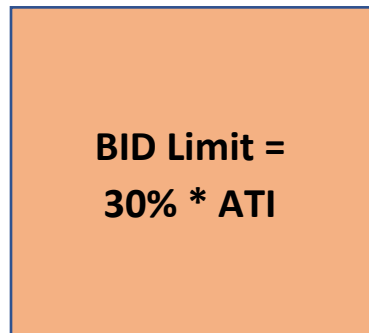


Business Interest Deduction (BID)

This provision determines the maximum amount of business interest deduction a business can take in a specific tax year. Generally speaking, prior to the CARES Act the maximum was set at 30% of Adjusted Taxable Income (ATI). The CARES Act increases this limit to 50% of ATI. This provision applies to businesses with at least \$25M in U.S. gross receipts. Business interest that exceeds the limit in a specific year can be carried forward to the following tax year as additional business interest. Due to this carryforward, the BID provisions in CARES represent a shift in the timing of the total deduction but not the amount of deduction allowed over time. This timing shift is shown in the example on page 2. The total federal tax due and Oregon tax due do not change between pre-CARES and current law.

Pre-CARES Act



**BID Limit =
30% * ATI**

Current Law



**BID Limit =
50% * ATI**

Pre CARES Act - 30% ATI Limit			
	2020	2021	Total
Total Income	\$ 110	\$ 110	
Business Interest	\$ 60	\$ 27	
Max BID Allowed	\$ 33	\$ 33	\$ 66
BID Taken (Max 30% Income)	\$ 33	\$ 27	\$ 60
BID Carryforward	\$ 27	\$ -	
Income - BID Taken	\$ 77	\$ 83	
Federal Tax Due (21%)	\$ 16.2	\$ 17.4	\$ 33.6
Oregon Tax Due (7.3% eff.rate)	\$ 5.6	\$ 6.1	\$ 11.7
Current Law - 50% ATI Limit			
	2020	2021	Total
Total Income	\$ 110	\$ 110	
Business Interest	\$ 60	\$ 5	
Max BID Allowed	\$ 55	\$ 55	\$ 110
BID Taken (Max 50% Income)	\$ 55	\$ 5	\$ 60
BID Carryforward	\$ 5	\$ -	
Income - BID Taken	\$ 55	\$ 105	
Federal Tax Due (21%)	\$ 11.6	\$ 22.1	\$ 33.6
Oregon Tax Due (7.3% eff.rate)	\$ 4.0	\$ 7.7	\$ 11.7
Overall Changes from CARES BID Provision			
	2020	2021	Total
Federal Tax Change	\$ (5)	\$ 5	\$ -
Oregon Tax Change	\$ (2)	\$ 2	\$ -
Oregon Disconnect			
	2020	2021	Total
Total Income	\$ 110	\$ 110	
Business Interest	\$ 60	\$ 5	
Max BID Allowed - Federal	\$ 55	\$ 55	\$ 110
BID Taken- Federal (Max 50% Income)	\$ 55	\$ 5	\$ 60
BID Carriedforward- Federal	\$ 5	\$ -	
Federal Income - BID Taken	\$ 55	\$ 105	
Max BID Allowed- Oregon 30% ATI	\$ 33	\$ 33	
Oregon Addback of BID > 30% Limit	\$ 22	\$ (22)	
Federal Tax Due (21%)	\$ 11.6	\$ 22.1	\$ 33.6
Oregon Tax Due (7.3% eff.rate)	\$ 5.6	\$ 6.1	\$ 11.7
Net Effects of Oregon Disconnect			
	2020	2021	Total
Change in Federal Tax	\$ -	\$ -	\$ -
Change in Oregon Tax	\$ (1.6)	\$ 1.6	\$ -

Note: Policy change from CARES creates a timing shift. Overall revenue is unchanged

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Units are \$M. This is an illustrative example only.

