

Taxation of Interstate Broadcasters in Oregon

The background features a large, faint watermark of the Oregon State Seal. The seal is circular and contains the text "THE GREAT SEAL OF THE STATE OF OREGON" around the perimeter. In the center, it depicts a landscape with a rising sun, a plow, a sheaf of wheat, and a ship on the water, symbolizing the state's agricultural and maritime industries.

Background and Apportionment Methods



Brief Review of Terms

- **Nexus**

- When a corporation has a business connection to a state and the business can be subject to the state's income taxes

- **Apportionment**

- Method used to calculate what % of federal income a state can tax
 - Federal taxable income
 - Amount of income subject to tax within the US
 - State taxable income
 - Amount of income subject to tax within a state// share of federal income that a state taxes

- **Single Sales Factor Calculation**

- Federal Taxable Income * (OR sales/US sales)= Oregon taxable income



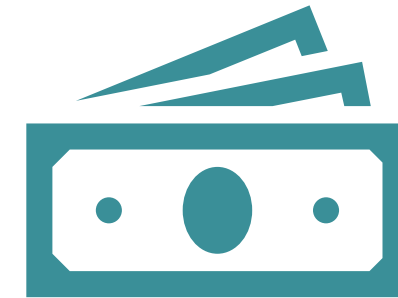


Key Details



Who is an interstate broadcaster?

ORS 314.680(1) “Broadcasting” means the activity of transmitting **any one-way electronic signal** by conduits of communications.



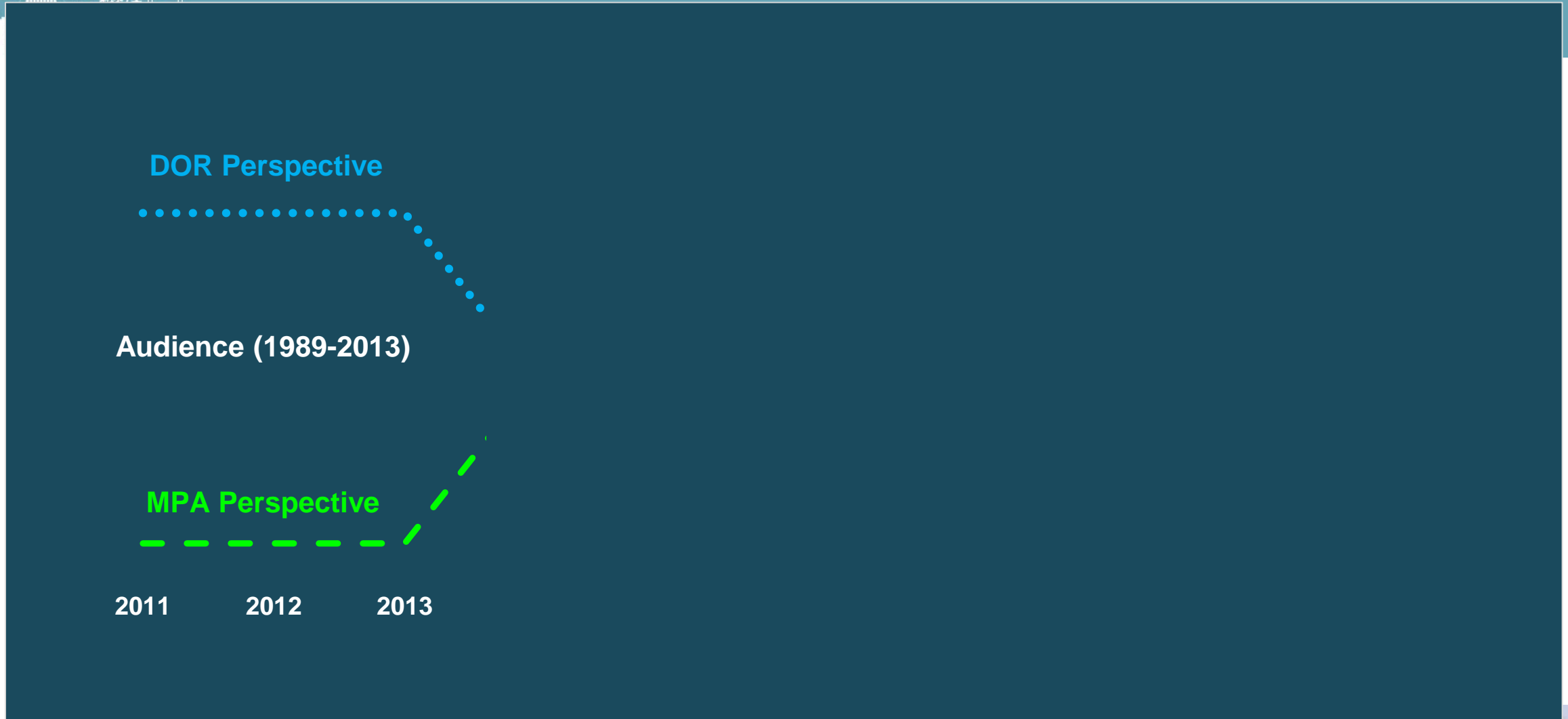
Which income is apportioned? *Comcast Case*

