

Oregon Corporate and Business Taxation



An Orientation of Business Related Income Taxes

*Much of the data in this presentation was generously provided by DOR's research section. The information presented also references [DOR's corporate income and excise tax report.](#)



Outline of Presentation

Excise Tax versus Income Tax

Unitary Groups and Reporting

Apportionment versus Allocation

Nexus: Tangible and Intangible

Statistics on Business Taxpayers





Excise vs. Income Tax

Corporate Taxation in Oregon

Excise tax

- Tax imposed on corporations for the **privilege of doing business within a state**

Number: 29,009

Net Tax Amount: \$743 million

Income tax

- Tax on the income of those corporations that have **Oregon-source income but are not doing business** here
- Note: Income tax filers are not subject to minimum tax

Number: 1,245
Amount: \$3.1 million





Unitary Business

A **business** that **shares** one of the following with another business

Management or executive forces
Administrative services or functions
Flow of goods, resources, or services

Unitary Group

Group of unitary businesses sharing or exchanging within the group





Apportionment vs. Allocation

Apportionment

- How **multistate income** is divided among the states for taxation
- Oregon: 100% Sales Apportionment Factor

Allocation

- Method of **attributing nonbusiness income** to states
- Nonbusiness income is income or loss not associated with the taxpayer's normal course of business



Liability vs. Collections

Tax Liability

- “Net Tax”
- Amount of tax owed to the state

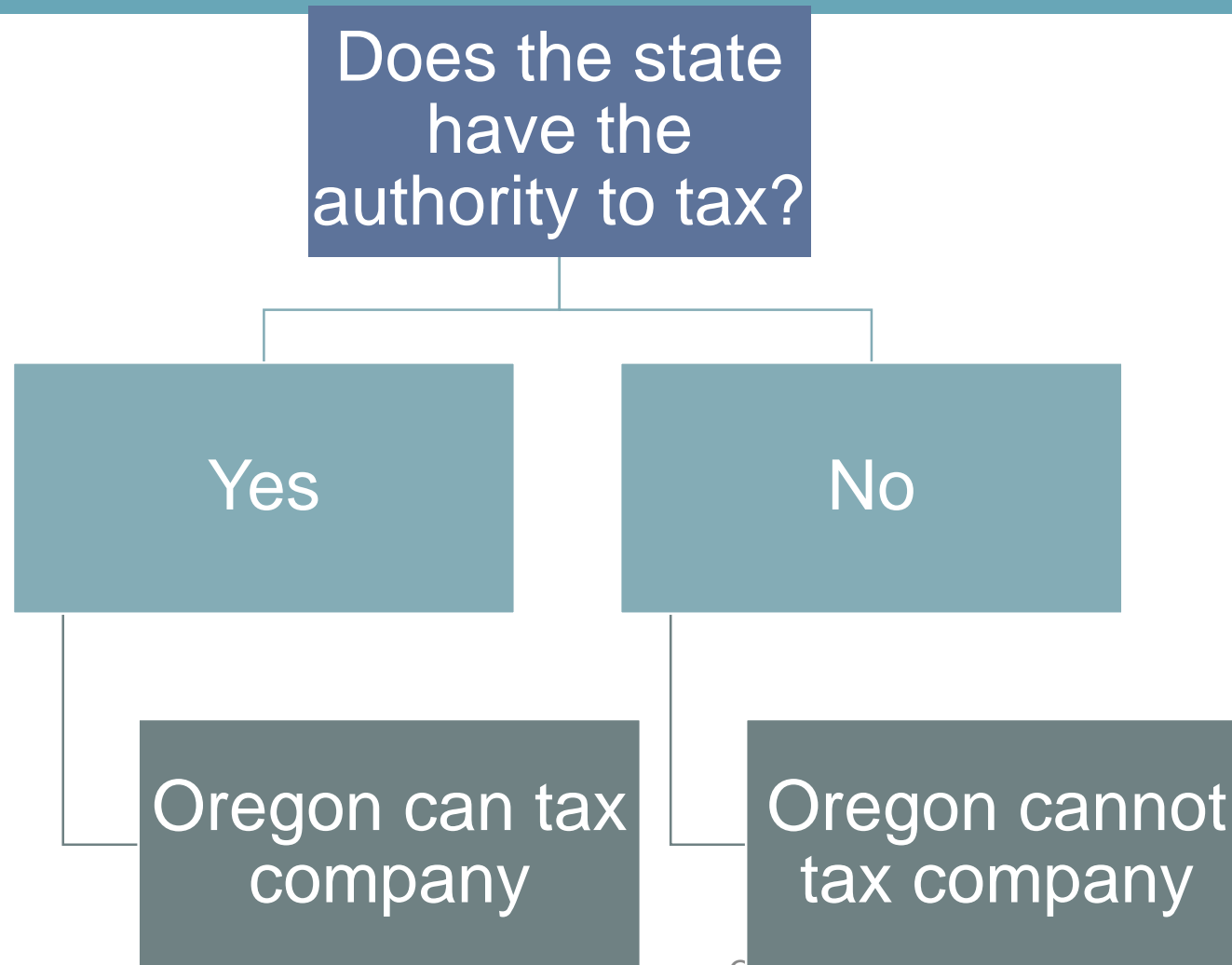
Tax Collections

- Amount of money the state actually collects





Nexus





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

South
Dakota v.
Wayfair

- Physical presence is *not* required to create substantial nexus
- Wayfair does not overrule PL 86-272





Nexus Intangible Sales

2017: SB 28 (CH 549)

Moved Oregon to
market based 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





Combined Reporting

Not all states allow combined reporting, but *when* allowed....

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





Combined Reporting

Not all states allow combined reporting, but *when* allowed....

