
Table of contents

What's new.....	2	Auto dealers.....	3
Important reminders.....	2	Wholesale or retail sale of groceries.....	3
Filing information.....	2	Filing checklist and reminders.....	4
Who must register?.....	2	Estimated tax payments.....	5
Who must file?.....	2	Return instructions.....	6
What form do I use?.....	2	Schedule OR-AF-CAT instructions.....	10
Filing requirements.....	2	Schedule OR-EXC-CAT instructions.....	11
Unitary groups.....	2	Form OR-QUP-CAT instructions.....	11
E-file.....	2	Do you have questions or need help?.....	12
Federal or other state audit changes.....	3	Appendix A, 2023 Schedule OR-EXC-CAT code list.....	13
Amended returns.....	3	Appendix B, Sample certificates.....	15
Protective claims.....	3	Appendix C, Alternative apportionment.....	20
Additional information on certain exclusions.....	3	Appendix D, Instructions for estimated payments if using the annualized method.....	21
Agents.....	3		

Information contained herein is a guide. For complete details of law, refer to Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR).

Go electronic

Fast • Accurate • Secure

File your Corporate Activity Tax return through the electronic filing program. With approved third-party software, you can e-file your return with all schedules. You can also conveniently include an electronic payment with your e-filed original return. See "E-file."

What's new

We have redesigned our Form OR-QUP-CAT, *Underpayment of Oregon Corporate Activity Estimated Tax*, for 2023. If you are filing a Form OR-QUP-CAT, review the form instructions beginning on page 11.

Important reminders

Revenue Online. Revenue Online provides convenient, secure access to tools for managing your Oregon tax account. With Revenue Online, you may:

- Register for CAT.
- View your tax account.
- Make and review payments.
- View correspondence we sent you.
- Check the status of your refund.
- File appeals.
- Submit an extension.
- Add an authorized representative/POA.
- Submit documents.

For more information and instructions on setting up your Revenue Online account, visit www.oregon.gov/dor. As updates or changes are made to these instructions, they will also be posted to our website.

Note: The CAT return may not be filed through Revenue Online.

Filing information

Who must register?

Persons or unitary groups with Oregon commercial activity exceeding \$750,000 must register for the CAT. Commercial activity is the total amount realized by a business from the transactions and activity in the regular course of their business in Oregon, without deduction for expenses incurred by the business. Commercial activity is realized according to the method of accounting used for federal income tax purposes.

Registration is due within 30 days of meeting the \$750,000 registration threshold. You don't need to register again if you registered in a prior year. A penalty of \$100 per month may be assessed for failing to register, up to \$1,000 in a tax year. You must register through Revenue Online.

Who must file?

Persons or unitary groups with Oregon commercial activity of \$1 million or more are required to file a CAT return.

What form do I use?

The Oregon CAT program only has one tax return. Taxpayers will file tax returns on the Form OR-CAT, *Oregon Corporate Activity Tax Return*. Fiscal filers must use the Form OR-CAT from the year that matches their period begin date. Other CAT forms and schedules include:

- Form OR-CAT-V, *Oregon Corporate Activity Tax Payment Voucher*.
- Schedule OR-EXC-CAT, *Exclusions From Commercial Activity*.
- Schedule OR-AF-CAT, *Schedule of Affiliates for Form OR-CAT*.
- Form OR-QUP-CAT, *Underpayment of Oregon Corporate Activity Estimated Tax*.
- Form OR-CAT-EXT, *Application for Extension of Time to File an Oregon Corporate Activity Tax Return*.

Filing requirements

Unitary groups

A unitary group is a group of entities that:

1. Is united by more than 50 percent common ownership; and
2. Has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by:
 - Centralized management or a common executive force;
 - Centralized administrative services or functions resulting in economies of scale; or
 - Flow of goods, capital resources, or services showing functional integration.

A unitary group shall register, file and pay taxes as a single taxpayer and may exclude receipts from transactions among its members under the CAT.

Unitary business with non-U.S. members. Unitary groups may make an election to exclude non-U.S. members from the return if the non-U.S. member has no Oregon commercial activity or exclusions from commercial activity that would otherwise be sourced to Oregon (including, but not limited to, receipts from transactions between members of the unitary group). Refer to OAR 150-317-1025 for further details.

Designated CAT entity

Any business, or unitary group of businesses, doing business in Oregon may have responsibilities under the CAT. This includes all business entity types, such as C and S corporations, partnerships, sole proprietorships, and other entities. Unitary groups must designate a single member of the unitary group with substantial nexus in this state to register, file and pay the tax on behalf of the group. For more information on designated reporting entities, refer to OAR 150-317-1023.

E-file

We accept calendar year, fiscal year, short year, and amended electronic CAT returns utilizing the IRS Modernized e-file platform (MeF). Your tax return software may also allow you to make electronic payments when e-filing your original return.

For a list of software vendors or for more information, search "e-filing" at www.oregon.gov/dor.

Federal or other state audit changes

If the IRS or other taxing authority changes or corrects your federal or other state return for any tax year, you must notify us. File an amended CAT return if the federal or other state audit report results in a change to taxable Oregon commercial activity and include a copy of the federal or other state audit report. Mail this separately from your current year's return. If you don't amend or send a copy of the federal or other state report, we have two years from the date we're notified of the change to issue a deficiency notice. To receive a refund you must file a claim for refund of tax within two years of the date of the federal or other state report.

Amended returns

Use the form for the tax year you're amending and check the **amended** box. **Always use your current address.** If the address for the year you're amending has changed, don't use the old address.

Fill in all amounts on your amended return, even if they're the same as originally filed. If you're amending to change exclusions or commercial activity, include detail of all items and amounts.

If you change taxable income by filing an original or amended federal or other state return, you must file an amended CAT return within 90 days of when the original or amended federal or other state return is filed if the change results in a change to commercial activity. Include a copy of your original or amended federal or other state return with your amended CAT return and attach a letter of explanation to your amended return that explains what was amended and why.

You may make payments online for your amended returns at www.oregon.gov/dor. Don't make payments for amended returns with Electronic Funds Transfer (EFT). This also applies to e-filed amended returns. For paper returns, you may pay online or include a check or money order with your return. For e-filed returns, you may pay online or send a check or money order separately. If you mail your payment separate from your return, write "Amended" on the payment and include a completed Form OR-CAT-V with the amended box checked.

Protective claims

Don't file an amended return as a protective claim. Use Oregon Form OR-PCR, *Protective Claim for Refund*, 150-101-184, when your claim to a refund is contingent on a pending court decision or legislative action. Notify us within 90 days of the final determination by filing an amended return. Don't file an amended return before the pending action is final.

Additional information on certain exclusions

ORS 317A.100(1)(b)

Agents. An agent may exclude property, money and other amounts received or acquired by an agent on behalf of another in excess of the agent's commission, fee or other remuneration. For the agent exclusion to exist, a person (the agent) must be acting on behalf of and under the direction and control of another person (the principal), and all the facts and circumstances must be considered.

Auto dealers. A vehicle dealer may exclude receipts realized from vehicle dealer trades (the sale or transfer of a motor vehicle from one vehicle dealer to another), provided that the trade is of a new vehicle(s) between franchised dealerships, or the trade is made for the purpose of resale and based on the need to meet a specific customer's preference. Vehicle dealers claiming this exclusion for vehicles traded to meet a specific customer preference are required to retain documentation that shows the transaction meets the requirements necessary to claim the exclusion. The documentation needs to include the following:

1. Name, address, and federal ID for both dealers involved in the transaction.
2. Vehicle description.
3. A statement that the vehicle is purchased for resale.
4. Date and signature of the purchasing dealer, their employee or authorized representative.
5. Dealers must include their dealer license numbers from the appropriate licensing jurisdiction.
6. The document must include a statement that the trade occurred to meet a specific customer's preference.

A sample dealer trade resale certificate can be found in Appendix B. Dealers are not required to submit copies of the resale certification document while filing their return. They must retain the resale certification as required in *OAR 150-317-1410: Motor Vehicle Resale Certificate—Documentation Required*.