- **All income** not specifically addressed in statute
 - Excludes tangible personal property and real property



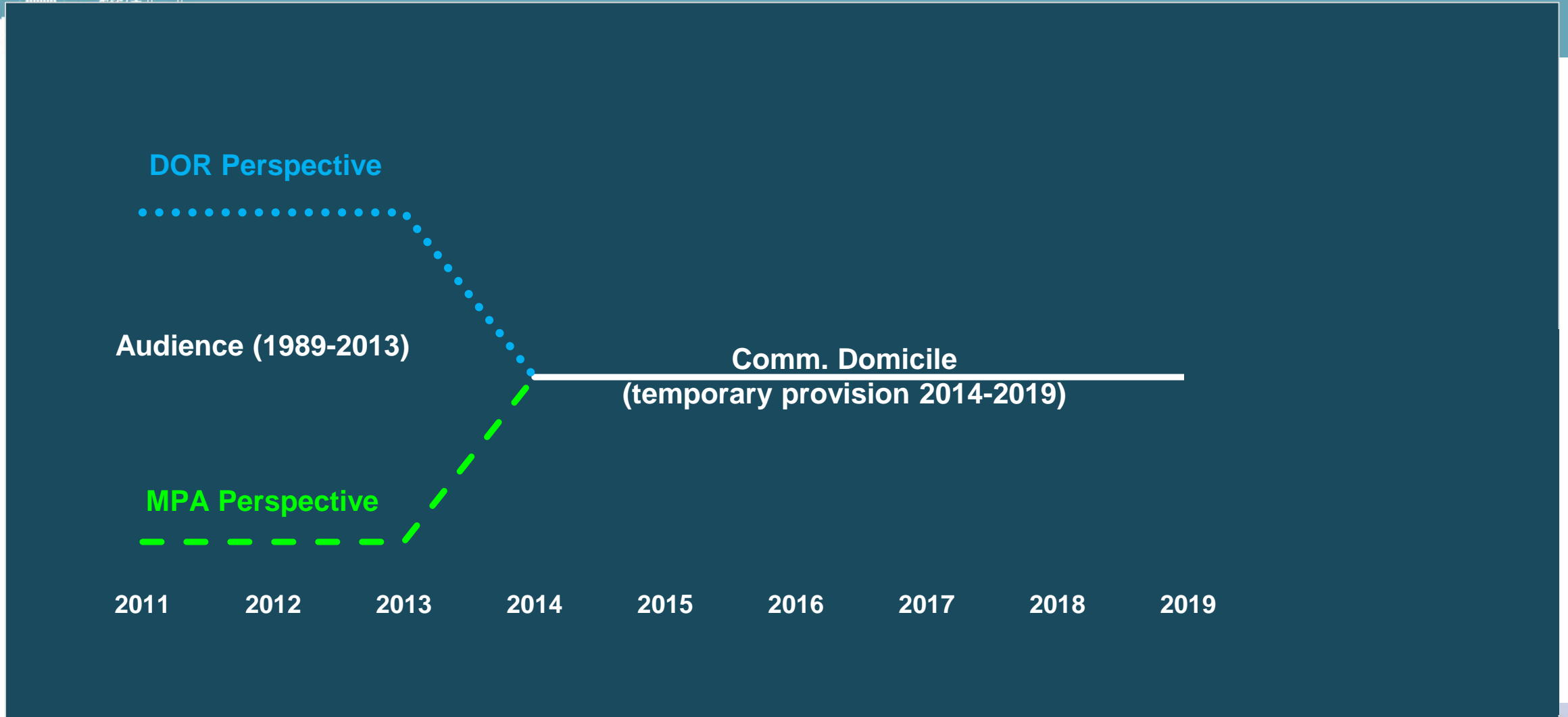


Policy History



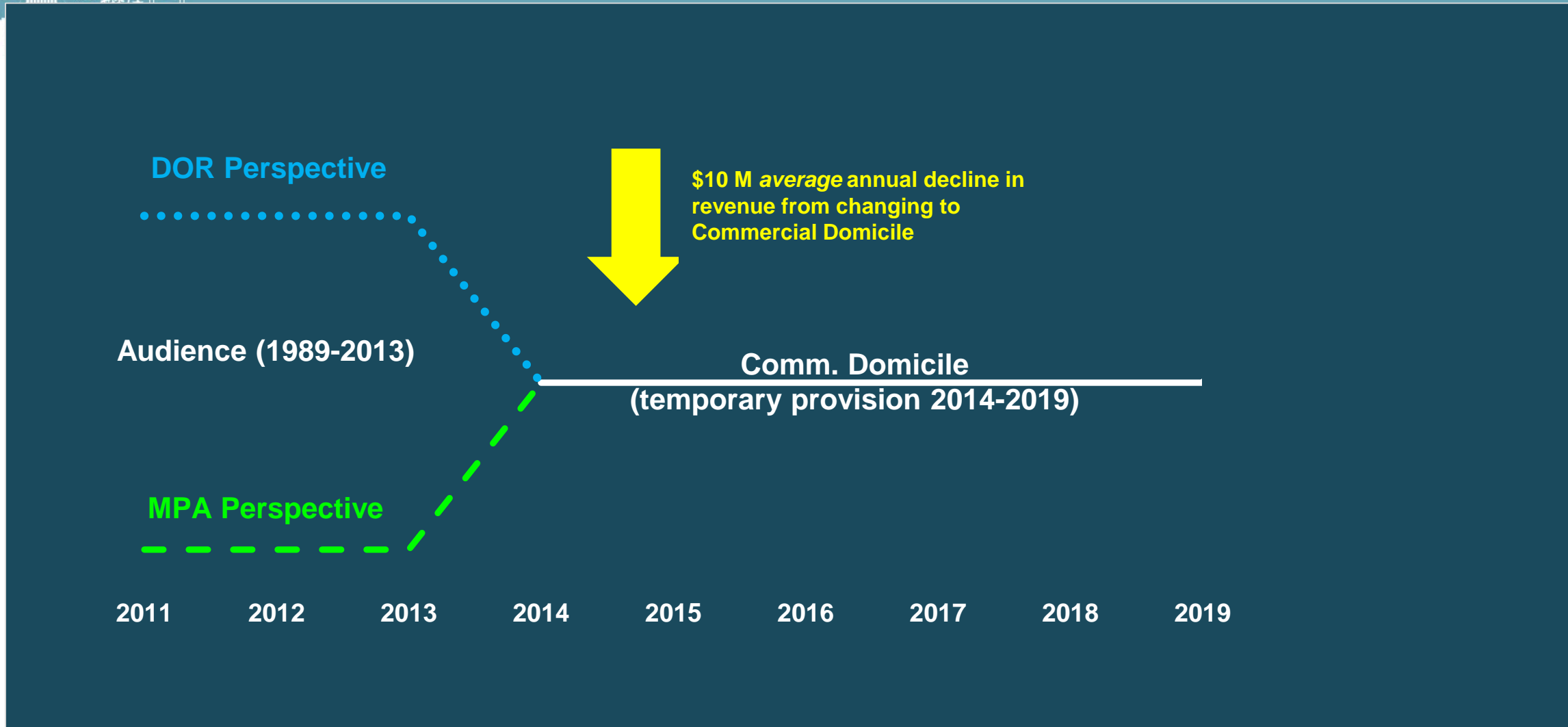


Policy History



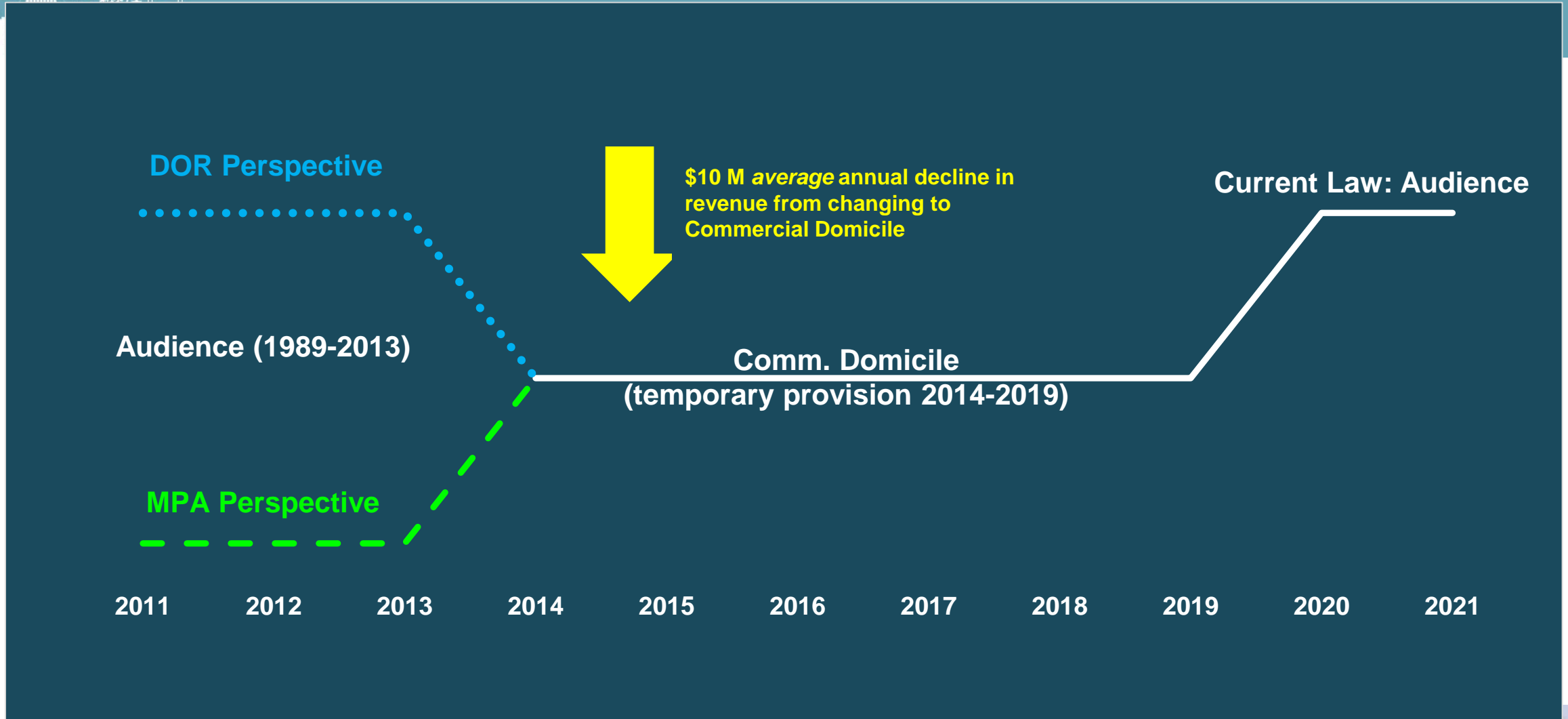


