

BUSINESS TAX REFORM

FRAMEWORK

- Guiding Principles
 - Broad base and low rates to minimize economic distortions.
 - Destination based tax to keep export businesses competitive.
 - Simplify business taxes by repealing complex corporate income tax and replacing with one page corporate activities tax form.
 - Maintain balanced treatment for different business entities by allowing partial credit for pass-throughs.

- Establish corporate activities tax 1-1-18
 - Based on gross receipts derived from destination based sales in Oregon.
 - All business entities are subject to the corporate activities tax.
 - Business entities with annual gross receipts less than \$150,000 in Oregon are not required to file a corporate activities tax return.
 - Businesses with gross receipts greater than \$150,000 but less than \$1 million must file a return and pay a \$250 flat amount.
 - Businesses with annual Oregon gross receipts greater than \$1 million are subject to a corporate activities tax equal to \$250 plus _____% of gross receipts greater than \$1 million.
 - Financial institutions are subject to the corporate activities tax with the definition of gross receipts in Oregon determined by rule.
 - Gross receipts derived from the sale of motor fuel is calculated separately with the revenue placed in the Highway Fund.

- Exemptions from the Corporate Activities Tax
 - Government transactions.
 - Donations received by non-profit organizations.
 - Transactions among closely related business entities.
 - Gross receipts of qualified distribution centers.

- Credits
 - Pass through entities are allowed a credit equal to _____% of corporate activities taxes paid at the entity level.

- Repeal of Corporate income tax starting with 2018 corporate tax year
 - Unused corporate tax credits can be applied to corporate activities tax liability and carried forward up to three years.

- Tax Base Description
 - Estimated businesses below \$150,000 threshold=100,000
 - Estimated number of filers paying \$250 flat amount=37,000
 - Estimated filers paying corporate activities tax rate =18,000
 - % of corporate activities tax paid by filers with gross receipts above \$25 million=74%
 - % of corporate activities tax paid by filers with gross receipts above \$100 million =55.7%

- Strategies to minimize pyramiding
 - Keep rate low and base broad.
 - Exempt transactions among closely related business entities.
 - Exempt qualified distribution centers.

- Personal income tax adjustments targeted at low income households
 - Expand earned income tax credit.
 - Lower bottom personal income tax rates.
 - Increase standard deduction.
 - Increase personal exemption credit.

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