Wholesale or retail sale of groceries

For purposes of the CAT, "groceries" are food and food items that would be eligible for purchase with Supplemental Nutrition Assistance Program (SNAP) benefits. Essentially, groceries are food and beverages purchased for home consumption. Food-producing seeds and plants for use in the purchaser's garden are also groceries. Receipts from the wholesale or retail sale of groceries are excluded from the seller's commercial activity.

Retail sales of groceries. A taxpayer may exclude receipts from the retail sale of groceries, provided that the sale meets the following:

- Requirement 1: The sale is of a grocery item that would be eligible for purchase with SNAP benefits, and
- Requirement 2: The seller typically intends or expects that the sale of food to the purchaser is for home consumption by the purchaser.

A seller that typically sells grocery items to final consumers for home consumption is determined based on factors such as (but not limited to):

- Whether the average gross receipts from the sale of groceries is greater than the average gross receipts from the sale of hot food or prepared food.
- Whether the business offers on-site dining facilities or space, and the percentage of floor space dedicated to dining compared to grocery shelves.
- Business advertising and marketing.

If a store's receipts from the sale of hot food or hot prepared food constitutes 80 percent or more of the total receipts that the store realized from the sale of all food items, the store doesn't intend to sell, or typically sell, groceries to the final consumer for home consumption; therefore, sales from the store are not excludable as retail sales of groceries.

Wholesale sales of groceries. A taxpayer may exclude receipts from the wholesale sale of groceries provided that the sale meets all of the following requirements:

1. The sale is a wholesale sale.
2. The sale is of a food item that would be eligible for purchase with SNAP benefits, and is in a form that can be resold to the end consumer for home consumption.
3. The sale must be made for the purpose of reselling the food item, without processing, to the final consumer for consumption at home. **Note:** Processing means transforming or changing the physical characteristics of the food item, including incorporation or consumption of an item as an ingredient or component in the production or manufacture of another item.
4. The taxpayer making the wholesale sale must obtain written certification from the purchaser that the grocery items will be resold at retail without processing and are intended for, or typically purchased by, the final consumer for home consumption.

Any document may serve as verification, provided that it contains the date of the purchase, the purchaser's name and address, the items purchased and purchase amount, and verification from the purchaser of the amount of the purchase that will be resold, without processing, to the final consumer for home consumption. A wholesale seller isn't required to obtain separate verification if the purchase was made for the purpose of resale without further processing, and

- (A) The purchaser is a qualified SNAP retailer with a current permit to accept SNAP benefits from the U.S. Department of Agriculture; or
- (B) The purchaser is a store that meets the required qualifications to be a SNAP retail food store under 7 U.S.C. 2012(o)(1), (2), (4) or (5).

The wholesale seller must retain documentation that, at the time of sale, the items were sold and delivered to a purchaser that meets the requirements in (A) or (B). See Appendix B for

additional wholesaler information including an out-of-state resale certificate template.

Filing checklist and reminders

- **Rounding to whole dollars.** Enter amounts on the return and accompanying schedules as whole dollars only by rounding to the nearest whole dollar amount. (For example, \$4,681.55 becomes \$4,682; and \$8,775.22 becomes \$8,775).
- **Due date of your return.** Returns are due by the 15th day of the fourth month following the end of the tax year. When the 15th day falls on a Saturday, Sunday, or Oregon legal holiday, the due date is the next business day.
- **Extensions.** More time to file doesn't mean more time to pay your tax. To avoid penalty and interest, pay tax due prepayments online, or by mail with Form OR-CAT-V, on or before the original due date of your return.

Note: You must submit your extension before the return filing deadline. Filing a payment voucher, Form OR-CAT-V isn't an extension of time to file your tax return. If you're making an extension payment by mail, send the payment to: Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0950. Include on your check:

- Designated CAT entity. Enter the legal name and FEIN. If you're a sole proprietorship without a FEIN, enter your name and SSN. Only enter an FEIN or an SSN. Don't enter both.
- "Extension."
- Tax year.
- Daytime phone.

- **Payments.**

- **Estimated payments and prepayments.** Identify all estimated payments claimed by completing Schedule OR-ES-CAT on pages 5 and 6 of your return. List all payments that were submitted prior to filing your return. Include the name and FEIN of the entity that submitted each payment. Missing or incomplete information on payments made by an affiliate could result in a billing.
- **Online payments.** You can log into your Revenue Online account and make a payment. If you make a non-logged in payment, you will need the CAT Account ID. If you don't know your CAT Account ID, you can find it by logging into your Revenue Online account. Your CAT Account ID can also be found on letters from the Department regarding your entity's CAT account.
- **Making electronic payments with your e-filed return.** We accept electronic payments when e-filing your original return.
- **Making check or money order payments with your paper return.** Make your check or money order payable to Oregon Department of Revenue. Write the following on your check or money order:
 - Federal employer identification number (FEIN) or Social security number (SSN) if a sole proprietor.

- Tax year.
- Daytime phone.

- To speed up processing:
 - Don't use Form OR-CAT-V payment voucher.
 - Don't staple payment to the return.
 - Don't send cash or postdated checks.
 - Don't use red or purple or any gel ink.
- **Sending check or money order payments separate from your return.** Follow the instructions above, except don't include with your return. Mail separate payments with Form OR-CAT-V to:

Oregon Department of Revenue
PO Box 14950
Salem OR 97309-0950

Don't use this address for filing your return.

- **Assembling and submitting your return.** Submit your Oregon return forms in the following order:
 1. Form OR-CAT, Oregon Corporate Activity Tax Return;
 2. Schedule OR-AF-CAT, Schedule of Affiliates;
 3. Schedule OR-EXC-CAT, Exclusions from commercial activity.

Tax-due returns, without payment voucher, mail to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Refunds or no tax-due returns, mail to:

Oregon Department of Revenue
PO Box 14777
Salem OR 97309-0960

Estimated tax payments

Requirements. Oregon CAT estimated payment requirements aren't the same as federal estimated tax payment requirements. You must make estimated tax payments if you expect to owe tax of \$5,000 or more.

If you don't make estimated payments as required, you may be subject to a quarterly underpayment penalty.

Payment due dates

Estimated tax payments are due quarterly, as follows:

Calendar year filers: April 30, July 31, October 31, and January 31.

Fiscal year filers: The last day of the 4th, 7th, and 10th month, and the last day of the first month following the end of your tax year.

If the due date falls on a Saturday, Sunday, or Oregon legal holiday, use the next regular business day.

Payment options

Important: For details about making payments **with your return**, see "Filing checklist."

Estimated payments may be made by electronic funds transfer (EFT), online, or by check. You can make EFT payments through Revenue Online or through your financial institution. To learn more about how to make payments, visit our website. If you pay by EFT, don't send Form OR-CAT-V, *Oregon Corporate Activity Tax Payment Voucher*.

Mail. If paying by mail, send each payment with a Form OR-CAT-V, payment voucher, to: Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0950. Include on your check:

- Federal employer identification number (FEIN) or Social security number (SSN) if a sole proprietor.
- Tax year.
- Daytime phone.

Estimated payments worksheet (see instructions below worksheet)

Line 1.	Oregon commercial activity after exclusions.	1. _____
Line 2.	Apportioned expenses. (greater of cost inputs or labor costs).	2. _____
Line 3.	Subtraction percentage.	3. 0.35
Line 4.	Cost subtraction. Multiply line 2 by line 3.	4. _____
Line 5.	Taxable commercial activity. Subtract line 4 from line 1.	5. _____
Line 6.	Commercial activity threshold.	6. \$1,000,000
Line 7.	Taxable commercial activity in excess of \$1 million threshold. Subtract line 6 from line 5.	7. _____
Line 8.	Tax rate.	8. 0.0057
Line 9.	Gross corporate activity tax. Multiply line 7 by line 8.	9. _____
Line 10.	Base tax.	10. \$250
Line 11.	Annual corporate activity tax. Add line 9 to line 10.	11. _____
Line 12.	Estimated payment amount. Divide line 11 by the number of estimated payments.	12. _____

Instructions for estimated payments

Line 1: Amount of commercial activity sourced to Oregon. Determine the total amount of commercial activity sourced to Oregon that the business realized over the course of the year. Don't include receipts from items that are specifically excluded from commercial activity.

