

Withholding/Transit Tax Information: Out-of-state/Nonresident Employers



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Out-of-state employers working in Oregon

Oregon law requires that every employer withhold income tax from both resident and nonresident employees working in Oregon. The following information explains your responsibilities.

Withholding requirements for out-of-state employers

Nonresident employers of Oregon resident employees

You must withhold tax from all wages paid to Oregon resident employees working in Oregon, regardless of whether they work out of your physical location in Oregon or work/telecommute from their residence.

If you pay wages to Oregon residents, you may be relieved of the duty to withhold if you can show, to our satisfaction, that each individual employee working in Oregon will receive \$300 or less in wages from you within a calendar year.

We can't require withholding for Oregon resident employees when the services are performed for an employer who doesn't have employees working in Oregon. However, we ask employers to register and withhold tax on wages paid to Oregon residents as a convenience to the employee.

Nonresident employers of Oregon nonresident employees

You must withhold Oregon income tax from all wages earned by nonresident employees for services performed in Oregon, unless their Oregon earning for the year will be less than their standard deduction amount for their filing status. Wages are still reported as Oregon-source income on Form W-2. Nonresident employees with wages greater than their standard deduction amount are required to file an Oregon nonresident return. The Oregon standard deduction amounts for tax year 2022 are:

Single/married filing separately	\$2,420
Head of household	\$4,840
Married filing jointly	\$4,840
Qualifying widower	\$4,840

Note: These figures change each year. Contact us at 503-945-8091 to obtain the latest figures.

Nonresident employees with Oregon wages less than their standard deduction may still request that you withhold tax; usually, they have additional Oregon income from other sources.

Oregon employer update for Oregon-only W-4

In December 2017, Congress passed the Tax Cuts and Jobs Act (TCJA), resulting in many changes to federal personal income taxes. In response, the IRS updated the federal Form W-4 worksheets in early 2018. This changed the number of allowances employees should claim, creating a disconnect between federal and state withholding that could leave employees owing money when they file their 2018 Oregon personal income tax return.

Starting on January 1, 2020, the above changes to federal tax laws mean that the federal Form W-4 may not provide the correct withholding for Oregon taxes. Department of Revenue created the Form OR-W-4 to help determine correct allowances for Oregon. If you have questions about your withholding obligations as an employer, please visit the withholding webpage at www.oregon.gov/dor/personal, and click on "Oregon withholding info and resources," or email us at: payroll.help.dor@oregon.gov. If your employees have questions about calculating or changing their Oregon income tax withholding, refer them to the OR-W-4 Instructions or the Oregon income tax withholding calculator, which is available on our website at www.oregon.gov/dor. They can also call us at 503-378-4988 for assistance.

Transit district excise taxes

We administer these tax programs for the Tri-County Metropolitan Transit District (TriMet) and the Lane County Mass Transit District (LTD). They provide revenue for the two major mass transit districts [Oregon Revised Statutes (ORS) 267]. Transit payroll tax is imposed on nearly every employer who pays wages for services performed in the TriMet or LTD districts regardless of whether those services are performed by resident or nonresident employees. This

includes work performed in areas where salespeople conduct business or the homes of Oregon resident employees who telecommute.

The TriMet district includes parts of Multnomah, Washington, and Clackamas counties. LTD serves the Eugene-Springfield metropolitan area and several rural cities.

For additional information on transit taxes, visit www.oregon.gov/dor/business, or request a copy of *Oregon Transit Taxes for Employers—Should I be Filing?* by calling 503-945-8091.

Statewide transit tax

The 2017 Oregon Legislature passed House Bill (HB) 2017, which included the new statewide transit tax. The statewide transit tax requires employers to withhold the tax (one-tenth of 1 percent or .001) from:

- Wages of Oregon residents (regardless of where the work is performed).
- Wages of nonresidents who perform services in Oregon.

The statewide transit tax is calculated based on the employee's wages as defined in ORS 316.162. Employees who aren't subject to regular income tax withholding due to high exemptions, wages below the threshold for income tax withholding, or other factors **are subject to statewide transit tax withholding.**

This tax isn't related to the TriMet or LTD transit payroll taxes. Transit payroll taxes are **imposed on the employer based on the amount of payroll.** The statewide transit tax is **imposed on the wages of each employee**, but the employer is responsible for withholding, reporting, and remitting the statewide transit tax. For additional information on the statewide transit tax, visit www.oregon.gov/dor/business or call 503-945-8100.

Reporting requirements

All employers with resident or nonresident employees working in Oregon must register with us **before** issuing their first paychecks. Use the *Combined Employer's Registration*, 150-211-055, which you can request by calling 503-945-8091 or download at www.oregon.gov/dor. Mail the completed form to the address at the bottom of the form. Within three weeks, we will assign you an Oregon business identification number (BIN) and send the forms you will need to pay and report payroll taxes.

Oregon income tax on nonresident employees

The income earned from services performed in Oregon by a nonresident is subject to Oregon income tax. A nonresident with Oregon income is required to file a nonresident tax return (Form 40N) before April 15 following the year in which they earned Oregon-source income.

A credit is allowed for employees who are taxed on the same income by more than one state. Depending on the employee's home state, the credit may reduce the tax paid to Oregon or may reduce tax paid to the employee's home state.

The nonresident (Form 40N) and part-year resident (Form 40P) personal income tax forms and instructions are available on the internet at www.oregon.gov/dor or by writing to: **Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97301.**

Do you have questions or need help?

www.oregon.gov/dor
503-378-4988 or 800-356-4222
questions.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.