Joyce

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

Finnigan

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





Business Types

Sole
Proprietorships

Partnerships,
LLPs, LLCs

S Corporations

C Corporations





Business Types

C-Corporations

- Corporate Excise Payers
- Corporate Income Payers
- Insurance Corporations
- Entity-level tax exists

S-Corporations

- Considered Pass-Through Entities (PTEs)
- No entity-level tax
- Earnings taxed via PIT





C Corporation Tax Forms

Form OR-20

- Corporations doing business in Oregon

Form OR-20-INC

- Corporations with Oregon source income not doing business within state

Form OR-20-INS

- Insurance corporations doing business within Oregon

Form OR-20-S

- S corps. doing business within Oregon





C Corporation Tax Forms

Form OR-20

- Corporations doing business in Oregon

Returns: 29,009
Net Tax (\$M): 743

Form OR-20-INC

- Corporations with Oregon source income not doing business within state

Returns: 1,245
Net Tax (\$M): 3

Form OR-20-INS

- Insurance corporations doing business within Oregon

Returns: 1,158
Net Tax (\$M): 730

Form OR-20-S

- S corps. doing business within Oregon

Returns: 71,173
Net Tax (\$M): 12**



Structure of C-Corp Tax Filings

C-Corporations

- Collectively, we refer to these two tax types as the Corporate Excise and Income Tax
 - Often used interchangeably
 - Differences do exist





Structure of C-Corp Tax Filings

C-Corporations

**Doing Business Within
Oregon**





Structure of C-Corp Tax Filings

C-Corporations

**Doing Business Within
Oregon**

**Corporate Excise
Tax**





Structure of C-Corp Tax Filings

C-Corporations

Not doing business in
Oregon
Income from Oregon
source





Structure of C-Corp Tax Filings

C-Corporations

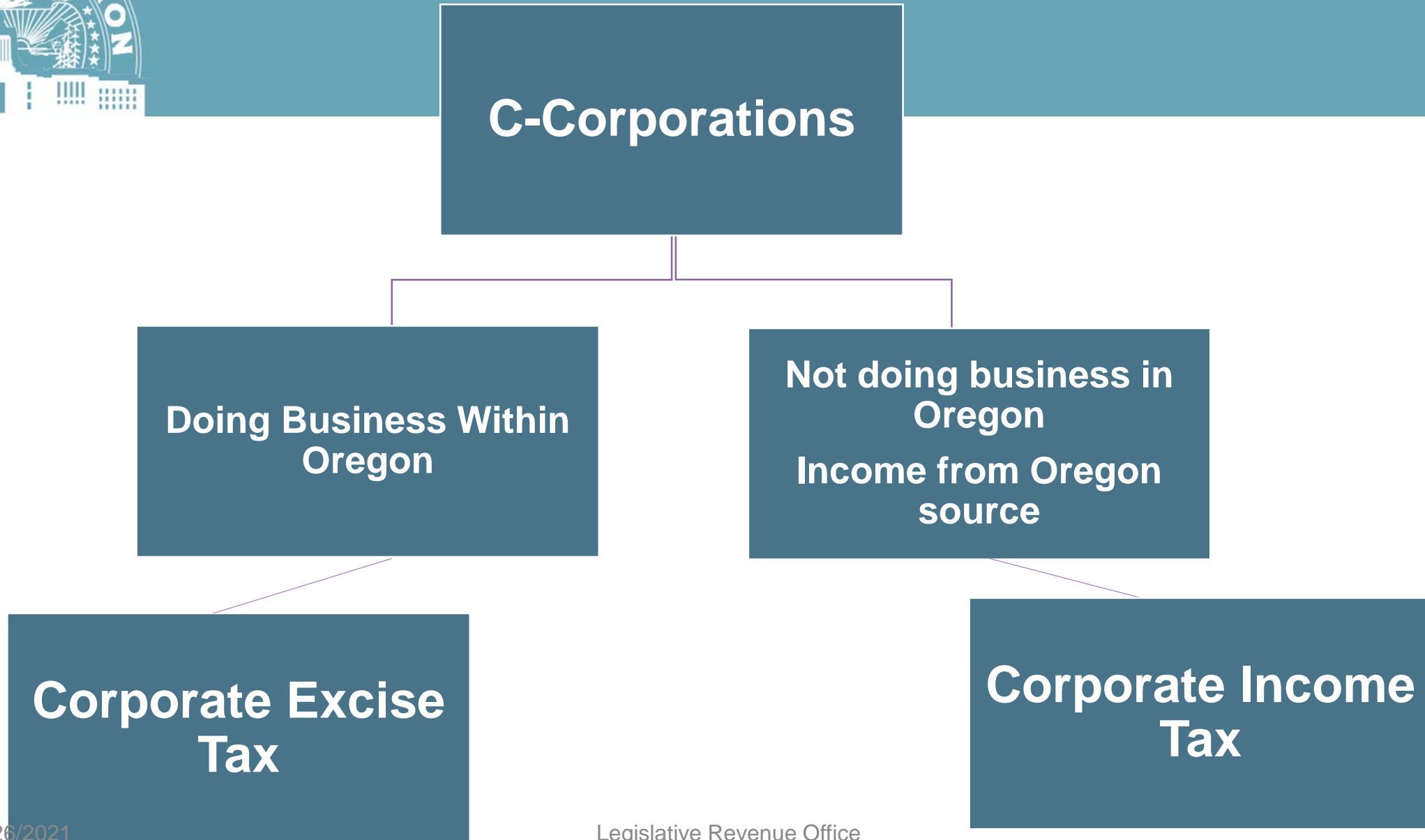
**Not doing business in
Oregon
Income from Oregon
source**