Line 2: Apportioned expenses. You can claim the greater of your labor costs or cost inputs. Remember that expenses can't be claimed if they are not associated with commercial activity. For example, if you have costs associated with receipts you are excluding from commercial activity, you can't claim those costs.

- **Labor costs** means total compensation of all employees, not to include compensation paid to any single employee in excess of \$500,000.
- **Cost inputs** means the cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code.

Line 4: Cost subtraction. The amount of the cost subtraction is limited to 95 percent of your commercial activity. This means that your cost subtraction can't be more than the amount on line 1 multiplied by 95 percent.

Line 5: Taxable commercial activity. If your taxable commercial activity is equal to or less than \$1,000,000, stop. You don't need to make any estimated payments.

Line 12: Estimated payment amount. Divide line 11 by the number of installment payments. For most businesses, this will require four installments.

Example 1

TV Mart has \$10 million of Oregon commercial activity. TV Mart has \$3,999,996 of labor cost and \$3,714,282 of cost inputs. TV Mart computes its Oregon estimated payments as follows:

Line 1. Oregon commercial activity after exclusions.	1. \$10,000,000
Line 2. Expenses. (greater of cost inputs or labor costs).	2. \$3,999,996
Line 3. Subtraction percentage.	3. 0.35
Line 4. Cost subtraction. Multiply line 2 by line 3.	4. \$1,399,999
Line 5. Taxable commercial activity. Subtract line 4 from line 1.	5. \$8,600,001
Line 6. Commercial activity threshold.	6. \$1,000,000
Line 7. Taxable commercial activity in excess of \$1 million threshold. Subtract line 6 from line 5.	7. \$7,600,001
Line 8. Tax rate.	8. 0.0057
Line 9. Gross corporate activity tax. Multiply line 7 by line 8.	9. \$43,320.00
Line 10. Base tax.	10. \$250
Line 11. Annual corporate activity tax. Add line 9 to line 10.	11. \$43,570.00
Line 12. Estimated payment amount. Divide line 11 by the number of estimated payments.	12. \$10,893.00

Seasonal taxable commercial activity

Underpayment charges won't be imposed if each estimated payment is equal to or more than 22.5 percent of the total tax due based on the amount of Oregon taxable commercial activity. Seasonal commercial activity installments are calculated as follows:¹

1. Taxable commercial activity for all months during the taxable year. 1. _____
2. Divide line 1 by the base period percentage² for all months during the taxable year. 2. _____
3. Determine the tax on line 2. 3. _____
4. Multiply line 3 by the base period percentage for the filing month and all months during the taxable year preceding the filing month. 4. _____

¹ Taxpayers may only calculate seasonal commercial activity if the base period percentage for any six consecutive months of the taxable year is at least 70 percent.

² The base period percentage for any period of months is the average percent that the taxable commercial activity for the corresponding months in each of the three preceding taxable years bears to the taxable commercial activity for the three preceding years.

Unitary group returns

If a unitary group CAT return is filed, any underpayment shall be computed on a combined basis. Each entity of the unitary group shall be jointly and severally liable for the payment of the estimated tax liability.

Return instructions

Heading and checkboxes

Fiscal year beginning and fiscal year ending. CAT taxpayers who use a fiscal tax year other than the calendar year for federal tax purposes under Internal Revenue Code Section 441 must use their fiscal year for CAT.

Calendar year filers should leave these fields blank.

Extension checkbox. Check this box if you submitted an extension.

Amended checkbox. Check the amended box if this is an amended return.

Accounting period change checkbox. Check this box only if both of the following apply:

The CAT return covers a period of less than 12 months; and
The short-period return is due to a qualified change in accounting period per IRC §§441 to 444.

Note: A short-period return doesn't automatically constitute a qualified change in accounting period. A taxpayer that isn't engaged in commercial activity for the entire year shouldn't check this box. This includes subsidiaries that join or leave a combined filing group, and newly formed or dissolved entities.

Short year checkbox. Check this box if you are filing a short year return. A short year is a tax year of less than 12 months. Most short-year returns must prorate the tax rate threshold of \$1 million provided in ORS 317A.125 and 317A.137 as follows: Number of days in the short period divided by 365 days multiplied by \$1 million. The \$500,000 annual labor cost limit for any single employee must also be prorated. Proration is not required for short-year returns filed for newly formed or dissolved entities that were not engaged in commercial activity for the entire year.

Short year dates. Enter the dates that your tax year began and ended.

Legal name of designated CAT entity. Enter the legal name of designated CAT entity (sole proprietor—complete line below)

FEIN. Enter the federal employer identification number (FEIN) of the entity named on the Oregon return.

First name (if sole proprietorship), initial, last name, and SSN. If you're a sole proprietorship without an FEIN, enter your name and Social Security number (SSN). Only list either an FEIN or an SSN, not both.

Deceased. If you're filing for someone who died in 2023, check the "Deceased" box.

DBA. If the entity is doing business under a different name, for example, DBA or ABN, enter that name.

Current address, city, state, zip code, country (if other than US). Always enter the entity's current address. If the address for the year you're filing was different, don't use the old address.

Business information

- A. Incorporated in (state), incorporated on (date).** Enter the state in which your entity was incorporated and the date it became incorporated on.
- B. State of commercial domicile.** Enter in the state of your commercial domicile.
- C. Business activity code.** Refer to the current list of North American Industry Classification System (NAICS) codes found with your federal tax return instructions.
- D. Tax entity type.** Enter the code from the following list that matches the tax entity type of your designated CAT entity.

Code	Entity type
CC	C corporation
SC	S corporation
PA	Partnership
SP	Sole proprietorship
LC	LLC organized as a corporation
LP	LLC organized as a partnership
LL	Limited liability partnership
AT	Association/trust
QS	Qualified subchapter S subsidiary
SM	Single-member LLC
OF	Other foreign entity

E. Legal entity type. Enter the legal entity type if it is different from your tax entity type.

F. Consolidated federal return. Check this box if you filed a consolidated federal return. Include a list of the corporations included in the consolidated federal return with your Oregon CAT return as an attachment.

Combined Oregon return. Check this box if this is a combined Oregon CAT return.

Entities included in consolidated federal return, but not in Oregon return. Check this box if it applies. Include a list of entities included in the consolidated federal return that aren't included in this Oregon CAT return. List each entity's name and FEIN. Include this attachment with your Oregon CAT return.

Entities included in combined Oregon CAT return, but not in federal return. Check this box if it applies. Include each entity's name and FEIN as an attachment with your Oregon CAT return.

Elect to file as modified unitary group. Check this box if you are electing to exclude non-U.S. members with no commercial activity, or amounts realized but by definition are excluded from commercial activity, that is sourced to Oregon.

G. Name and FEIN of parent corporation, if different than designated CAT entity (if applicable). If the filing corporation (shown above as legal name) is a subsidiary in an affiliated group, or a subsidiary in a parent-subsidiary controlled group, enter the name and FEIN of the parent corporation. For definition of a subsidiary in an affiliated group or a parent-subsidiary controlled group, see federal Form 1120, Schedule K.

H. Number of affiliates included in this return (You must include Schedule OR-AF-CAT if this is a combined return). Enter the total number of affiliates doing business in Oregon that are included in this return. Both the designated entity and the entities on the OR-AF-CAT should be included in the count.

I. If first return, indicate if you are a new business or a successor to a previous business. Enter the name and FEIN of the previous business.

J. If final return, indicate: ☐ Withdrawn ☐ Dissolved

☐ **Merged or reorganized.** Enter the name and FEIN of merged or reorganized business.

K. ☐ Financial institution. Check this box only if the entity is a financial institution. CAT defines financial institutions under ORS 314.610 except CAT excludes credit unions from this definition.

