

# Corporate Activity Tax

Senate Committee on Finance and Revenue



# Corporate Activity Tax (CAT): Agenda

- Overview of the Corporate Activity Tax (CAT)
- Corporate Activity Tax calculation
- Statistics from Tax Returns for Tax Year 2022

Note: the tax return data used in this presentation comes from the Department of Revenue, Research Section ([https://www.oregon.gov/dor/gov-research/Pages/corp\\_activity\\_tax.aspx](https://www.oregon.gov/dor/gov-research/Pages/corp_activity_tax.aspx))

# Corporate Activity Tax (ORS 371A) : Overview

The Oregon Corporate Activity Tax is a tax on **commercial activity** in Oregon.

**Commercial Activity** is defined as (ORS 317A.100(a)):

“The total amount realized by a person arising from transactions and activity in the regular course of the person’s trade or business, without deduction for expenses incurred by the trade or business”

# Corporate Activity Tax (ORS 371A) : Overview

The Oregon Corporate Activity Tax applies to all business types (Corporations, Partnerships, Proprietors, etc.) with a **substantial nexus** in Oregon.

# Overview CAT: Nexus

**Substantial nexus** has a broad standard (ORS 317A.116). Examples of when it exists:

- Owns or uses capital in Oregon
- Has a certificate from Secretary of State authorizing it to do business in Oregon
- Has \$50,000 of property in Oregon
- Has \$50,000 of payroll in Oregon including
  - Employees in Oregon
  - Contractors in Oregon acting on behalf of business
- Has \$750,000 of Commercial Activity in Oregon
- Has 25% of its property, payroll, or Commercial Activity in Oregon
- Has Oregon domicile

# Overview CAT: Exclusions and Subtractions

Has Exclusions for:

- Several business entities ( e.g., nonprofit organizations, hospitals and long-term care facilities subject to medical provider taxes, government entities)
- Exclusions of some business activities (e.g., funds raised for charity, tax refunds, motor vehicle fuel, wholesale and retail groceries sales)
- Exclusion of 15% allowed for general contractor payments to subcontractor for labor costs for single family residential construction

Allows Subtractions for:

35% of labor cost (max \$500k for any single employee) or 35% of cost of goods sold

Has a minimum threshold of taxable commercial activity **over \$1 million.**

# Overview CAT: Calculation

Registration Requirement:  
Commercial activity greater than \$750,000

Tax Filing Requirement:  
Commercial activity greater than \$1,000,000

All Oregon  
Commercial Activity - Exclusions - Subtractions - Subcontractor - \$1 million =

Input or Labor  
Cost (35%)                      Exclusion  
(15%)

Taxable  
Commercial  
Activity  
(more than \$1 million)

Taxable  
Commercial  
Activity  
(more than \$1 million)

x Tax Rate + \$250  
(0.57%)                      =

Corporate  
Activity Tax  
Liability

# Descriptive Statistics: Timing

## Oregon Corporate Activity Tax Timing

Tax Year Begins	Tax Year Ends	Return Due	Return Due with Extension
<b>January 1</b>	<b>December 31</b>	<b>April 15</b>	<b>October 15</b>
February 1	January 31	May 15	November 15
March 1	February 28	June 15	December 15
April 1	March 31	July 15	January 15
May 1	April 30	August 15	February 15
June 1	May 31	September 15	March 15
July 1	June 30	October 15	April 15
August 1	July 31	November 15	May 15
September 1	August 31	December 15	June 15
October 1	September 30	January 15	July 15
November 1	October 31	February 15	August 15
<b>December 1</b>	<b>November 30</b>	<b>March 15</b>	<b>September 15</b>

## Tax Year 2022 Corporate Activity Tax Returns

Month Received	Number of Returns	Share of Returns	Cumulative
Calendar Year 2023			
January 2023	200	0.8%	0.8%
February	990	3.7%	4.5%
March	3,950	14.9%	19.3%
April	5,810	21.9%	41.2%
May	830	3.1%	44.3%
June	870	3.3%	47.6%
July	880	3.3%	50.9%
August	1,350	5.1%	56.0%
September	4,550	17.1%	73.1%
October	4,210	15.8%	89.0%
November	570	2.1%	91.1%
December	290	1.1%	92.2%
Calendar Year 2024			
January 2024	440	1.7%	93.9%
February	360	1.4%	95.2%
March	240	0.9%	96.1%
April	240	0.9%	97.0%
May	120	0.5%	97.5%
June	120	0.5%	97.9%
July	210	0.8%	98.7%
August	110	0.4%	99.1%
September	110	0.4%	99.5%
October 2024 and later	130	0.5%	100.0%
<b>Total</b>	<b>26,570</b>	<b>100.0%</b>	<b>7</b>