Net Operating Loss (NOL)

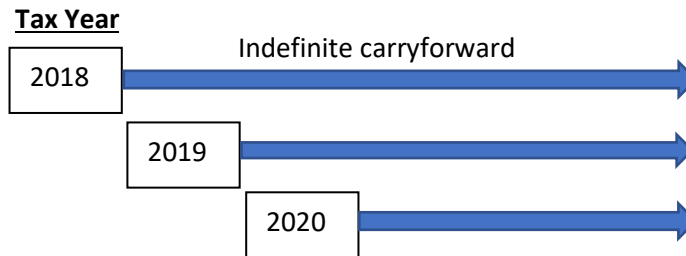
If deductions for the year are more than income for the year, taxpayer may have a net operating loss (NOL). An NOL year is the year in which an NOL occurs. NOLs can be used by deducting the NOL from income in another year(s).

Example of NOL created

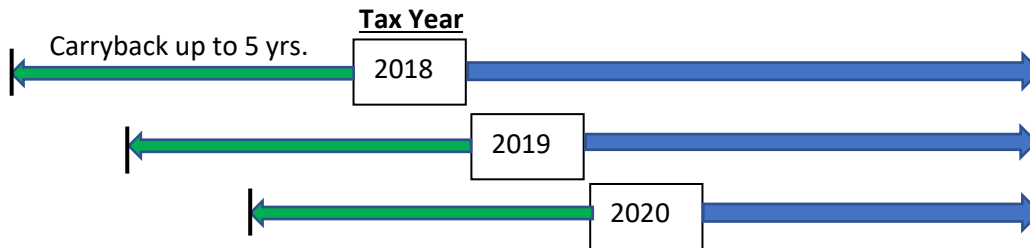
Taxpayer	
Wages	\$50,000
Bus. Inc.	-\$100,000
AGI	-\$50,000
NOL created	-\$50,000

Pre CARES Act

Prior to the CARES Act (2020), NOLs could only be carried forward to future tax years.



Current Law



Example of NOL

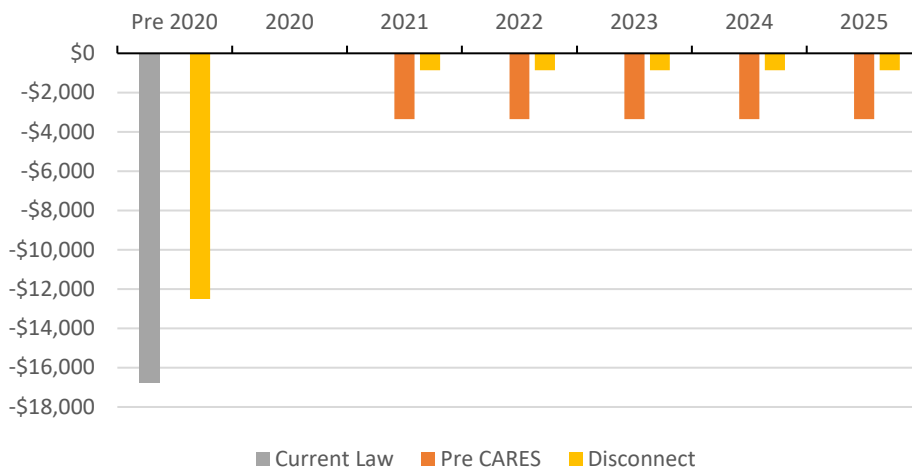
	Tax Year							Total
	Pre 2020	2020	2021	2022	2023	2024	2025	
NOL Created		-\$50,000						
NOL Used	\$0		-\$10,000	-\$10,000	-\$10,000	-\$10,000	-\$10,000	-\$50,000
Fed. Tax Benefit			-\$2,500	-\$2,500	-\$2,500	-\$2,500	-\$2,500	-\$12,500
OR Tax Benefit			-\$850	-\$850	-\$850	-\$850	-\$850	-\$4,250
Net Tax Benefit			-\$3,350	-\$3,350	-\$3,350	-\$3,350	-\$3,350	-\$16,750

