

SB 139 -1, -2

Description of Changes

Senate Committee on Finance & Revenue | 2/25/2021

Legislative Revenue Office



Proposed Policy Changes (Intro, -1, -2)

1) Rate Change

- a. Lower point at which 9.9% tax rate becomes applicable for qualified income

2) Limit business types that qualify

- a. Exclude from OR PTE, entities excluded from federal qualified business income deduction (IRC section 199A(d)(2))
- b. Exclude entities in NAICS sectors 54 (professional, scientific & technical services) and 62 (health care and social assistance)

3) Modify employee requirement

- a. Require business to meet ratio of employees to owners





Rate Change

Non-Passive Income Tax Rates	
Taxable Income (\$)	Tax Rate
≤ \$250,000	7.0%
\$250,001 to \$500,000	7.2%
\$500,001 to \$1 Million	7.6%
\$1 Million to \$2.5 Million	8.0%
\$2.5 Million to \$5 Million	9.0%
Over \$5 Million	9.9%

SB 139	
Taxable Income (\$)	Tax Rate
≤ \$250,000	7.0%
\$250,001 to \$415,000	7.2%
Over \$415,000	9.9%

Distribution of Qualifying Income by Non-Passive Inc. Category - TY 2017	
Non-Passive Income Category	Pct. of Total Qualifying Income
≤ 25K	1%
25 - 50	3%
50 - 75	3%
75 - 100	3%
100 - 200	12%
200 - 250	5%
250 - 300	5%
300 - 400	7%
400 - 500	6%
500 - 600	5%
600 - 700	4%
700 - 800	4%
800 - 900	3%
900 - 1M	2%
1 - 2M	13%
2 - 3M	7%
3 - 4M	3%
4 - 5M	2%
5M+	12%
≤ 415K	40%

Note: Estimated distribution prepared using preliminary e-filed TY 2017 tax returns





Business Type Limitation

IRC Sector Reference

- Green shaded sectors align with IRC definition of “specified service trade or business”
- Entire green shaded sector not necessarily excluded from OR reduced rate policy
- About 20% of Oregon qualified reduced rate pass-through income derived from specified service trade or business

Sector Code	---Sector Name---	Pct. No. of Entities	Pct. Non-Passive Inc.	Avg. Inc.
23	Construction	15%	17%	\$286,000
54	Prof. Sci. Tech.	14%	15%	\$259,000
31-33	Manufacturing	6%	12%	\$526,000
62	Health Care	12%	11%	\$236,000
44-45	Retail Trade	10%	8%	\$210,000
	Other	11%	8%	\$182,609
42	Wholesale Trade	3%	7%	\$605,000
52	Finance & Insurance	4%	5%	\$340,000
11	Ag. & Forestry	5%	5%	\$236,000
53	Real Estate & Rental	5%	4%	\$213,000
72	Accom. & Food Serv.	10%	4%	\$108,000
56	Admin. Waste Mgmt.	3%	2%	\$179,000
48-49	Trans. & Warehouse	2%	2%	\$193,000
71	Arts, Ent. & Recreation	1%	1%	\$121,000

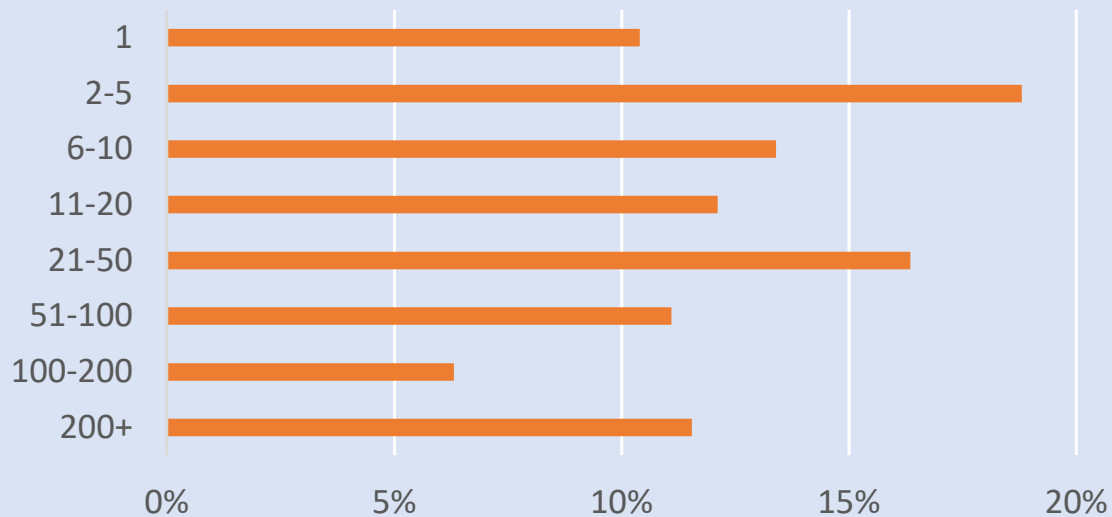
Note: Green shaded rows highlight sectors potentially affected by IRC entity reference.





PTE Business Entity Employees

Share of Non-Passive Income by Number of Employees - 2018



Share of Businesses by Number of Employees - 2018

