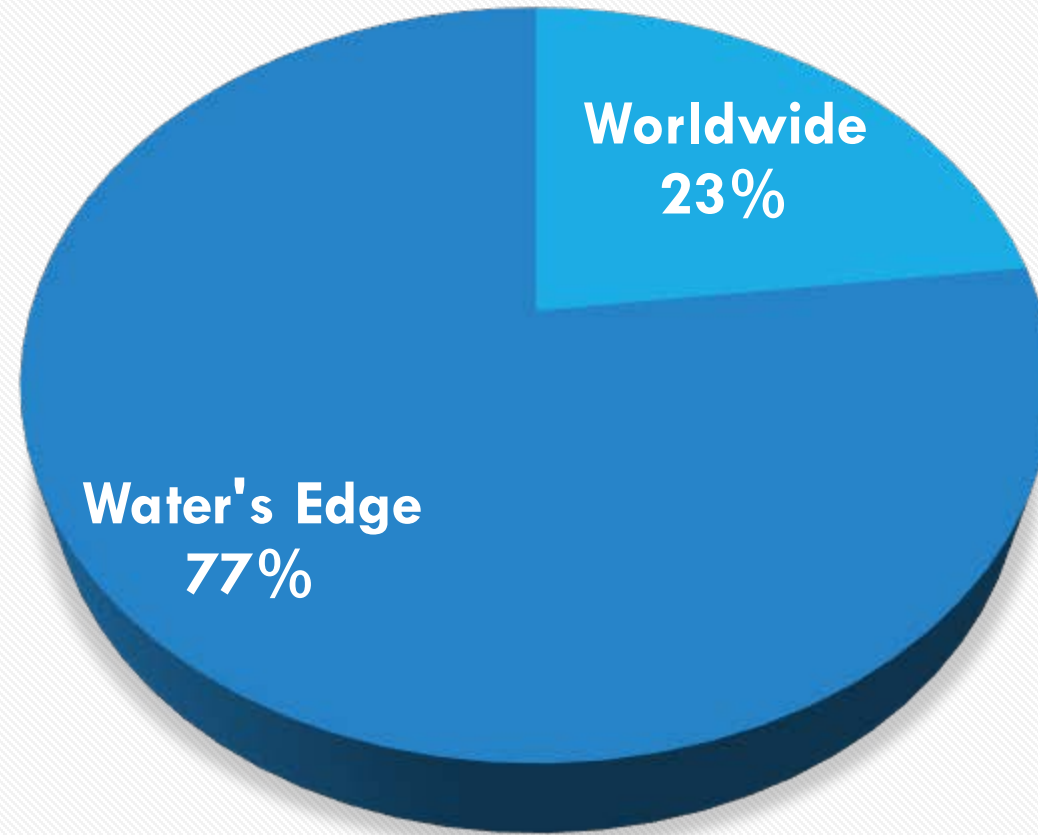
Requires all members of a unitary group, including foreign entities, to be included in taxable income for apportionment

## Water's Edge

Requires only US members of a unitary group to be included in taxable income for apportionment

