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Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748)

Tax and Revenue Related Provisions

On March 27, 2020 the President signed into federal law H.R. 748, known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The primary intent of the Act is to inject liquidity into the economy and to provide economic relief during the implementation of public health policies such as the "stay-at-home" orders in effect in many states. In broad terms, the bill provides various funds to states and other local governments, expands unemployment insurance, and appropriates funds to be used for small business loans.[1]

The Act contains provisions that will affect Oregon's General Fund revenue through changes to personal and corporate income tax laws. Due to Oregon's "rolling reconnect" to federal tax law, many of these provisions automatically affect Oregon revenue streams. The table below contains estimates for the current and following two biennia. The estimated revenue impact in 2019-21 is comprised of policies with a combined $301 million revenue loss that is partially offset by estimated revenue gain of $118 million. The net impact for the biennium is a revenue loss of just under $183 million. These impacts will be incorporated into the 2020 Q2 Economic & Revenue Forecast.

Federal Provision	Biennium ($ Million)		
	2019-21	2021-23	2023-25
Business Loss Limitations	-$89.2	-$10.0	$0.5
Net Operating losses	-$91.4	-$85.9	$38.2
Business Interest Limitation	-$44.4	-$8.3	-$1.9
Charitable Contributions	-$24.9	$9.1	$2.7
Retirement Min. Distribution	-$47.0	$5.7	$6.9
Recovery Rebate	$103.0	$9.0	$0.0
Single-Employer Plan	$15.5	-$0.5	-$3.4
Other Provisions	-$4.5	-$7.7	-$8.4
Total	**-$182.9**	**-$88.7**	**$34.5**

This report describes the significant, revenue-related provisions of the CARES Act and provides revenue impact estimates. Most of the report focuses on those provisions with an impact on Oregon revenue. The report concludes, for reference purposes, with selected provisions that have no direct impact on Oregon revenue.

[1] The memorandum here provides a section by section summary of the legislation.

OREGON IMPACTS

The provisions described in this section affect Oregon revenue, either directly or indirectly. Direct effects generally happen through the definition and calculation of taxable income, for which Oregon has a "rolling reconnect" to federal law. This type of connection means the impacts automatically flow through to Oregon unless the Legislature takes specific action. Indirect effects can occur in a variety of ways. The most notable example in the CARES Act may be the Recovery Rebates, which are advance payments of a federal refundable tax credit for 2020. For many taxpayers the rebate will result in greater Oregon tax liability through a reduction in their federal tax subtraction.

Taxpayer (non-corporate) Business Loss Limitations

Prior to the CARES Act, the amount of net business loss that could be used to reduce other sources of income was limited for tax years 2018 through 2025. In 2018 the limits were $250,000 (single filers) or $500,000 (joint filers); amounts in subsequent years are indexed to inflation. Any unused business losses became a net operating loss (NOL) carryforward that could be used in subsequent tax years. The CARES Act repeals these limitations for tax years 2018 through 2020 and makes a series of clarifying and technical corrections (described on Page 8). Due to Oregon's connection to federal taxable income, this provision is expected to change Oregon personal income tax collections by -$89.2 million in the 2019-21 biennium and then -$10.0 and $0.5 million in the 2021-23 and 2023-25 biennia, respectively. The impact in the current biennium is due to a greater use of losses on amended 2018 tax returns and the filing of 2019 and 2020 tax returns during the 2019-21 biennium. The impact turns positive in later years because the provision effectively moves the use of losses from later tax years forward to tax years 2018 through 2020.

Net Operating Losses

Net Operating Loss (NOL) refers to the amount by which a taxpayer's business deductions exceed their gross income. Such losses incurred in a given year are allowed to offset other sources of income in that year. Unused losses may be carried forward to subsequent tax years. Prior to the CARES Act, when these losses were carried forward, they offset other income up to 80 percent of taxable income computed without regard to the NOL deduction. If an NOL exceeded this limit, the unused portion could be carried forward to subsequent tax years for an unlimited number of years. The 80 percent limit only applied to NOLs generated in tax year 2018 or later. Losses generated prior to 2018 are not subject to the limit.