L. ☐ Insurer. Check this box if the entity is an insurer. CAT defines insurers as any domestic, foreign, or alien insurer, any interinsurance and reciprocal exchange as found in Corporate Excise Tax, ORS 317.010. The definition of insurers doesn't include title insurers or health care service providers operating pursuant to ORS

750.005 to 750.095. Foreign or alien insurers subject to the Oregon retaliatory tax under ORS 731.854 & 859 are an excluded person not subject to the CAT.

- M. Farming operation.** Check this box if the entity is a farming operation. CAT defines farming operation as an entity doing business in a sector described under codes 111, 112 or 115 of the North American Industry Classification System.

Line instructions

- 1. Oregon commercial activity plus exclusions.** Report the Oregon sourced commercial activity plus exclusions that are taken on line 2. Commercial activity (on line 3) means the fair market value of all amounts realized in the regular course of a taxpayer's trade or business that meet the transactional test in OAR 150-314-0335(5). This can include, but isn't limited to, money, property received, debt forgiven, and services rendered. Commercial activity doesn't include amounts that only meet the functional test in OAR 150-314-0335(6).

- 2. Total exclusions from commercial activity (must attach schedule OR-EXC-CAT).** Use Schedule OR-EXC-CAT to report the amount and description code of each exclusion. Use the description code from the list in Appendix A. The total of all exclusions is entered on Form OR-CAT, line 2.

- 3. Oregon commercial activity.** Subtract line 2 from line 1 to determine Oregon commercial activity.

Substitute method checkbox. Check box if electing to determine your CAT subtraction using the substitute method and complete lines 4 through 8 using the instructions for the substitute method. Leave unchecked to determine your CAT subtraction using the general method and complete lines 4 through 8 using the instructions for the general method.

- 4. Cost inputs.** "Cost inputs" means the cost of goods sold (COGS) as calculated in arriving at federal taxable income under the Internal Revenue Code.

General method. Report the excess of total cost inputs everywhere over the amount of cost inputs that are ineligible costs. Ineligible costs are expenses from transactions among members of a group, as excluded under ORS 317A.106 or cost inputs that are attributable to receipts from an item that wouldn't be commercial activity if sourced to Oregon.

Substitute method. Report total cost inputs everywhere reduced by expenses from transactions among members of a group, as excluded under ORS 317A.106.

- **Farming operations.** For a farming operation that doesn't report cost of goods sold for federal tax purposes, "cost inputs" means operating expenses, excluding labor costs.

- 5. Labor costs (not to exceed \$500,000 for any single employee).** Labor costs include most types of compensation paid to employees, such as wages, health insurance benefits, retirement benefits, and any other fringe

benefits, but it doesn't include the employer's portion of payroll taxes paid or compensation in excess of \$500,000 paid to any single employee.

For purposes of the CAT, "employee" means an individual who provides services under the control of another person or organization. Generally, an individual will be considered an employee if the person or organization that receives the services is subject to industrial accident insurance, unemployment compensation, federal Social Security, or federal tax withholding for that individual. "Employees" doesn't include:

- Partners in a partnership who receive guaranteed payments or distributive income.
- Members in a limited liability company (LLC) who receive guaranteed payments or distributive income.
- Statutory employees described in the Internal Revenue Code (IRC) Section 3121(d)(3).
- Independent contractors as defined in ORS 670.600.

General method. Report the excess of total labor costs everywhere over the amount of labor costs that are ineligible. Ineligible costs are expenses from transactions among members of a group, as excluded under ORS 317A.106 or labor costs that are attributable to receipts from an item that wouldn't be commercial activity if sourced to Oregon.

Substitute method. Report total labor costs everywhere reduced by expenses from transactions among members of a group, as excluded under ORS 317A.106.

- 7. Apportionment percentage of subtraction.** Include an attachment showing calculations. You must include a percentage amount on line 7 or your subtraction may be disallowed.

General method. Report the filing entity's Oregon apportionment percentage. Refer to ORS 317A.119(3) for details on determining the proper percentage.

Enter 100.0000 if all commercial activity is sourced to Oregon.

Rounding. When computing the percentage, round the percentage to four decimal places. For example, 12.34558 percent should be 12.3456 percent.

If you are filing as an entity that is identical to the entity or the group of entities reporting on the apportionment schedule filed for purposes of Oregon income or excise tax, report the apportionment percentage included on your most recent Oregon income or excise tax return covering a 12-month period.

If you are filing as a group of entities that isn't identical to the group of entities reporting on apportionment schedule filed for the purposes of Oregon income or excise tax, you must compute your Oregon apportionment factor using the applicable apportionment method under ORS chapters 314 or 317. Include an attachment showing your calculations.

If you are a filing as a group of entities with members subject to multiple apportionment methods, include an attachment showing your calculations for each apportionment method and a list of the entities included on the return that each apportionment method applies to.

Alternative apportionment request included. Check this box if you have included a request for alternative apportionment with your return. See Appendix C for complete information. This box is used to denote requests only. You may not use an alternative apportionment method until the department approves your request in writing. **Don't check this box if you are using the substitute method of the CAT subtraction. The substitute method isn't an alternate apportionment method.**

Substitute method. You may, in lieu of calculating and apportioning eligible costs, elect to approximate and apportion eligible costs by means of the commercial activity ratio.

Calculate the commercial activity ratio as follows:

Divide commercial activity sourced to Oregon on line 3 by the sum of commercial activity everywhere and the following amounts excluded under ORS 317A.100(1)(b): (Q), (Y), (AA), (DD), (EE), (TT), and (VV). Receipts from transactions among unitary group members are not included in either the numerator or denominator.

8. Multiply line 6 by line 7. This is your CAT subtraction.

If you are a filing as a group of entities with members subject to multiple apportionment methods, you must figure your CAT subtraction as follows:

- Separate the group into subgroups. Each subgroup consists of members that use the same apportionment method.
- Separate the costs reported on line 4 or 5, whichever is greater, and assign them to each subgroup based on the costs attributable to the members of that subgroup.
- Multiply the costs assigned to each subgroup by 35 percent. This is the subgroup's eligible costs.
- Multiply the subgroup's eligible costs by the subgroup's apportionment factor. This is the CAT subtraction attributable to the subgroup.
- Sum the CAT subtractions attributable to each subgroup and report the amount on line 8. Include an attachment showing your calculations.

Refer to OAR 150-317-1200 for further details on calculating your subtraction.

10. Subcontractor exclusion (ORS 317A.122). If you are a general contractor and incurred labor costs for single-family residential construction located in Oregon, you may qualify for the subcontractor labor payment exclusion. The exclusion is 15 percent of the labor costs paid to a subcontractor. It doesn't include payments made for materials, land or permits and isn't allowed for payments between subcontractors. Single-family residential construction means the construction of new single-family housing

such as single-family detached or semidetached houses and townhouses or row houses where each housing unit:

- Is separated from the adjacent unit by a ground-to-roof wall;
- Has no housing units constructed above or below;
- Doesn't share heating or air-conditioning systems; and
- Doesn't share utilities.

13. Taxable Oregon commercial activity in excess of \$1 million threshold. If you are filing a short-year return, the \$1 million threshold must be prorated for the number of days to which the short year return is applicable. Your threshold is calculated as follows: Number of days in the short period divided by 365 multiplied by \$1 million. Subtract your prorated threshold from your taxable Oregon commercial activity on line 11.

16. Total CAT (line 14 plus line 15). If the amount on line 11 is less than line 12, enter 0. Enter your total CAT here. If your total taxable commercial activity reported on line 11 is below the \$1 million threshold, you don't owe. Enter 0 on this line. **Don't enter the base tax from line 15 if your taxable commercial activity is below the \$1 million threshold.**

17. 2023 Estimated CAT payments and other prepayments from Schedule OR-ES-CAT line 7. Include payments made with extension. Report the total amount of estimated tax payments, extension payments or other prepayments for the 2023 tax year.

Schedule OR-ES-CAT Estimated Tax Payments and Other Prepayments instructions: Fill in the total estimated tax payments made before filing your Oregon return. Include any payments made with Form OR-CAT-V on lines 1–4. List name and FEIN of the payer only if different from the entity filing this return.

Note: Combined return filers. If estimated payments were made under a different name, fill in the paying entity's name and FEIN on Schedule OR-ES-CAT for the correct application of estimated payments.