Policy History



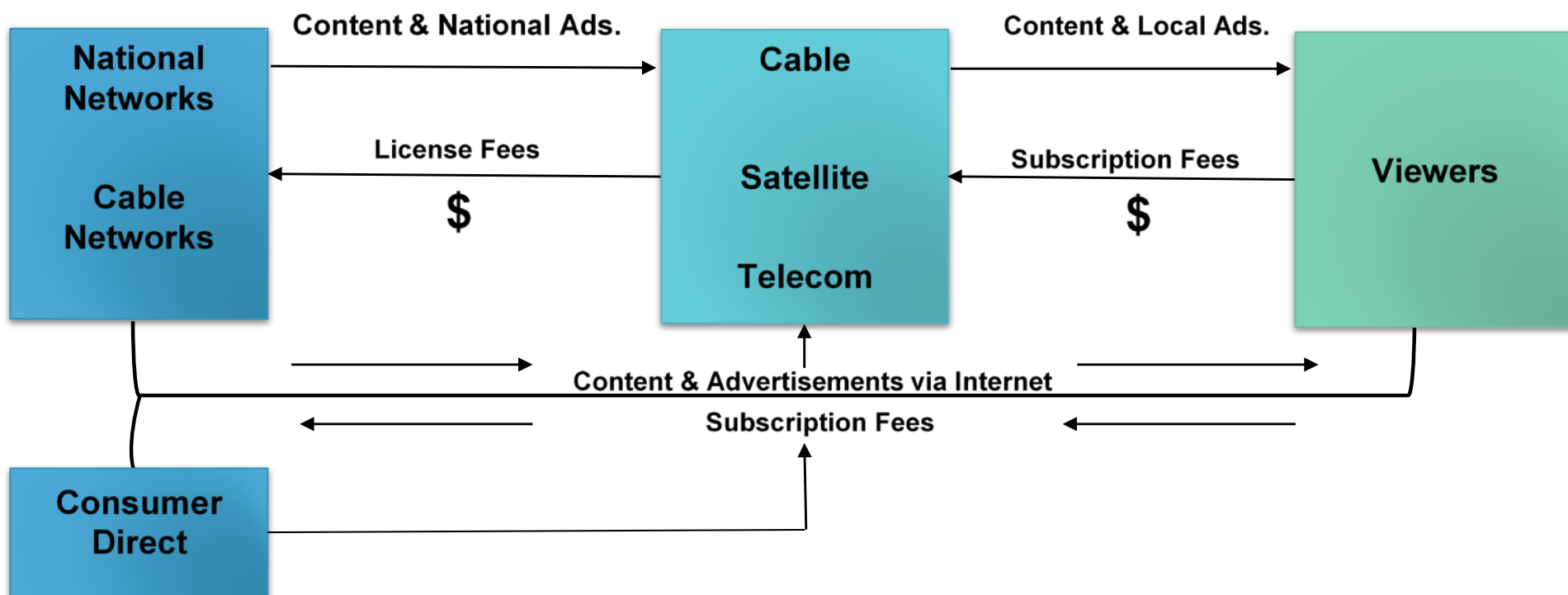


Policy History





Industry Description





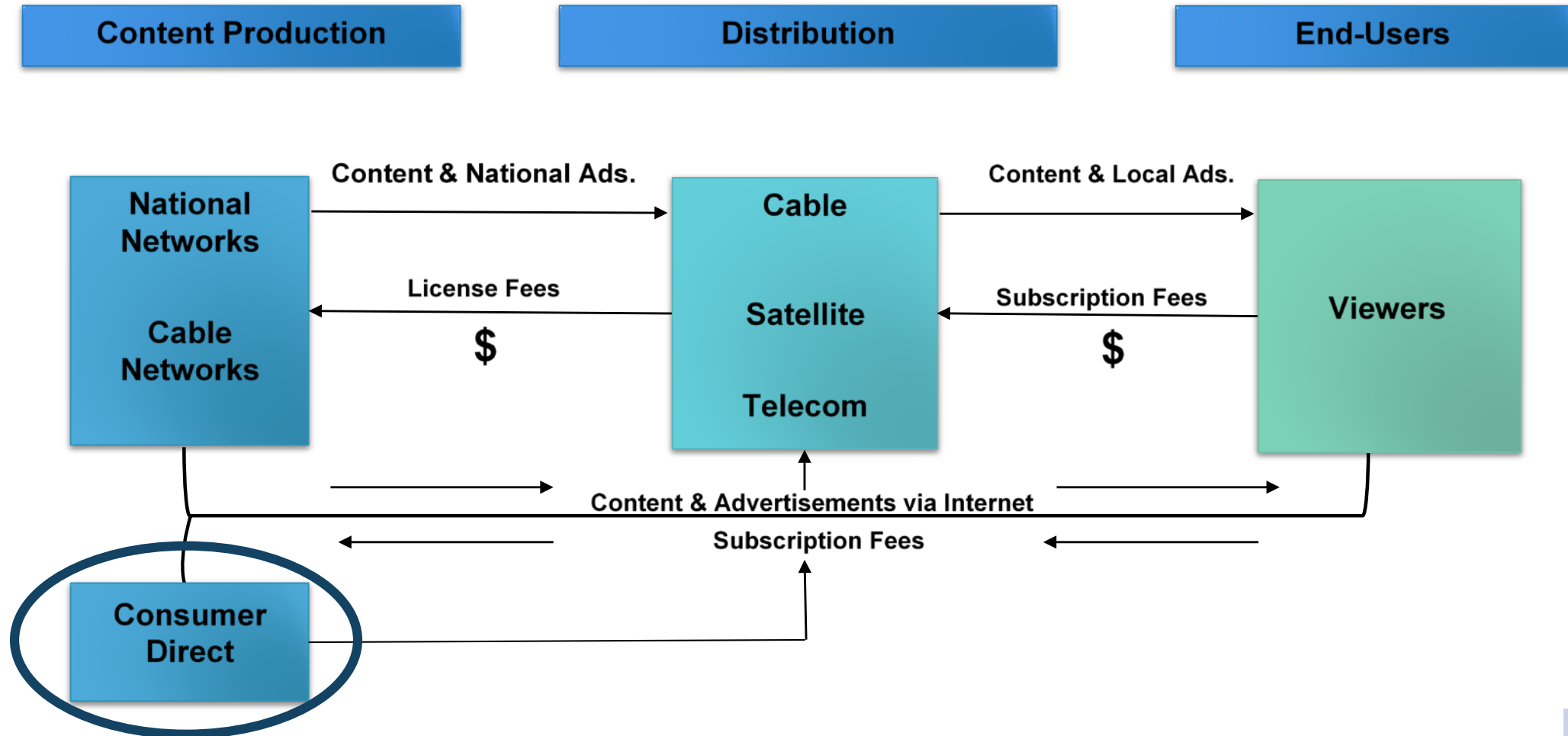
Broadcasting Definition

- “Broadcasting” means the activity of transmitting **any one-way electronic signal**
- Expected to encapsulate an increasing number of industries as technology improves
- Policy intent in today’s environment?





Ongoing Industry Change





Current Baseline

- Current law is **audience method**
- **Baseline**
 - In absence of legislation, audience method will be used
 - 2020 session ended without broadcaster legislation passed in House
- **Policy**
 - Changes apportionment method for *some* receipts
 - Changes sales to which apportionment method applies
 - *Election* to select current law application of apportionment method





SB 136 by Section

Section	Description
1	Conforming language.
2	Defines broadcasting, total gross receipts. Describes apportionment options for broadcasters.
3	Removes obsolete statute references from bill.
4	Repeals old broadcaster statutes.
5	Defines applicability to tax years beginning on or after January 1, 2020 .
6	Effective date.





