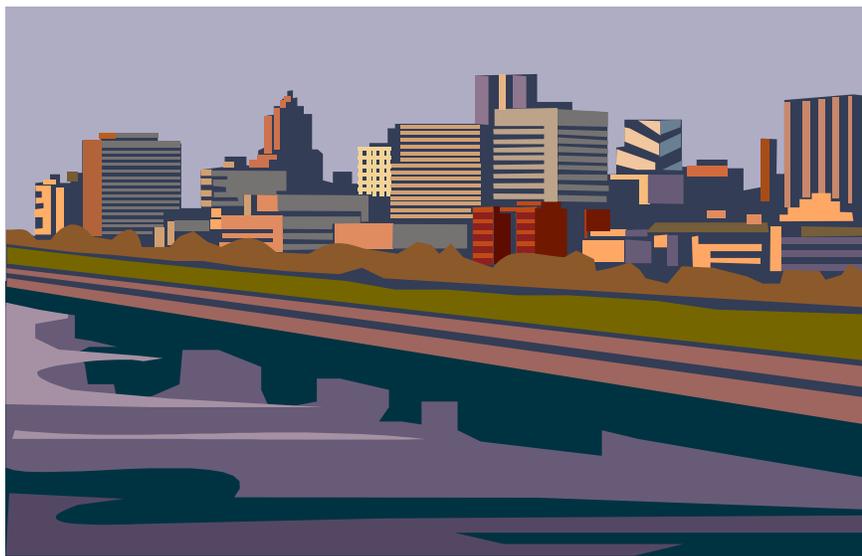


Oregon Corporate Excise and Income Tax

Characteristics of Corporate Taxpayers



2014 Edition

Covering Fiscal Year 2014 Corporate Tax
Receipts and Tax Year 2012 Corporate Tax
Returns



150-102-405 (Rev. 01-15)

To order additional copies, please contact:

**Publications
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555
503-947-2043**

Statistical publications are also available at
<http://www.oregon.gov/dor/STATS/Pages/statistics.aspx>

Taxpayer assistance

General tax information www.oregon.gov/dor
Salem 503-378-4988
Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Oregon Corporate Excise and Income Tax

Characteristics of Corporate Taxpayers

2014 Edition

**Covering Fiscal Year 2014 Corporate Tax Receipts
and Tax Year 2012 Corporate Tax Returns**

**Prepared by
Research Section
Oregon Department of Revenue
Salem OR 97301-2555**

150-102-405 (Rev. 1-15)

Contents

Introduction	iii
Section 1 How Corporations Are Taxed	
A) Background and Tax Calculation	1-1
B) S Corporations	1-6
C) Insurance Corporations	1-7
Section 2 Corporate Tax Receipts	
Timing of Tax Payments.....	2-1
Trends in Corporate Tax Receipts	2-1
Receipts by Industry Sector	2-3
Section 3 Corporate Tax Returns	
A) Summary of All Corporate Returns.....	3-1
Timing of Filing Tax Returns	3-2
Timing of Receipts for Tax Year 2012.....	3-3
History of Tax Returns Filed	3-4
B) Summary of C Corporation Tax Returns.....	3-5
Taxable Income Category	3-6
Industry Sector	3-7
State of Commercial Domicile.....	3-8
Apportioned Returns.....	3-9
Credit Usage.....	3-10
Minimum Tax Returns.....	3-13
Tax Rate Returns.....	3-18
C) Summary of S Corporation Tax Returns	3-20
Appendices	
A—Glossary of Corporate Terms.....	A-1
B—Glossary of Selected Industry Sectors.....	B-1
C—Data Construction.....	C-1
D—Surplus Kicker.....	D-1

Exhibits

Section 1 How Corporations Are Taxed

A) Background and Tax Calculation

Exhibit 1.1—Computation of the Oregon Corporate Income Tax	1-2
Exhibit 1.2—Contribution of Factors to Apportionment Percentage	1-3
Exhibit 1.3—Corporate Tax Rates, 1929 to Present	1-4
Exhibit 1.4—Corporate Minimum Tax	1-5

Section 2 Corporate Tax Receipts

Exhibit 2.1—Receipts by Tax Year	2-1
Exhibit 2.2—Net Receipts (Graph)	2-2
Exhibit 2.3—Receipts History	2-2
Exhibit 2.4—Receipts by Industry Sector (Graph)	2-3
Exhibit 2.5—Receipts by Industry Sector	2-4
Exhibit 2.6—Receipts Index of 12-Month Totals (Graph)	2-5

Section 3 Corporate Tax Returns

A) Summary of Corporate Returns

Exhibit 3.1—Type of Return Filed	3-1
Exhibit 3.2—Returns Received by Month	3-2
Exhibit 3.3—Receipts for Tax Year by Month	3-3
Exhibit 3.4—Return History	3-4

B) Summary of C Corporation Tax Returns

Exhibit 3.5—By Taxable Income Category	3-6
Exhibit 3.6—By Industry Sector	3-7
Exhibit 3.7—By State of Commercial Domicile	3-8
Exhibit 3.8—Apportionment Type	3-9
Exhibit 3.9—Industry Sector for Multistate (Apportioned) Returns	3-9
Exhibit 3.10—Credit Usage	3-10
Exhibit 3.11—Business Energy Facilities Credit Claimants	3-11
Exhibit 3.12—Qualified Research Activities Credit Claimants	3-12
Exhibit 3.13—Minimum Tax Returns by Taxable Income	3-13
Exhibit 3.14—Minimum Tax Returns Taking Credits Against Minimum	3-13
Exhibit 3.15—Minimum Tax Returns by Oregon Sales Category	3-14
Exhibit 3.16—Minimum Tax Returns Taking Credits Against Minimum	3-14
Exhibit 3.17—Tax Detail for Minimum Tax Returns	3-15
Exhibit 3.18—Tax Detail for Minimum Tax Returns Taking Credits Against Minimum	3-15
Exhibit 3.19—Minimum Tax Payment Details	3-16
Exhibit 3.20—Minimum Tax Returns by Industry Sector	3-17
Exhibit 3.21—Tax Rate Returns by Taxable Income	3-18
Exhibit 3.22—Tax Detail for Tax Rate Returns	3-18
Exhibit 3.23—Tax Rate Returns by Industry Sector	3-19

C) Summary of S Corporation Tax Returns

Exhibit 3.24—S Corporation Summary	3-20
Exhibit 3.25—S Corporation Characteristics	3-20
Exhibit 3.26—S Corporation Returns by Industry Sector	3-21

Appendices

Exhibit C.1—Corporate Filing Calendar	C-1
Exhibit C.2—Tax Year 2012 C Corporation Tax Returns: Tax-Year Ending Month	C-2
Exhibit D.1—Corporation Kicker History	D-1

INTRODUCTION

Since 1929, corporations in Oregon have paid a form of income tax. These revenues were 6.5 percent of the General Fund in the 2013-14 fiscal year, and are projected to be about 6.7 percent of total General Fund revenue in the 2013-15 biennium.

Oregon Corporate Tax Receipts 2013-14 Fiscal Year	
Corporate Tax Revenue	\$494.8 million
Percent of General Fund	6.5%

This summary report describes the characteristics of Oregon corporate taxpayers and is divided into three sections:

Section 1 contains background information on the taxation of corporations in Oregon. It includes descriptions of the computation of tax and how payments are received.

Section 2 provides descriptive information based on corporate tax receipts through fiscal year 2014. Tax law requires corporations to make quarterly estimated payments on anticipated taxes for the current year in addition to making payments or receiving refunds after the end of a tax year. This receipt data is a rich source of information that allows for timely analysis of trends in overall corporation payments and in specific industry sectors.

Section 3 focuses on corporate tax returns corresponding to tax year 2012. Corporations must file tax returns that contain detailed information about their income and the calculation of final tax liability. These details allow for more thorough analysis of the characteristics of Oregon corporate taxpayers. However, because corporations file tax returns well after the end of a tax year and often obtain deadline extensions before filing their returns, the information from return data is not as current as the data from receipts.

Together, these three sections provide a comprehensive description of corporate taxpayers in Oregon using the most current information available at the time of publication.

Background

Oregon began taxing corporate net income in 1929, the same year that the state began taxing personal income. The state initially enacted these taxes to offer relief from property taxation. The 1929 law states that "...the revenue derived from the tax shall reduce by corresponding amount the direct tax levy which the tax commission would otherwise apportion to the several counties of the state" (*Corporation Excise of 1929*, Oregon Laws 1929, Chapter 427, sec. 23). Legislation enacted in 1951 broke this explicit tie to the property tax. From that time forward, revenues from the corporate tax have contributed to the General Fund for general appropriations.

Although commonly referred to as "Oregon corporate income tax," corporations are subject to either the corporate excise tax or the corporate income tax.

Corporations doing business in Oregon pay the **excise tax**. Doing business means carrying on or being engaged in any profit-seeking activity in Oregon. Corporations not doing business in Oregon but with income from an Oregon source pay the **income tax**. Most corporations pay the excise tax.

Current tax law treats corporations differently according to their organizational structure. For example, C corporations pay corporate excise or income taxes on their income, while the income of S corporations passes through to shareholders who are then taxed under the personal income tax system. These distinctions are discussed in greater detail later in this report.

Tax Calculation

Below is a basic description of the calculation of taxes for corporations subject to the Oregon corporation excise or income tax. Because the corporate tax program is complex, not every detail is presented here. Instead, this discussion focuses on the major components of the computation of corporate taxes. Exhibit 1.1 provides a flowchart of this computation that is discussed below. For additional information, please refer to the Oregon Department of Revenue's Corporation Tax Forms and Instructions available at <http://www.oregon.gov/DOR/BUS/forms-corporation.shtml>.

Starting Point: Federal Taxable Income

Oregon's definition of taxable income for corporations is tied to federal taxable income. Federal taxable income is essentially gross income minus the costs of doing business such as salaries, repair and maintenance, employee benefit programs, and depreciation. The Oregon corporate return modifies federal taxable income through additions and subtractions.

Additions

Additions are sources of gross income that are taxable in Oregon but not by the federal government or deductions allowed under federal law but not allowed under state law. Some common Oregon additions include state or municipal interest income, and Oregon excise tax or other state taxes measured by net income or profits.

Subtractions

Subtractions are sources of gross income that are taxable at the federal level but not by Oregon, or deductions allowed by state law but not allowed under federal law.

Subtractions include dividend deductions and income of non-unitary corporations.