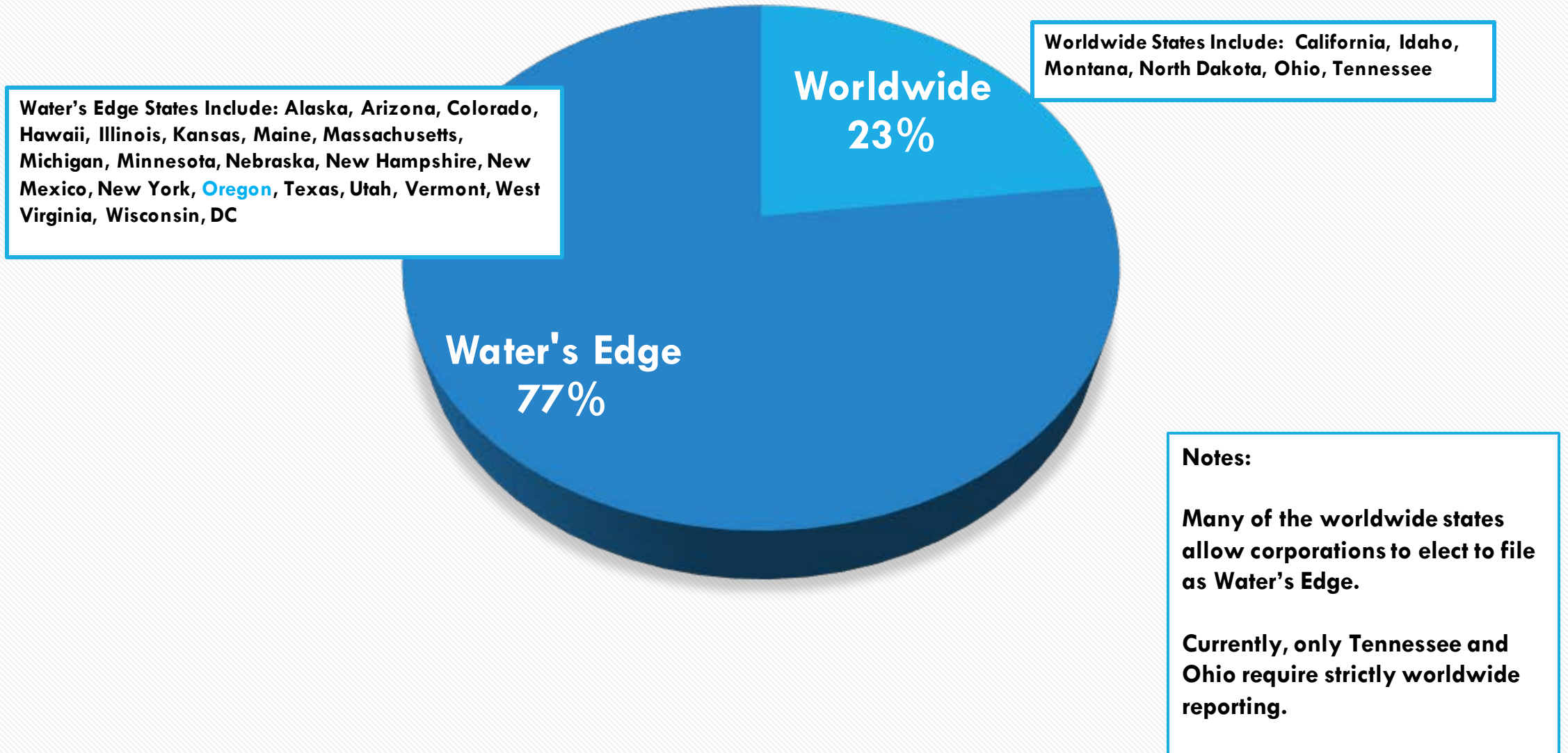
# States by Reporting Status, 2018

Note: Only states allowing combined reporting use these methods.



# States by Reporting Status, 2018

Note: Only states allowing combined reporting use these methods.



# COMBINED REPORTING ISSUES

## Joyce Method

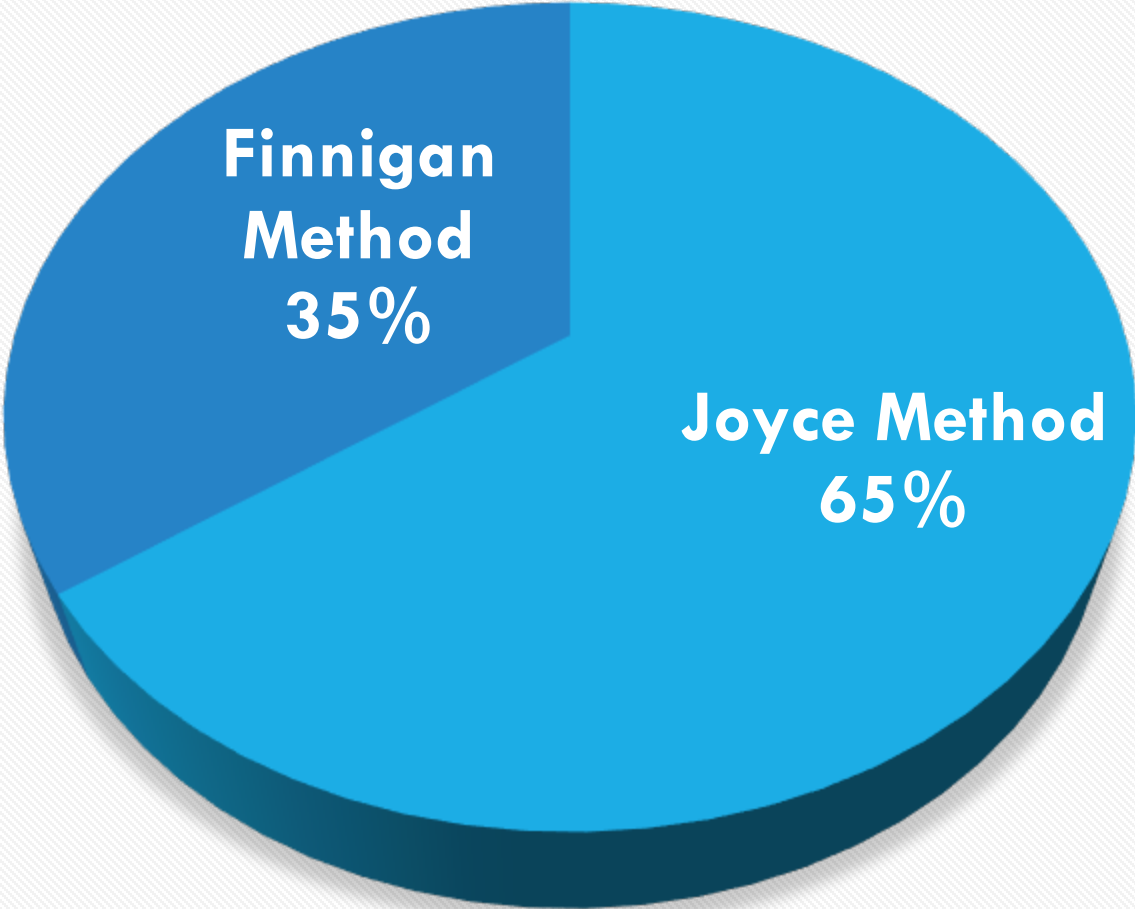
Considers each member of a unitary group separately to determine which entities count for apportionment