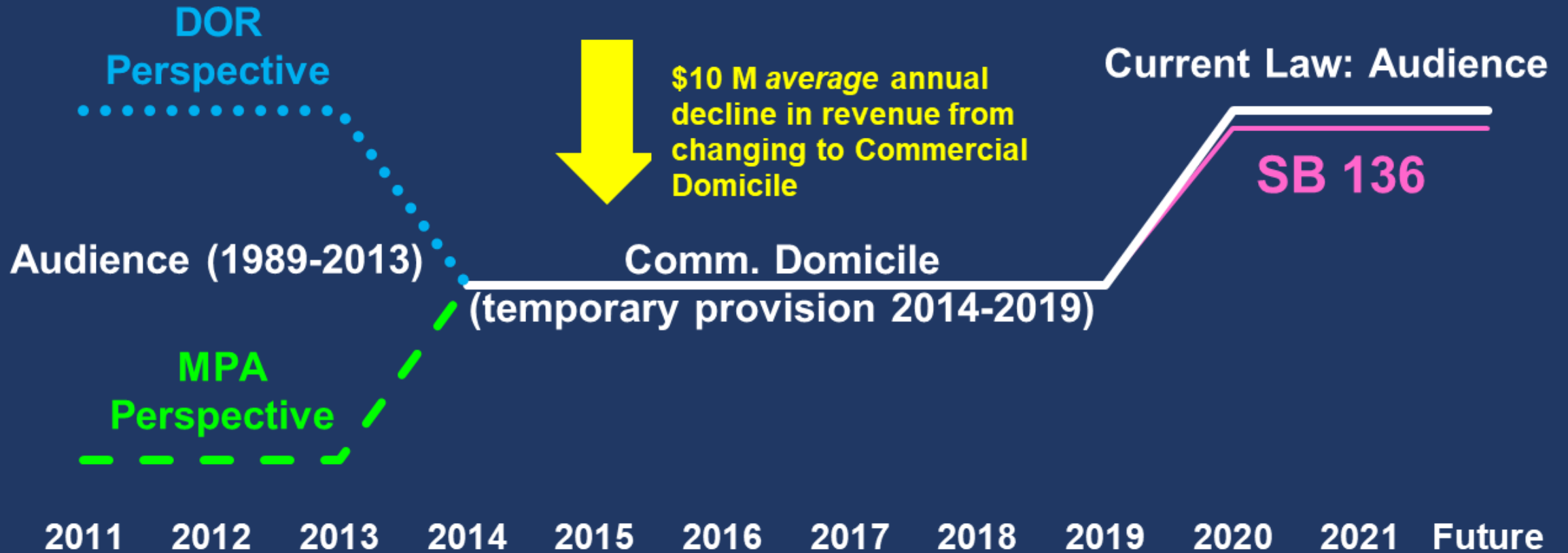
Apportionment Calculation

- Current Law
 - Statute Audience ratio: Oregon audience / total U.S. audience
 - OAR 150-314-0465
 - If ratings numbers are unavailable or inappropriate for some reason
 - Broadcast population in Oregon relative to U.S.
 - Cable system population in Oregon relative to U.S.
- SB 136
 - Directs taxpayer to use 0.6% as the numerator in the apportionment ratio **only in the cases of licensing to or advertising on subscription services**
 - Audience method used for other broadcasting sales
 - Option to apply audience method to all receipts* (similar to Comcast ruling, *excluding TPP and RP)





Revenue History





Estimated Revenue Impact

Policy	Revenue Policy Applies To	Revenue Impact
Audience method	Broadcasting sales only (MB sourcing otherwise)	-\$0.2 M
Audience method	Total gross receipts	No Change
0.6%	Licensing to or advertising on subscription services	-\$0.4 M

Notes

- Expected annual revenue received under current law from broadcasters is roughly \$10 M.
- When the audience method applies only to broadcasting sales, market-based sourcing is the default for other intangible sales of the taxpayer.



Additional questions?