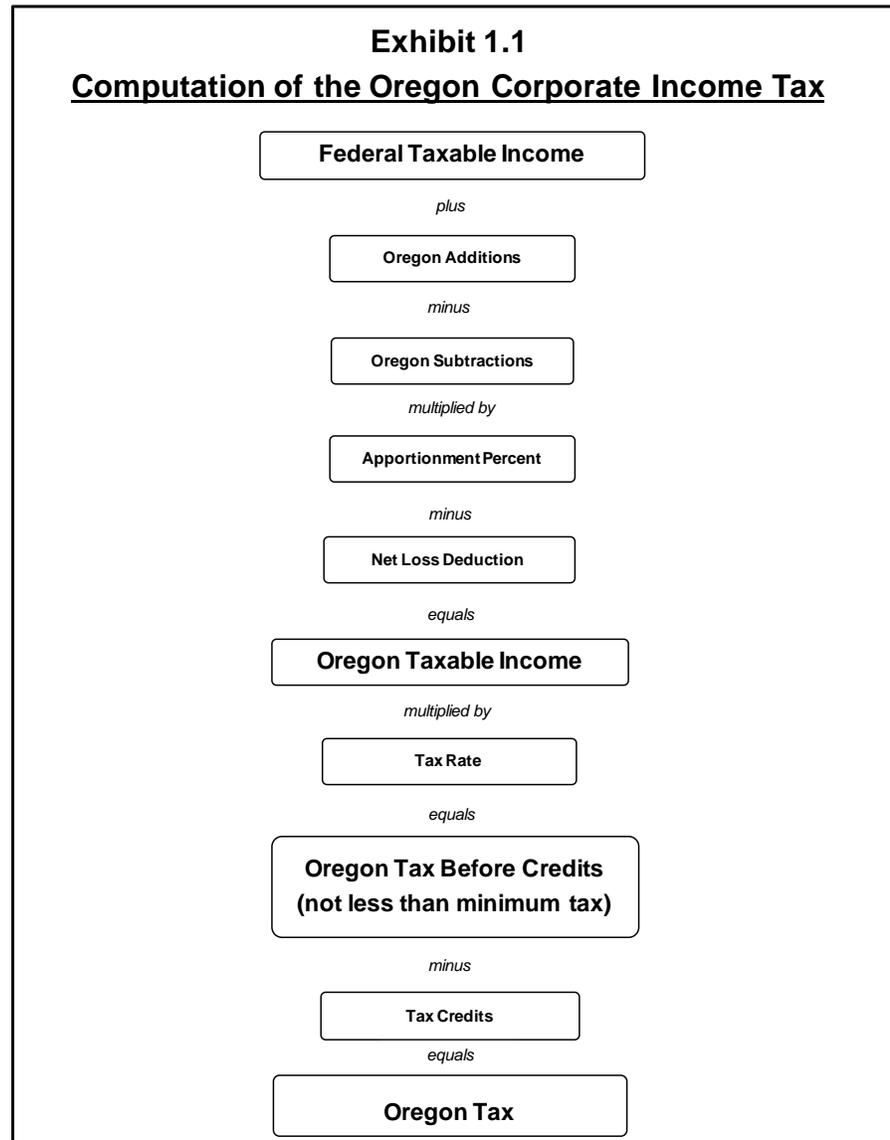
Apportionment of Business Income

For purposes of state taxation, income of corporations that conduct business exclusively in Oregon is taxed only by Oregon. Corporations doing business in more than one state must determine the share of their income earned from Oregon activities.

Before tax year 1991, a corporation's income was apportioned to Oregon by a three-factor formula. The factors used in this formula were

Oregon payroll relative to total payroll in all states, Oregon property relative to total property in all states, and Oregon sales relative to total sales in all states. An Oregon percentage was calculated for each of these factors and these three percentages were weighted equally to determine an overall apportionment percentage that was applied to total income of the corporation.

In 1991, Oregon switched to a double-weighted sales factor to arrive at the apportionment percent, calculated as 50 percent of the sales factor plus 25 percent of the property factor and 25



percent of the payroll factor. Tax years starting on or after May 1, 2003 used super-weighted sales where the apportionment percent was calculated as 80 percent of the sales factor plus 10 percent each of the property and payroll factors. Tax years starting on or after July 1, 2005 use only Oregon sales relative to sales in all states to determine apportionment percentage.¹ Refer to Exhibit 1.2 for a table summarizing the changes to apportionment.

	Property	Payroll	Sales
Three factor (pre-1991)	33%	33%	33%
Double-weighted sales (1991)	25%	25%	50%
Super-weighted sales (5/1/2003)	10%	10%	80%
Single sales factor (7/1/2005)	0%	0%	100%

Allocation of Nonbusiness Income

Income that does not arise from the regular activities of a taxpayer's trade or business is nonbusiness income. This income is not apportioned using the apportionment formula, but generally is allocated to the state where the income-producing activity occurs or to the state of the taxpayer's commercial domicile. For instance, rental income or loss that is not associated with the taxpayer's regular business would be assigned to the state where the rental takes place. Nonbusiness income from intangible assets such as patent royalties may be assigned to the state of the taxpayer's commercial domicile in certain circumstances.

Net Loss Deduction

Oregon law allows an operating loss to be used to offset future tax liability for up to 15 years. Apportioned losses carried forward from prior years may reduce a corporation's current-year taxable income. Oregon law does not allow operating losses to offset past tax liability. Capital losses may be used to reduce the amount of capital gain income taxed by Oregon. Capital losses may be carried back up to three years, and then carried forward up to five years.

Taxable Income and Tax Before Credits

Oregon taxable income results from applying apportionment and allocation, then subtracting losses. Multiplying Oregon taxable income by the tax rate produces tax before credits based on rates. The tax rate has changed many times since corporate tax was introduced in 1929, with rates ranging from 5 to 9 percent. In 1987, the rate was reduced from 7.5 to 6.6 percent, where it remained until 2009.

With the voter approval of Measure 67 in January 2010, a second marginal corporate tax rate was created. For tax years 2009 and 2010, corporations pay a tax rate of 6.6 percent on taxable

¹ The apportionment methods described here are used for most corporations. Utilities and telecommunications companies may elect to use a double-weighted sales formula. These exceptions and the effect on these corporations' tax are described in more detail in the *State of Oregon 2015-17 Tax Expenditure Report*, which is available at <http://www.oregon.gov/dor/STATS/Pages/statistics.aspx>. Insurance companies use Oregon Form 20-INS and different factors for income apportionment, as described in detail in Section 1C.

² Due to the passage of Measure 85 in 2012, corporate kicker refunds are now allocated to the General Fund to

income up to \$250,000, and a rate of 7.9 percent on any amount of taxable income greater than \$250,000. For tax years 2011 and 2012, the tax rate remains 6.6 percent for income up to \$250,000, while the tax rate for taxable income greater than \$250,000 decreases from 7.9 percent to 7.6 percent. With the passage of HB 3601 during the 2013 special legislative session, for tax year 2013 forward, the tax rate is 6.6 percent for taxable income of \$1 million or less, and 7.6 percent for taxable income greater than \$1 million. Exhibit 1.3 provides a history of Oregon corporation tax rates.

Exhibit 1.3—Corporate Tax Rates, 1929 to Present		
Tax Year	Tax Rate	Type of Corporation
1929	5.0%	All Corporations
1932	8.0%	All Corporations
1955	4.0%	All Corporations
1957	6.0%	Regular Corporations
	7.0%	Public Utilities
	9.0%	Financial Corporations
1959	6.0%	Regular Corporations
	6.0%	Public Utilities
	9.0%	Financial Corporations
1963	6.0%	Regular Corporations
	6.0%	Public Utilities
	8.0%	Financial Corporations
1976	6.5%	Regular Corporations
	6.0%	Public Utilities
	6.5%	Financial Corporations
1977	7.0%	All Corporations
1978	7.5%	All Corporations
1987	6.6%	All Corporations
2009	6.6%	All Corporations, taxable income ≤ \$250,000
	7.9%	All Corporations, taxable income > \$250,000
2011	6.6%	All Corporations, taxable income ≤ \$250,000
	7.6%	All Corporations, taxable income > \$250,000
2013	6.6%	All Corporations, taxable income ≤ \$1 M
	7.6%	All Corporations, taxable income > \$1 M

Minimum Tax

When established in 1929, the corporation excise tax included a minimum tax of \$25. The 1931 Legislature decreased the minimum excise tax to \$10. With voter approval of Measure 67 in January 2010, a new minimum tax structure was implemented effective for the 2009 tax year. The tiered minimum tax amounts are detailed in Exhibit 1.4. The corporate minimum tax is based on Oregon sales as defined in ORS 314.665. For a corporation that only does business in Oregon, this amount is the total sales of the business. If a corporation does business in multiple states, the sales in Oregon, as defined by ORS 314.665, would be used to determine the minimum tax.

Due to the Oregon Supreme Court decision issued May 31, 2013, *Con-way, Inc. & Affiliates v. Department of Revenue*, all C corporation tax credits, except for the “contributions of computers

or scientific equipment for research” credit and the surplus kicker credit can now be applied against the minimum tax of C corporations.² So although a corporation’s tax liability before credits is the greater of the calculated tax based on rates or the minimum tax, the use of credits can now reduce the final net tax below the minimum.

Oregon Sales	Minimum Tax
< \$500,000	\$150
\$500,000 to \$1 million	\$500
\$1 million to \$2 million	\$1,000
\$2 million to \$3 million	\$1,500
\$3 million to \$5 million	\$2,000
\$5 million to \$7 million	\$4,000
\$7 million to \$10 million	\$7,500
\$10 million to \$25 million	\$15,000
\$25 million to \$50 million	\$30,000
\$50 million to \$75 million	\$50,000
\$75 million to \$100 million	\$75,000
\$100 million or more	\$100,000

Credits and Oregon Tax

A corporation can claim any of more than 40 applicable credits to reduce its Oregon tax liability. A corporation’s tax liability or net tax is the amount of tax calculated to be owed by subtracting credits from the greater of the tax based on rates or the minimum tax. Most credits allow unused amounts to be carried forward and used in later years. See pages 3-10 to 3-12 for information on credit usage by C corporations. The *State of Oregon 2015-17 Tax Expenditure Report* also provides a thorough discussion of corporate tax credits. The report is available at <http://www.oregon.gov/dor/STATS/Pages/statistics.aspx>.

Other Corporations

The minimum tax for S corporations filing excise tax returns increased from \$10 to \$150 due to Measure 67. Oregon statute does not allow tax credits to be applied against the S corporation minimum tax (ORS 314.752). The taxation of S corporations varies from the taxation of C corporations because nearly all income of S corporations is passed on to the corporation’s shareholders and taxed as personal income.

The taxation of insurance corporations also varies from the taxation of C corporations. Insurance corporations use different definitions and application of apportionment factors and a different computation of taxable income that is based on their annual statement filed with the Oregon Insurance Commissioner. See Section 1B for more information on S corporations and Section 1C for additional information on insurance corporations.

For more information, please refer to Oregon Department of Revenue’s Corporation Tax Forms and Instructions at <http://www.oregon.gov/DOR/BUS/forms-corporation.shtml>.

² Due to the passage of Measure 85 in 2012, corporate kicker refunds are now allocated to the General Fund to provide additional funding for K through 12 education. See Appendix D for more information.

SECTION 1B

HOW CORPORATIONS ARE TAXED

S CORPORATIONS

Certain corporations are known as "pass-through" entities because their income (or loss) passes through to the individual shareholders, then is taxed as personal income. These S corporations (so named because of the section in the IRS Code describing them) must be U.S. corporations subject to certain limitations. S corporations must have:

- One class of stock.
- No more than 100 shareholders.
- Only U.S. citizens or residents as shareholders.
- Only individuals, estates, or certain trusts as shareholders.

