

Summary of changes in House Bill 4202

In its recent special session, the Oregon Legislature made a series of clarifications to the Student Success Act, which governs the Corporate Activity Tax (CAT). Governor Brown signed House Bill 4202 into law June 30, 2020. Below is a brief overview of some of the key technical and policy clarifications in the bill. In the coming days and weeks, the CAT policy team will be working to make necessary changes in rules and guidance. We will keep you up to date on our progress with future CAT update emails.

HB 4202:

- Amends the current exclusion for insurance proceeds to clarify that the exclusion applies to crop insurance policies, except those received for loss of commercial activity (previously for loss of “business revenue”).
- Clarifies that tax refunds are not commercial activity.
- Excludes receipts from fluid milk sales by dairy farmers who are not members of an agricultural cooperative.
- Provides an alternative definition of cost inputs specifically for certain farming operations.
- Adds manufactured dwelling park non-profit cooperatives to the list of excluded entities.
- Allows CAT unitary group taxpayers to exclude certain members of the unitary group, provided the member has no commercial activity or other connection to Oregon.
- Clarifies the calculation method for purposes of the 35 percent subtraction of cost inputs or labor costs.
- Provides that a farming operation selling agricultural commodities to a wholesaler or broker may exclude receipts if the wholesaler or broker provides the farming operation with certification that the purchased commodities will be sold out of state. Alternatively, the farming operation may apply an industry average to estimate the portion that will be sold out of state.
- Eliminates requirement that taxpayer re-register for CAT annually, except under certain circumstances.
- Reduces the penalty for underpayment of quarterly estimated payments to 5 percent, adds a safe harbor, and extends the 80 percent threshold for estimated quarterly payments through tax year 2021. Please note: The department will not assess penalties for underestimating quarterly payments in 2020 if the business has made a good-faith effort to determine the required installment. Nor will the department assess a penalty for failure to make a quarterly payment if a business doesn't have the financial ability to make the estimated payment due to the impact of COVID-19. For further information, including the documentation taxpayers must retain, please refer to our [FAQs on estimated payments](#) or [Oregon Administrative Rule \(OAR\) 150-317-1500](#).