	Tax Year							Total
	Pre 2020	2020	2021	2022	2023	2024	2025	
NOL Created		-\$50,000						
NOL Used	-\$50,000							-\$50,000
Fed. Tax Benefit	-\$12,500							-\$12,500
OR Tax Benefit	-\$4,250							-\$4,250
Net Tax Benefit	-\$16,750							-\$16,750

	Tax Year							Total
	Pre 2020	2020	2021	2022	2023	2024	2025	
NOL Created		-\$50,000						
NOL Used	-\$50,000							-\$50,000
Fed. Tax Benefit	-\$12,500							-\$12,500
OR Tax Benefit	\$0		-\$850	-\$850	-\$850	-\$850	-\$850	-\$4,250
Net Tax Benefit	-\$12,500		-\$850	-\$850	-\$850	-\$850	-\$850	-\$16,750

Policy	Tax Year							Total
	Pre 2020	2020	2021	2022	2023	2024	2025	
Pre CARES			-\$3,350	-\$3,350	-\$3,350	-\$3,350	-\$3,350	-\$16,750
Post CARES	-\$16,750							-\$16,750
Disconnect	-\$12,500		-\$850	-\$850	-\$850	-\$850	-\$850	-\$16,750

Example, Net Tax Effect of Policies



Business Loss Limitation (BLL)

Certain business losses incurred by non-corporate taxpayers are limited to \$250,000 (single) or \$500,000 (joint).¹ Disallowed business losses are treated as a net operating loss and can be used to offset income in other tax years. The CARES Act of 2020 eliminated the business loss limitation for tax years 2018, 2019 & 2020.

Pre Cares Act

Joint Taxpayer	Federal & OR
Non-Bus. Inc.	\$1,500,000
Bus. Inc.	-\$500,000 Actual loss -\$800,000
Net Income	\$1,000,000
NOL Created	-\$300,000

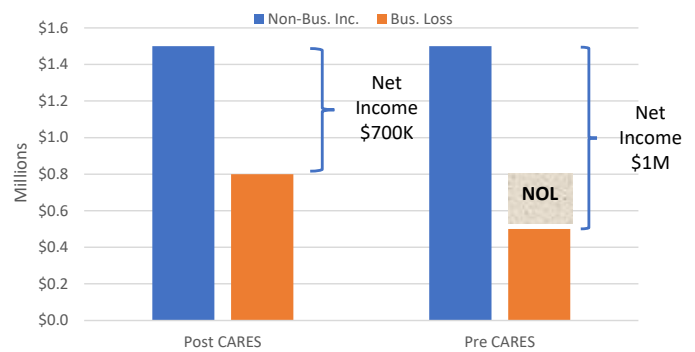
Current Law

Joint Taxpayer	Federal & OR
Non-Bus. Inc.	\$1,500,000
Bus. Inc.	-\$800,000
Net Income	\$700,000
NOL Created	\$0
Fed. Tax Benefit	-\$75,000 <small>-\$300K * fed. tax rate</small>
OR Tax Benefit	-\$25,500 <small>-\$300K * OR tax rate</small>
Net Benefit	-\$100,500

OR Disconnect

Joint Taxpayer	Federal	Oregon
Non-Bus. Inc.	\$1,500,000	\$1,500,000
Bus. Inc.	-\$800,000	-\$500,000
Net Income	\$700,000	\$1,000,000
NOL Created	\$0	-\$300,000
Fed. Tax Benefit	-\$75,000	
OR Tax Benefit		\$0
Net Benefit	-\$75,000	

Example of Business Loss Limitation



NOL created can be used to offset income when filing Oregon taxes in other tax years.

¹ These amounts are indexed to inflation and were \$250/\$500K beginning with TY 2018.