In exchange for these limitations, the S corporation receives certain tax advantages. The net income of a C corporation is taxed once at the corporate level and again when the corporate net income is distributed as dividends to shareholders. An S corporation avoids this double taxation because the income is not taxed at the corporate level. Oregon recognizes the S corporation election made for federal purposes allowing a corporation to function as a pass-through entity.

S corporations that pay either the income or the excise tax file Oregon tax Form 20-S. Since S corporations generally pass their income through to their shareholders, relatively few of them have income that is subject to Oregon corporate tax. This type of income generally occurs when a corporation converts from a C corporation to an S corporation.

Most S corporation filers pay the excise minimum tax, because they pass their income through to their shareholders. With voter approval of Measure 67, this minimum tax increased from \$10 to \$150 effective for the tax year beginning January 1, 2009.

The number of S corporations had been steadily increasing for many years, but declined slightly for tax years 2009 and 2010 before increasing in 2011 and 2012. For the 1990 tax year, 18,437 S corporations filed returns in Oregon. For the 2012 tax year, 59,065 S corporations filed returns, one percent more than tax year 2011. For more statistics on S corporations, please refer to Section 3C.

For more information, please refer to Oregon Department of Revenue's S Corporation Tax Instructions, Form 20-S, available at <http://www.oregon.gov/DOR/BUS/forms-corporation.shtml>.

Before 1997, foreign (out-of-state) insurers paid a retaliatory tax and gross premiums tax instead of the corporate excise tax. In response to legal challenges by foreign insurers, the 1995 Legislature enacted laws that made both foreign and domestic (in-state) insurers subject to the same taxes. Starting with tax year 1997, all foreign and domestic insurance corporations have been subject to the corporate excise tax. Insurers file Form 20-INS.

For tax years beginning on or after January 1, 1997, and before January 1, 2002, Oregon law required foreign insurers to pay a transition tax to the Department of Consumer and Business Services (DCBS) as the gross premiums tax was being phased out. For tax years after 2001, foreign insurers are no longer subject to the transition tax, but are subject to the retaliatory tax that is paid to DCBS.³ The corporate excise tax is paid to the Department of Revenue. Oregon requires insurance companies to file their corporate excise tax returns on a calendar-year basis.

Until 2007, insurers were required to use an apportionment formula with three equally weighted factors. These factors were:

- The Oregon share of real estate income and interest relative to total real estate income and interest.
- The Oregon share of wages and commissions relative to total wages and commissions.
- The Oregon share of insurance sales (total premiums written) relative to the total insurance sales.

Senate Bill 179, passed during the regular legislative session in 2007, changed the apportionment formula for insurance companies from three equally weighted factors to a single sales factor for the tax years starting on or after January 1, 2007. This change made treatment of the insurance companies similar to other corporations for the matters of apportionment.

Title insurers file Form 20 instead of Form 20-INS and use the same apportionment factors as most other corporations.

For more information, please refer to Oregon Department of Revenue's Insurance Excise Tax Instructions and Form 20-INS, available at <http://www.oregon.gov/DOR/BUS/forms-corporation.shtml>.

³ The retaliatory tax is based on a comparison of the taxes, fees, assessments, penalties, and fines that an Oregon insurance company would pay in the foreign state to the taxes, fees, assessments, penalties, and fines that the foreign insurer actually pays in Oregon. If another state heavily taxes Oregon insurance companies that do business in that state, the retaliatory tax applies that level of tax to the foreign state's companies that do business in Oregon.

Timing of Tax Payments

Corporations file a tax return after the end of their tax year, which is usually the same as a calendar year. However, for some corporations, the tax year covers a period of time significantly different from a calendar year.⁴ Because corporations may receive extensions to file returns, and they make quarterly estimated payments, nearly all of the payments associated with the Oregon corporate excise and income tax are received before the corresponding tax returns are filed. Other payments or refunds occur after the tax returns are filed due to amended or audited returns. Payments received and refunds issued by the Oregon Department of Revenue during any fiscal year (July 1–June 30) represent tax liabilities from many different tax years.

Exhibit 2.1 provides details on the tax years for which payments were received and refunds issued in fiscal year 2013-14. These are net receipts—composed of estimated payments, final payments associated with a return, and refunds issued to taxpayers.

Most of the payments were received for tax years 2013 and 2014, while refunds issued for earlier tax years were significant. Exhibit 3.3 on page 3-3 provides detailed information on the timing of corporate receipts for the tax year 2012.

Exhibit 2.1—Corporate Tax Receipts in FY 2013-14 By Tax Year

Tax Year	Net Receipts (\$ thousands)
2008 and prior	\$16,985
2009	-\$284
2010	-\$5,361
2011	-\$36,744
2012	-\$117,156
2013	\$504,474
2014	\$130,232
Total	\$492,147

Trends in Corporate Tax Receipts

Exhibit 2.2 on the following page shows net corporate tax receipts since fiscal year 1982-83. Actual net receipts were relatively flat throughout the 1980s, fluctuated throughout the 1990s, and sharply declined in fiscal year 2001-02, coinciding with a recession. Beginning with fiscal year 2002-03, receipts began to rise and nearly quadrupled by fiscal year 2005-06 relative to fiscal year 1982-83. However, due to the Great Recession, receipts dropped sharply in fiscal year 2008-09, but rebounded substantially through fiscal year 2010-11, before decreasing slightly in fiscal year 2011-12 and then increasing for the next two fiscal years.

The lower line on the chart shows that real receipts (receipts adjusted for inflation) were lower in fiscal year 2008-09 than fiscal year 1982-83, even though nominal receipts were almost twice as much. The swings from fiscal year 1995-96 to fiscal year 1997-98 and from fiscal year 2005-06 to fiscal year 2006-07 are related to the distribution of corporate “kickers.”⁵

⁴ For more detail on corporations’ fiscal years and the due dates of corporations’ tax returns, see Appendix C.

⁵ The Oregon surplus credit, or kicker, occurs if revenues exceed the forecast by more than 2 percent. See Appendix D for more information and a history of kicker amounts.

Section 2: Corporate Tax Receipts

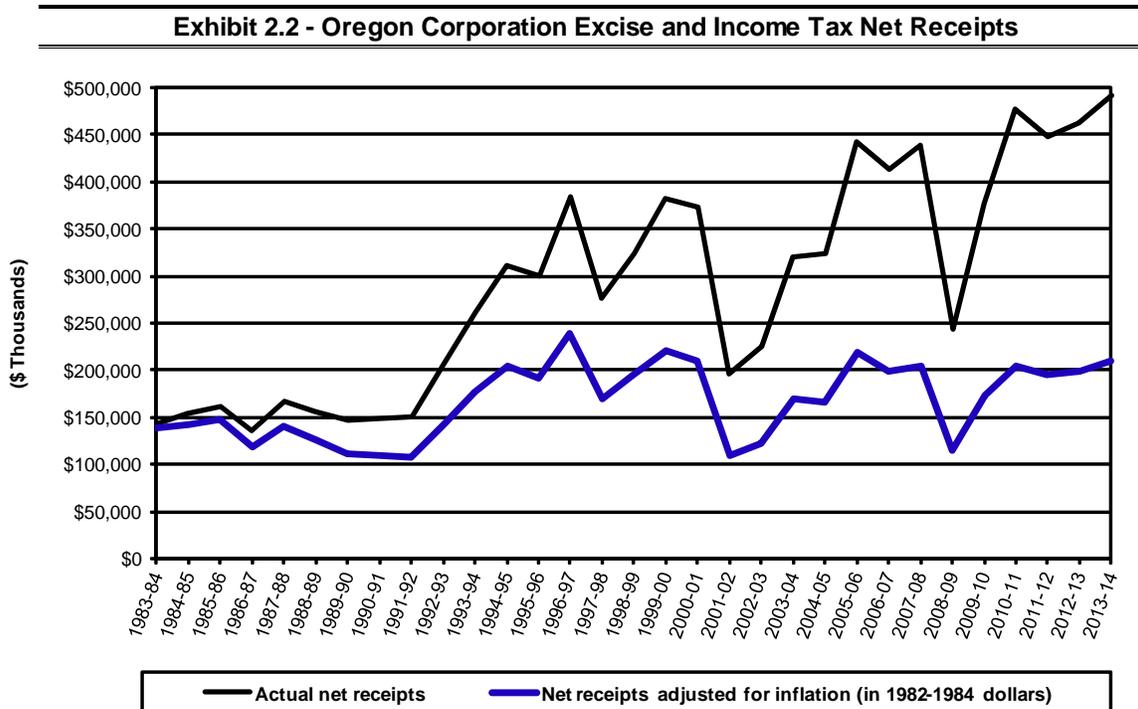


Exhibit 2.3 shows corporate receipts history for the 20 most recent fiscal years.

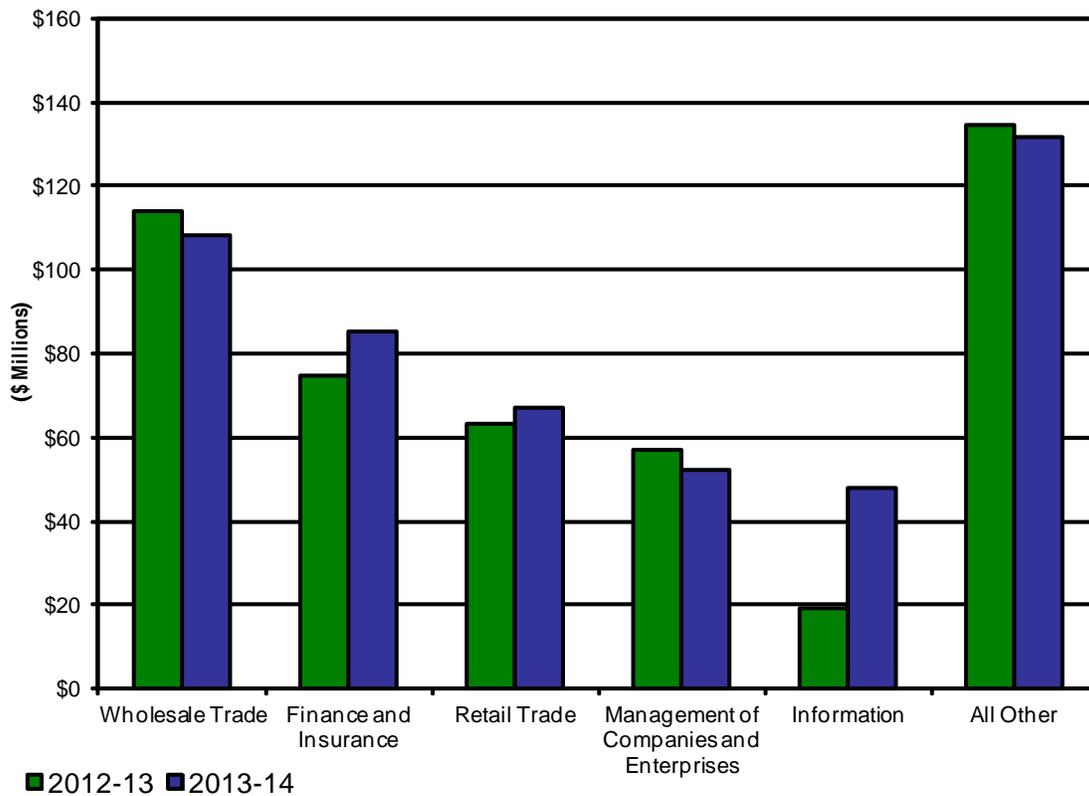
Fiscal Year*	Net Receipts (\$ thousands)	Percent Change
1994-95	\$311,848	18.6%
1995-96	\$299,977	-3.8%
1996-97	\$383,976	28.0%
1997-98	\$277,481	-27.7%
1998-99	\$324,295	16.9%
1999-00	\$381,908	17.8%
2000-01	\$372,969	-2.3%
2001-02	\$196,272	-47.4%
2002-03	\$225,525	14.9%
2003-04	\$320,164	42.0%
2004-05	\$324,936	1.5%
2005-06	\$442,306	36.1%
2006-07	\$413,226	-6.6%
2007-08	\$438,313	6.1%
2008-09	\$243,806	-44.4%
2009-10	\$376,135	54.3%
2010-11	\$476,525	26.7%
2011-12	\$447,676	-6.1%
2012-13	\$462,561	3.3%
2013-14	\$492,147	6.4%

* Fiscal year starts July 1.

