

Taxation of Interstate Broadcasters in Oregon



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



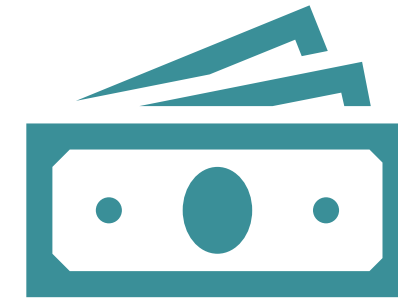


Key Details



Who is an interstate broadcaster?

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



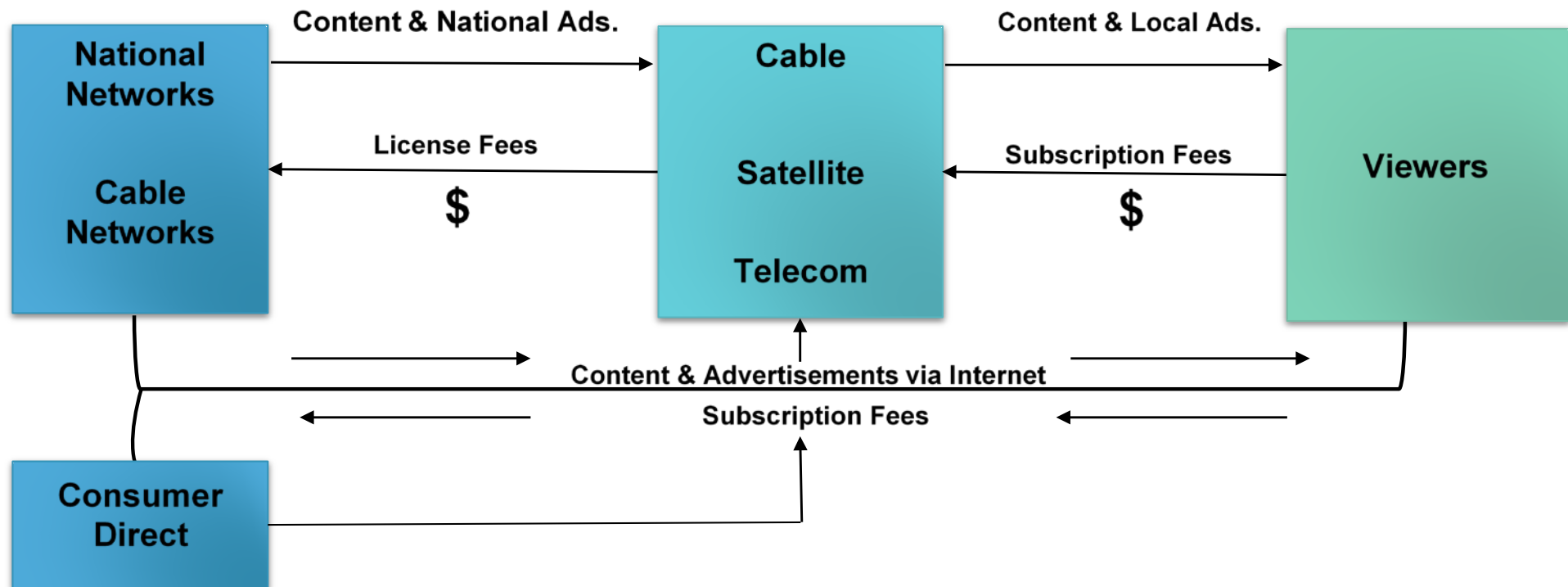
Which income is apportioned? *Comcast Case*