The CARES Act modifies this policy in two ways: 1) NOLs generated in tax years 2018 through 2020 may be carried back up to five years (to as early as tax year 2013); and 2) NOLs originating in tax years beginning after December 31, 2017 and carried forward are allowed to offset 100% of taxable income in tax years 2019 and 2020. The Act also makes a series of related clarifying and technical corrections (described on Page 8).

The impact on Oregon income tax collections differs for corporations and other business entities. For corporations, Oregon is not tied to the federal NOL provisions, so there is no impact on Oregon corporate income tax revenue. For other businesses, which are those subject to the personal income tax, both the 5-year carryback and suspension of the 80% limitation apply to Oregon. As the policy allows for NOLs to be carried back, the expectation is that revenue will be reduced in the 2019-21 and 2021-23 biennia followed by revenue increases in subsequent years, reflective of fewer NOLs carried forward. The change in General Fund revenue is estimated to be -$91.4 million in the 2019-21 biennium and then -$85.9 and $38.2 million in the 2021-23 and 2023-25 biennia, respectively.

Business Interest Limitation

Prior to the CARES Act, businesses were allowed an interest expense deduction equal to the sum of business interest income, floor plan financing interest expense, and 30 percent of adjusted taxable income (ATI). The Act makes two changes to this provision: 1) the 30 percent limit is increased to 50 percent for tax years beginning in 2019 or 2020; and 2) businesses are allowed to use their 2019 ATI when calculating their 2020 tax liability. This assumes that their 2019 ATI will be greater than their 2020 ATI given the economic slowdown. The Act also contains a partnership-specific provision that allows 50 percent of excess interest expense (the amount above the aforementioned threshold) to be fully deductible by the partner without regard to the limits. Oregon is automatically connected to these provisions, so a revenue loss is expected. The change in General Fund revenue is estimated to be -$44.4 million in the 2019-21 biennium, then -$8.3 and -$1.9 million in the 2021-23 and 2023-25 biennia, respectively.

Charitable Contributions

Prior to the CARES Act, both individuals and corporations were allowed deductions for charitable contributions. For individuals, only taxpayers who itemized their deductions received a tax benefit from making charitable donations. For individuals, the deduction was limited to 60% of a taxpayer's contribution base (i.e., AGI without regard to NOL carrybacks). For corporations, the deduction was limited to 10 percent of the corporation's adjusted taxable income (i.e., taxable income without regard to certain deductions and loss carrybacks.)

For individual taxpayers, the Act makes two changes with respect to charitable contributions that apply to tax year 2020. The first change for individual taxpayers is the temporary suspension of the 60% limit. The second is the creation of a temporary above-the-line deduction of up to $300 for certain charitable contributions. This deduction may only be claimed by taxpayers who do not itemize their deductions.

Because the federal standard deduction is significantly higher than Oregon's, many taxpayers who take the federal standard deduction choose to itemize their deductions when filing their Oregon tax return. For this reason, there is an opportunity to claim a deduction for a charitable contribution twice — once as an above-the-line deduction on the federal return and a second time as an itemized Oregon deduction. Assuming the Department of Revenue would disallow a double-deduction, the estimated change in Oregon personal income tax revenue is -$7.4 million in the 2019-21 biennium.[2]

For corporations, the 10 percent limit is increased to 25 percent of their taxable income for 2020. Also, the limits for contributions of food inventory are increased from 15 percent to 25 percent for all businesses. Charitable contributions that exceed the respective percentage limits are allowed to be carried forward to succeeding tax years.

The policies that increase the deduction limits are expected to reduce Oregon tax collections in the near term followed by a period of increased revenue. The limitation changes for individuals and corporations together are projected to change revenue -$17.5 million in tax year 2020 with an expected additional $11.8 million in combined revenue increase during the 2021-23 and 2023-25 biennia. This pattern reflects the assumption that charitable contributions that would otherwise be carried forward to later years due to the respective percentage limits, will be used in tax year 2020.

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[2] If a double deduction were allowed, the estimated change in income tax revenue would be -$15.7 million in the 2019-21 biennium.