Receipts by Industry Sector

Exhibits 2.4 and 2.5 show a comparison between corporate receipts in fiscal years 2012-13 and 2013-14, and provide some detail of which sectors contributed to the changes. In Exhibit 2.4, the primary sectors that contribute to the “All Other” category include manufacturing, professional, scientific, and technical services, transportation and warehousing, and construction. Total receipts increased by 6.4 percent from fiscal year 2012-13 to fiscal year 2013-14.

Exhibit 2.4 - Corporate Tax Receipts by Industry Sector



Section 2: Corporate Tax Receipts

Exhibit 2.5 provides the detail of receipts from all sectors in fiscal years 2012-13 and 2013-14.

Exhibit 2.5—Corporate Tax Receipts by Industry Sector

Industry Sector *	FY 2013 (\$ thousands)	FY 2014 (\$ thousands)	Percent Change	Percent of Total Receipts
Agriculture, Forestry, Fishing, and Hunting	\$4,764	\$7,594	59%	1.5%
Mining	\$388	\$551	42%	0.1%
Utilities	\$1,236	\$603	-51%	0.1%
Construction	\$11,529	\$10,761	-7%	2.2%
Manufacturing	\$46,836	\$32,070	-32%	6.5%
Wholesale Trade	\$114,060	\$108,043	-5%	22.0%
Retail Trade	\$63,095	\$67,131	6%	13.6%
Transportation and Warehousing	\$11,862	\$18,423	55%	3.7%
Information	\$19,033	\$47,834	151%	9.7%
Finance and Insurance	\$74,799	\$85,449	14%	17.4%
Real Estate, Rental, and Leasing	\$6,874	\$11,688	70%	2.4%
Professional, Scientific, and Technical Services	\$21,569	\$14,714	-32%	3.0%
Management of Companies and Enterprises	\$56,975	\$52,133	-8%	10.6%
Administrative, Support, and Waste Management	\$5,222	\$9,926	90%	2.0%
Educational Services	\$1,052	(\$64) **	N/A	0.0%
Health Care and Social Assistance	\$9,545	\$3,992	-58%	0.8%
Arts, Entertainment, and Recreation	(\$171) **	\$486	N/A	0.1%
Accommodation and Food Services	\$6,186	\$6,449	4%	1.3%
Other Services (except Public Administration)	\$6,932	\$11,507	66%	2.3%
Unknown	\$774	\$2,858	***	0.6%
Total	\$462,561	\$492,147	6%	100%

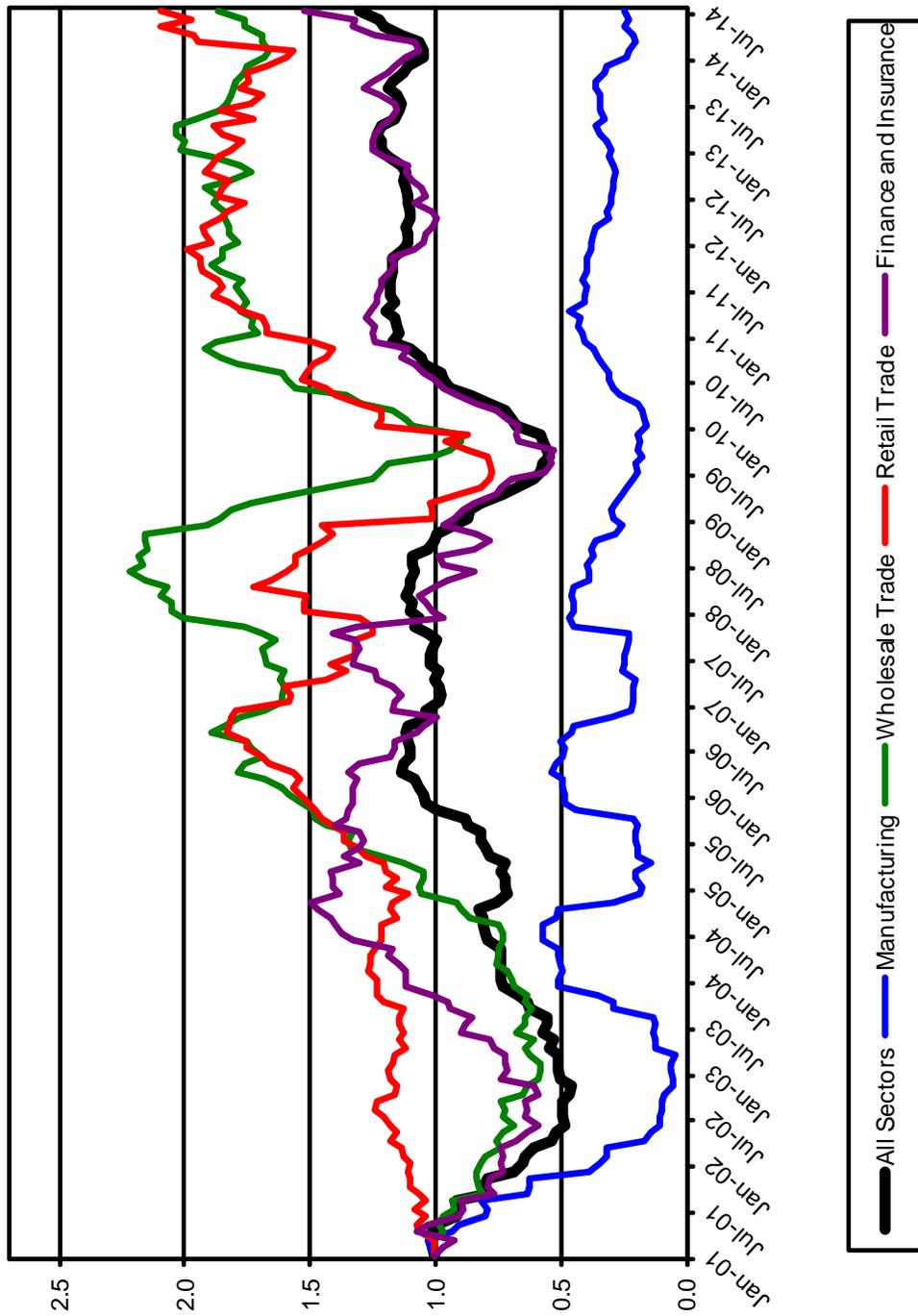
* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

** Negative amount for this sector is a result of significant refunds, making the percent change not meaningful.

*** The magnitude of change is not meaningful for this category. The number of unclassified corporations and receipts attributable to them will drop significantly with time due to the on-going efforts to improve NAICS code assignment to corporate taxpayers.

Another way to look at changes in corporate tax receipts is to look at indexed values for the largest sectors. Exhibit 2.6 shows 12-month cumulative receipts of selected sectors, relative to their value in January 2001.

**Exhibit 2.6 - Corporate Tax Receipts Index of 12-Month Totals (January 2001 = 1)
January 2001 through July 2014**



Summary of All Corporate Returns

Corporations may file one of four Oregon tax returns depending on their business structure and nature of their business. C corporations may file Form 20, 20-I or 20-INS, while S corporations file Form 20-S. Exhibit 3.1 provides details on the returns filed for tax year 2012 by return type.

- **Form 20, Excise Tax.** Corporations doing business in Oregon file Form 20 and pay the corporation excise tax. For tax year 2012, the minimum corporation excise tax is based on Oregon sales and ranges from \$150 to \$100,000. However, most credits can now be applied against the minimum for C corporations.
- **Form 20-I, Income Tax.** Corporations not doing business in Oregon, but with income from one or more Oregon sources, pay the income tax and file Form 20-I. Income is from an Oregon source if it is derived from tangible or intangible property located in Oregon or any activity carried on in Oregon that is not considered doing business in Oregon. Income tax filers are not subject to a minimum tax.
- **Form 20-INS, Insurance.** Insurance corporations file Form 20-INS and pay the excise tax. They are subject to the same minimum tax requirement as filers of Form 20.
- **Form 20-S, S Corporation.** An S corporation is one that has chosen to pass net income through to its shareholders for taxation. This election is made with the federal Internal Revenue Service. S corporations subject to either the excise or the income tax file Form 20-S. Shareholders must include S corporation income or loss on their personal income tax returns. For tax year 2012, corporate excise taxpayers pay a minimum tax of \$150. Corporate income taxpayers are not subject to a minimum tax.

A consolidated Oregon return is required when two or more affiliated corporations are unitary and included in the same consolidated federal return, and at least one of the affiliated corporations is doing business in Oregon or has Oregon-source income.

Exhibit 3.1—Tax Year 2012 Corporation Tax Returns
Type of Return Filed

Oregon Tax Form Filed	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)
20 Oregon Corporation Excise Tax Return	27,813	\$5,790,802	\$375,084
20-I Oregon Corporation Income Tax Return	1,041	\$12,230	\$844
20-INS Oregon Insurance Excise Tax Return	1,123	\$556,270	\$39,167
20-S Oregon S Corporation Tax Return	59,065	\$18,745	\$10,224
Total	89,042	\$6,378,047	\$425,320

Timing of Filing Tax Returns

Corporations' tax years may cover a period of time significantly different from a calendar year.⁶ Because of this and extensions for filing returns, most tax year 2012 returns were received during a two-year period.

Exhibit 3.2 shows when the returns were received. By December 2013, about 72 percent of the total net tax for tax year 2012 had been reported on returns.