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



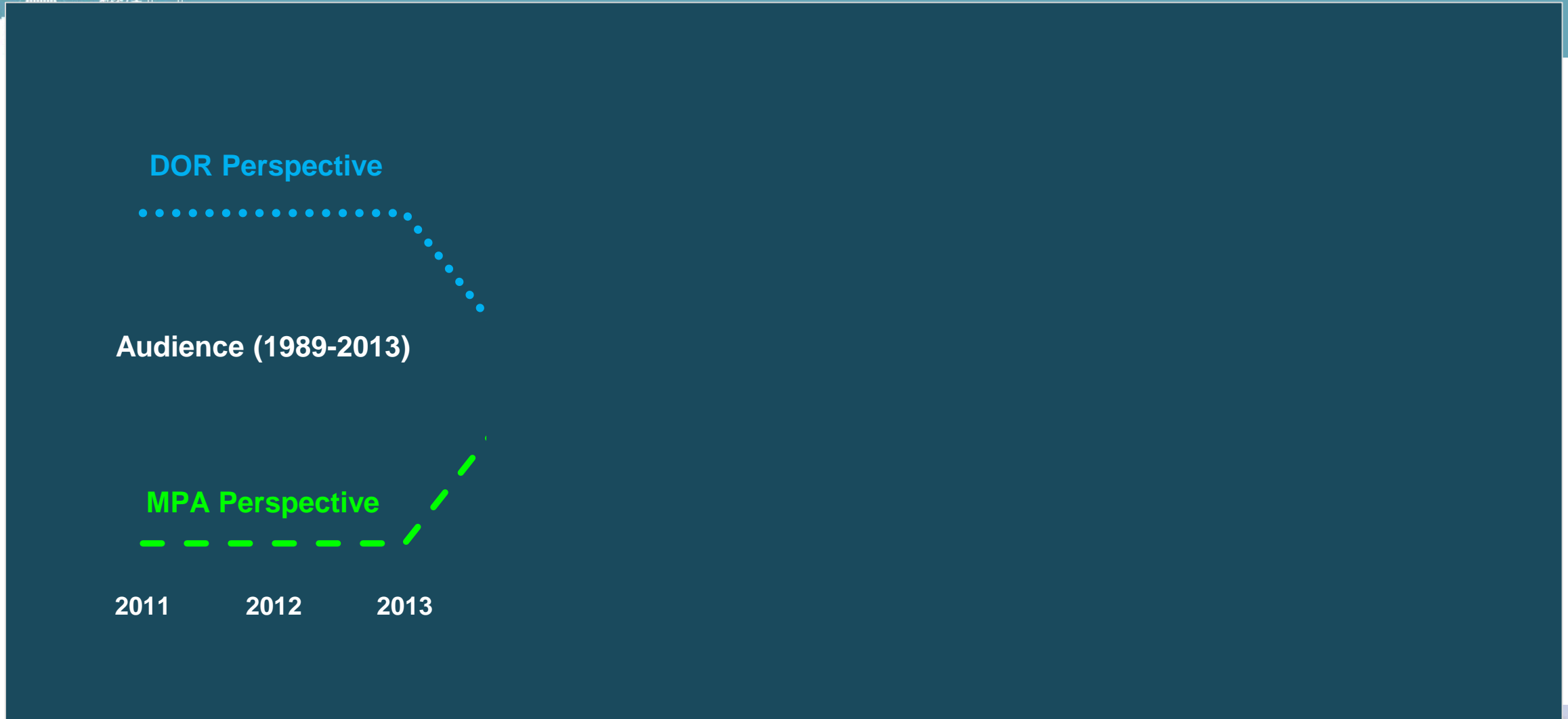


Industry Description