**Corporate Income
Tax**



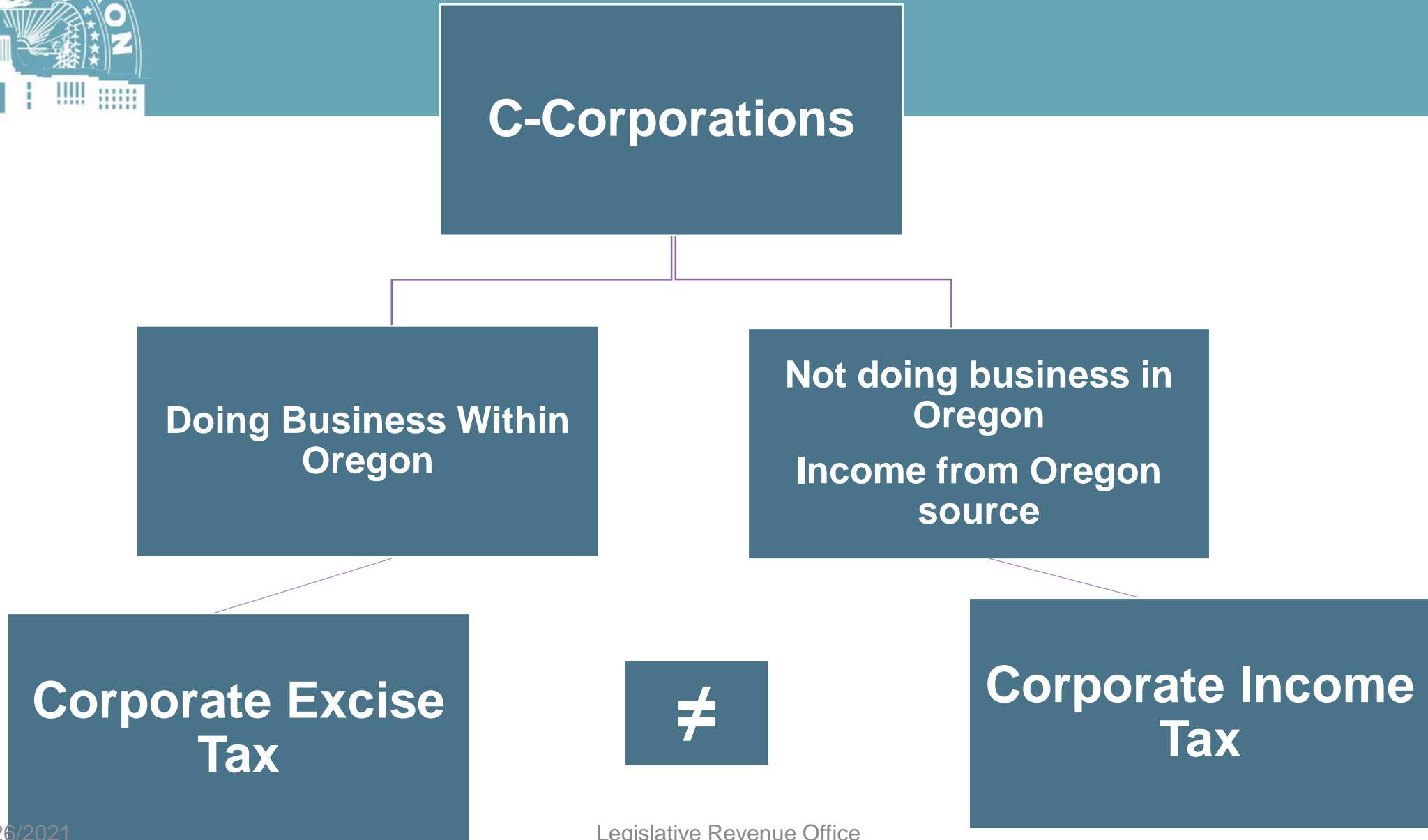


Structure of C-Corp Tax Filings





Structure of C-Corp Tax Filings



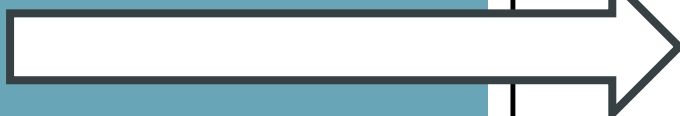


How Taxation Works

1/26/2021

Legislative Revenue Office

Exhibit 1.1 Computation of the Oregon Corporate Income Tax



Federal Taxable Income

plus

Oregon Additions

minus

Oregon Subtractions

multiplied by

Apportionment Percent

minus

Net Loss Deduction

equals

Oregon Taxable Income

multiplied by

Tax Rate

equals

Oregon Tax Before Credits

minus

Tax Credits

equals

Oregon Tax
(not less than minimum tax)



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Apportionment Methods

**Corporation Only
Operates in
Oregon?**





Apportionment Methods

**Corporation Only
Operates in
Oregon?**

Yes, Oregon only





Apportionment Methods

**Corporation Only
Operates in
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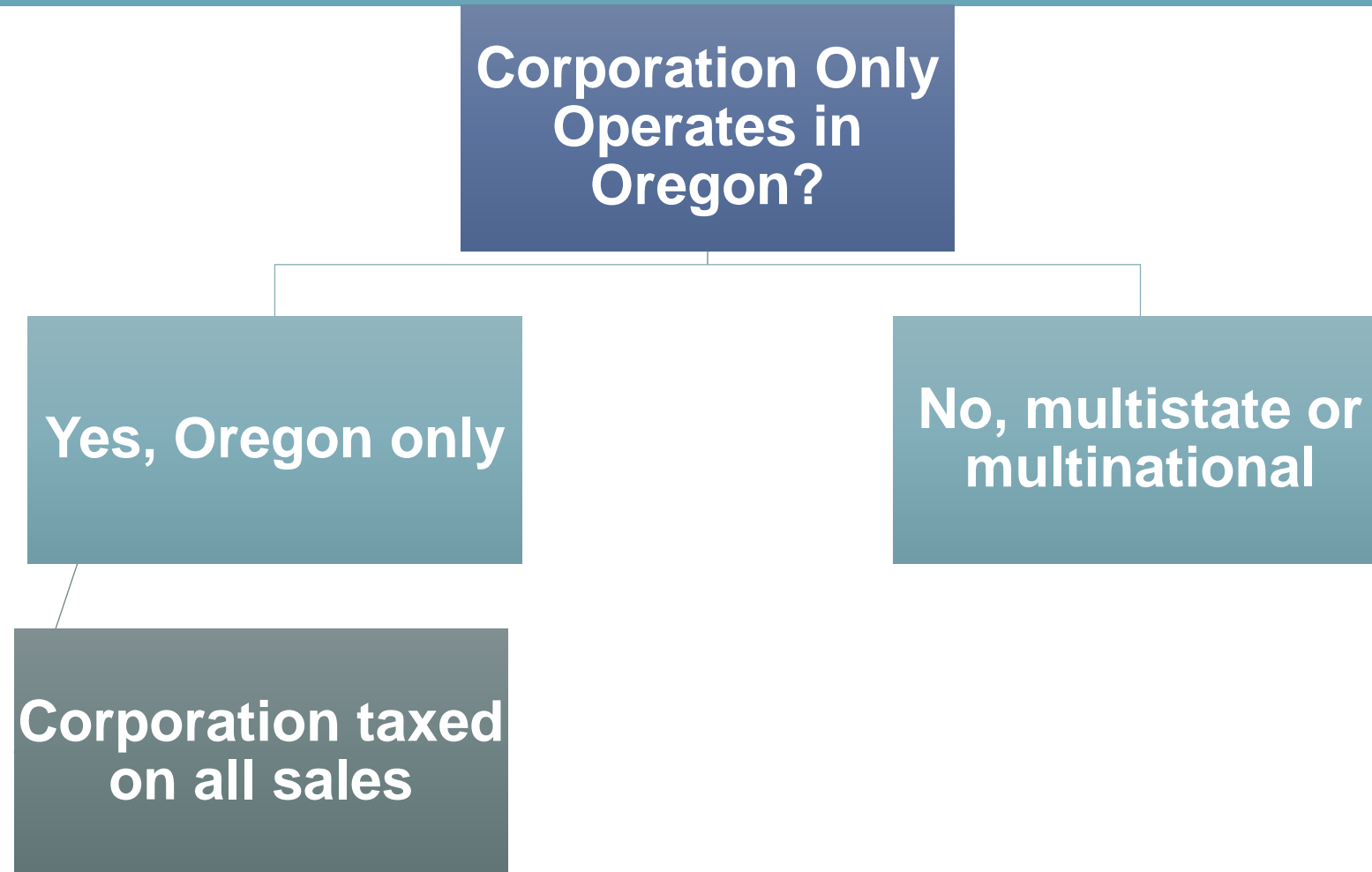
Yes, Oregon only