Waiver of Minimum Distributions

In general, certain employer-provided qualified retirement plans and IRAs require the account holder to make minimum withdrawals once they reach the age of 72. The Act includes a temporary waiver of this minimum distribution requirement for calendar year 2020. To the extent that taxpayers make fewer withdrawals than they otherwise would have, this is expected to result in an income tax revenue change of -$47.0 million in the 2019-21 biennium followed by revenue increases of $5.7 and $6.9 million in 2021-23 and 2023-25, respectively. The revenue reduction reflects fewer expected withdrawals resulting in less taxable income. The subsequent revenue increases are due to withdrawal amounts in later years that will be greater than they otherwise would have been.

Recovery Rebates[3]

Individuals have been or will be receiving payments from the IRS that are advance payments of a refundable tax credit. The credit will be claimed on 2020 tax year returns when those returns are filed with the IRS in calendar year 2021. In general, the amount of the rebate is $1,200 per taxpayer plus $500 per qualifying child (under the age of 17 at the end of the tax year, identical to child tax credit requirement). The rebate is phased out for single filers beginning at $75,000 of Adjusted Gross Income (AGI), $150,000 for joint filers, and $112,000 for head-of-household filers. For every $100 in AGI above the threshold, the credit amount is reduced by $5. For this reason, the point of full credit phase-out depends on a taxpayer's filing status and number of qualifying children (i.e. a larger credit elongates the credit phase-out).[4] The rebates are based on 2019 tax returns (2018 if taxpayer has not filed a 2019 return). The Treasury will also be leveraging available social security payment information for distributing recovery rebates to individuals not filing tax returns.

Because these rebates are advanced payments of a federal income tax credit, they are not considered taxable income and, therefore, do not have a direct impact on Oregon tax collections. However, they do represent a reduction in federal tax liability for tax year 2020. Consequently, they may reduce the amount Oregon income tax filers claim as their federal tax subtraction in calendar year 2021.

Oregon's Federal Tax Subtraction

In determining taxable income for Oregon's personal income tax, Oregon allows a limited income tax subtraction for the current year's federal income tax liability. The amount of the subtraction is limited and phases out for higher income taxpayers.[5] For these reasons, taxpayers with no federal income tax liability or incomes above the phase-out thresholds do not benefit from Oregon's federal income tax subtraction.

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[3] The analysis here assumes that the rebate and credit mechanisms will be handled in a fashion similar to that of the Economic Recovery Rebate of 2008 and the Making Work Pay tax credit of tax years 2009 and 2010.

[4] For example, the credit for a joint filer with two qualifying children (credit of $3,400) is fully phased out at $218,000 of AGI compared to $198,000 of AGI for a joint filer with zero qualifying children (credit of $2,400).

[5] For tax year 2019 the limit was $6,800. Oregon taxpayers with an AGI above $145,000 (single), $290,000 (joint) are not allowed to claim the federal tax subtraction.

As previously described, the federal recovery rebate credit will reduce tax year 2020 federal tax liability. In so doing, the credit will reduce the Oregon federal tax subtraction for many taxpayers causing an increase in Oregon taxable income. The table to the right provides examples of the potential tax liability impact resulting from the recovery rebate and federal tax subtraction interaction. For example, a joint taxpayer with two qualifying children could receive a recovery rebate credit of as much as $3,400, depending on AGI. This credit subsequently causes an equal reduction in the taxpayer's federal tax subtraction, effectively increasing the taxpayer's Oregon taxable income by $3,400. The increased taxable income results in an increased Oregon tax liability of $298 ($3,400 x 8.75% tax rate). The impact of this policy is expected to increase Oregon personal income tax revenue by $103.0 million in the 2019-21 biennium and $9.0 million in 2021-23.

Example Impact of Federal Recovery Rebate Credit on OR Tax Liability			
Filer Status	**Children under 17**	**Potential Federal Credit Value**	**Potential OR Tax Change[1]**
Single			
	0	$1,200	$105
	1	$1,700	$149
Married Filing Jointly			
	0	$2,400	$210
	1	$2,900	$254
	2	$3,400	$298
Head of household			
	1	$1,200	$105
	2	$2,200	$193

[1]Simplified example where value of federal tax credit is assumed to reduce Oregon federal income tax subtraction by equal amount, assumed OR tax rate of 8.75%.