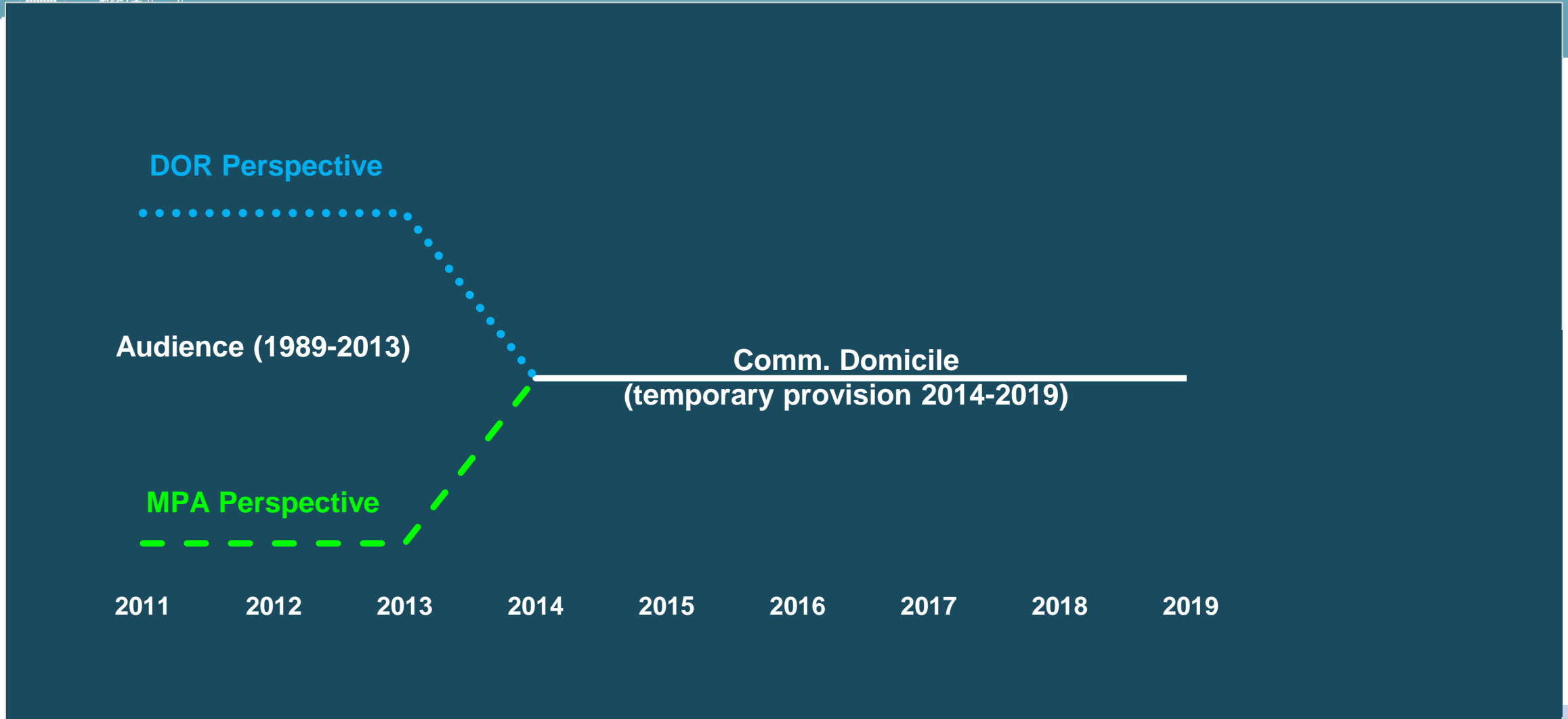


Policy History



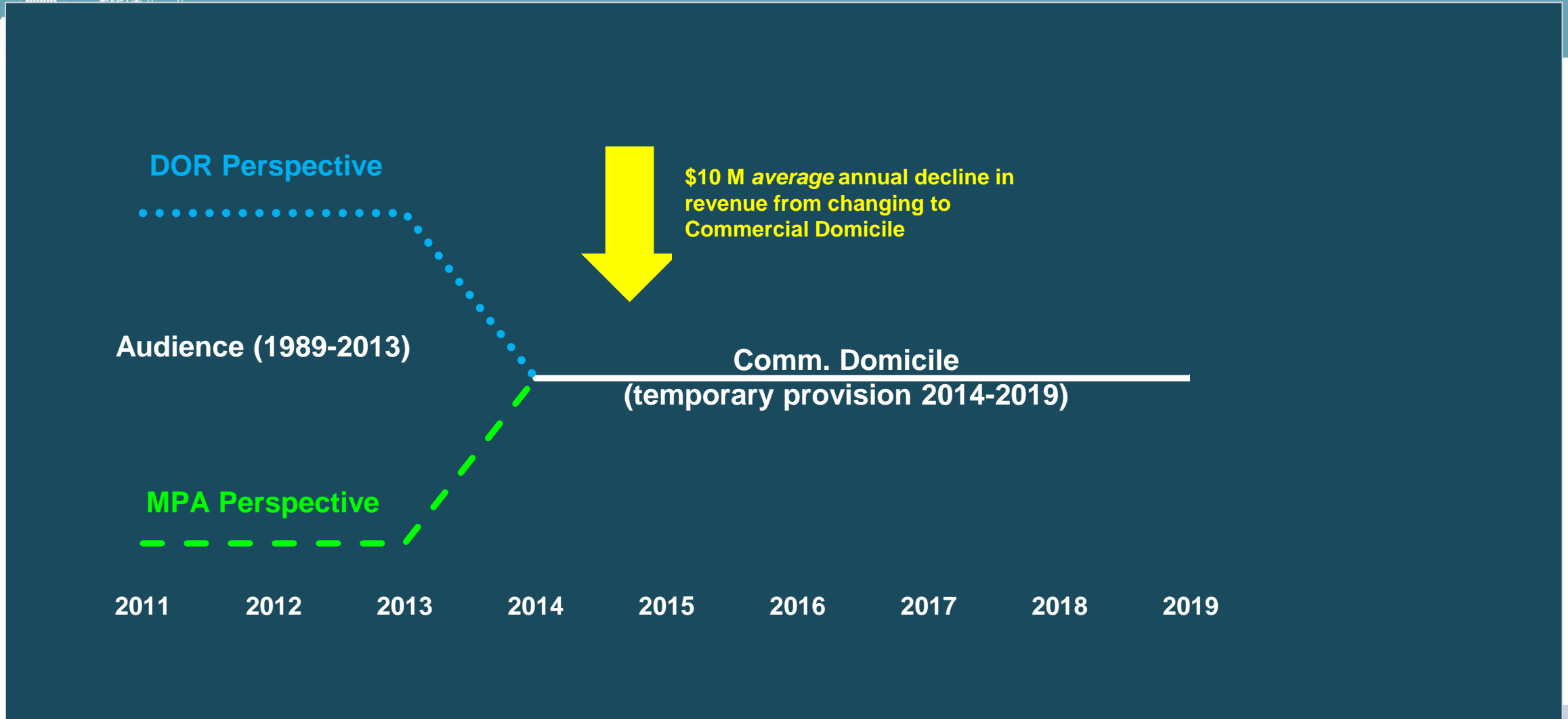


Policy History



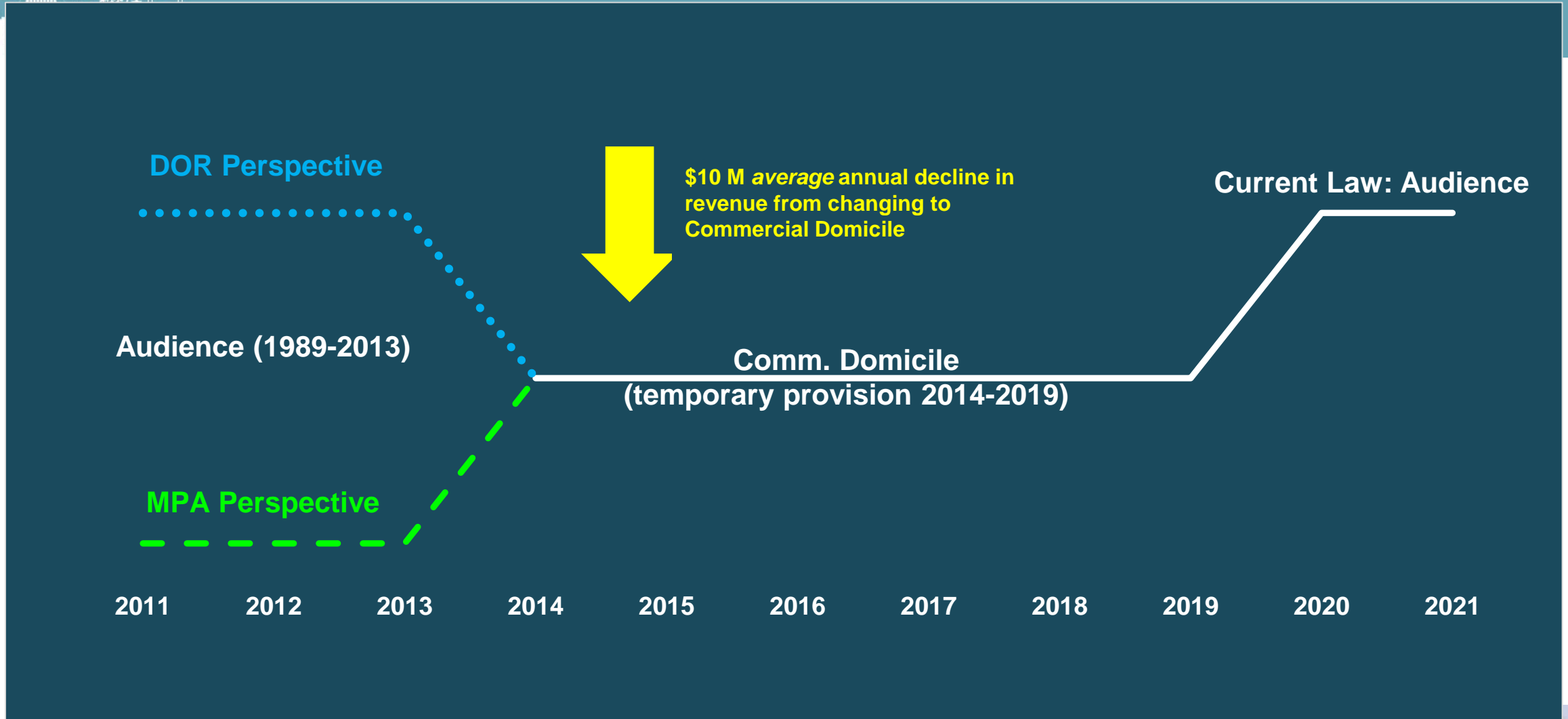