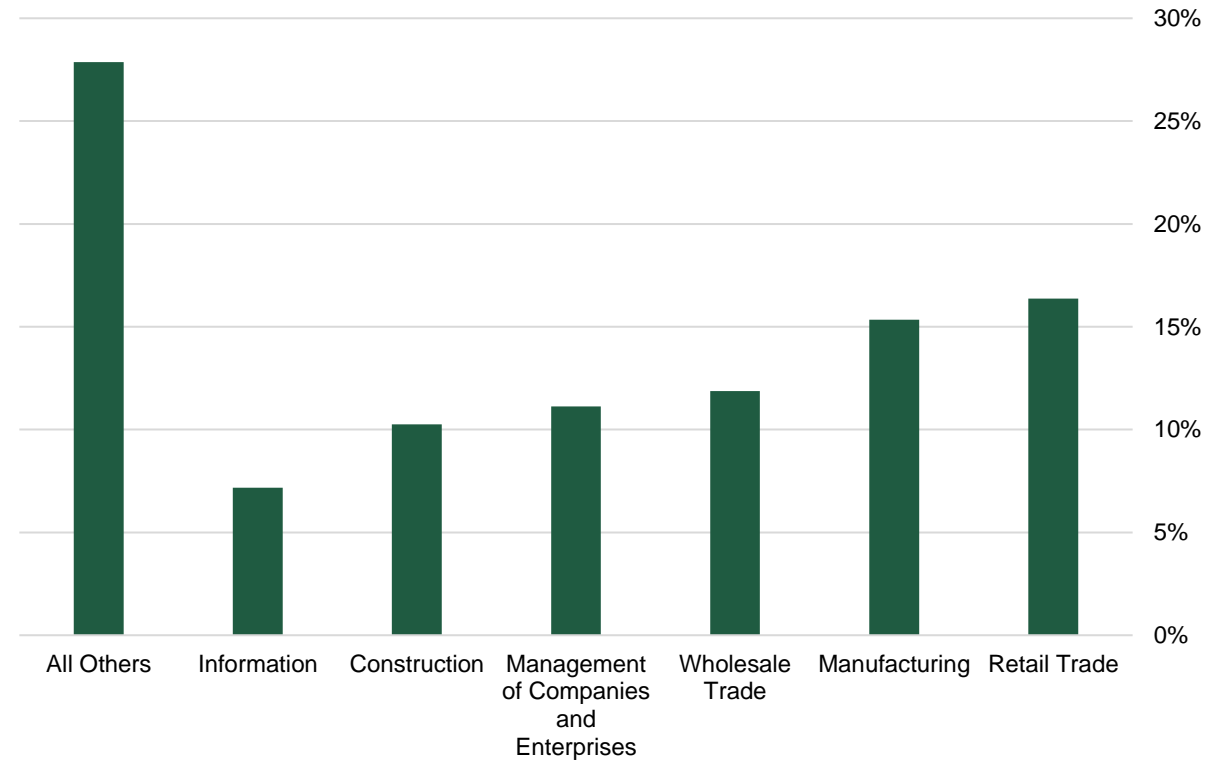


# Descriptive Statistics: By Industry

## CAT 2022 Tax Year Returns

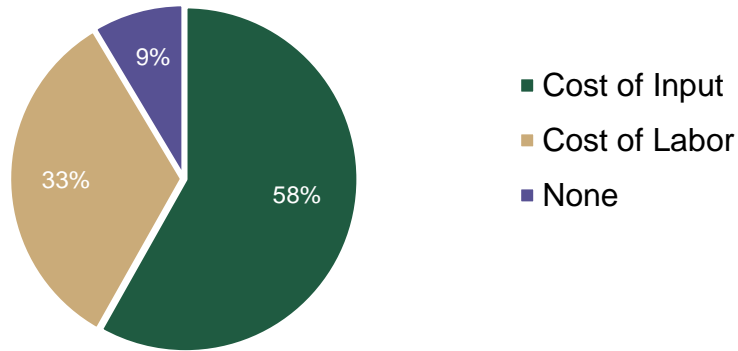
Industry Sector	Commercial Activity (\$ millions)	Tax Liability (\$ millions)
Agriculture, Forestry, Fishing, and Hunting	4,343	13.1
Mining	428	1.5
Utilities	6,010	24.8
Construction	35,408	125.9
Manufacturing	47,373	188.4
Wholesale Trade	37,597	145.8
Retail Trade	50,858	201.1
Transportation and Warehousing	6,814	29.3
Information	17,622	88.0
Finance and Insurance	10,155	47.7
Real Estate, Rental, and Leasing	12,696	54.6
Professional, Scientific, and Technical Services	13,535	51.0
Management of Companies and Enterprises	30,613	136.7
Administrative, Support, and Waste Management	5,626	22.5
Education Services	358	1.3
Health Care and Social Assistance	11,164	42.6
Arts, Entertainment, and Recreation	1,573	6.5
Accommodation and Food Services	8,994	33.1
Other Services (except Public Administration)	2,996	9.2
Unknown	1,280	4.9
<b>Total</b>	<b>305,444</b>	<b>1,228</b>

