



## 2021 Corporate Activity Tax (CAT) Training

# Agenda

- 01** Introduction  
Robin Maxey
- 02** Overview, Filing Trends, and Forms  
John Knieling
- 03** Changes to CAT for the 2021 Tax Year  
Maribel Luna
- 04** Fiscal Year Filing Requirements  
Emily Brandes



- Due to number of attendees, all participants are automatically muted.
- Submit questions through Zoom Q&A.
- Questions regarding a specific account? Email [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov).



# Survey Question 1



# CAT Overview

## 2020 Filing Trends and 2021 Forms

John Knieling, DOR



# Corporate Activity Tax

- Tax on businesses with commercial activity in Oregon.
- Tax rate is 0.57% + \$250.
- Revenue is transferred to the Fund for Student Success.



# Commercial Activity



Commercial activity means the fair market value of all amounts realized in the **regular course** of the trade or business.



Commercial activity does not include amounts from activities that are **not customary** within the trade or industry sector.



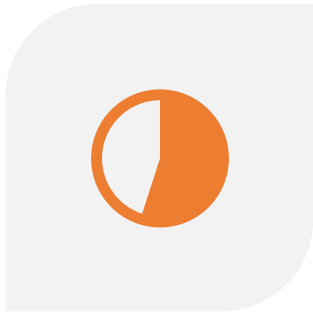
Commercial activity does not include over 40 different items **specifically excluded** by law.

# CAT Thresholds

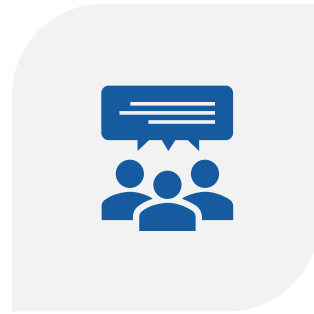
Threshold	Amount
No CAT requirements	Oregon commercial activity of \$750,000 or less
Registration	Over \$750,000 of Oregon commercial activity
Filing	Over \$1 million of Oregon commercial activity
Tax Payment	Over \$1 million of Oregon taxable commercial activity after expense subtractions and exclusions



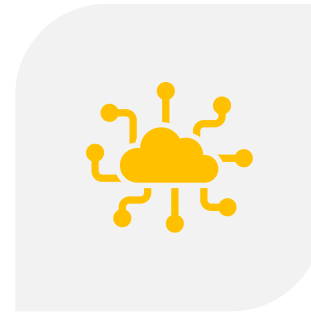
# Unitary Group Taxpayers



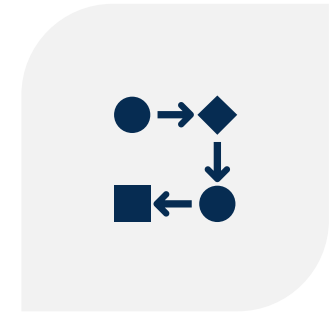
+50% Common  
Ownership



Centralized  
Management



Centralized Services  
Economies of Scale



Functional  
Integration

Unitary groups must file and pay as a single taxpayer.

# CAT 2020 Filing Trends



CAT does not  
impose a  
minimum tax.



Register on ROL to  
request an  
extension.



Approved list of  
e-file vendors is  
on DOR's website.

1. Oregon commercial activity plus exclusions .....	1.									0	0
2. Total exclusions from commercial activity (attach schedule OR-EXC-CAT).....	2.									0	0
3. Oregon commercial activity .....	3.									0	0
<input type="checkbox"/> Substitute method (see instructions).											
4. Cost inputs attributable to Oregon commercial activity .....	4.									0	0
5. Labor costs attributable to Oregon commercial activity (not to exceed \$500,000 for any single employee) .....	5.									0	0
6. Multiply either line 4 or line 5, whichever is greater, by 35 percent and round the product to the nearest whole dollar .....	6.									0	0
7. Apportionment percentage of subtraction (see instructions). Include an attachment showing calculations. ....	7.								%		
8. Multiply line 6 by line 7. This is your CAT subtraction .....	8.									0	0
9. Commercial activity after subtraction, line 3 minus line 8 .....	9.									0	0
10. Subcontractor exclusion (see instructions).....	10.									0	0
11. Taxable Oregon commercial activity, line 9 minus line 10 .....	11.									0	0
12. \$1 million threshold .....	12.										1,000,000.00
13. Taxable Oregon commercial activity less than \$1 million threshold .....	13.									0	0

# CAT Returns

## Modifications to 2021 forms:

- Restructured return lines.
- Modified how exclusions are reported.
- Clarified return instructions.