Policy History





Policy History





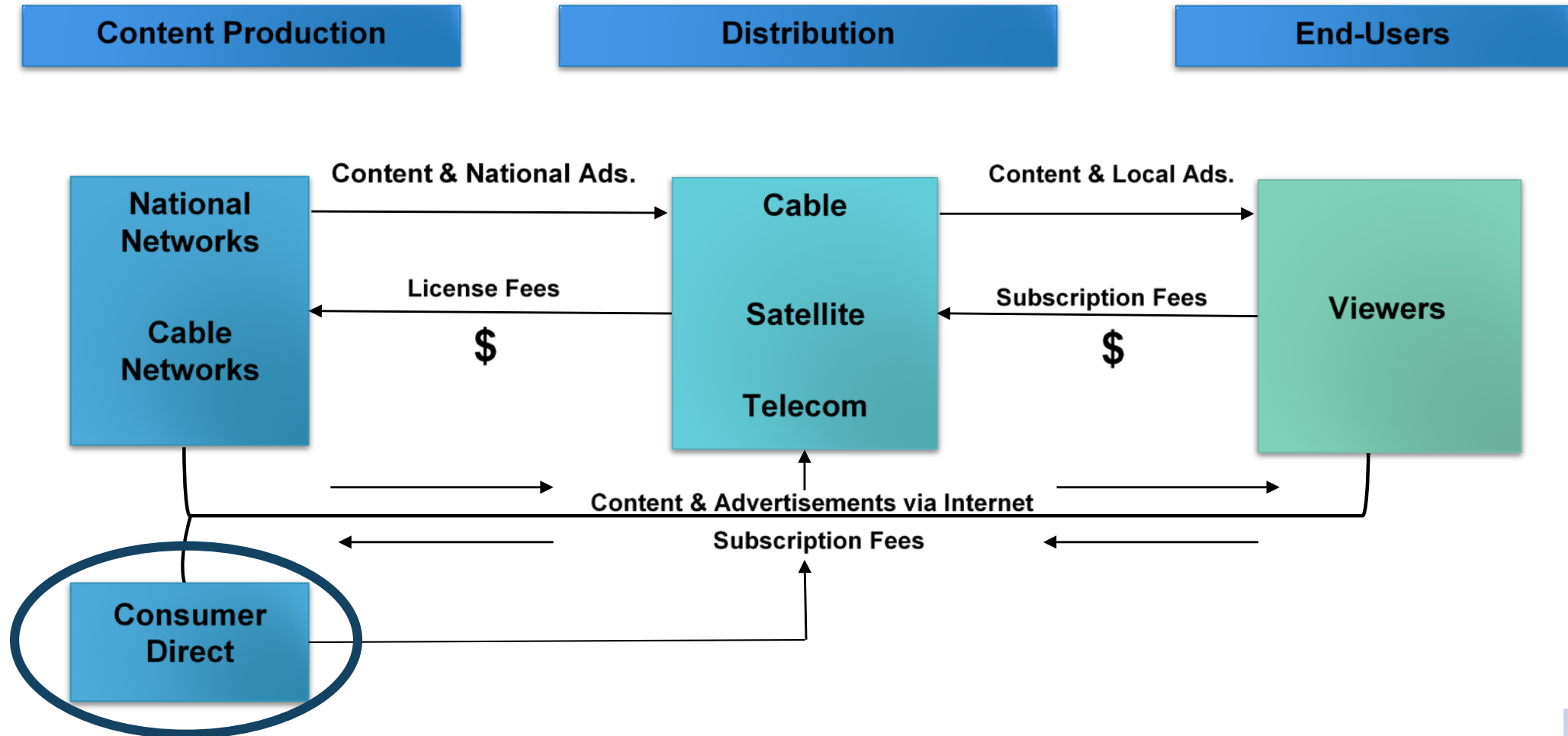
Broadcasting Definition

- “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



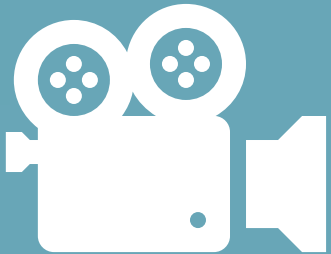
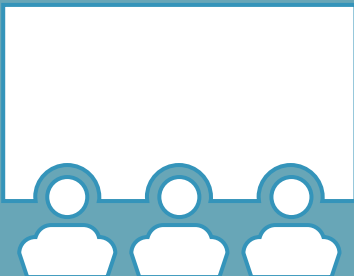