The table below displays estimated impacts of the recovery rebate credits on federal and Oregon tax liability for full-year Oregon taxpayers. It is expected that about 1.66 million Oregon taxpayers will benefit from the recovery rebate credits in an aggregate amount of nearly $3.1 billion.[6] Of the 1.66 million taxpayers, about 870,000 are estimated to have a positive Oregon tax liability change due to a reduced federal tax subtraction. There are three primary ways in which an Oregon taxpayer can benefit from the recovery rebate credit without having an increased Oregon tax liability: 1) the taxpayer has zero or negative federal income tax liability before receiving the rebate credit, 2) the taxpayer has income above the phase-out threshold of Oregon's federal tax subtraction so receives no existing benefit from the federal tax subtraction, or 3) the taxpayer's federal tax liability is higher than Oregon's indexed limit on the federal tax subtraction amount so the recovery rebate does not change the taxpayer's income tax subtraction.

Estimated Taxpayers Affected by Recovery Rebate Credit - Tax Year 2020, FY Filers												
Income Group ($000)	**Single Filers**						**Joint Filers**					
	Federal Tax Change			**OR Tax Change**			**Federal Tax Change**			**OR Tax Change**		
	Returns	**Total ($M)**	**Average ($)**	**Returns**	**Total ($M)**	**Average ($)**	**Returns**	**Total ($M)**	**Average ($)**	**Returns**	**Total ($M)**	**Average ($)**
< 10	128,400	-$162.6	-$1,300	300	$0.0	$15	24,400	-$62.0	-$2,500	0	$0.0	N/A
10 - 20	168,400	-$221.2	-$1,300	70,300	$2.2	$30	28,300	-$74.2	-$2,600	100	$0.0	$30
20 - 30	176,700	-$240.8	-$1,400	119,400	$10.7	$90	39,800	-$109.2	-$2,700	4,700	$0.1	$20
30 - 40	144,100	-$197.9	-$1,400	109,500	$10.9	$100	45,000	-$127.2	-$2,800	17,000	$1.1	$65
40 - 50	101,200	-$134.6	-$1,300	89,700	$9.0	$100	45,900	-$133.0	-$2,900	22,600	$2.9	$130
50 -70	131,300	-$170.9	-$1,300	118,300	$11.8	$100	98,100	-$277.4	-$2,800	69,900	$12.1	$175
70 -100	95,900	-$91.0	-$900	21,500	$2.2	$100	155,800	-$430.9	-$2,800	141,400	$27.2	$190
100 - 200	8,100	-$9.1	-$1,100	1,200	$0.1	$110	259,700	-$640.4	-$2,500	84,200	$14.4	$170
200+	<100	$0.0	-$800	<100	$0.0	$50	7,900	-$5.5	-$700	200	$0.0	$125
Total	**954,200**	**-$1,228**	**-$1,300**	**530,100**	**$46.9**	**$90**	**704,900**	**-$1,860**	**-$2,600**	**340,100**	**$57.8**	**$170**

* In some cases, a total may round to zero but there are some claimants, so the average is non-zero.

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[6] This is specific to taxpayers filing personal income tax returns. Individuals not required to file a tax return may still qualify for the rebate credit. The IRS is leveraging Supplemental Security Income and Department of Veterans Affairs information to target such populations.

Single-Employer Defined Benefit Pension Plan Contributions

Single-employer defined benefit pension plans have minimum contribution requirements annually, as outlined in statute, following the Employee Retirement Income Security Act of 1974 (ERISA). The CARES ACT delays contributions due during calendar year 2020 until January 1, 2021. The delayed payments due on January 1, 2021 must include accumulated interest from the original date the contribution was due in the absence of the Act. Taxpayers have a choice to delay these minimum contributions to facilitate better cashflow in the short term. To the extent that taxpayers take advantage of this delay, fewer contributions will be made to single-employer defined benefit plans during calendar year 2020. This will result in lower deductions for taxpayers utilizing the delay, effectively increasing taxable income at the federal level for the taxpayer. This increase in taxable income is expected to provide Oregon with $15.5 million in additional tax revenue for the 2019-21 biennium. This delay applies only to payments due during calendar year 2020, so the revenue increase is temporary.

