

### 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 2020, 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

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to provide Indigo with an out-of-state resale certificate, Alpha uses the approximation ratio based on Alpha's 2019 commercial activity.

In 2019, 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. ( $\$100,000 \div \$2,000,000 = 0.05$ )

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.

**Please 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 Laws 2019, Chapter 122, Section 58(20), as amended by Oregon Laws 2019, Chapter 579, Section 50.

The Oregon Department of Revenue has provided a [sample out-of-state resale certificate](#) 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. Do not submit the certificate to the Oregon Department of Revenue unless requested.