20590001010000

Instructions for calculating tax on corporate activity

Office use only

How to calculate Corporate Activity Tax (CAT)

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

Line 3: Commercial activity ratio. The ratio is how you will determine the amount of expenses that are sourced to Oregon. One method of determining the ratio is to take your commercial activity in Oregon (amount on line 1) divided by the total of your commercial activity everywhere plus commercial activity that was excluded. Enter this amount as a decimal on line 3.

Line 6: 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 7: Net commercial activity. If your net commercial activity is equal to or less than $1,000,000, **stop.** You don't need to make any installment payments.

Line 14: Installment payment amount. Divide line 13 by the number of installment payments. For most businesses, this will require four installments (April 30, July 31, October 31, and January 31).

Do you have questions or need help?

www.oregon.gov/dor

503-378-4988 or 800-356-4222

questions.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.

Estimated payments worksheet

1. Oregon commercial activity	1.	
2. **Expenses.** (greater of cost inputs or labor costs)	2.	
3. Commercial activity ratio (see Instructions)	3.	
4. **Allocated expenses.** Multiply Line 2 by Line 3	4.	
5. Subtraction percentage	5.	0.35
6. **Cost subtraction.** Multiply Line 4 by Line 5 (see Instructions for limitations)	6.	
7. **Net commercial activity.** Subtract Line 6 from Line 1	7.	
8. Commercial activity threshold	8.	1,000,000.00
9. **Taxable commercial activity.** Subtract Line 8 from Line 7	9.	
10. Tax rate	10.	0.0057
11. **Gross commercial activity tax.** Multiply Line 9 by Line 10.	11.	
12. Base tax	12.	250.00
13. **Annual commercial activity tax.** Add Line 11 to Line 12.	13.	
14. **Installment payment amount.** Divide Line 13 by the number of installment payments	14.	

Example

Grocery and TV Mart has $10 million of Oregon commercial activity and $70 million of everywhere commercial activity plus exclusions ($50 million in commercial activity and $20 million in exclusions from commercial activity). Grocery and TV Mart has an everywhere labor cost of $28 million and everywhere cost inputs of $26 million. Grocery and TV Mart computes its Oregon subtraction as follows:

1. Oregon commercial activity	1.	10,000,000.00
2. **Expenses.** (greater of cost inputs or labor costs)	2.	28,000,000.00
3. Commercial activity ratio (see Instructions)	3.	0.142857
4. **Allocated expenses.** Multiply Line 2 by Line 3	4.	3,999,996.00
5. Subtraction percentage	5.	0.35
6. **Cost subtraction.** Multiply Line 4 by Line 5 (see Instructions for limitations)	6.	1,399,999.00
7. **Net Commercial Activity.** Subtract Line 6 from Line 1	7.	8,600,001.00
8. Commercial Activity Threshold	8.	1,000,000,00
9. **Taxable Commercial Activity.** Subtract Line 8 from Line 7	9.	7,600,001.00
10. Tax Rate	10.	0.0057
11. **Gross Commercial Activity Tax.** Multiply Line 9 by Line 10.	11.	43,320.00
12. Base Tax	12.	250.00
13. **Annual Commercial Activity Tax.** Add Line 11 to Line 12	13.	43,570.00
14. **Installment Payment Amount.** Divide Line 13 by the number of installment payments	14.	10,893.00

20590001030000

Annualized commercial activity worksheet *Sample*

	A 1/1/2020 to 3/31/2020	B 1/1/2020 to 6/30/2020	C 1/1/2020 to 9/30/2020	D 1/1/2020 to 12/31/2020
1. Enter your Oregon taxable commercial activity for each period (see Instructions).	400,000	600,000	1,500,000	3,000,000
2. Annualization multiplier	4	2.0	1.3	1
3. Annualized Oregon taxable commercial activity. Multiply line 1 by line 2.	1,600,000	1,200,000	1,995,000	3,000,000
4. Commercial activity threshold	1,000,000	1,000,000	1,000,000	1,000,000
4. Percentage that applied for each period	20%	40%	60%	80%
5. Oregon Corporate Activity Tax for the amount on line 3 (see Instructions).	9,370	7,090	11,622	17,350
6. Multiply line 4 by line 5. This is the required installment payment amount.	1,874	2,836	6,973	13,880

Requirements

If you are required to file an Oregon Corporate Activity Tax return and expect to have a tax liability of at least $10,000, you must make quarterly estimated payments.

If you don't make estimated payments as required, you may be subject to underpayment charges. If you have an underpayment of estimated tax, refer to ORS 317A.161 and supporting administrative rules. When a taxpayer has an underpayment of estimated tax, interest accrues on the underpaid amount at the rate provided in OAR 150-305-0140 from the due date of the payment to the earlier of the date the tax is paid or the date the tax return is due.

Underpayment charges will not be imposed if each estimated tax payment is equal to or more than 25 percent of any one of the following:

a. For tax years beginning on or after January 1, 2020 and ending before January 1, 2021, 80 percent of the tax for the tax year.
b. For tax years beginning on or after January 1, 2021, 100 percent of the tax.
c. For tax years beginning on or after January 1, 2021, 100 percent of the tax shown on the return for the preceding tax year (after any available credits) provided that the preceding tax year was a period of 12 months and an Oregon return showing a liability was filed for such tax year.
d. An amount equal to 100 percent of the tax computed on annualized taxable commercial activity.[1]
e. An amount equal to 100 percent of the amount obtained by applying Internal Revenue Code Section 6655(e)(3)(C) to Oregon taxable commercial activity for any person with seasonal commercial activity.[2]

Payment due dates

Estimated tax payments are generally due on the last day of the month that follows the end of each calendar quarter:

- April 30.
- July 31.
- October 31.
- January 31.

[1] For purposes of this computation, tax credits available on the date of the payment may be deducted from the annualized tax. An estimated or anticipated tax credit may not be used.

[2] See OAR 150-317-1310.

Seasonal taxable commercial activity

Underpayment charges won't be imposed if each estimated payment is equal to or more than 25 percent of the total amount of Oregon taxable commercial activity. Seasonal commercial activity installments are calculated as follows:[3]

1. Taxable commercial activity for all months during the taxable year preceding the filing month .... 1.
2. Divide line 1 by the base period percentage[4] for all months during the taxable year preceding the filing month .... 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.

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.

Overpayment

Generally, if a taxpayer's estimated payment exceeds the actual amount due for that quarter, a refund won't be issued prior to the filing of the taxpayer's return for the year for which estimated payments were made.

If a taxpayer files a completed CAT return and the tax calculated is less than the total amount of estimated payments paid that year, the taxpayer may make an irrevocable election for the overpayment to be refunded or applied as a payment of estimated tax.

[3] 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.

[4] 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.