**Corporation taxed
on all sales**



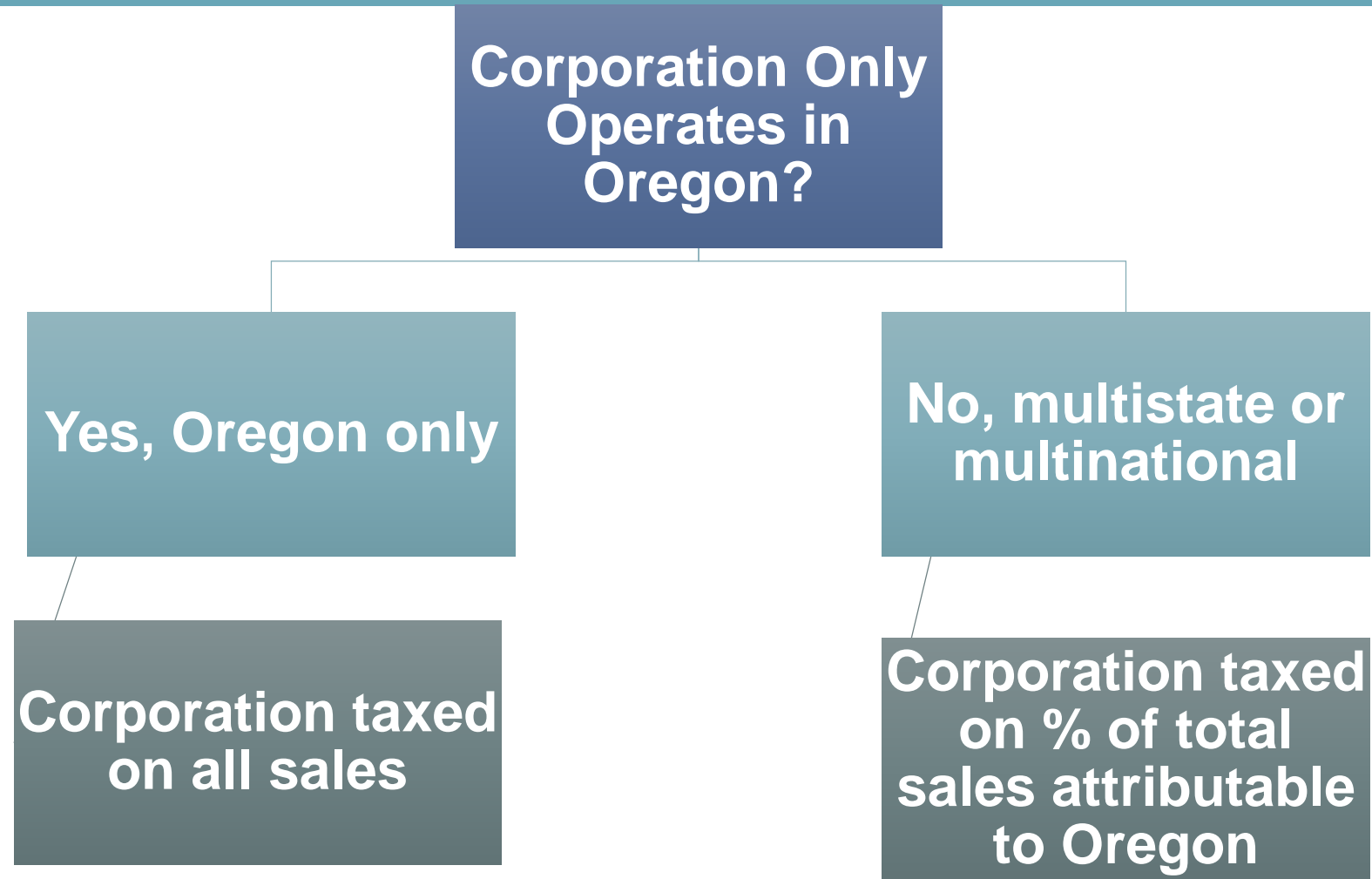


Apportionment Methods





Apportionment Methods

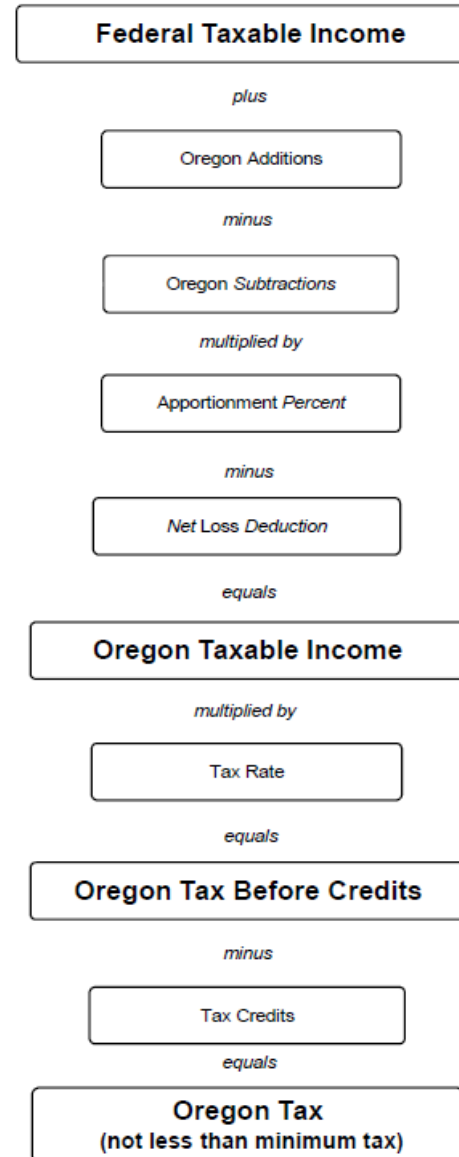




How Taxation Works



Exhibit 1.1 Computation of the Oregon Corporate Income Tax





Carry-back versus Carry-forward

Operating losses

- Offset future tax liability for up to 15 years
- Can be *carried forward*
- Cannot be *carried backward*

Capital losses

- Can be *carried forward* up to five years
- Can be *carried backward* up to three years
- Only applied to reduce the amount of capital gain income taxed by Oregon





How Taxation Works



Exhibit 1.1 Computation of the Oregon Corporate Income Tax

Federal Taxable Income

plus

Oregon Additions

minus

Oregon Subtractions

multiplied by

Apportionment Percent

minus