Once payments are resumed and corporations are making required minimum contributions, corresponding deductions will increase. This results in lower taxable income at the federal level and within Oregon. Additionally, the benefit plan may use the adjusted funding target attainment percentage (AFTAP) for the plan year ending in 2019 for purposes of determining benefit limitations.

Employer-Provided Education Benefits

Under current law, graduate or undergraduate assistance benefits from an employer to an employee are not considered taxable income for the employee. This benefit is limited to $5,250 per year. The CARES Act expands that policy to include payments made by an employer for amounts of principal or interest on qualified education debt. This applies to payments made after March 27, 2020 and before January 1, 2021. This policy will result in a revenue loss for Oregon because the state is tied directly to the definition of federal taxable income. An estimated revenue change of -$2.0 million is expected in the 2019-21 biennium.

Exemption for Telehealth Services

Under current law, an individual may establish a health savings account (HSA) only if the individual is covered under a high deductible health plan. An HSA is a tax-exempt account created exclusively to pay for the qualified medical expenses of the account holder, spouse and dependents. Contributions to an HSA are tax deductible and are excluded from income and, if made by the employer, from employment taxes. Earnings in HSAs are not taxable and distributions from an account are excluded from taxable income if they are for qualified medical expenses. Non-qualified withdrawals from HSAs are included in taxable income and subject to a 20% tax penalty.

The CARES Act allows a high deductible health plan to provide telehealth and other remote care services without requiring the plan’s minimum deductible to be satisfied. Furthermore, the plan still retains its status as a high-deductible health plan, which allows participants to continue to contribute to an HSA. The CARES Act provision is applicable to plan years beginning on or before December 31, 2021. An estimated revenue change of -$0.3 million is expected in the 2019-21 biennium.

Inclusion of Certain Over-the-Counter Medical Products as Qualified Medical Expenses

As described in the previous section, distributions from an HSA are excluded from taxable income if distributions are for qualified medical expenses. Prior to the CARES Act, over-the-counter medicines and drugs were considered qualified medical expenses for purposes of HSA distributions only if they were prescribed by a physician. Applicable to distributions paid after December 31, 2019, the CARES Act allows non-physician prescribed over-the-counter medicines, drugs and menstrual care products to be considered qualified medical expenses for purposes of HSA distributions. An estimated revenue change of -$2.2 million is expected in the 2019-21 biennium.

Early Access to Retirement Funds

Under current law, withdrawals from certain tax-qualified plans are included in taxable income. If the recipient of the withdrawal is under the age of 59 1/2 then a ten percent penalty is applied. The CARES Act allows an exception to the penalty if the funds withdrawn are attributable to coronavirus-related circumstances. Qualifying circumstances include being diagnosed with COVID-19, having a spouse or dependent who is diagnosed, or experiencing adverse financial consequences.[7]

The withdrawal must occur between January 1, 2020 and December 31, 2020 and is limited to $100,000. While the penalty is waived, the withdrawn amount may be included in gross income ratably over this tax year and the following two tax years at the election of the taxpayer. Oregon does not have a corresponding penalty. Any amounts recontributed to an eligible retirement plan may be considered a rollover and, therefore, not subject to the income tax. Considering past taxpayer behavioral changes under similar circumstances, this provision is expected to increase income tax collections in the near term with a subsequent decrease in tax collections in later years. Due to potential taxpayer behavioral responses and associated revenue puts and takes, a minimal revenue impact in Oregon is expected.

