

Background

In 2019, Oregon’s Corporate Activity Tax (CAT) was created in House Bill 3427 with a few technical modifications adopted in House Bill 2164.

Additional technical modifications and policy clarifications have been made by House Bill 4202 (2020 1st Special Session) and SB 164 (2021).

Estimated Payments

CAT taxpayers are required to make quarterly estimated payments by ORS 317A.137. The Department of Revenue adopted administrative rules (OAR [150-317-1300](#), [-1310](#), and [-1320](#)) to clarify estimated payments requirements. Guidance to assist taxpayers in calculating estimated payments is also included in the [2022 CAT return instructions](#).

CAT taxpayers may use multiple methods to calculate their quarterly estimated payments. Generally, many taxpayers choose to simply make four equal payments. However, similar to corporate income tax, CAT also provides guidance for determining estimated payments using an annualized installment method. A step-by-step worksheet to assist taxpayers in calculating estimated payments using the annualized installment method is included as Appendix D (page 20) in the [2022 CAT Return Instructions](#).

Taxpayers that do not realize commercial activity evenly throughout the year may use the annualized installment method to calculate their estimated payments so that the payments correlate to the taxpayer’s commercial activity as it is earned. Taxpayers determine their estimated tax at the end of each quarter based on an estimate of the taxable commercial activity through the end of the period. When a taxpayer does not have commercial activity in a quarter, they do not have an estimated payment due for that quarter. The CAT annualization method mimics the annualization method that many taxpayers use when making estimated payments for income taxes.

Businesses that qualify as “seasonal businesses” under the IRC may make quarterly payments timed to the season in which they realize commercial activity. Taxpayers using the seasonal method follow the same rules (IRC §6655(e)(3)(C)) they use to make seasonal income tax estimated payments.

House Bill 3226

House Bill 3226 does not change the current estimated payment requirements.

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Appendix D

Instructions for estimated payments if using the annualized method

If you don't realize your commercial activity evenly throughout the year, you may figure your required estimated payments using the annualized installment method.

Oregon Commercial Activity. Determine the total amount of commercial activity sourced to Oregon that the business realized year-to-date. Don't include receipts from items that are excluded from commercial activity.

Greater of cost inputs or labor costs for the tax year. You are allowed to claim the greater of your labor costs or cost inputs. Remember that expenses can't be claimed if they are not associated with commercial activity. For example, if you have costs associated with receipts you are excluding from commercial activity, you can't claim those costs.

- Labor costs means total compensation of all employees, not to include compensation paid to any single employee in excess of \$500,000.

- Cost inputs means the cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code.

Cost subtraction. The amount of the cost subtraction is limited to 95 percent of your commercial activity. This means that your cost subtraction can't be more than the total commercial activity multiplied by 95 percent.

Taxable commercial activity. If your taxable commercial activity after the \$1,000,000 threshold is equal to or less than zero, stop. You don't need to make any installment payments this quarter.

Annualization multiplier. This is 12 months divided by the number of months in the period. **Percentage applied.** This is the percentage amount you must pay to avoid underpayment.

Annualized commercial activity worksheet Table 1

		First quarter	First and second quarter	First, second, and third quarter	First, second, third, and fourth quarter
Line 1	Oregon commercial activity (year to date, minus exclusions)				
Line 2	Everywhere expenses (greater of cost inputs or labor costs, year to date)				
Line 3	Subtraction percentage	0.35	0.35	0.35	0.35
Line 4	Multiply line 2 by line 3				
Line 5	Apportionment percentage of subtraction				
Line 6	Cost subtraction (multiply line 4 by line 5)				
Line 7	Taxable commercial activity for each period (subtract line 6 from line 1)				
Line 8	Annualization multiplier	4	2	1.3	1
Line 9	Annualized taxable commercial activity (line 7 multiplied by line 8)				
Line 10	Commercial activity threshold	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Line 11	Annualized taxable commercial activity over threshold (subtract line 10 from line 9)				
Line 12	Estimated Oregon corporate activity tax (multiply line 11 by 0.0057 and add \$250)				
Line 13	Percentage that applied for each period	22.50%	45%	67.50%	90%
Line 14	Year-to-date required estimated tax amount (multiply line 12 by line 13)				
Line 15	Other prepayments				
Line 16	Installment payment amount (subtract line 15 from line 14)				