Caution: Missing or incomplete information on payment made by an affiliate could result in a billing.

- Enter overpayment of another year's tax applied as a credit against this year's tax on line 5.
- Enter payments made with your extension or other prepayments on line 6.
- Carry the total from line 7 to Form OR-CAT, line 17.

20. Penalty due with this return. Calculate and enter the following penalties on this line, if applicable:

Quarterly underpayment penalty. See section on Form OR QUP CAT instructions.

Failure to register penalty. If you haven't previously registered for the CAT, include a penalty if you failed to register within 30 days of exceeding \$750,000 in commercial activity for the tax year. The penalty isn't to exceed \$100 per month

per person or unitary group that has failed to register, up to a maximum of \$1,000 for the year. To calculate your penalty, take the date on which your commercial activity exceeded \$750,000 and add 30 days. For the remaining months of the taxable year, include a \$100 penalty, not to exceed \$1,000. (ORS 317A.131) You may use the worksheet below to calculate this penalty.

Line 1	Date exceeding \$750,000	xx/xx
Enter \$100 for each month that is applicable based on line 1		
	January	N/A
Line 2	February	\$100.00
Line 3	March	\$100.00
Line 4	April	\$100.00
Line 5	May	\$100.00
Line 6	June	\$100.00
Line 7	July	\$100.00
Line 8	August	\$100.00
Line 9	September	\$100.00
Line 10	October	\$100.00
Line 11	November	\$100.00
Line 12	December	\$100.00
Line 13	Subtotal	\$1,100.00
Line 14	Maximum of \$1,000	\$1,000.00
Line 15	Enter the lesser of line 13 or 14	\$1,000.00

5 percent failure-to-pay penalty. Include a penalty payment of 5 percent of your unpaid tax if you don't pay by the original due date, even if you have an extension of time to file.

Exception: You won't be charged the 5 percent failure-to-pay penalty if you meet all of the following requirements:

- You have a valid federal or Oregon extension, and
- You pay at least 90 percent of your tax after credits by the original due date of the return, and
- You file your return within the extension period, and
- You pay the balance of tax due when you file your return, and
- You pay the interest on the balance of tax due when you file your return or within 30 days of the date of the bill you receive from us.

20 percent failure-to-file penalty. Include a penalty payment of 20 percent of your unpaid tax if you don't file your return within three months after the original filing due date (including extensions). The failure-to-file penalty is in addition to the 5 percent failure-to-pay penalty.

100 percent late pay and late filing penalty. Include a penalty payment of 100 percent of your unpaid tax if you don't file returns for three consecutive years by the original filing

due date (including extensions) of the third year. A 100 percent penalty is assessed on each year's tax balance.

23. Amount of refund you want applied to your estimated tax account. You may elect to apply part or all of your refund to your next year's estimated tax payments. Fill in the amount you want to apply. Your election is irrevocable. Elected amounts that are attributable to estimated tax payments received prior to the following year's first quarter estimated tax due date will be applied as a timely first quarter installment of the following year. Elected amounts attributable to payments received after the following year's first quarter estimated tax due date will be applied to the following year's estimated tax account as of the date the payment is received.

Schedule OR-AF-CAT instructions

If you file a combined Oregon CAT return you must complete Schedule OR-AF-CAT and submit it with your Oregon return. This form is listed at www.oregon.gov/dor.

Schedule OR-AF-CAT should list only those affiliates with Oregon commercial activity that are included in the combined Oregon CAT return. Don't include the designated CAT entity on the Schedule OR-AF-CAT.

Report the following on Schedule OR-AF-CAT:

- Name and address of each affiliate with Oregon commercial activity.
- FEIN.
- Date the affiliate became part of the unitary group only if this occurred during the tax year being reported.
- Date the affiliate left the unitary group only if this occurred during the tax year being reported.
- Amount of Oregon commercial activity.
- Affiliate's business activity code.
- Enter the two letter code from the following list that matches the tax entity type of the affiliate.

Code Entity type

CC	C corporation
SC	S corporation
PA	Partnership
SP	Sole proprietorship
LC	LLC organized as a corporation
LP	LLC organized as a partnership
LL	Limited liability partnership
AT	Association/trust
QS	Qualified subchapter S subsidiary
SM	Single-member LLC
OF	Other foreign entity

- Enter the two letter code if the affiliate's legal entity type if it is different from their tax entity type.
- Include as many schedules as necessary to list all affiliates in your CAT unitary group.

Schedule OR-EXC-CAT instructions

Use this form to report exclusions from commercial activity on your Oregon Corporate Activity Tax Return. Use codes from the Appendix A to identify which exclusions you are claiming. If you are claiming multiple exclusions, list out each one individually. Make a copy of this form if you have more than 9 exclusions from commercial activity.

Report the following on the Schedule OR-EXC-CAT:

- Exclusion code.
- Exclusion amount (can't be a negative).
- Total amount of exclusions.

Form OR-QUP-CAT instructions

You must make estimated tax payments if you expect to owe tax of \$5,000 or more. Failure to make the quarterly estimated payments may result in a 5% penalty being assessed on the amount of underpayment.

Part 1: Figuring the exceptions.

Exceptions: Lines 3, 4, 5, and 6

The quarterly underpayment penalty won't be imposed if each estimated tax payment is equal to or more than 25 percent of any one of the following:

- Lines 3a–3d, Exception 1: Current year CAT liability. For tax years beginning on or after January 1, 2022, 90 percent of the tax for the tax year.
- Line 4a–4d, Exception 2: Prior year CAT liability.
- Line 5a–5d, Exception 3: 90% of the tax computed on annualized commercial activity.
- Line 6a–6d, Exception 4: 90% of the tax computed on seasonal commercial activity.

The department won't assess penalties for underestimating quarterly payments if the business has made a good-faith effort to comply. The department also won't assess a penalty for failure to make a quarterly payment if a business doesn't have the financial ability to make the estimated payment. A good-faith effort can be demonstrated by the extent of the taxpayer's efforts to accurately estimate and pay the required quarterly installment. Use exception 5 on Form OR-QUP-CAT for good-faith effort. Business taxpayers should keep documentation showing:

- The taxpayer can show that they had no ability to determine whether they will have CAT liability for the 2023 tax year, after taking into consideration exclusions and subtractions provided in ORS Chapter 317A.
- The taxpayer made a reasonable estimate of the installment based on information available to them at the time.
- The taxpayer relied on information contained in a proposed administrative rule. Taxpayers must use the best information available and document all information and assumptions relied upon.

Taxpayers are not required to submit documentation to the department unless requested.

Part 2: Quarterly underpayment calculations

Quarter 1

Line 8a: Enter the lesser amount of lines 3a, 4a, 5a, or 6a.

Line 8b: Enter the amount of estimated tax paid or credited for the quarter.

Line 8c: Subtract line 8a from line 8b. If the result is a negative number, enter 0.

Line 8d: Subtract line 8b from line 8a. If the result is a negative number, enter 0.

Line 8e: Multiply the amount on line 8d by 0.05. This is your total underpayment penalty for the quarter.

Quarter 2

Line 9a: Enter the lesser amount of lines 3b, 4b, 5b, or 6b.

Line 9b: Enter the amount of estimated tax paid or credited for the quarter.

Line 9c: Enter the amount of overpayment from line 8c.

Line 9d: Enter the sum of lines 9b and 9c.

Line 9e: Subtract line 9a from line 9d. If the result is a negative number, enter 0.

Line 9f: Subtract line 9d from line 9a. If the result is a negative number, enter 0.

Line 9g: Multiply the amount on line 9f by 0.05. This is your total underpayment penalty for the quarter.

Quarter 3

Line 10a: Enter the lesser amount of lines 3c, 4c, 5c, or 6c.

Line 10b: Enter the amount of estimated tax paid or credited for the quarter.

Line 10c: Enter the amount of overpayment from line 9e.

Line 10d: Enter the sum of lines 10b and 10c.

Line 10e: Subtract line 10a from line 10d. If the result is a negative number, enter 0.

Line 10f: Subtract line 10d from line 10a. If the result is a negative number, enter 0.