Loan Forgiveness

Generally, when a taxpayer has debt cancelled the amount is considered income and is taxable. A significant portion of the CARES Act are loan programs administered through the Small Business Administration (SBA). The Act includes the following programs:

- Paycheck Protection Program (PPP) provides federally guaranteed loans for small businesses for the purpose of retaining employees. The funds may be used to pay for up to eight weeks of payroll costs, including benefits. They may also be used to pay interest on mortgages, rent, and utilities. There are certain eligibility requirements that depend on the number of employees, net worth, or net income. The loans may be forgiven if the funds are used according to federal guidelines (e.g. at least 75 percent for payroll). The potential amount forgiven is reduced if employees are laid-off or have salary/wages reduced by more than 25 percent for any employee. When the federal guidelines are followed, the loans can be forgiven.
- Economic Injury Disaster Loan (EIDL) provides loans to businesses that experience direct economic injury caused by the COVID-19 pandemic. Applicants may be eligible to receive an advance of up to $10,000 that does not need to be repaid. These loans may be refinanced under the PPP to take advantage of the forgiveness provision.
- SBA Express Bridge Loans are for businesses that have an active relationship with an SBA Express Lender. In these cases, businesses can quickly access up to $25,000 that would be repaid with proceeds from an EIDL loan.
- SBA Debt Relief is intended to provide financial relief to small businesses during the pandemic. The SBA will pay six months of principal, interest, and associated fees for eligible loans disbursed before September 27, 2020. This relief does not apply to PPP or EIDL loans. For current SBA Serviced Disaster Loans, the SBA is providing automatic deferments through December 31, 2020.

The Act specifically states that forgiven loans will be exempt from taxation. Due to Oregon's tie to federal

[7] Includes: quarantine, furlough, unable to work due to loss of childcare, closing/reducing business hours or other factors determined by Treasury.

law, the tax exemption flows through to Oregon.

Unemployment Insurance Benefits

Under normal conditions, the Unemployment Insurance (UI) program offers state and federal benefits (i.e., payments) to eligible workers for up to 26 weeks. Under federal law these payments are considered taxable income. Due to Oregon's tie to federal law they are also considered taxable income in Oregon. The Act makes several augmentations to the current UI program:

- The Pandemic Emergency Unemployment Compensation (PEUC) program extends regular unemployment compensation for up to 13 weeks, for a total of up to 39 weeks. The extension is effective for weeks starting between March 29, 2020 and December 20, 2020.
- Under the Federal Pandemic Unemployment Compensation (FPUC) program, eligible individuals will receive an additional $600 per week in federal benefits for weeks beginning between March 29, 2020 and July 19, 2020. These payments are in addition to the base program benefits.
- A third addition is the Pandemic Unemployment Assistance (PUA) program. This program provides benefits to workers who are not typically eligible for unemployment insurance benefits. Eligible individuals include those who are self-employed, independent contractors, or gig workers. Eligibility requires, in part, that individuals are otherwise able and available for work except due to COVID-19 related reasons. Benefits are available for weeks beginning between February 2, 2020 and December 20, 2020.

While there is no tax law change, increased unemployment benefits are expected to increase Oregon personal income tax collections, compared to what these payments would have been otherwise. The estimated revenue impact from the comparatively greater benefit payments will be incorporated into the 2020 Q2 Revenue Forecast.

Technical Corrections to the TCJA

The Act makes a series of clarifying and technical changes to the Tax Cuts and Jobs Act of 2017 (TCJA) to align administration of the following provisions with original congressional intent.[8] Presumably, the revenue impacts from the policies affected were included with the original 2017 legislation. As such, they are in the current law revenue projections for the General Fund. Having said that, depending on how specific taxpayers were interpreting the language of the TCJA, there may be some variation in the behavioral responses to these provisions.

Business Loss Limitation: This provision clarifies that wages may not be considered business income for purposes of offsetting business losses. Thus, wages would be included in the $250K/$500K limits previously described. This would increase the NOLs to be carried over to other tax years.

Net Operating Losses: Two technical fixes pertaining to NOLs were included in the CARES Act. First, the changes to the NOL carryover provisions apply to those losses arising in tax years beginning, rather than ending, after December 31, 2017. Second, the 80% limitation created by the TCJA applies to loss carryforwards from 2018 and later.