Net Loss Deduction

equals

Oregon Taxable Income

multiplied by

Tax Rate

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Oregon Tax Before Credits

minus

Tax Credits

equals

**Oregon Tax
(not less than minimum tax)**





C Corporation Tax Rates

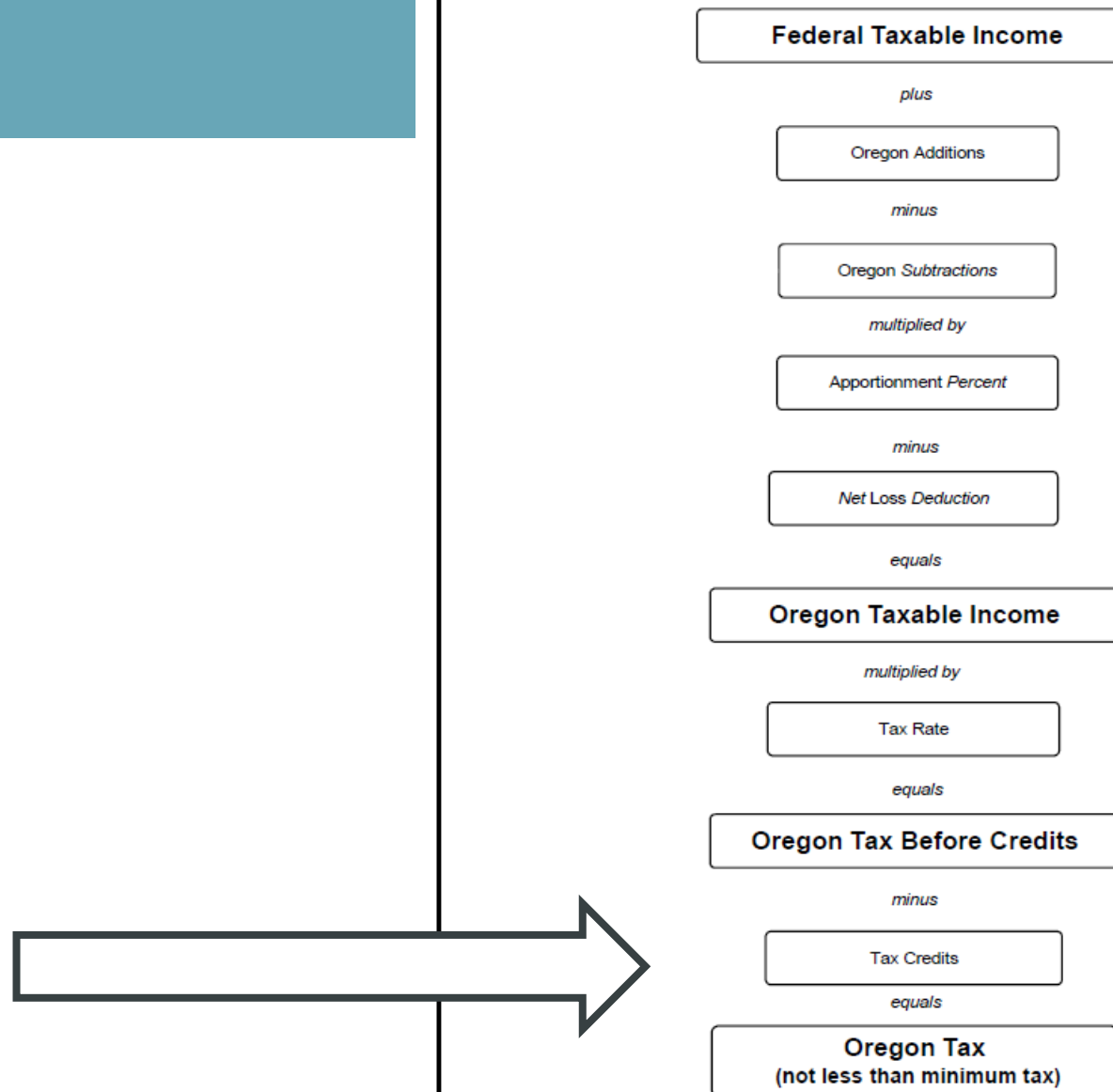
C-Corporations	
<u>Taxable Income</u>	<u>Tax Before Credits</u>
Not over \$1M	6.6% of taxable income
Over \$1M	\$66,000 + 7.6% of income over \$1M





How Taxation Works

Exhibit 1.1 Computation of the Oregon Corporate Income Tax





Corporate Tax Credits

- Standard Credits
 - Only for use in current tax year's returns
- Carryforward Credits
 - Any unused portion of the credit can be used in subsequent tax years
- DOR produces a Corporate Tax report annually with detailed information about credits