Line 10g: Multiply the amount on line 10f by 0.05. This is your total underpayment penalty for the quarter.

Quarter 4

Line 11a: Enter the lesser amount of lines 3d, 4d, 5d, or 6d.

Line 11b: Enter the amount of estimated tax paid or credited for the quarter.

Line 11c: Enter the amount of overpayment from line 10e.

Line 11d: Enter the sum of lines 11b and 11c.

Line 11e: Subtract line 11a from line 11d. If the result is a negative number, enter 0.

Line 11f: Subtract line 11d from line 11a. If the result is a negative number, enter 0.

Line 11g: Multiply the amount on line 11f by 0.05. This is your total underpayment penalty for the quarter.

Line 12: Enter the sum of lines 8e, 9g, 10g, and 11g. This is your total penalty owed for all 4 quarters.

Example

Your tax liability at the end of the year was \$10,000 and you didn't pay at least \$2,250 ($\$10,000 \text{ tax} \div 4 \text{ quarters} = \$2,500$).

and 90% of \$2,500 is \$2,250) in each quarter. Your penalty is calculated for each quarter of estimated tax payment. (Only exception 1 is applicable in this example.)

End of year tax liability	\$10,000
Divide by four	÷ 4
Quarterly estimated payments	2,500
Multiply by 90%	0.90
Required minimum quarterly payment	2,250

Payments made:

Quarter 1	1,800
Quarter 2	2,250
Quarter 3	2,500
Quarter 4	1,300

Penalty must be calculated on quarters 1 and 4.

Quarter 1 minimum estimated payment due	2,250
Less payment made	(1,800)
Underpayment	450

Multiply by 5%	x	0.05
Quarter 1 penalty		23
Quarter 4 minimum estimated payment due		2,250
Less payment made		(1,300)
Less \$250 credit from Quarter 3 overpayment		(250)
Underpayment		700
Multiply by 5%	x	0.05
Quarter 4 penalty		35

Do you have questions or need help?

www.oregon.gov/dor

503-945-8005

Monday–Friday 8:00 a.m. to 4:00 p.m.

Phones are closed on holidays, and 10:00–11:00 a.m. Wednesdays.

Cat.help.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.

Appendix A
2023 Form OR-CAT Corporate Activity Tax
Schedule OR-EXC-CAT codes
Exclusions from commercial activity

Description	Citation	Code
Interest income.	ORS 317A.100(1)(b)(A)	700
Receipts from the sale, exchange or other disposition of an asset.	ORS 317A.100(1)(b)(B)	701
If received by an insurer, federally reinsured premiums or income from transactions between a reciprocal insurer and its attorney in fact.	ORS 317A.100(1)(b)(C)	702
Receipts from hedging transactions.	ORS 317A.100(1)(b)(D)	703
Proceeds received attributable to the repayment, maturity or redemption of the principal of a loan, bond, mutual, fund, certificate of deposit or marketable instrument.	ORS 317A.100(1)(b)(E)	704
Principal amounts received under a repurchase agreement or loan.	ORS 317A.100(1)(b)(F)	705
Contributions received by a trust, plan or other arrangement.	ORS 317A.100(1)(b)(G)	706
Compensation received.	ORS 317A.100(1)(b)(H)	707
Proceeds received from the issuance or sale a taxpayer's own stock.	ORS 317A.100(1)(b)(I)	708
Proceeds received from insurance policies owned by the taxpayer.	ORS 317A.100(1)(b)(J)	709
Gifts or charitable contributions received, membership dues received by trade, professional, homeowners' or condominium associations, payments received for educational courses, meetings or meals, or similar payments to a trade, professional or other similar association, and fundraising receipts received by any person when any excess receipts are donated or used exclusively for charitable purposes.	ORS 317A.100(1)(b)(K)	710
Damages received as the result of litigation in excess of amounts that, if received without litigation, would be treated as commercial activity.	ORS 317A.100(1)(b)(L)	711
Property, money and other amounts received or acquired by an agent on behalf of another in excess of the agent's commission, fee or other remuneration.	ORS 317A.100(1)(b)(M)	712
Tax refunds, other tax benefit recoveries and reimbursements.	ORS 317A.100(1)(b)(N)	713
Pension reversions.	ORS 317A.100(1)(b)(O)	714
Contributions to capital.	ORS 317A.100(1)(b)(P)	715
Receipts from the sale, transfer, exchange or other disposition of motor vehicle fuel.	ORS 317A.100(1)(b)(Q)	716
Federal and state excise taxes paid on cigarettes or tobacco products.	ORS 317A.100(1)(b)(R)	717
Federal and state excise taxes paid on alcoholic beverages.	ORS 317A.100(1)(b)(S)	718
Federal and state excise taxes paid on marijuana items.	ORS 317A.100(1)(b)(T)	719
Local taxes collected by a restaurant or other food establishment on sales of meals, prepared food or beverages.	ORS 317A.100(1)(b)(U)	720
Tips or gratuities collected by a restaurant or other food establishment and passed on to employees.	ORS 317A.100(1)(b)(V)	721
Receipts from vehicle dealer trades to meet a specific customer's preference or an exchange of new vehicles between franchised motor vehicle dealerships.	ORS 317A.100(1)(b)(W)	722
Registration fees or taxes collected by a vehicle dealer at the sale or other transfer of a motor vehicle, that are owed to a third party by the purchaser of the motor vehicle and passed to the third party by the dealer.	ORS 317A.100(1)(b)(X)	723
Receipts from a financial institution for services provided to the financial institution in connection with the issuance, processing, servicing and management of loans or credit accounts, if the financial institution and the recipient of the receipts have at least 50 percent of their ownership interests owned or controlled, directly or constructively through related interests, by common owners.	ORS 317A.100(1)(b)(Y)	724
Amounts specified under ORS chapter 462 that must be paid to or collected by the Department of Revenue as a tax and the amounts specified under ORS chapter 462 to be used as purse money.	ORS 317A.100(1)(b)(Z)	725

Appendix A (continued)
2023 Form OR-CAT Corporate Activity Tax
Schedule OR-EXC-CAT codes
Exclusions from commercial activity

Description	Citation	Code
Receipts of residential care facilities as defined in ORS 443.400 or in-home care agencies as defined in ORS 443.305, to the extent that the revenue is derived from or received as compensation for providing services to a medical assistance or Medicare recipient.	ORS 317A.100(1)(b)(AA)	726
Dividends received.	ORS 317A.100(1)(b)(BB)	727
Distributive income received from a pass-through entity.	ORS 317A.100(1)(b)(CC)	728
Receipts from sales to a wholesaler in this state, if the seller receives certification at the time of sale from the wholesaler that the wholesaler will sell the purchased property outside this state.	ORS 317A.100(1)(b)(DD)	729
Receipts from the wholesale or retail sale of groceries, including receipts of a person that owns groceries at the time of sale and compensation of any consignee engaged in effecting the sale of groceries on behalf the owner of groceries, but only to the extent that the compensation relates to grocery sales.	ORS 317A.100(1)(b)(EE)	730
Receipts from transactions among members of a unitary group.	ORS 317A.100(1)(b)(FF)	731
Moneys, including public purpose charge moneys collected under ORS 757.612 and costs of funding or implementing cost-effective energy conservation measures collected under ORS 757.689, that are collected from customers, passed to a utility and approved by the Public Utility Commission and that support energy conservation, renewable resource acquisition and low-income assistance programs.	ORS 317A.100(1)(b)(GG)	732
Moneys collected by a utility from customers for the payment of loans through on-bill financing.	ORS 317A.100(1)(b)(HH)	733
Surcharges collected under ORS 757.736.	ORS 317A.100(1)(b)(II)	734
Power Act Exchange credits or pursuant to any settlement associated with the exchange credit.	ORS 317A.100(1)(b)(JJ)	735
Moneys collected or recovered for fees payable under ORS 756.310, right-of-way fees, franchise fees, privilege taxes, federal taxes and local taxes.	ORS 317A.100(1)(b)(KK)	736
Charges paid to the Residential Service Protection Fund.	ORS 317A.100(1)(b)(LL)	737
Universal service surcharge moneys collected or recovered and paid into the universal service fund.	ORS 317A.100(1)(b)(MM)	738
Moneys collected for public purpose funding.	ORS 317A.100(1)(b)(NN)	739
Moneys collected or recovered and paid into the federal universal service fund.	ORS 317A.100(1)(b)(OO)	740
In the case of a seller or provider of telecommunications services, the amount of tax imposed under ORS 403.200 for access to the emergency communications system that is collected from subscribers or consumers.	ORS 317A.100(1)(b)(PP)	741
The amount of tax imposed under ORS 320.305 and of any local transient lodging tax imposed upon the occupancy of transit lodging.	ORS 317A.100(1)(b)(QQ)	742
The amount of tax imposed under ORS 320.415 upon retail sales of bicycles.	ORS 317A.100(1)(b)(RR)	743
The amount of tax imposed under ORS 307.872 upon the rental price of heavy equipment.	ORS 317A.100(1)(b)(SS)	744
Farmer sales to an agricultural cooperative in this state that is a cooperative organization described in section 1381 of the Internal Revenue Code.	ORS 317A.100(1)(b)(TT)	745
Revenue received by a business entity that is mandated by contract or subcontract to be distributed to another person or entity if the revenue constitutes sales commissions that are paid to a person who is not an employee of the business entity.	ORS 317A.100(1)(b)(UU)	746
Receipts from the sale of fluid milk by dairy farmers that are not members of an agricultural cooperative.	ORS 317A.100(1)(b)(VV)	747
Receipts from the sale of prescription drugs sold by an "eligible pharmacy."	Senate Bill 1524 (2022)	748