# 2021 Return Lines

Line 1: Commercial activity *plus* exclusions from commercial activity.



Line 2: Exclusions from commercial activity.



Line 3: Oregon commercial activity.

# CAT 2021 Return: \$1 Million Threshold

- Taxpayers filing short-year returns in 2021 will have to prorate the \$1 million dollar threshold on line 12 of the return.
- Prorate based on the number of days in the short-year return

12. \$1 million threshold..... 12.

1,000,000.00

# Q&A Session 1



- Submit questions through Zoom Q&A.
- Questions and answers will be posted on DOR's CAT webpage.
- Send questions about a specific tax account to [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov).





# Survey Question 2



# Changes for Tax Year 2021

Maribel Luna, DOR

# Senate Bill 164 (2021)

Signed into law July 19, 2021

- Expands current exclusions.
- Creates exemption for certain entities.
- Technical clarifications.
- Enables fiscal year filing.
- Applies to tax years beginning on or after **January 1, 2021.**



# DOR Proposed Rules and Amendments



Proposed two new rules with additional guidance for sourcing receipts from transportation services.



Proposed amendments to five current rules to align with changes made by SB 164.



Proposed three new rules to provide guidance regarding fiscal year filing and other changes made by SB 164.





# Sourcing Interstate Sea Transportation Services

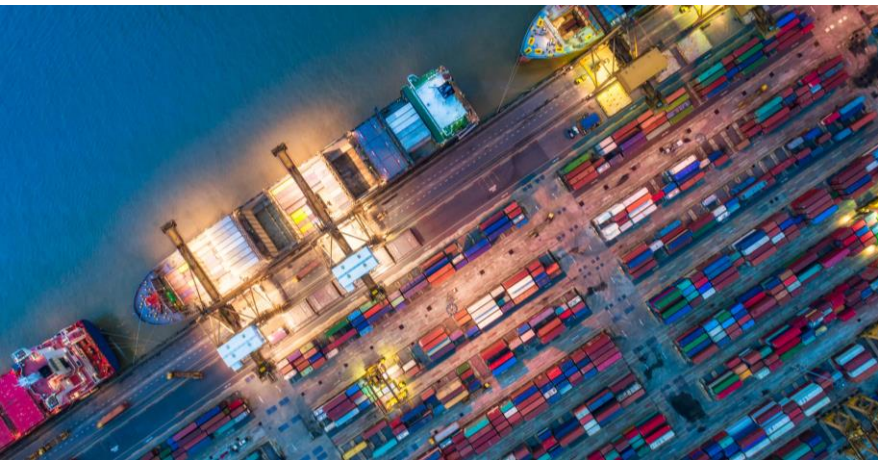
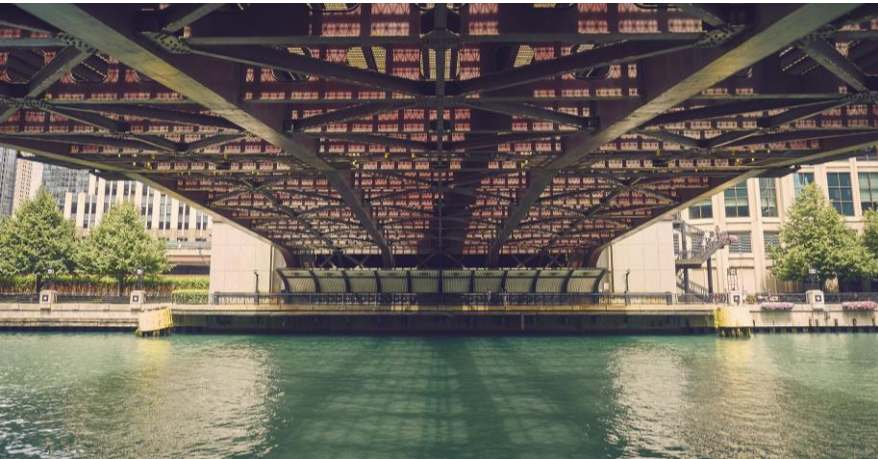
- Developed with a Rules Advisory Committee (RAC).
- Proposes receipts from interstate sea transportation services be sourced using a sales factor.
- Public hearing held November 18.
- Intent is to adopt the rule effective January 1, 2022.





# Sourcing Interstate River Transportation Services

- Developed with a Rules Advisory Committee (RAC).
- Proposes receipts from interstate river transportation be sourced using a sales factor.
- Public hearing held November 18.
- Intent is to adopt the rule effective January 1, 2022.