How Taxation Works

1/26/2021

Legislative Revenue Office

Exhibit 1.1 Computation of the Oregon Corporate Income Tax

Federal Taxable Income

plus

Oregon Additions

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multiplied by

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equals

Oregon Taxable Income

multiplied by

Tax Rate

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Oregon Tax Before Credits

minus

Tax Credits

equals

**Oregon Tax
(not less than minimum tax)**



Minimum Tax Schedule

C-Corporation Minimum Tax	
Oregon Sales (\$)	Minimum Tax (\$)
< \$500,000	\$150
\$500,000 to \$1 Million	\$500
\$1 Million to \$2 Million	\$1,000
\$2 Million to \$3 Million	\$1,500
\$3 Million to \$5 Million	\$2,000
\$5 Million to \$7 Million	\$4,000
\$7 Million to \$10 Million	\$7,500
\$10 Million to \$25 Million	\$15,000
\$25 Million to \$50 Million	\$30,000
\$50 Million to \$75 Million	\$50,000
\$75 Million to \$100 Million	\$75,000
\$100 Million or more	\$100,000

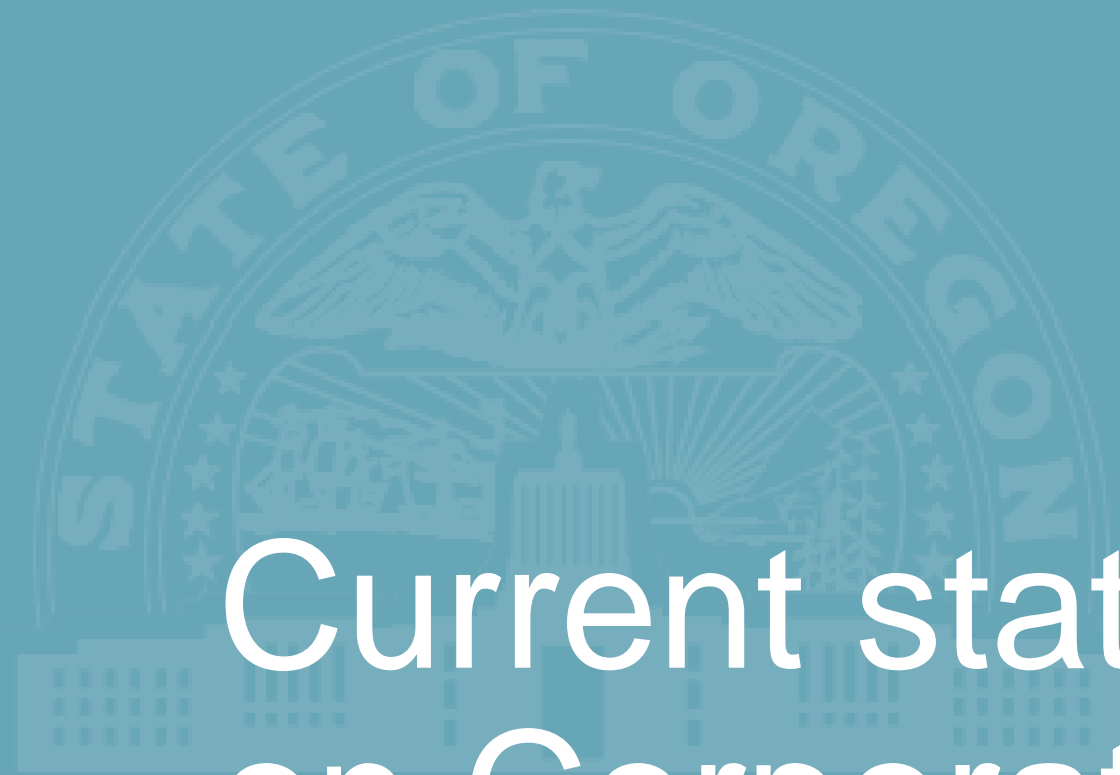




Minimum Tax Schedule

- Minimum tax schedule for C-Corporations paying excise tax
- C-Corporations filing income tax in Oregon have no minimum tax
- S-Corporations have a minimum tax of \$150
 - OR 317.090(2)(b)

C-Corporation Minimum Tax	
Oregon Sales (\$)	Minimum Tax (\$)
< \$500,000	\$150
\$500,000 to \$1 Million	\$500
\$1 Million to \$2 Million	\$1,000
\$2 Million to \$3 Million	\$1,500
\$3 Million to \$5 Million	\$2,000
\$5 Million to \$7 Million	\$4,000
\$7 Million to \$10 Million	\$7,500
\$10 Million to \$25 Million	\$15,000
\$25 Million to \$50 Million	\$30,000
\$50 Million to \$75 Million	\$50,000
\$75 Million to \$100 Million	\$75,000
\$100 Million or more	\$100,000