Exhibit 3.2—Tax Year 2012 Corporation Tax Returns Received By Month

Month	Number of Returns*	Net Tax Reported (\$ thousands)	Percent of Total Net Tax Reported	Cumulative Net Tax (\$ thousands)	Cumulative Percent
February 2013 or prior	6,269	\$2,399	0.6%	\$2,399	0.6%
March 2013	21,970	\$14,596	3.4%	\$16,994	4.0%
April 2013	13,933	\$17,817	4.2%	\$34,811	8.2%
May 2013	2,606	\$1,716	0.4%	\$36,526	8.6%
June 2013	2,939	\$4,383	1.0%	\$40,909	9.6%
July 2013	2,948	\$2,604	0.6%	\$43,513	10.2%
August 2013	4,129	\$10,214	2.4%	\$53,727	12.6%
September 2013	18,314	\$54,336	12.8%	\$108,063	25.4%
October 2013	6,052	\$161,456	38.0%	\$269,519	63.4%
November 2013	1,293	\$25,832	6.1%	\$295,352	69.4%
December 2013	1,690	\$12,330	2.9%	\$307,682	72.3%
January 2014	1,512	\$11,834	2.8%	\$319,516	75.1%
February 2014	1,066	\$6,900	1.6%	\$326,415	76.7%
March 2014	1,065	\$13,588	3.2%	\$340,003	79.9%
April 2014	635	\$25,478	6.0%	\$365,481	85.9%
May 2014	485	\$8,592	2.0%	\$374,073	88.0%
June 2014	692	\$8,105	1.9%	\$382,178	89.9%
July 2014 or later	1,444	\$43,142	10.1%	\$425,320	100.0%
Total	89,042	\$425,320	100.0%		

* Net tax and number of returns reported in this table are based on original returns except when replaced by amended or audited returns.

⁶ For more detail on corporations' fiscal years and the due dates of corporations' tax returns, see Appendix C.

Timing of Receipts for Tax Year 2012

Because corporations generally must make quarterly estimated payments of tax liability before their returns are filed, and because of differences in filing periods, payments for any tax year will be received during several calendar years. Exhibit 3.3 shows that corporations significantly overpaid their 2012 tax liability through October 2013. Large corporations that pay less than their actual tax liability can face underpayment penalties, so it is likely that they overpay to avoid those penalties. The resulting overpayments lead to significant refunds beginning in November 2013.

Exhibit 3.3—Tax Year 2012 Corporation Tax Receipts By Month

Month Received	Net Receipts for Tax Year* (\$ thousands)	Percent of Total Receipts for Tax Year	Cumulative	
			Receipts (\$ thousands)	Cumulative Percent
March 2012 or prior	\$5,542	1.3%	\$5,542	1.3%
April-12	\$36,378	8.4%	\$41,920	9.7%
May-12	\$9,992	2.3%	\$51,912	12.0%
June-12	\$61,024	14.1%	\$112,936	26.0%
July-12	\$15,614	3.6%	\$128,550	29.6%
August-12	\$6,020	1.4%	\$134,570	31.0%
September-12	\$67,394	15.5%	\$201,964	46.6%
October-12	\$17,128	3.9%	\$219,092	50.5%
November-12	\$8,005	1.8%	\$227,097	52.4%
December-12	\$77,227	17.8%	\$304,325	70.2%
January-13	\$22,716	5.2%	\$327,041	75.4%
February-13	\$15,231	3.5%	\$342,272	78.9%
March-13	\$56,422	13.0%	\$398,694	91.9%
April-13	\$55,994	12.9%	\$454,688	104.8%
May-13	\$103,343	23.8%	\$558,031	128.7%
June-13	\$33,274	7.7%	\$591,305	136.3%
July-13	\$7,932	1.8%	\$599,237	138.2%
August-13	\$11,136	2.6%	\$610,373	140.7%
September-13	\$15,930	3.7%	\$626,303	144.4%
October-13	\$9,007	2.1%	\$635,310	146.5%
November-13	-\$30,160	-7.0%	\$605,151	139.5%
December-13	-\$38,134	-8.8%	\$567,017	130.7%
January 2014 or later	-\$133,346	-30.7%	\$433,671	100.0%
Total	\$433,671	100.0%		

* Net receipts for the tax year will not match the tax liability reported on returns. This is primarily due to penalty and interest payments and corporations who have made estimated payments but not yet filed a return.

History of Tax Returns Filed

Exhibit 3.4 shows the history of corporate tax returns filed in Oregon since 1990. The number of returns increased steadily through 2008, declined slightly in 2009 through 2011, then increased in 2012. The total tax increased in 2009 and 2010, declined in 2011, and increased in 2012.

Exhibit 3.4—Corporate Return History

Tax Year	Number of S Corporation Returns	Number of C Corporation Returns	Total Number of Returns	Tax After Credits (\$ thousands)	Oregon Net Tax* (\$ thousands)
1990	18,437	35,510	53,947	\$175,944	\$175,857
1991	21,090	35,200	56,290	\$173,644	\$173,769
1992	23,731	35,660	59,391	\$218,832	\$215,751
1993	26,751	36,879	63,630	\$324,148	\$325,300
1994	29,752	38,344	68,096	\$339,291	\$339,423
1995	32,689	39,496	72,185	\$449,406	\$225,351
1996	35,337	38,852	74,189	\$346,684	\$376,841
1997	37,711	38,607	76,318	\$401,527	\$232,174
1998	40,567	39,735	80,302	\$356,391	\$357,981
1999	42,153	38,930	81,083	\$392,577	\$392,631
2000	44,047	38,410	82,457	\$357,701	\$357,996
2001	45,179	37,458	82,637	\$242,790	\$242,878
2002	46,744	36,527	83,271	\$236,827	\$237,051
2003	48,842	35,991	84,833	\$285,120	\$285,720
2004	50,980	34,883	85,863	\$313,245	\$313,480
2005	53,341	34,242	87,583	\$458,336	\$294,015
2006	54,771	33,130	87,901	\$449,916	\$449,970
2007	57,396	33,508	90,904	\$413,586	\$398,995
2008	58,587	32,640	91,227	\$280,300	\$280,569
2009	58,310	31,890	90,200	\$371,178	\$371,780
2010	58,091	31,379	89,470	\$417,902	\$418,359
2011	58,299	30,273	88,572	\$370,271	\$366,828
2012	59,065	29,977	89,042	\$425,042	\$425,320

* Net tax differs from tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D — "Surplus Kicker."

The following sections provide additional information about corporate taxpayers:

- Section 3B gives details for C corporation taxpayers, which file Forms 20, 20-I, and 20-INS.
- Section 3C summarizes information for S corporations, Form 20-S filers.

This section provides detail on C corporation taxpayers. C corporations represent almost 98 percent of the total corporate excise and income tax payments for tax year 2012. Taxpayers doing business in Oregon pay the Oregon excise tax and must file Form 20 or 20-INS. Corporations not doing business in Oregon, but with income from an Oregon source, must pay the Oregon corporate income tax and file Form 20-I. Few taxpayers are subject to the corporate income tax. For ease of reading, the sections and exhibits that follow show the information pooled from these three return types, describing all C corporation taxpayers.

Summary characteristics of C corporation tax returns are presented for the following groupings:

- **Taxable income category**
- **Industry sector**
- **State of commercial domicile**
- **Apportioned returns**
 - Total
 - By industry sector
- **Credit usage**
 - All credits
 - Additional detail for business energy facilities credit
 - Additional detail for qualified research activities credit
- **Minimum tax returns**
 - By income group
 - By Oregon sales
 - Tax detail
 - Reason for minimum tax payment
 - By industry sector
- **Tax rate returns**
 - By income group
 - Tax detail
 - By industry sector

Exhibit 3.5 shows the distribution of returns and the source of tax by Oregon taxable income category. Taxable income and book income are not necessarily the same because of differences between financial and tax accounting rules. For example, a company that reports a profit on its public financial statements may have no taxable income. This exhibit shows the concentration of the corporate tax. There are 113 corporations with Oregon taxable income of at least \$10 million. They represent only about 0.4% of the total number of C corporations, but paid almost 44 percent of the total tax.

As discussed in section 1A, a corporation's net tax is the result of subtracting credits from the larger of the minimum tax or the tax from the tax rates. Exhibit 3.5 shows that only about 11 percent of the total tax comes from the minimum tax. Corporations paying tax based on the minimum tax (minimum tax returns), including those that take credits against the minimum, are discussed further starting on page 3-13, while those paying tax based on the tax rates (tax rate returns) are detailed beginning on page 3-18.

Exhibit 3.5—Tax Year 2012 C Corporation Tax Returns

Taxable Income Category

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Oregon Net Tax from Minimum Tax (\$ thousands)	Oregon Net Tax from Rates (\$ thousands)
Zero Income or Loss*	18,833	\$0	\$33,422	\$33,422	\$0
\$1 - \$50,000	7,189	\$84,699	\$8,342	\$3,622	\$4,720
\$50,000 - \$100,000	1,137	\$81,271	\$6,069	\$1,356	\$4,713
\$100,000 - \$250,000	1,044	\$165,106	\$11,337	\$2,279	\$9,058
\$250,000 - \$500,000	544	\$194,477	\$13,274	\$1,415	\$11,859
\$500,000 - \$1 million	436	\$307,511	\$21,306	\$1,301	\$20,005
\$1 million to \$5 million	565	\$1,284,826	\$86,725	\$887	\$85,838
\$5 million to \$10 million	116	\$808,787	\$52,294	\$245	\$52,049
\$10 million to \$25 million	72	\$1,075,112	\$61,534	\$0	\$61,534
Over \$25 million	41	\$2,357,512	\$120,793	\$100	\$120,693
Total	29,977	\$6,359,303	\$415,095	\$44,625	\$370,470

Percentage Distribution of Taxable Returns

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Oregon Net Tax from Minimum Tax	Oregon Net Tax from Rates
Zero Income or Loss*	62.8%	0.0%	8.1%	74.9%	0.0%
\$1 - \$50,000	24.0%	1.3%	2.0%	8.1%	1.3%
\$50,000 - \$100,000	3.8%	1.3%	1.5%	3.0%	1.3%
\$100,000 - \$250,000	3.5%	2.6%	2.7%	5.1%	2.4%
\$250,000 - \$500,000	1.8%	3.1%	3.2%	3.2%	3.2%
\$500,000 - \$1 million	1.5%	4.8%	5.1%	2.9%	5.4%
\$1 million to \$5 million	1.9%	20.2%	20.9%	2.0%	23.2%
\$5 million to \$10 million	0.4%	12.7%	12.6%	0.5%	14.0%
\$10 million to \$25 million	0.2%	16.9%	14.8%	0.0%	16.6%
Over \$25 million	0.1%	37.1%	29.1%	0.2%	32.6%
Total	100.0%	100%	100%	100.0%	100.0%

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Exhibit 3.6 shows the distribution of returns by industry sector. For tax year 2012, the finance and insurance, wholesale trade, retail trade, and management of companies and enterprises sectors together accounted for almost 68 percent of total tax liability.