[October 2021 Notice of Proposed Rulemaking: New OAR 150-317-1095](#)



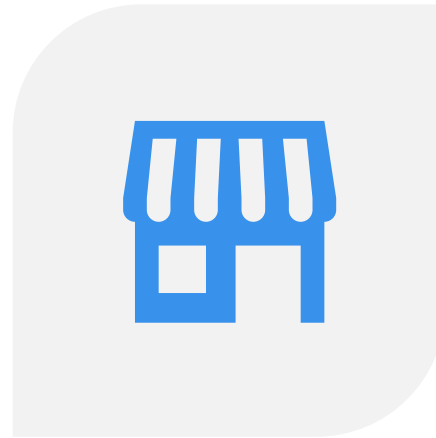
# SB 164 Technical Clarifications

- Clarifies that receipts realized by residential care facilities and in-home care agencies for services provided to medical assistance or Medicare patients are excluded.
- Changes the return and payment due date when a taxpayer closes or sells off a business from within 45 days to the 15<sup>th</sup> day of the fourth month after the tax year.
- Clarifies penalty relief is available for the first two years of the CAT, regardless of whether a taxpayer files their return on extension.

# Expanded Grocery Exclusion



Wholesale sales of  
groceries for home  
consumption



Retail sales of  
groceries for home  
consumption



Retail sales of  
groceries by **consignee**  
for home consumption

# Vehicle Dealers



**New** vehicles traded between two **franchised motor dealerships** are excluded from commercial activity.



A vehicle dealer may collect an estimated portion of tax that is attributable to the sale or **lease** of a vehicle.

# Insurers

For tax years beginning on or after January 1, 2021, foreign and alien insurers who are subject to the retaliatory tax under ORS 731.854 and ORS 731.859 are **excluded** from CAT.



# Designated Reporting Entity



Unitary group taxpayers must designate a single member as their “designated reporting entity” for CAT.



The designated entity must have substantial nexus with Oregon. If applicable, the entity should use the same tax year as the unitary group’s federal consolidated group.



The designated entity is responsible for filing and paying CAT on behalf of the group.

# Fiscal Year Filing

SB 164 removes the requirement that all taxpayers file and pay CAT on a calendar year.

Fiscal year filing is enabled for tax years beginning on or after January 1, 2021.





## Q&A Session 2



- Submit questions through Zoom Q&A
- Questions and answers will be posted on DOR's CAT webpage
- Send questions about a specific tax account to [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov)



# Survey Question 3



# Fiscal Year Filing

Emily Brandes, DOR



# Fiscal Year Filing

- File and pay CAT using the same tax year used for federal income tax.
- CAT returns will be due on the 15th day of the fourth month following the end of the taxpayer's tax year.
- Quarterly estimated payments will be due on the fourth, seventh, and 10th month of the taxpayer's tax year, and the first month following the end of the tax year.

[October 2021 Notice of Proposed Rulemaking: Amendments to OAR 150-317-1300](#)

# Determining a Unitary Group's Tax Year



If all members of the unitary group use the same tax year for federal purposes, that is the group's tax year for CAT.



If two or more members file a federal consolidated return, the group's tax year for CAT is the tax year of the federal consolidated group.