Percent of CAT Liability by Industry Sector

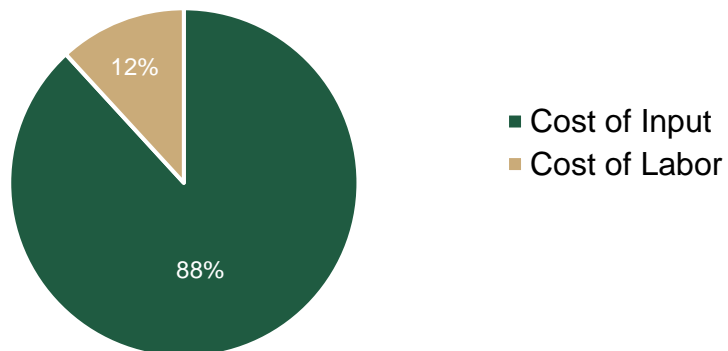


# Descriptive Statistics: Subtractions

Percent of Tax Returns by Subtraction Type (2022)



Amount of Tax Returns Subtraction by Type (2022)



## Corporate Activity Tax Subtractions (2022)

Subtraction Type	Number of Returns	Amount (millions)
Cost of Input	15,460	\$58,435
Cost of Labor	8,840	\$7,831
None	2,280	\$0
<b>Total</b>	<b>26,580</b>	<b>\$66,266</b>

# Descriptive Statistics: Basis of Liability

## Corporate Activity Tax, 2022 Tax Returns

Commercial Activity Category	# Returns	# with Liability	Amount from \$250 Tax (thousands)	Amount from 0.57% Rate (thousands)	% Liability from Base	% Liability from Rate
< \$1 million	2,540	0	0	0	na	na
\$1 million to \$1.5 million	5,550	2,870	718	2,374	23.2%	76.8%
\$1.5 million to \$2 million	3,440	3,380	845	8,303	9.2%	90.8%
\$2 million to \$3 million	4,240	4,210	1,053	23,672	4.3%	95.7%
\$3 million to \$5 million	3,650	3,630	908	43,525	2.0%	98.0%
\$5 million to \$7 million	1,750	1,740	435	37,190	1.2%	98.8%
\$7 million to \$25 million	3,580	3,560	890	187,109	0.5%	99.5%
\$25 million to \$50 million	890	890	223	132,475	0.2%	99.8%
\$50 million to \$100 million	490	490	123	148,953	0.1%	99.9%
Over \$100 million	450	450	113	639,215	0.0%	100.0%
Total	26,570	21,190	5,298	1,222,813	0.4%	99.6%

# Descriptive Statistics: By Commercial Activity

## Tax Year 2022 Corporate Activity Tax Returns

Oregon Commercial Activity	# of Returns	% of Total Returns	Tax Liability (thousands)	% of Total Liability
< \$1 million	2,540	9.6%	\$0	0.0%
\$1 million to \$1.5 million	5,550	20.9%	\$3,090	0.3%
\$1.5 million to \$2 million	3,440	12.9%	\$9,147	0.7%
\$2 million to \$3 million	4,240	16.0%	\$24,723	2.0%
\$3 million to \$5 million	3,650	13.7%	\$44,432	3.6%
\$5 million to \$7 million	1,750	6.6%	\$37,624	3.1%
\$7 million to \$10 million	1,350	5.1%	\$44,312	3.6%
\$10 million to \$15 million	1,150	4.3%	\$56,768	4.6%
\$15 million to \$25 million	1,080	4.1%	\$86,918	7.1%
\$25 million to \$50 million	890	3.3%	\$132,696	10.8%
\$50 million to \$100 million	490	1.8%	\$149,075	12.1%
Over \$100 million	450	1.7%	\$639,326	52.1%
Total	26,570	100.0%	\$1,228,111	100.0%

# Contact Information

Legislative Revenue Office  
503.986.1266  
<https://www.oregonlegislature.gov/lro>