Exhibit 3.6—Tax Year 2012 C Corporation Tax Returns**Industry Sector**

Industry Sector *	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,433	\$75,799	\$6,164
Mining	84	\$5,104	\$435
Utilities	77	\$75,482	\$679
Construction	2,440	\$84,469	\$6,673
Manufacturing	2,111	\$585,801	\$36,548
Wholesale Trade	3,427	\$1,352,687	\$99,719
Retail Trade	1,939	\$1,037,949	\$64,383
Transportation and Warehousing	742	\$210,203	\$13,027
Information	986	\$316,664	\$19,614
Finance and Insurance	3,271	\$1,160,262	\$70,512
Real Estate, Rental, and Leasing	1,600	\$67,574	\$5,716
Professional, Scientific, and Technical Services	3,768	\$207,938	\$15,670
Management of Companies and Enterprises	1,365	\$795,632	\$45,726
Administrative, Support, and Waste Management	1,083	\$111,098	\$7,355
Education Services	239	\$28,831	\$1,357
Health Care and Social Assistance	1,442	\$65,878	\$6,754
Arts, Entertainment, and Recreation	358	\$5,447	\$510
Accommodation and Food Services	729	\$54,688	\$4,819
Other Services (except Public Administration)	1,910	\$111,908	\$8,832
Unknown	973	\$5,888	\$605
Total	29,977	\$6,359,303	\$415,095

Percentage Distribution

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	4.8%	1.2%	1.5%
Mining	0.3%	0.1%	0.1%
Utilities	0.3%	1.2%	0.2%
Construction	8.1%	1.3%	1.6%
Manufacturing	7.0%	9.2%	8.8%
Wholesale Trade	11.4%	21.3%	24.0%
Retail Trade	6.5%	16.3%	15.5%
Transportation and Warehousing	2.5%	3.3%	3.1%
Information	3.3%	5.0%	4.7%
Finance and Insurance	10.9%	18.2%	17.0%
Real Estate, Rental, and Leasing	5.3%	1.1%	1.4%
Professional, Scientific, and Technical Services	12.6%	3.3%	3.8%
Management of Companies and Enterprises	4.6%	12.5%	11.0%
Administrative, Support, and Waste Management	3.6%	1.7%	1.8%
Education Services	0.8%	0.5%	0.3%
Health Care and Social Assistance	4.8%	1.0%	1.6%
Arts, Entertainment, and Recreation	1.2%	0.1%	0.1%
Accommodation and Food Services	2.4%	0.9%	1.2%
Other Services (except Public Administration)	6.4%	1.8%	2.1%
Unknown	3.2%	0.1%	0.1%
Total	100.0%	100.0%	100.0%

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

Exhibit 3.7 shows the distribution of returns by the state of commercial domicile (the location of corporation's headquarters) as reported on the tax return. The state of commercial domicile is not necessarily the same state as the address on the return or the state of incorporation.

For tax year 2012, most of the corporate tax liability did not come from corporations domiciled in Oregon. Corporations domiciled outside of Oregon accounted for 85 percent of the total liability.

Exhibit 3.7—Tax Year 2012 C Corporation Tax Returns

Region of Commercial Domicile

Region*	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Percent of Total Tax
Northeast	2,753	\$1,196,800	\$76,904	18.5%
Midwest	2,346	\$1,523,819	\$90,541	21.8%
South	3,122	\$1,161,086	\$83,361	20.1%
West	21,303	\$2,441,031	\$161,495	38.9%
Outside U.S.	453	\$36,567	\$2,794	0.7%
Total	29,977	\$6,359,303	\$415,095	100%

*Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Midwest includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

South includes Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington D.C., and West Virginia.

West includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Tax Year 2012 C Corporation Tax Returns

State of Commercial Domicile

West Region

State	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Percent of Total Tax
Alaska	48	\$2,168	\$273	0.1%
Arizona	202	\$49,255	\$3,974	1.0%
California	2,042	\$907,551	\$66,000	15.9%
Colorado	279	\$47,809	\$4,114	1.0%
Hawaii	27	\$8,747	\$641	0.2%
Idaho	137	\$25,577	\$2,041	0.5%
Montana	48	\$4,829	\$309	0.1%
Nevada	115	\$11,407	\$849	0.2%
New Mexico	17	\$3,815	\$283	0.1%
Oregon	17,173	\$1,009,348	\$62,249	15.0%
Utah	151	\$27,003	\$2,122	0.5%
Washington	1,049	\$343,479	\$18,635	4.5%
Wyoming	15	\$42	\$4	0.0%
Total	21,303	\$2,441,031	\$161,495	38.9%

Taxpayers doing business in multiple states must apportion their business income using an apportionment formula. For tax years beginning on or after July 1, 2005, Oregon uses 100 percent sales factor apportionment.⁷

**Exhibit 3.8—Tax Year 2012 C Corporation Tax Returns
Apportionment Type**

Apportionment	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Percent of Total Tax
Multistate (Apportioned)	13,548	\$5,953,313	\$379,896	91.5%
Nonapportioned	16,429	\$405,989	\$35,199	8.5%
Total	29,977	\$6,359,302	\$415,095	100%

Exhibit 3.9 shows the distribution of the multistate (apportioned) tax returns by industry sector.

**Exhibit 3.9 Tax Year 2012 C Corporation Tax Returns
Industry Sector for Multistate (Apportioned) Returns**

Industry Sector *	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Percent of Total Tax
Agriculture, Forestry, Fishing, and Hunting	144	\$34,259	\$2,787	0.7%
Mining	35	\$4,730	\$361	0.1%
Utilities	36	\$69,773	\$234	0.1%
Construction	684	\$68,683	\$4,824	1.3%
Manufacturing	1,046	\$520,768	\$31,297	8.2%
Wholesale Trade	2,406	\$1,304,548	\$95,528	25.1%
Retail Trade	561	\$1,013,518	\$61,171	16.1%
Transportation and Warehousing	323	\$200,642	\$12,055	3.2%
Information	580	\$306,595	\$18,575	4.9%
Finance and Insurance	2,349	\$1,102,804	\$66,284	17.4%
Real Estate, Rental, and Leasing	563	\$36,873	\$4,102	1.1%
Professional, Scientific, and Technical Services	1,969	\$186,497	\$13,619	3.6%
Management of Companies and Enterprises	1,185	\$781,554	\$45,250	11.9%
Administrative, Support, and Waste Management	482	\$95,851	\$6,099	1.6%
Education Services	109	\$19,229	\$620	0.2%
Health Care and Social Assistance	171	\$51,274	\$4,475	1.2%
Arts, Entertainment, and Recreation	95	\$3,103	\$291	0.1%
Accommodation and Food Services	128	\$46,525	\$4,049	1.1%
Other Services (except Public Administration)	218	\$101,596	\$7,816	2.1%
Unknown	464	\$4,492	\$458	0.1%
All	13,548	\$5,953,313	\$379,896	100%

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

⁷ Section 1A provides more detail on changes in Oregon's corporate apportionment formula.

Many credits are available to corporate taxpayers. Not all taxpayers claiming a credit are able to use the full amount because their credits exceed their tax liability. Most unused credits may be carried forward for several years to offset future tax liability. Corporations must claim the full amount of credit, to the extent of their tax liability, before the credit may be carried forward.

Exhibit 3.10—Tax Year 2012 C Corporation Tax Returns
Credit Usage

Credit	Number of Taxpayers Claiming Credit	Amount of Credit Claimed (\$ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used (\$ thousands)	Percent of Credit Used
General Corporation Credits					
Business Energy Facilities	324	\$150,572	297	\$72,368	48.1%
Dependent Care Assistance	12	\$4,376	12	\$1,405	32.1%
Oregon Affordable Housing Credit	22	\$9,874	22	\$6,342	64.2%
Pollution Control	34	\$14,365	32	\$3,411	23.7%
Qualified Research Activities	307	\$81,056	279	\$11,607	14.3%
Long-term Care Insurance Credit	10	\$7	10	\$5	71.4%
Farm-Worker Housing Construction	10	\$736	8	\$481	65.4%
Oregon Trust for Cultural Development	8	\$17	8	\$15	88.2%
Tax Paid on Intangible Expense Add-back	15	\$2,037	15	\$2,036	100.0%
Other Corporation Credits	45	\$30,747	41	\$2,203	7.2%
Insurance Only Credits					
Fire Insurance Credit	245	\$7,041	200	\$2,901	41.2%
Workers' Compensation Assessments	72	\$2,636	66	\$1,667	63.2%
Total*	964	\$303,464	855	\$104,441	34.4%

* The total number of taxpayers does not match detail due to taxpayers claiming multiple credits.

The two corporation tax credits with the highest total claims were business energy facilities and qualified research activities. Details for taxpayers claiming these credits are in the next two exhibits.

**Exhibit 3.11—Tax Year 2012 C Corporation Tax Returns
Business Energy Facilities
Credit Usage by Industry Sector and Taxable Income**

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed (\$ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used (\$ thousands)
Agriculture, Forestry, Fishing, and Hunting	33	\$391	25	\$139
Construction	19	\$2,167	17	\$1,480
Manufacturing	78	\$16,622	75	\$6,867
Wholesale Trade	43	\$15,513	40	\$7,890
Retail Trade	30	\$21,636	26	\$18,095
Transportation and Warehousing	10	\$4,500	10	\$3,886
Information	7	\$6,330	7	\$4,172
Finance and Insurance	26	\$41,050	26	\$13,564
Real Estate, Rental, and Leasing	8	\$1,301	7	\$849
Professional, Scientific, and Technical Services	12	\$158	11	\$151
Management of Companies and Enterprises	25	\$16,524	25	\$8,868
Administrative, Support, and Waste Management	13	\$2,995	9	\$1,498
All Other and Unknown	20	\$21,384	19	\$4,909
Total	324	\$150,572	297	\$72,368

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed (\$ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used (\$ thousands)
Zero Income or Loss*	107	\$16,465	86	\$1,682
\$1 - \$50,000	25	\$730	20	\$49
\$50,000 - \$100,000	19	\$207	19	\$80
\$100,000 - \$250,000	23	\$664	22	\$206
\$250,000 - \$500,000	22	\$838	22	\$292
\$500,000 - \$1 million	25	\$658	25	\$484
\$1 million to \$5 million	48	\$13,230	48	\$4,173
\$5 million to \$10 million	14	\$3,802	14	\$3,553
\$10 million to \$25 million	21	\$21,636	21	\$15,139
Over \$25 million	20	\$92,344	20	\$46,709
Total	324	\$150,572	297	\$72,368

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Exhibit 3.12—Tax Year 2012 C Corporation Tax Returns
Qualified Research Activities
Credit Usage by Industry Sector and Taxable Income

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed (\$ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used (\$ thousands)
Construction	6	\$189	6	\$77
Manufacturing	118	\$33,258	108	\$4,530
Wholesale Trade	32	\$7,565	29	\$639
Information	48	\$14,398	45	\$1,920
Professional, Scientific, and Technical Services	69	\$16,498	61	\$1,698
Management of Companies and Enterprises	17	\$7,970	16	\$2,500
All Other and Unknown	17	\$1,177	14	\$243
Total	307	\$81,056	279	\$11,607

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed (\$ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used (\$ thousands)
Zero Income or Loss*	187	\$49,005	160	\$1,522
\$1 - \$50,000	22	\$1,627	22	\$26
\$50,000 - \$100,000	10	\$509	9	\$65
\$100,000 - \$250,000	18	\$1,182	18	\$245
\$250,000 - \$500,000	13	\$1,576	13	\$247
\$500,000 - \$1 million	11	\$556	11	\$267
\$1 million to \$5 million	28	\$18,568	28	\$2,844
\$5 million to \$10 million	12	\$2,216	12	\$2,216
Over \$10 million	6	\$5,818	6	\$4,174
Total	307	\$81,056	279	\$11,607

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

For tax year 2012, each corporation doing business in Oregon is subject to a minimum tax ranging from \$150 to \$100,000 based on Oregon sales; see Exhibit 1.4 for details. However, as discussed in Section 1A, because of the Oregon Supreme Court decision in *Con-way, Inc. & Affiliates v. Department of Revenue*, C corporations are now allowed to apply most credits against the minimum tax, thus bringing their net tax below the minimum tax. Exhibit 3.13 shows the number of C corporations paying the minimum tax for various taxable income levels.

