HB 3427-1: Corporate Activity Tax and Personal Income Tax Rate Reduction

Personal Income Tax Rates

Section 1 (ORS 316.037):
- Reduces the personal income tax (PIT) rates to 4.75%, 6.75%, 8.75%, and 9.9%

Section 2:
- The PIT rate changes are effective beginning January 1, 2020

Corporate Activity Tax

Sections 3 (Definitions):
- Business receipts
- Business receipts of financial institution
- Business receipts of an insurer
- Cost of inputs
- Doing business
- Excluded person
- Financial institution
-Forgiven or transferred debts
- FR Y-9
-Governmental entity
-Groceries
-Insurer
-Internal revenue code
-Labor costs
-Motor vehicle fuel
-Person
-Retailer
-Taxable business receipts
-Taxpayer
-Unitary business
-Unitary group
-Unitary business receipts
-Unitary group
-Wholesaler

Section 4 (Accounting Methods):
- Accounting method for this tax aligns with federal accounting method

Section 5 (Unitary Groups):
- Files as a single entity, excluding transactions among members

Section 6 (Taxation of Property Transferred into State):
- Purchases made outside Oregon and transferred into Oregon are considered business receipts

Section 7 (Joint and Several Liability):
- All members of a unitary group are liable for taxes due

Section 8 (Corporate Activity Tax Imposed on Business Receipts):
- Tax is imposed on each person with taxable business receipts for privilege of doing business in this state
- Calendar tax year
- Nexus

Section 9 (Subtraction):
- 25% of the greater of inputs or labor, up to 95% of business receipts
- Apportionment for multi-state businesses
Section 10 (Rate of Taxation):
- $250 + 0.49\%$ of taxable business receipts above $1M
- No tax due if the person's business receipts are less than $1,000,000

Section 11 (Sourcing of Business Receipts):
- Conditions when sourced to Oregon
- DOR alternative method of sourcing receipts
- DOR rule-making authority

Local Tax Preemption

Section 12 (Local Tax Pre-emption):
- Locals can't create a similar tax
- Excludes any such taxes in effect and operative on March 1, 2019

Registration Procedures

Section 13 (Registration):
- If business receipts of at least $500,000, then must register with DOR
- Application information included
- DOR rule-making authority

Section 14 (Records):
- Requirement for those doing business in Oregon to keep relevant records

Returns and Payments

Section 15 (Returns, Payments):
- Requirement to file a return if business receipts exceed $1,000,000
- Due dates to DOR, safe harbor of 80%
- DOR rule-making to allow extensions

Section 16 (Accounting, Installment Payment):
- The CAT liability is payable to DOR

Collection

Section 17 (Rules, Uniformity):
- DOR rule-making authority, generally

Section 18 (Quitting Business, Successor):
- Defines 'successor'
- Tax liability is due upon change in ownership
- Successor can withhold tax amount from purchase price
- When tax isn't due
Applicability of Tax Laws

Section 19 (Applicability of Tax Laws):
• Chapters 305 and 314 for administration apply for this tax

Disposition of Proceeds

Section 20 (Payments to Department of Revenue):
• All tax, interest, and penalties are due to the Department of Revenue; then turned over to the State Treasurer

Section 21 (Suspense Account, Other Disposition):
• All receipts credited to a suspense account that is separate and distinct from the General Fund; refunds are paid out of this account
• Net of refunds, net revenue is transferred to the Fund for Student Success; working balance of funds may not exceed $500,000
• Amounts are continuously appropriated to DOR for related administrative expenses

Underpayment or Underreporting

Section 22 (Interest and Penalties):
• No interest is due for penalties under certain circumstances

Section 23 (Applicability):
• Section 25 applies for tax year 2020 only if return is timely filed

Fund for Student Success

Section 24:
• FSS is established separate and distinct from the General Fund
• Fund consists of money from the Corporate Activity Tax
• Funds used solely for early learning programs and pre-k through 12th grade education

Applicability

Section 25 (Applicability):
• The CAT applies to tax years beginning on or after January 1, 2020

Parts Not Severable

Section 26:
• Legislative intent is that all parts of the Act are inseparable
Captions

Section 27:
• Captions are not part of law

Effective Date

Section 28:
• Takes effect on the 91st day after sine die.