Appendix B
Sample certificates



Oregon Corporate Activity Tax
Motor Vehicle Resale Certificate

For purposes of the Corporate Activity Tax (CAT), motor vehicle dealers may exclude receipts realized from the sale or transfer of a motor vehicle to another vehicle dealer, provided that certain requirements are met. In order to qualify for the exclusion, the transaction must meet the following requirements:

1. The transferor and transferee must be licensed motor vehicle dealers; and
2. The transfer must be of a new vehicle between franchised dealerships; **or**
3. The transfer must be made for the purpose of resale by the transferee vehicle dealer; **and**
4. The transfer must be based upon the transferee vehicle dealer's need to meet a specific customer's preference.

Because both the transferee and the transferor may be eligible to claim the exclusion, both motor vehicle dealers must retain documentation demonstrating that the vehicle transfer meets the applicable requirements. In the case of new vehicle transfers between franchised dealerships, documents prepared at the time of transfer will suffice. For trades made for the purpose of resale to meet a specific customer's request, any document will suffice, provided that it contains the following information:

1. Name, address, dealer license number, and federal tax identification number for both the seller and the purchaser.
2. Vehicle description, including Vehicle Identification Number (VIN), if one exists.
3. A statement that the vehicle is being transferred for resale in order to meet a specific customer's preference.
4. The signature of the transferee vehicle dealer, the dealer's employee, or authorized representative of the dealer.
5. Date of execution of the document.

The form below is provided by Department of Revenue as an example. **Motor vehicle dealers are not required to use this form. Any document containing all of the required information is sufficient.**

Don't submit the resale certificate documentation to the Department of Revenue when filing a return. Retain the documentation for your records. You may be asked to provide documentation to verify the transfer meets the exclusion requirements.



Oregon Corporate Activity Tax

Motor Vehicle Resale Certificate

To be completed and signed by the motor vehicle dealer receiving the qualifying motor vehicle

Transferee dealership name

Dealership Federal Tax Identification number

Dealership license number

Licensing jurisdiction

Transferee street address

City, State, Zip

Year/Make/Model and VIN (if available)

☐ I certify that the transfer of the above listed motor vehicle(s) was for the purpose of resale, and was based on my dealership's need to meet a specific customer's preference.

Signature of dealer, employee or representative

Date

Transferer motor vehicle dealer

Transferer dealership name

Dealership Federal Tax Identification number

Dealership license number

Licensing jurisdiction

Transferer street address

City, State, Zip

This form shall be retained by both dealers and shall not be submitted to the Oregon Department of Revenue as part of the tax return.

Oregon Corporate Activity Tax

Are receipts from sales to Oregon wholesalers excludable?

Answer: A taxpayer may exclude receipts from sales to Oregon wholesalers if the wholesaler provides the taxpayer with an out-of-state resale certificate showing that the purchased items will be resold out of the state. Any document may serve as an out-of-state resale certificate, provided it contains the required information. Refer to the "Required documentation" section below for information on the out-of-state resale certificate.

Information for sellers

A seller may only exclude receipts from a sale to a wholesaler in Oregon if the wholesaler provides the seller with an out-of-state resale certificate. The seller must obtain an out-of-state resale certificate from the wholesaler **at the time of the sale**. Refer to the "Required documentation" section below to ensure you have sufficient documentation to claim the exclusion.

Example: Rosslyn LLC manufactures widgets. Rosslyn sells widgets to Twinbrook Wholesalers for \$10,000. Twinbrook Wholesalers issues Rosslyn an out-of-state resale certificate at the time of the transaction. The out-of-state resale certificate shows that Twinbrook will resell 80 percent of the purchased widgets to California and Nevada; and 20 percent of the purchased widgets will be resold in Oregon. While Rosslyn realized \$10,000 from the sale to Twinbrook, with an out-of-state resale certificate, Rosslyn is able to exclude 80 percent (\$8,000) of the receipts from the sale to Twinbrook. Rosslyn will include 20 percent (\$2,000) in their commercial activity.

Information for wholesalers

A wholesaler is a business entity primarily doing business by merchant distribution of tangible personal property to retailers or other wholesalers. A wholesaler in Oregon who purchases property with the intent to resell the property outside of the state may provide the seller with an out-of-state resale certificate. This certificate allows the seller to claim an exclusion for the out-of-state resales, and must be provided at the time of the transaction. Any document may serve as an out-of-state resale certificate, provided it contains the required information. Refer to the "Required documentation" section below for information on the out-of-state resale certificate.

A wholesaler must determine the amount of purchased property that will be resold out of Oregon based on the facts at the time it purchases the property. If, at the time of purchase, the wholesaler is unable to determine the amount of purchased property that will be resold outside of Oregon, it may estimate the amount of property to be sold out of state using either the approximation ratio or another method described below, if, at the time of the wholesale purchase, the ratio or other method fairly and accurately reflects estimated out-of-state resales of property delivered from the wholesaler's Oregon locations.

Approximation ratio

Commercial activity from Oregon sales in the prior year

÷

Commercial activity from all sales in the prior year

The approximation ratio is a fraction. The numerator is the amount of commercial activity the wholesaler realized from all sales to Oregon customers during the prior year. The denominator is the commercial activity realized from all sales everywhere in the prior year.

Wholesalers located in multiple states may only include in the ratio commercial activity realized from sales of property delivered from their Oregon locations. Sales of items delivered from a wholesaler's locations outside of Oregon are not included in the numerator or denominator of the ratio.

Example: Alpha Corporation is a wholesaler with one location in Klamath Falls, Oregon. In March 2021, Alpha purchases tangible personal property from Indigo LLC, paying a total price of \$500,000. At the time of the transaction, Alpha is unable to determine the exact amount of tangible property that Alpha will resell outside of Oregon. In order to provide Indigo with an out-of-state resale certificate, Alpha uses the approximation ratio based on Alpha's 2020 commercial activity.

In 2020, Alpha realized a total of \$2 million dollars of commercial activity from the sale of widgets delivered from its Klamath Falls location to customers everywhere, including \$100,000 to Oregon customers delivered from Alpha's Klamath Falls location. Alpha calculates the approximation ratio by dividing Oregon commercial activity by everywhere commercial activity resulting in an approximation ratio of 0.05. (\$100,000 ÷ \$2,000,000 = 0.05)

Oregon Corporate Activity Tax

Alpha applies the approximation ratio of 0.05 to the purchase price ($\$500,000 \times 0.05 = \$25,000$). Of the total \$500,000 widget purchase, Alpha approximates that \$25,000 will be resold in Oregon, and \$475,000 will be resold outside of Oregon. Alpha provides Indigo with an out-of-state resale certificate documenting that \$475,000 worth of the purchased widgets will be resold outside of Oregon.