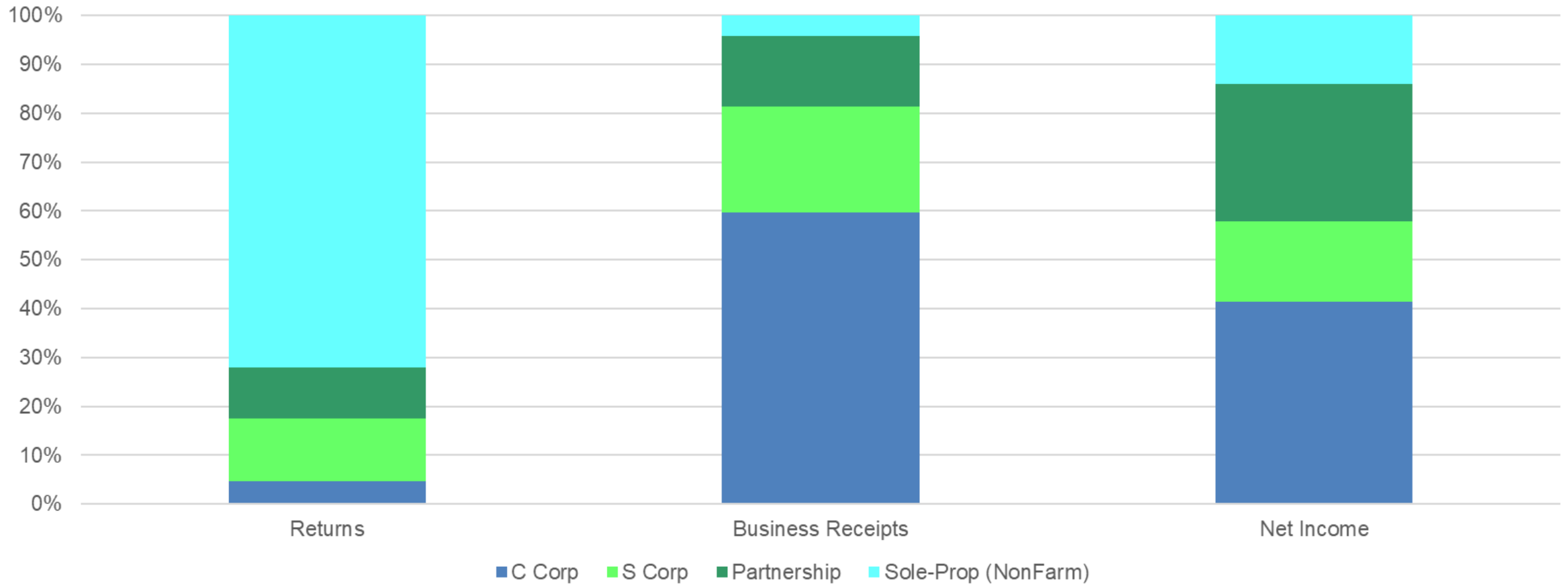


Current statistics on Corporate Tax



Data by Entity Type

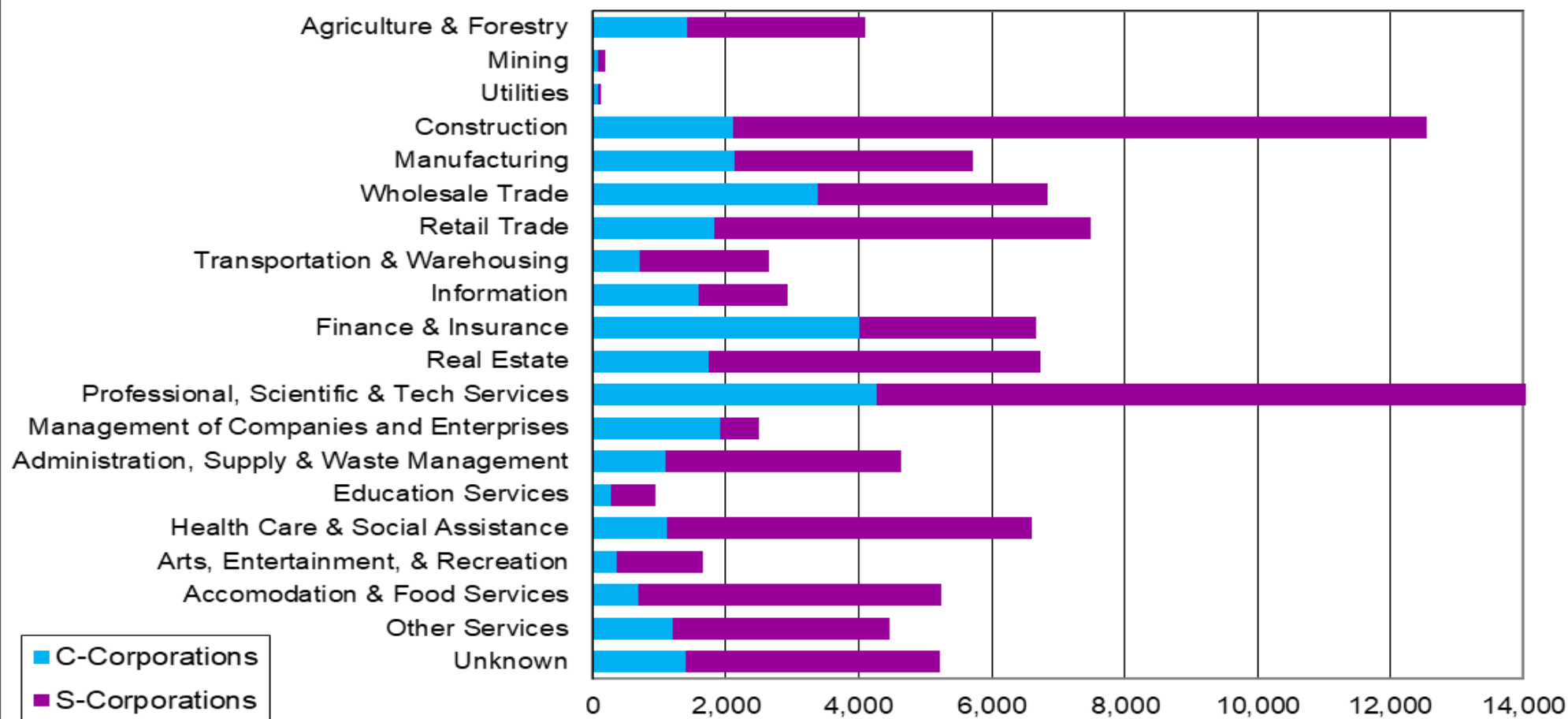
Business Stats by Entity Type (IRS Data)





