

EXAMPLE OF OREGON INVESTMENT ADVANTAGE

(FACILITY INCOME DEDUCTION FOR STATE CORPORATE EXCISE TAXES)

INITIAL QUALIFICATION

- Corporation **XYZ** might currently sell products and undertake some business in Oregon, or it might be totally new to the state.
- **XYZ** proposes a facility to make, distribute, provide, etc., a good or service unlike anything it has recently done in Oregon.
- **XYZ's** facility located at an industrially-zoned site or inside urban growth boundary of a city ($\leq 15,000$ population) in an eligible county.
- Prior to hiring or making facility improvements, **XYZ** submits application for preliminary certification to *state* Economic and Community Development Department.
- No local objection; department preliminarily certifies facility.

ANNUAL CERTIFICATION (FIRST OF UP TO 10 CONSECUTIVE TIMES)

- Facility property acquired/built and investment completed; at least five new, full-time employees are hired*, and operations commence.
- **XYZ's** current income tax year concludes; application for annual certification submitted to department within 30 days.
- Department annually certifies facility.

CLAIMING EXEMPTION (DEPARTMENT OF REVENUE FORM 20, TAX RETURN)

- **XYZ's** corporate taxable income after state additions and subtractions and multi-state apportionment to Oregon is \$3,000,000.00
- Among **XYZ's** total statewide presence, the certified facility's
 - Payroll accounts for 60 percent, and
 - Average property value represents 80 percent
- Combined intrastate ratio of **XYZ's** facility equals $[60 + 80 = 140 \div 2 =]$ 70 percent
- Exempt income for **XYZ** equals $[\$3,000,000 \times 0.7 =]$ \$2,100,000.00
- Before credits, **XYZ's** remaining tax liability would be $[\$3.0M - \$2.1M = \$0.9M \times 0.066^\dagger =]$ \$59,400.00
- Annual state corporate tax savings for **XYZ** equal $[\$2,100,000 \times 0.066^\dagger =]$ \$138,600.00

*If preliminarily certified after 12/31/2010, these new hires must meet minimum compensation requirement, too.

†Corporate excise/income tax rate, 6.6 percent.

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OREGON

ECONOMIC & COMMUNITY DEVELOPMENT DEPARTMENT

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