

BUSINESS ENVIRONMENT: General Tax Structure

Oregon consistently ranks as having among the lowest business tax costs in the country. We offer companies the perfect place for growing success.

PUBLIC FINANCES

Oregon's public finance structure relies principally on State lottery profits and the following:

Property Tax

- Used to support local taxing districts, including cities, counties, schools, etc.
- Constitutionally limited to no more than 1.5% of real market value, exclusive of most voter-approved bond levies for capital costs.
- Taxable property value is also capped at 3% annual growth, and the assessed value of new property is reduced commensurate with like property in the county (changed property ratio – CPR).
- The average statewide tax based on taxable value was 1.63% statewide in the 2016–17 property tax year.

Personal Income Tax

These taxes provide most of the state's operating revenue, as well as public school funds, and they are largely collected through withholding taxes on payroll, along with the assessments described below.

- Marginal tax rates start at 5%, rising to 7% and then to 9% on single/joint returns with taxable income greater than \$8,700/17,400 (2018), up to \$125,000/\$250,000, at which point the topmost rate of 9.9% applies.
- Nonpassive income of certain pass-through businesses are taxed at lower rates.
- Capital gains and dividends are taxed at the same rate as other income.

Corporate Excise/Income Tax

- Oregon connects with the federal corporate income tax system.
- As specified in the table to the right, corporate excise tax liability is the greater of either:
 - A minimum ranging from \$150 and \$100,000 relative to Oregon sales (approximating 0.1% of sales) per entity doing business in the state, or
 - A consolidated income-based levy of 6.6% on taxable income up to \$1,000,000, and 7.6% in excess of that level.

Tax Expenses Businesses Do Not Pay:

- General sales tax
- Use tax on equipment or any other purchase
- Inventory tax
- Worldwide unitary tax
- Motor vehicle excise tax
- Levies on capital asset value or intangible properties, such as stocks, bonds or securities.

The absence of these taxes translates into substantial savings in the cost of investment and of business operations, compared to many other states and foreign locations.

Corporate Tax on Oregon Taxable Income

Minimum Regardless of Taxable Income
(Not reducible by any tax credit)

Tax due ...	If Oregon Sales are less than
\$150	\$500,000
\$500	\$1,000,000
\$1,000	\$2,000,000
\$1,500	\$3,000,000
\$2,000	\$5,000,000
\$4,000	\$7,000,000
\$7,500	\$10,000,000
\$15,000	\$25,000,000
\$30,000	\$50,000,000
\$50,000	\$75,000,000
\$75,000	\$100,000,000
\$100,000	(maximum)

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Business Oregon is an agency
of the state of Oregon.



Single Sales Factor:

- Relative Oregon sales are responsible 100% in determining U.S. corporate income taxable in Oregon.
- This single interstate factor stands in contrast to states that also use factors for property and payroll to apportion taxable income.
- It is advantageous to a firm headquartered or producing tangible goods in Oregon but selling products throughout the country, or the world, where it also operates, because the firm's Oregon tax liability is proportional only to its Oregon customer base, and that liability does not grow directly as a result of greater investment or employment in Oregon.
- Specifically,
 - On its Oregon tax return, the corporation takes the ratio of Oregon sales to total U.S. sales and multiplies that ratio by its consolidated federal income. The result is Oregon taxable income.
 - Oregon sales assigned to the location of the customer or purchaser of the good or service, whether tangible or intangible, but they include the throwback of sales to customers where the entity would not otherwise be taxable.

Additional tax information can be found at the Oregon Department of Revenue – www.oregon.gov/DOR

Other

Various specialized taxes also exist, including those on estates, utilities, tobacco products, lodging, fuels and so forth. The City of Portland and Multnomah County have business income taxes fully apportioned to local sales.

PAYROLL ASSESSMENTS

Workers' Compensation

With a focus on business, safety and efficiency, Oregon has created an insurance system to cover the cost of workplace injuries that serves both workers and employers with generally lower premiums than most states. Actual premiums depend on industrial classification, experience and insurance carrier. Businesses need to have coverage for all workers, but they may obtain it from their choice of qualified insurance, and qualifying large employers may receive certification as self-insured. Alternatively, the public, non-profit State Accident Insurance Fund (SAIF) Corporation can provide coverage. A 1.65¢/hour tax paid by both employees and employers helps support the statewide system.

Unemployment Insurance Tax

In good times and down times, Oregon consistently has one of the most stable unemployment funds of all states:

- Unemployment Insurance (UI) monies fund an insurance program for covered workers who become unemployed through no fault of their own.
- New employers are assigned a base rate until qualifying for an experience-based tax rate—after 21 to 33 months.
- In 2018, rates range from 0.9 to 5.4% for experienced employers—with an average rate of 1.97%, and a new employer base rate of 2.4%—multiplied by the first \$39,300 of each employee's salary.

Regional Transit Districts

Lane County Mass Transit District (LTD) and Tri-County Metropolitan Transportation District (TriMet) levy local payroll taxes of 0.73% and 0.7537% in 2018, which are programmed to increase by 0.01%-points each year until 2025.

Federal Work Opportunity Tax Credit

For how Oregon can help expedite and facilitate documentation of private-sector hiring of target-group individuals for employers seeking to claim this credit, please visit: www.oregon.gov/EMPLOY/Businesses/Pages/Work-Opportunity-Tax-Credit.aspx