**Exhibit 3.13—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Returns by Taxable Income**

Oregon Taxable Income Category	Total Number of Returns	Returns Paying Minimum Tax	Percent Paying Minimum Tax	Oregon Net Tax (\$ thousands)
Zero Income or Loss*	18,833	17,842	94.7%	\$32,504
\$1 - \$50,000	7,189	3,003	41.8%	\$3,561
\$50,000 - \$100,000	1,137	101	8.9%	\$1,242
\$100,000 - \$250,000	1,044	123	11.8%	\$2,218
\$250,000 - \$500,000	544	33	6.1%	\$1,223
\$500,000 - \$1 million	436	19	4.4%	\$1,173
Over \$1 million	794	15	1.9%	\$1,195
Total	29,977	21,136	70.5%	\$43,115

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Exhibit 3.14 shows the number of C corporations taking credits against the minimum tax for various taxable income levels. For tax year 2012, minimum tax payments have been reduced by almost \$9 million through the use of credits.

**Exhibit 3.14—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Returns Taking Credits Against Minimum by Taxable Income**

Oregon Taxable Income Category	Total Number of Returns	Returns Taking Credits Against Minimum Tax	Percent Taking Credits Against Minimum Tax	Oregon Net Tax After Applying Credits (\$ thousands)	Oregon Net Tax Loss Due to Credits (\$ thousands)
Zero Income or Loss*	18,833	274	1.5%	\$917	\$4,067
\$1 - \$50,000	7,189	65	0.9%	\$61	\$158
\$50,000 - \$100,000	1,137	30	2.6%	\$114	\$222
\$100,000 - \$250,000	1,044	32	3.1%	\$61	\$397
\$250,000 - \$500,000	544	22	4.0%	\$193	\$293
\$500,000 - \$1 million	436	12	2.8%	\$128	\$257
Over \$1 million	794	57	7.2%	\$38	\$3,569
Total	29,977	492	1.6%	\$1,511	\$8,964

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Exhibit 3.15 shows the number of C corporations paying the minimum tax by Oregon sales and the corresponding minimum tax amounts. Almost 71 percent of all C corporation taxpayers paid the minimum tax for tax year 2012.

**Exhibit 3.15—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Returns by Oregon Sales Category**

Oregon Sales	Minimum Tax	Returns		
		Total Number of Returns	Minimum Tax	Percent Paying Minimum Tax
Form 20-I Returns	Not Subject to Minimum	1,042	0	0.0%
< \$500,000	\$150	17,335	14,096	81.3%
\$500,000 to \$1 million	\$500	3,076	2,052	66.7%
\$1 million to \$2 million	\$1,000	2,536	1,645	64.9%
\$2 million to \$3 million	\$1,500	1,270	795	62.6%
\$3 million to \$5 million	\$2,000	1,337	781	58.4%
\$5 million to \$7 million	\$4,000	662	370	55.9%
\$7 million to \$10 million	\$7,500	655	381	58.2%
\$10 million to \$25 million	\$15,000	1,074	607	56.5%
\$25 million to \$50 million	\$30,000	451	205	45.5%
\$50 million to \$75 million	\$50,000	173	75	43.4%
\$75 million to \$100 million	\$75,000	86	26	30.2%
\$100 million or more	\$100,000	280	103	36.8%
Total	Total	29,977	21,136	70.5%

Exhibit 3.16 shows that almost 2 percent of C corporations applied credits against the minimum tax for tax year 2012.

**Exhibit 3.16—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Returns Taking Credits Against Minimum by Oregon Sales Category**

Oregon Sales	Minimum Tax	Returns		
		Total Number of Returns	Taking Credits Against Minimum Tax	Percent Taking Credits Against Minimum Tax
Form 20-I Returns	Not Subject to Minimum	1,042	0	0.0%
< \$500,000	\$150	17,335	82	0.5%
\$500,000 to \$1 million	\$500	3,076	33	1.1%
\$1 million to \$2 million	\$1,000	2,536	44	1.7%
\$2 million to \$3 million	\$1,500	1,270	30	2.4%
\$3 million to \$5 million	\$2,000	1,337	31	2.3%
\$5 million to \$7 million	\$4,000	662	28	4.2%
\$7 million to \$10 million	\$7,500	655	41	6.3%
\$10 million to \$25 million	\$15,000	1,074	61	5.7%
\$25 million to \$50 million	\$30,000	451	52	11.5%
\$50 million to \$75 million	\$50,000	173	25	14.5%
\$75 million to \$100 million	\$75,000	86	14	16.3%
\$100 million or more	\$100,000	280	51	18.2%
Total	Total	29,977	492	1.6%

Corporate taxpayers paying the minimum tax accounted for only about 10 percent of the total tax paid by C corporations in 2012, as shown in Exhibit 3.17.

Exhibit 3.17—Tax Year 2012 C Corporation Tax Returns
Tax Detail for Minimum Tax Returns by Oregon Sales Category

Oregon Sales	Minimum Tax	Returns Paying Minimum Tax	Oregon Taxable Income (\$ thousands)	Oregon Net Tax* (\$ thousands)	Percent of Total Tax
Form 20-I Returns	Not Subject to Minimum	0	\$0	\$0	0.0%
< \$500,000	\$150	14,096	\$3,097	\$2,113	0.5%
\$500,000 to \$1 million	\$500	2,052	\$1,339	\$1,026	0.2%
\$1 million to \$2 million	\$1,000	1,645	\$3,137	\$1,645	0.4%
\$2 million to \$3 million	\$1,500	795	\$1,645	\$1,192	0.3%
\$3 million to \$5 million	\$2,000	781	\$2,090	\$1,562	0.4%
\$5 million to \$7 million	\$4,000	370	\$4,316	\$1,480	0.4%
\$7 million to \$10 million	\$7,500	381	\$6,047	\$2,857	0.7%
\$10 million to \$25 million	\$15,000	607	\$21,138	\$9,105	2.2%
\$25 million to \$50 million	\$30,000	205	\$17,164	\$6,136	1.5%
\$50 million to \$75 million	\$50,000	75	\$8,777	\$3,750	0.9%
\$75 million to \$100 million	\$75,000	26	\$3,314	\$1,950	0.5%
\$100 million or more	\$100,000	103	\$76,307	\$10,300	2.5%
Total	Total	21,136	\$148,372	\$43,115	10.4%

* For some taxpayers the net tax is less than the minimum tax due to an accounting period change. While for others, the net tax is greater than the minimum tax due to the addition of tax adjustments.

Taxpayers taking credits against the minimum contributed a negligible 0.4 percent to the total net tax of all C corporations. Credits used by these taxpayers reduced the total net tax of all C corporations by about 2 percent.

Exhibit 3.18—Tax Year 2012 C Corporation Tax Returns
Tax Detail for Minimum Tax Returns Taking Credits Against Minimum by Oregon Sales Category

Oregon Sales	Minimum Tax	Returns Taking Credits Against Minimum Tax	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)	Percent of Total Tax	Oregon Net Tax Loss Due to Credits (\$ thousands)
Form 20-I Returns	Not Subject to Minimum	0	\$0	\$0	0.0%	\$0
< \$500,000	\$150	82	\$148	\$1	0.0%	\$12
\$500,000 to \$1 million	\$500	33	\$471	\$1	0.0%	\$16
\$1 million to \$2 million	\$1,000	44	\$1,728	\$4	0.0%	\$40
\$2 million to \$3 million	\$1,500	30	\$1,201	\$2	0.0%	\$43
\$3 million to \$5 million	\$2,000	31	\$2,544	\$6	0.0%	\$56
\$5 million to \$7 million	\$4,000	28	\$1,987	\$13	0.0%	\$99
\$7 million to \$10 million	\$7,500	41	\$4,921	\$29	0.0%	\$278
\$10 million to \$25 million	\$15,000	61	\$17,725	\$184	0.0%	\$731
\$25 million to \$50 million	\$30,000	52	\$62,503	\$289	0.1%	\$1,271
\$50 million to \$75 million	\$50,000	25	\$31,909	\$274	0.1%	\$976
\$75 million to \$100 million	\$75,000	14	\$22,928	\$288	0.1%	\$762
\$100 million or more	\$100,000	51	\$679,273	\$419	0.1%	\$4,681
Total	Total	492	\$827,337	\$1,511	0.4%	\$8,964

Most taxpayers paying the minimum tax had no income in the current year or the tax based on income was less than the minimum tax. Exhibit 3.19 details the reasons for minimum tax payments.

**Exhibit 3.19—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Payment Details**

Reason For Minimum Tax Payment	Number of Returns	Percent of Minimum Tax Returns	Oregon Net Tax (\$ thousands)
Current Income			
Zero income or loss in current year	12,956	61.3%	\$19,825
Tax from rates applied to current year income less than minimum tax	4,520	21.4%	\$12,281
Losses Carried Forward From Prior Years			
Losses carried forward result in zero income or loss	2,845	13.5%	\$5,992
Losses carried forward result in tax from rates applied to income less than minimum tax	751	3.6%	\$4,342
Credits			
Credits reduce tax to minimum	55	0.3%	\$657
Combination			
Combination of losses carried forward and credits reduce tax to minimum	9	0.0%	\$18
Total	21,136	100.0%	\$43,115

Minimum tax returns appear in all industry sectors. Exhibit 3.20 shows minimum tax returns by sector.

**Exhibit 3.20—Tax Year 2012 C Corporation Tax Returns
Minimum Tax Returns By Industry Sector**

Industry Sector *	Total Number of Returns	Returns Paying Minimum Tax	Percent Paying Minimum Tax	Oregon Net Tax (\$ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,433	1,000	69.8%	\$1,030
Mining	84	68	81.0%	\$62
Utilities	77	54	70.1%	\$169
Construction	2,440	1,967	80.6%	\$1,998
Manufacturing	2,111	1,361	64.5%	\$4,549
Wholesale Trade	3,427	2,170	63.3%	\$8,275
Retail Trade	1,939	1,435	74.0%	\$4,620
Transportation and Warehousing	742	523	70.5%	\$1,472
Information	986	748	75.9%	\$1,663
Finance and Insurance	3,271	1,870	57.2%	\$5,702
Real Estate, Rental, and Leasing	1,600	1,150	71.9%	\$1,715
Professional, Scientific, and Technical Services	3,768	2,854	75.7%	\$2,308
Management of Companies and Enterprises	1,365	883	64.7%	\$4,120
Administrative, Support, and Waste Management	1,083	779	71.9%	\$970
Education Services	239	158	66.1%	\$177
Health Care and Social Assistance	1,442	1,204	83.5%	\$2,393
Arts, Entertainment, and Recreation	358	283	79.1%	\$172
Accommodation and Food Services	729	540	74.1%	\$956
Other Services (except Public Administration)	1,910	1,365	71.5%	\$546
Unknown	973	724	74.4%	\$217
Total	29,977	21,136	70.5%	\$43,115

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

Prior to the passage of Measure 67 in January 2010, C corporations not paying the minimum tax paid a tax rate of 6.6 percent on taxable income. The passage of Measure 67 created a second marginal tax rate. For tax year 2012, corporations paid a tax rate of 6.6 percent on taxable income up to \$250,000, and a rate of 7.6 percent on any amount of taxable income greater than \$250,000. Exhibit 3.21 shows the number of C corporations paying tax based on the rates by various income levels.