While Indigo realized \$500,000 of commercial activity from the sale to Alpha, only \$25,000 of receipts from the sale will be included in Indigo's Oregon commercial activity. Indigo will exclude \$475,000.

Note: If, at the time of the wholesale sale, the approximation ratio does not fairly represent a wholesaler's estimated out-of-state sales, the wholesaler may not use the approximation ratio. However, a wholesaler may use a reasonable alternative method that fairly and accurately reflects, at the time of the wholesale sale, the amount that the wholesaler estimates will be resold outside Oregon. A wholesaler who uses an alternative method must document the alternative method used, including how the method was determined, why the approximation ratio based on prior year's resales from the wholesaler's Oregon locations is not a fair representation of the wholesaler's sales at the time of the wholesale purchase, and retain certain information. Once an alternative method has been used, the wholesaler must continue to use the same method, until the alternative method is no longer a fair and accurate representation of the wholesaler's out-of-state sales. Refer to OAR 150-317-1400 for further requirements on using alternative methods.

Required documentation for out-of-state resale certificates

Any document may serve as an out-of-state resale certificate, provided that it contains:

- The wholesaler's legal name and Oregon address;
- The wholesaler's federal tax identification number;
- The date of the purchase;
- The total amount of purchased property;
- The purchase price paid by the wholesaler;
- The dollar amount of purchased property that the wholesaler will resell outside of Oregon; and
- The signature of the wholesaler, their authorized representative, or employee, certifying that the entity is a wholesaler, as that term is defined in Oregon Revised Statute (ORS) 317A.100(1)(b)(DD).

The Oregon Department of Revenue has provided an out-of-state resale certificate form that wholesalers may provide taxpayers to use to document excluded sales. Wholesalers are not required to use the department's form. Any document with all of the information listed above is sufficient.

Sellers must retain the certification for their records. Don't submit the certificate to the Oregon Department of Revenue unless requested.

Farming operations taxpayers seeking information about obtaining certificates from a broker or wholesaler for sales of agricultural commodities, or who want to use industry average percentages, should consult the FAQ "How can farming operations selling agricultural commodities demonstrate out-of-state-sales?"

Oregon Corporate Activity Tax

Out-of-State Resale Certificate for Sales to Wholesalers

A. Wholesaler information

Legal name	Federal tax identification number
Oregon address	

B. Purchased property

Description of purchased property:	Date of purchase:
	Total amount of purchased property:
	Purchase price:
	Amount purchased for resale out-of-state (dollar amount):

☐ I hereby certify that the purchaser is a wholesaler primarily doing business by merchant distribution of tangible personal property to retailers or other wholesalers.¹

Name of wholesaler, authorized representative, or employee

Signature of wholesaler, authorized representative, or employee

Don't attach or submit this form to the Oregon Department of Revenue as part of a tax return.

¹ORS 317A.100(1)(b)(DD)

Appendix C

Oregon Corporate Activity Tax return OR-CAT

Alternative apportionment

Oregon law allows taxpayers to request an alternative method of apportionment using the instructions below. **You must receive written authorization from the department before using an alternative method of apportioning your subtraction. The substitute method of the CAT subtraction isn't an alternative apportionment method. Don't check the alternative apportionment box if you use the substitute method.**

Administration

We will review the alternative apportionment request and issue a decision letter.

If your alternative apportionment petition is denied, you may appeal the denial of your petition to Oregon Tax Court as provided in ORS 305.275.

If your alternative apportionment petition is approved, you may amend your returns within the normal statute of limitations. The approval of your petition will remain in effect unless and until we revoke it during audit or you file a new petition and receive our approval of the new proposal.

Allow at least 6 months for us to make a determination. Also, note that all petitions for alternative apportionment may result in additional review and documentation requests.

Instructions

- Your written petition for alternative apportionment can be submitted with your original or amended return (Method 1) or separate from your original or amended return (Method 2).
- For administrative purposes, we prefer Method 2.

Method 1—Alternative apportionment petition submitted with your original or amended return

- Check the alternative apportionment checkbox on line 7 of the return. Failure to do so could result in your request being overlooked. This box is to denote requests only. You may not use an alternative apportionment method until the department approves your request in writing.

- Include a written petition for alternative apportionment with your original or amended return.
- Don't complete the original or amended return using an alternative method of apportionment unless/until that alternative method of apportionment has been approved.
- Mail your petition to our normal return filing addresses. See "Filing checklist."

Note: Clearly identify that you're requesting alternative apportionment by writing the words "Alternative apportionment request" at the top and adhere to all other requirements. Determinations to amended returns may take longer to process.

Method 2—Alternative apportionment petition submitted separately from your original or amended return

- Your written petition must have the title "Alternative apportionment request."
- Mail your petition to: Oregon Department of Revenue, CAT Section, 955 Center St NE, Salem OR 97301-2555.

Both methods of petition

- The petition must be signed by the taxpayer or the taxpayer's representative.
- The petition must fully explain the extent of the taxpayer's business activity in Oregon and why standard or substitute apportionment doesn't fairly and equitably represent the taxpayer's business activity in Oregon.
- Your petition must fully explain your proposed method of alternative apportionment and explain why this proposed method is more accurate in reflecting business activity in Oregon than either the standard formula or substitute method of apportionment.
- The petition must show how the Oregon return (Form OR-CAT) would be completed, including the net tax calculation, using the proposed method of alternative apportionment.

Appendix D

Instructions for estimated payments if using the annualized method

If you don't realize your commercial activity evenly throughout the year, you may figure your required estimated payments using the annualized installment method.

Oregon Commercial Activity. Determine the total amount of commercial activity sourced to Oregon that the business realized year-to-date. Don't include receipts from items that are excluded from commercial activity.

Greater of cost inputs or labor costs for the tax year. You are allowed to claim the greater of your labor costs or cost inputs. Remember that expenses can't be claimed if they are not associated with commercial activity. For example, if you have costs associated with receipts you are excluding from commercial activity, you can't claim those costs.

- Labor costs means total compensation of all employees, not to include compensation paid to any single employee in excess of \$500,000.

- Cost inputs means the cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code.

Cost subtraction. The amount of the cost subtraction is limited to 95 percent of your commercial activity. This means that your cost subtraction can't be more than the total commercial activity multiplied by 95 percent.

Taxable commercial activity. If your taxable commercial activity after the \$1,000,000 threshold is equal to or less than zero, stop. You don't need to make any installment payments this quarter.

Annualization multiplier. This is 12 months divided by the number of months in the period. **Percentage applied.** This is the percentage amount you must pay to avoid underpayment.

Annualized commercial activity worksheet Table 1

		First quarter	First and second quarter	First, second, and third quarter	First, second, third, and fourth quarter
Line 1	Oregon commercial activity (year to date, minus exclusions)				
Line 2	Everywhere expenses (greater of cost inputs or labor costs, year to date)				
Line 3	Subtraction percentage	0.35	0.35	0.35	0.35
Line 4	Multiply line 2 by line 3				
Line 5	Apportionment percentage of subtraction				
Line 6	Cost subtraction (multiply line 4 by line 5)				
Line 7	Taxable commercial activity for each period (subtract line 6 from line 1)				
Line 8	Annualization multiplier	4	2	1.3	1
Line 9	Annualized taxable commercial activity (line 7 multiplied by line 8)				
Line 10	Commercial activity threshold	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Line 11	Annualized taxable commercial activity over threshold (subtract line 10 from line 9)				
Line 12	Estimated Oregon corporate activity tax (multiply line 11 by 0.0057 and add \$250)				
Line 13	Percentage that applied for each period	22.50%	45%	67.50%	90%
Line 14	Year-to-date required estimated tax amount (multiply line 12 by line 13)				
Line 15	Other prepayments				
Line 16	Installment payment amount (subtract line 15 from line 14)				