## Finnigan Method

If one member of a unitary group is taxable in Oregon, then all members are included in apportionment

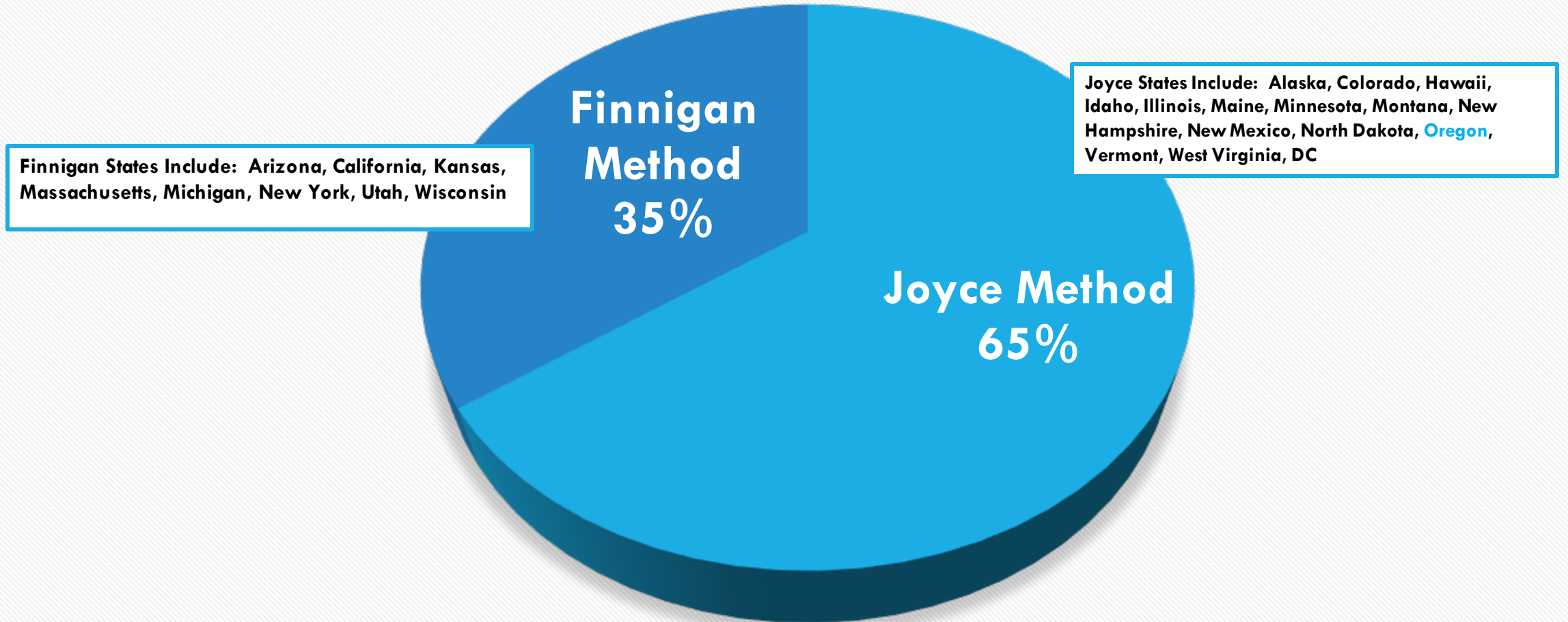
# States by Apportionment Method, 2018

Note: Only states allowing combined reporting use these methods.



# States by Apportionment Method, 2018

Note: Only states allowing combined reporting use these methods.





# MAJOR RECENT CHANGES TO OREGON TAX POLICY A BRIEF OVERVIEW

## 2017 Session

- SB 28 (CH 549)
  - Moves from cost of performance to market based apportionment

## 2018 Session

- SB 1529
  - Changed our connection to federal law (TCJA)
  - Avoids a double deduction on dividends received
  - Income from repatriations must be included in Oregon income
  - Repeal's Oregon's listed jurisdiction law and provides a credit for previous payments

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# CURRENT ISSUES IN CORPORATE TAXATION

# UNITARY BUSINESSES AND GROUPS

## What is a unitary business?

A **business** that has directly (or indirectly) **shares** one of the following with another business

- *Management or executive forces*
- *Administrative services or functions resulting in economies of scale*
- *Flow of goods, capital resources, or services showing functional integration*

## What is a unitary group?

- A group of unitary businesses
- Group of businesses sharing value or exchanging the above list within the group