Corporate Returns by Industry

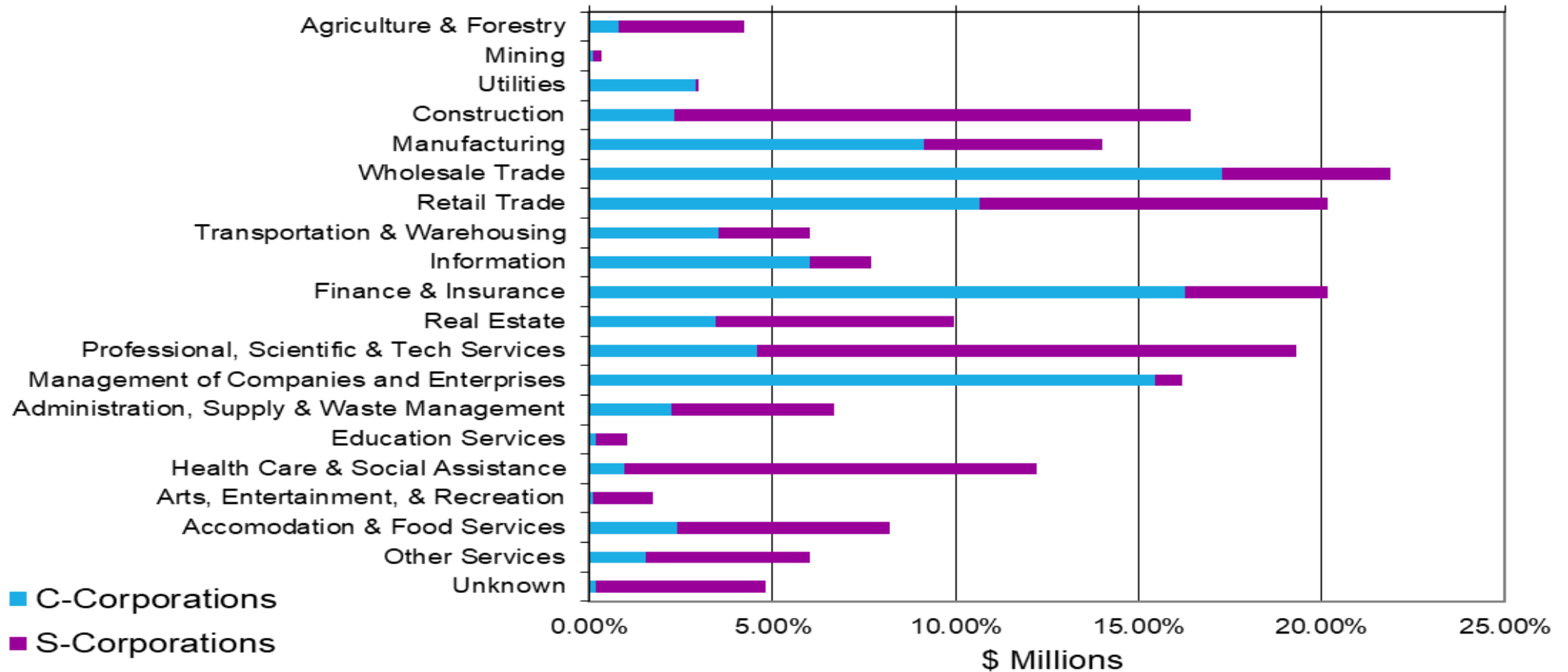
Corporate Filers by Industry, Tax Year 2018





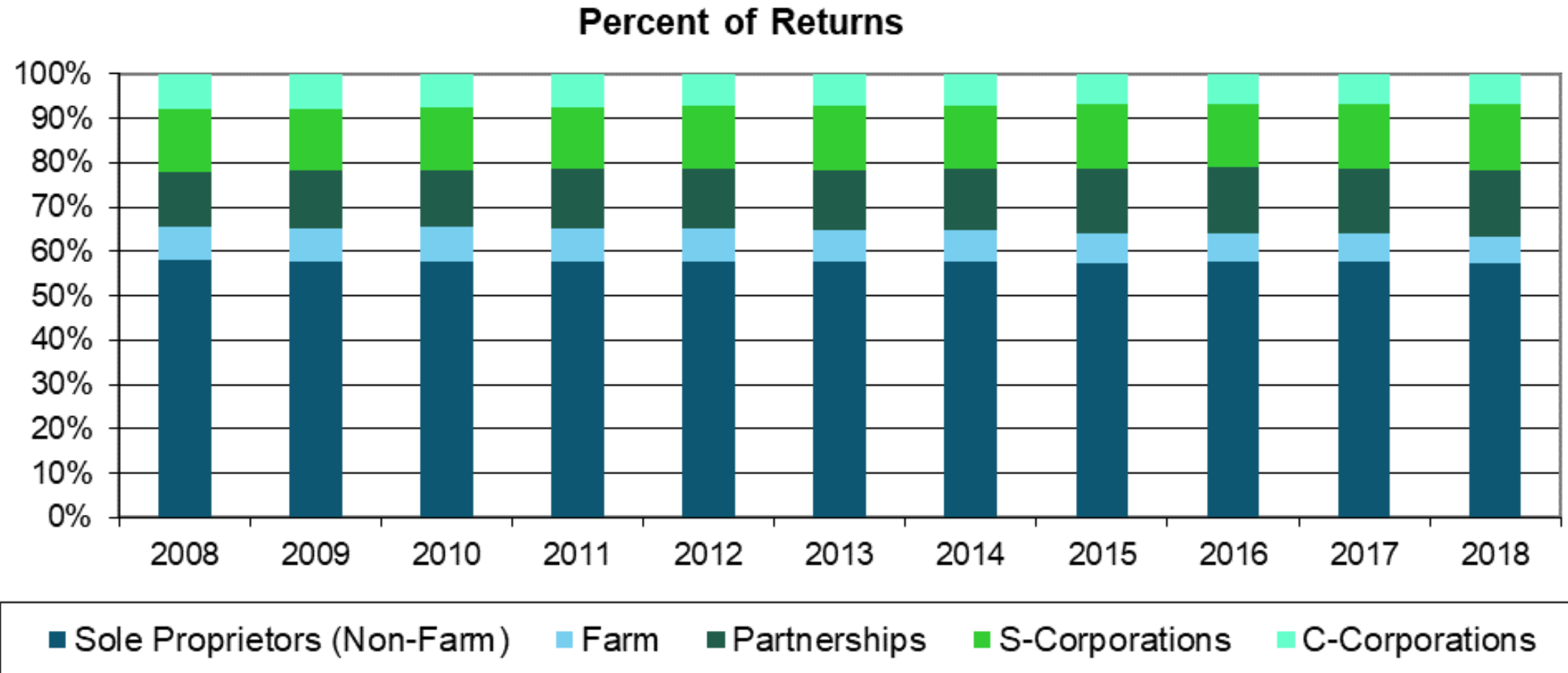
Corporate Returns by Industry

Percent of Net Tax by Industry, Tax Year 2018





Returns by Entity Type





Income by Entity Type

Percent of Income