[8] "Aligning administration with intent" is according to the Joint Committee on Taxation's: Description of the Tax Provisions of the CARES Act, April 23, 2020, JCX-12R-20.

Qualified Improvement Property: This provision has been referred to as the "retail glitch" and refers to any improvement made by a taxpayer to the interior of non-residential buildings under certain qualifying conditions. Generally speaking, the IRS has interpreted the TCJA to place such improvements under a 39-year depreciation schedule. The Act clarifies that qualified improvement property is depreciated over 15 years or 20 years, depending on specific circumstances. By clarifying the depreciation schedule, eligible property may be fully expensed under the bonus depreciation provisions of the TCJA, which apply, in part, to properties with a recovery period of no more than 20 years.

NO OREGON IMPACT

The provisions described here affect only federal taxes and generally have no impact on Oregon tax collections. The information is provided for reference purposes.

Employee Retention Tax Credit

Under existing law, one of the primary federal employment taxes is the Old-Age, Survivors, and Disability Insurance (OASDI) tax. Revenue from this tax is used to pay Social Security benefits and is often referred to as the Social Security tax. The tax is imposed on both employers and employees with each paying 6.2% of wages (i.e. the combined tax rate is 12.4%). Under the Act, eligible employers are allowed a refundable credit against their portion of the tax. The credit amount is equal to 50 percent of eligible wages per employee for each quarter. There is a maximum credit of $5,000 per employee for the year. The credit applies to wages paid after March 12, 2020 and before January 1, 2021. No credit is available to government employers or those that have a payroll protection loan.

Eligible employers are those businesses that fully or partially suspended operations due to public health policies implemented by state and local governments related to COVID-19. Also, eligible employers are those with quarterly gross receipts that are less than 50% of the previous year's quarterly total. They remain eligible through the quarter in which gross receipts exceed 80% of receipts for the same quarter in the prior year. Eligibility is lost at the end of the quarter in which the 80% threshold is attained.

The definition of eligible wages depends on the size of the employer in 2019. For employers with at least 100 employees, eligible wages are those paid for employees not providing services due to a stop in operations or reduction in gross receipts. For employers with up to 100 employees, eligible wages are those paid during the time period the employer is considered an eligible employer. The definition of eligible wages also includes qualified health plan expenses, depending on certain criteria.

There is no direct revenue impact on Oregon from this policy. There may be an indirect impact through reduced business expense deductions.

Deferral of Payroll Taxes

Under existing law, employers are required to remit employment taxes to the federal government. Perhaps the most common examples are Social Security and Medicare taxes. Railroad workers and self-employed workers participate in programs of a similar nature. These taxes generally consist of amounts withheld from employee paychecks (the employee portion) as well as the amounts owed by the employer (the employer portion). Self-employed individuals pay a self-employment tax that consists of both the employer and employee portions.

The CARES Act allows employers to defer payment of the employer portion of OASDI and railroad taxes. Self-employed taxpayers may defer 50 percent of their tax due. The deferral applies to payments due between March 27, 2020 and December 31, 2020. The subsequent payment of these taxes will be made in equal amounts during 2021 and 2022. For the self-employment tax estimated payments are not required until the applicable due dates. The deferral is not available to employers that have had indebtedness forgiven from a payroll protection loan.

There is no direct revenue impact on Oregon from this policy. There may be an indirect impact through reduced business expense deductions. Because this is a deferral of these tax payments, any change is expected to balance out over time.

Corporation Minimum Tax Credit

The corporate alternative minimum tax (AMT) was eliminated by the TCJA beginning with tax year 2018. Taxpayers that had outstanding AMT tax credits were allowed to claim them as refundable tax credits in tax years 2018 through tax year 2021. For tax years 2018 through 2020, the credit could reduce liability down to zero and 50% of any remaining credit could be claimed as a refundable tax credit. In tax year 2021 the full amount of any remaining credit was 100% refundable. The CARES Act accelerates the use of the tax credit by allowing a corporation to use any remaining AMT credit in tax years 2018 and 2019, with an option to use the full credit amount in 2019. As this is a federal credit, there is no impact on Oregon corporate tax collections.