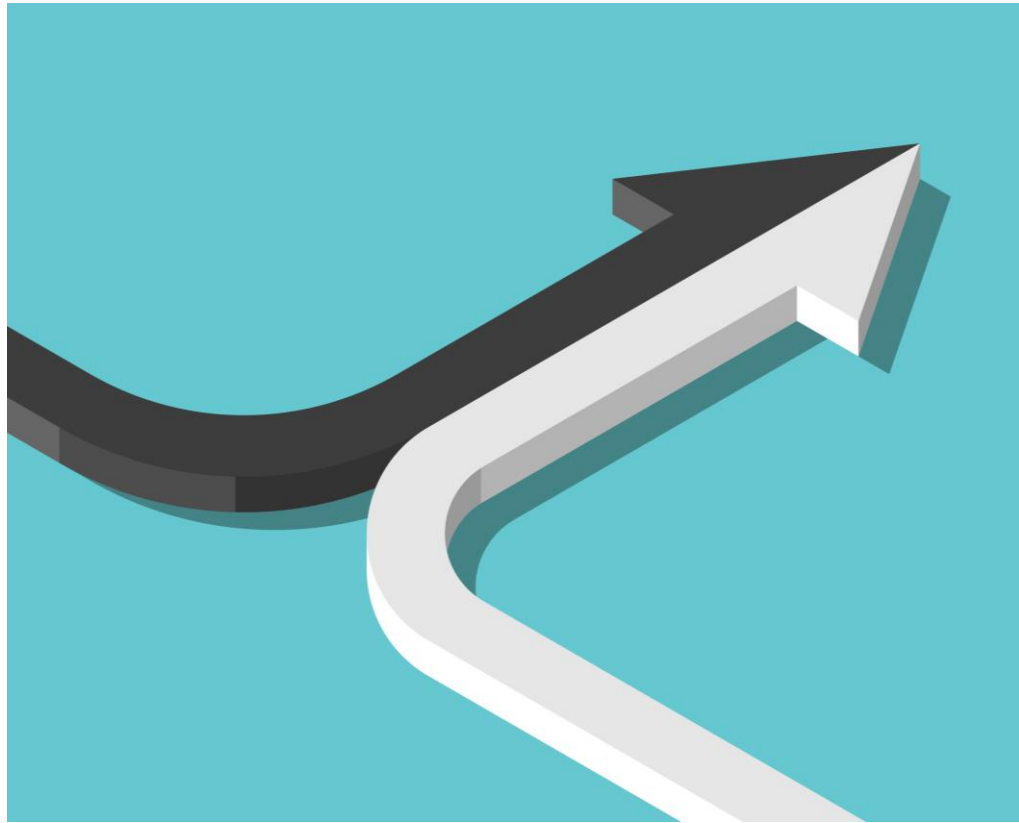


In all other instances the unitary group's tax year for CAT is the tax year used by the group's designated reporting entity for CAT.



## Members with Different Accounting Periods

If a CAT unitary group member uses an annual accounting period that differs from the group's CAT tax year, the group must prepare a separate statement for the member's accounting period that includes the group's CAT tax year.







# Consolidated Groups with Different Accounting Periods

If a CAT unitary group includes a **federal consolidated group** with a different accounting period than the group's designated reporting entity, the group must prepare a separate statement for the federal consolidated group's accounting period that includes the CAT tax year.



# Transition to Fiscal Year Filing

To address the gap between the end of the 2020 calendar year and the start of the taxpayer's fiscal year in 2021, taxpayers must:

- Prorate the annual registration, filing, and payment thresholds based on the number of days in the short-year return.
- File a short-period return, if the taxpayer reaches the prorated filing threshold.
- Prorate the \$500,000 cap on compensation to a single employee when calculating labor costs included in the short-year return.
- If required, file the short-year return by **April 15, 2022.**



# Example – Rosslyn Corp

- Rosslyn Corp filed the 2020 CAT return for January 1, 2020 – December 31, 2020.
- For federal tax purposes, Rosslyn’s annual accounting period is October 1 – September 30.
- Under SB 164, Rosslyn will transition to filing on its October – September fiscal year.
- Rosslyn’s first CAT fiscal year return will be FY22 (October 1, 2021 – September 30, 2022).
- Rosslyn has a “gap” of 273 days between January 1, 2021 and the start of Rosslyn’s fiscal year on October 1, 2021.

# Rosslyn Corp Example: Prorated Thresholds



## **Proration Percentage: 74.79%**

$(273 \text{ [short period]} \div 365 \text{ [calendar year]} = .7479) \times 100 = 74.79\%$



## **Prorated Registration Threshold: \$560,972**

$74.79\% \times \$750,000 = \$560,972$



## **Prorated Filing & Tax Threshold: \$747,900**

$74.79\% \times \$1,000,000 = \$747,900$

# Rosslyn Corp Example: Short Period



Commercial Activity  
\$15 Million



Labor Costs  
\$1 Million



Cost Inputs  
\$3 Million

# Rosslyn Corp Example: Calculation

1

**35% Subtraction: \$1,050,000**

$3,000,000 \text{ cost inputs} \times .35 = 1,050,000$

2

**Taxable Commercial Activity for Short Period: \$13,202,100**

$\$15,000,000 - \$1,050,000 - \$747,900 = \$13,202,100$

3

**Tax Payment: \$75,501.97**

$\$13,202,100 \times .0057 + \$250 = \$75,501.97$

# Q&A Session 3



- Submit questions through Zoom Q&A
- Questions and answers will be posted on DOR's CAT webpage
- Send questions about a specific tax account to [cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov)



**Do you have questions or need help?**

[www.oregon.gov/dor](http://www.oregon.gov/dor)

503-945-8005

[cat.help.dor@oregon.gov](mailto:cat.help.dor@oregon.gov)

Contact us for ADA accommodations or assistance in other languages.