Current Baseline

- 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



Additional questions?





HB 2455 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.





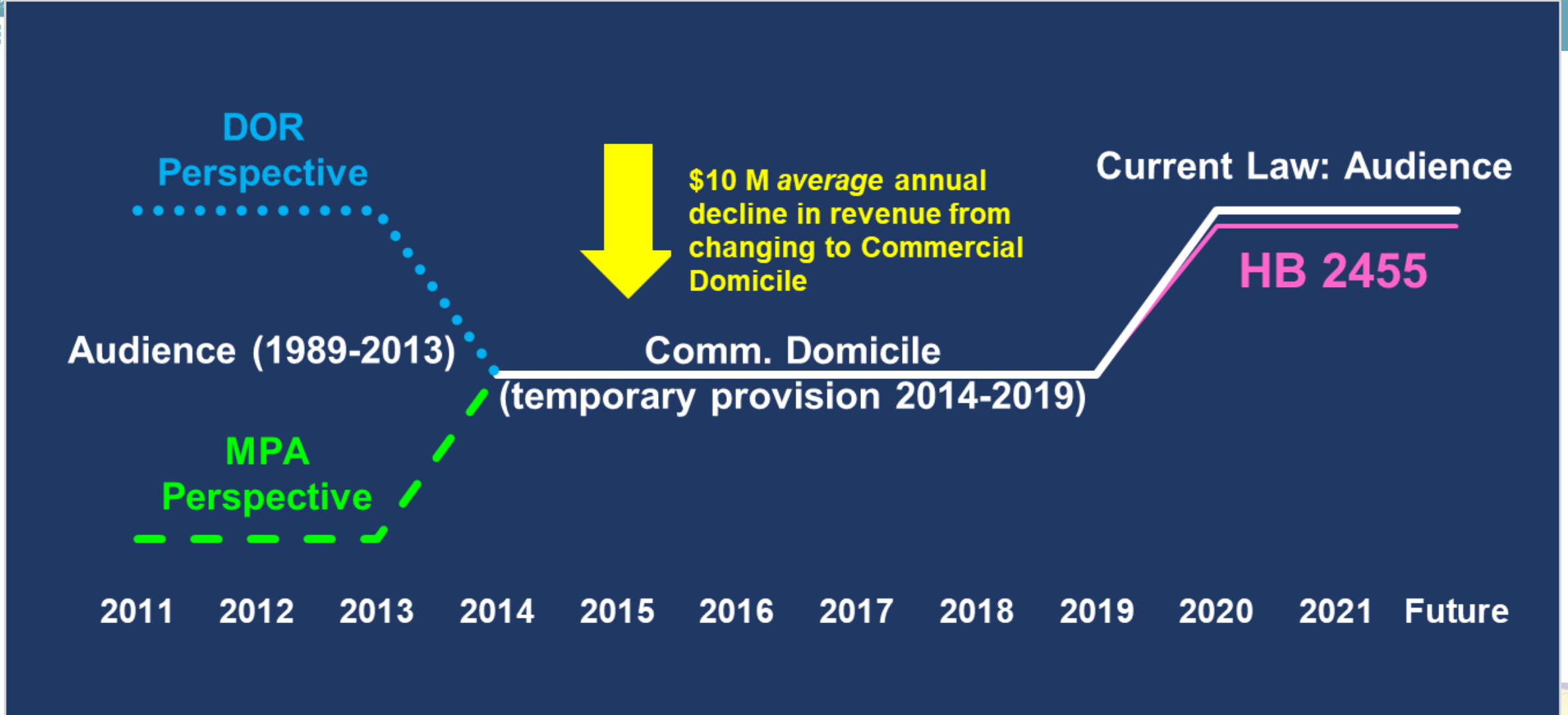
Apportionment Calculation

- 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.
- HB 2455
 - 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.