**Exhibit 3.21—Tax Year 2012 C Corporation Tax Returns
Tax Rate Returns by Taxable Income**

Oregon Taxable Income Category	Total Number of Returns	Tax Rate Returns	Percent Paying Tax Based on Rates
Zero Income or Loss*	18,833	717	3.8%
\$1 - \$50,000	7,189	4,121	57.3%
\$50,000 - \$100,000	1,137	1,006	88.5%
\$100,000 - \$250,000	1,044	889	85.2%
\$250,000 - \$500,000	544	489	89.9%
\$500,000 - \$1 million	436	405	92.9%
\$1 million to \$5 million	565	521	92.2%
\$5 million to \$10 million	116	108	93.1%
\$10 million to \$25 million	72	60	83.3%
Over \$25 million	41	33	80.5%
Total	29,977	8,349	27.9%

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Although only 28 percent of C corporations paid tax based on the rates in tax year 2012, they accounted for 89 percent of the total tax, as shown in Exhibit 3.22.

**Exhibit 3.22—Tax Year 2012 C Corporation Tax Returns
Tax Detail for Tax Rate Returns by Taxable Income**

Oregon Taxable Income Category	Tax Rate Returns	Oregon Taxable Income from Rates (\$ thousands)	Oregon Net Tax from Rates (\$ thousands)	Percent of Total Tax
Zero Income or Loss*	717	\$0	\$0	0.0%
\$1 - \$50,000	4,121	\$71,554	\$4,720	56.6%
\$50,000 - \$100,000	1,006	\$71,892	\$4,713	77.7%
\$100,000 - \$250,000	889	\$139,071	\$9,058	79.9%
\$250,000 - \$500,000	489	\$174,816	\$11,859	89.3%
\$500,000 - \$1 million	405	\$284,970	\$20,005	93.9%
\$1 million to \$5 million	521	\$1,184,195	\$85,838	99.0%
\$5 million to \$10 million	108	\$747,511	\$52,049	99.5%
\$10 million to \$25 million	60	\$879,707	\$61,534	100.0%
Over \$25 million	33	\$1,829,878	\$120,693	99.9%
Total	8,349	\$5,383,593	\$370,470	89.2%

* Includes losses in current year, as well as losses carried forward from prior years that result in \$0 income.

Tax rate returns appear in all industry sectors. Exhibit 3.23 shows returns paying tax based on rates by sector.

**Exhibit 3.23—Tax Year 2012 C Corporation Tax Returns
Tax Rate Returns By Industry Sector**

Industry Sector *	Total Number of Returns	Tax Rate Returns	Percent Paying Tax Based on Rates	Oregon Net Tax (\$ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,433	415	29.0%	\$5,131
Mining	84	15	17.9%	\$320
Utilities	77	19	24.7%	\$430
Construction	2,440	455	18.6%	\$4,546
Manufacturing	2,111	627	29.7%	\$31,567
Wholesale Trade	3,427	1,209	35.3%	\$91,384
Retail Trade	1,939	486	25.1%	\$59,625
Transportation and Warehousing	742	210	28.3%	\$11,555
Information	986	191	19.4%	\$17,863
Finance and Insurance	3,271	1,310	40.0%	\$64,709
Real Estate, Rental, and Leasing	1,600	445	27.8%	\$4,001
Professional, Scientific, and Technical Services	3,768	855	22.7%	\$13,227
Management of Companies and Enterprises	1,365	449	32.9%	\$41,443
Administrative, Support, and Waste Management	1,083	298	27.5%	\$6,370
Education Services	239	79	33.1%	\$1,180
Health Care and Social Assistance	1,442	235	16.3%	\$4,286
Arts, Entertainment, and Recreation	358	73	20.4%	\$311
Accommodation and Food Services	729	188	25.8%	\$3,849
Other Services (except Public Administration)	1,910	544	28.5%	\$8,286
Unknown	973	246	25.3%	\$388
Total	29,977	8,349	27.9%	\$370,470

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

CORPORATE TAX RETURNS

SUMMARY OF S CORPORATION TAX RETURNS

With few exceptions, S corporations pass their income (or loss) through to their shareholders. The income is not taxed at the corporation level; rather, it is taxed as income of the shareholders. S corporation income is taxed at the corporate level when an S corporation has built-in gains or net excess passive investment income.

S corporations paying either the income or the excise tax file Form 20-S. For tax year 2012, the minimum tax for excise taxpayers is \$150. Income tax filers are not subject to a minimum tax.

**Exhibit 3.24—Tax Year 2012 S Corporation Tax Returns
S Corporation Summary**

Type of Filer	Number of Returns	Number Paying Minimum Tax*	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)
Excise Tax	57,629	57,467	\$17,685	\$10,161
Income Tax	1,436	0	\$1,060	\$63
Total 20-S	59,065	57,467	\$18,745	\$10,224

*Income tax filers are not subject to the minimum tax. Of the 1,436 income tax returns, 1,372 paid no tax.

Exhibit 3.25 shows that most 20-S filers do not apportion their income between Oregon and other states, and most are domiciled (i.e., have their headquarters) in Oregon.

**Exhibit 3.25—Tax Year 2012 S Corporation Tax Returns
S Corporation Characteristics**

	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)
Apportionment for 20-S Filers			
Multistate (Apportioned)	9,027	\$14,622	\$2,369
Nonapportioned	50,038	\$4,122	\$7,856
State of Domicile for 20-S Filers			
Oregon	50,863	\$12,273	\$8,771
Other	8,202	\$6,472	\$1,454

Exhibit 3.26 shows the distribution of 20-S returns by industry sector. For tax year 2012, the construction, wholesale trade, retail trade, and professional, scientific, and technical sectors together contributed more than 49 percent of the total tax payments.

Industry Sector *	Number of Returns	Oregon Taxable Income (\$ thousands)	Oregon Net Tax (\$ thousands)
Agriculture, Forestry, Fishing, and Hunting	2,279	\$526	\$370
Mining	94	\$24	\$16
Utilities	51	\$0	\$7
Construction	8,989	\$1,575	\$1,427
Manufacturing	3,349	\$3,460	\$751
Wholesale Trade	3,414	\$5,572	\$898
Retail Trade	5,107	\$1,390	\$1,139
Transportation and Warehousing	1,710	\$14	\$250
Information	1,042	\$71	\$155
Finance and Insurance	2,201	\$312	\$336
Real Estate, Rental, and Leasing	3,903	\$599	\$598
Professional, Scientific, and Technical Services	9,309	\$2,998	\$1,559
Management of Companies and Enterprises	501	\$241	\$81
Administrative, Support, and Waste Management	2,949	\$147	\$434
Education Services	556	\$106	\$88
Health Care and Social Assistance	4,079	\$719	\$656
Arts, Entertainment, and Recreation	983	\$8	\$141
Accommodation and Food Services	3,817	\$411	\$596
Other Services (except Public Administration)	2,822	\$318	\$439
Unknown	1,910	\$252	\$281
Total	59,065	\$18,745	\$10,224

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	3.9%	2.8%	3.6%
Mining	0.2%	0.1%	0.2%
Utilities	0.1%	0.0%	0.1%
Construction	15.2%	8.4%	14.0%
Manufacturing	5.7%	18.5%	7.3%
Wholesale Trade	5.8%	29.7%	8.8%
Retail Trade	8.6%	7.4%	11.1%
Transportation and Warehousing	2.9%	0.1%	2.4%
Information	1.8%	0.4%	1.5%
Finance and Insurance	3.7%	1.7%	3.3%
Real Estate, Rental, and Leasing	6.6%	3.2%	5.8%
Professional, Scientific, and Technical Services	15.8%	16.0%	15.2%
Management of Companies and Enterprises	0.8%	1.3%	0.8%
Administrative, Support, and Waste Management	5.0%	0.8%	4.2%
Education Services	0.9%	0.6%	0.9%
Health Care and Social Assistance	6.9%	3.8%	6.4%
Arts, Entertainment, and Recreation	1.7%	0.0%	1.4%
Accommodation and Food Services	6.5%	2.2%	5.8%
Other Services (except Public Administration)	4.8%	1.7%	4.3%
Unknown	3.2%	1.3%	2.7%
Total	100.0%	100.0%	100.0%

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Glossary of Selected Industry Sectors."

Additions. Those modifications required by Oregon law that are added to federal taxable income in computing Oregon taxable income.

Apportionment. A method of attributing income to the states in which a multistate or multinational corporation is doing business. The corporation's business income is divided (based on an apportionment formula) among the taxing states.

Allocation. A method of attributing income to the states from which a multistate or multinational corporation receives nonbusiness income.

Apportionment Formula. Taxpayers doing business (or with income sourced) both in Oregon and in other states use the specified formula to apportion their income to Oregon. For tax years beginning on or after July 1, 2005, 100 percent sales apportionment (with a few exceptions) should be used. Section 1A describes apportionment history in detail.

Biennium. The period of two fiscal years for which the state budgets are determined. For example, July 1, 2011 to June 30, 2013 is referred to as the 2011-13 biennium.

Business Income. Income that arises from the regular course of a taxpayer's trade or business. It includes income from tangible and intangible property, if such property constitutes an integral part of the taxpayer's regular trade or business.

C Corporation. Refers to Internal Revenue Code subchapter "C." These corporations pay tax on their net income at the corporate level. Their corporate net income is taxed again when it is distributed as dividends to shareholders.

Commercial Domicile. Under ORS 314.610(2), the principal place from which the trade or business of a taxpayer is directed or managed (generally, the headquarters).

Consolidated Reporting. Under federal law IRC 1504, a filing method that allows certain related corporations (more than 80 percent ownership) the convenience of filing a single tax return and paying one tax amount.

Under ORS 317.710, Oregon requires unitary corporations included in the consolidated federal return to file consolidated Oregon returns for tax years that began on or after January 1, 1986. See *Unitary Group*.

Credits. Dollar-for-dollar reductions in tax. Corporation tax credits claimed often include credits for pollution control, research and development, business energy credit, and affordable housing credit. A comprehensive list of tax credits can be found in the *State of Oregon 2015-17 Tax Expenditure Report*, available at <http://www.oregon.gov/dor/STATS/Pages/statistics.aspx>.

Doing Business. A taxpayer is doing business when it engages in any profit-seeking activity in Oregon. What transaction or transactions need be entered into within this state in the course of such an activity to constitute the doing or carrying on of business within the state is primarily a question of fact, depending upon the circumstances in each case. For example, a corporation is doing business in Oregon if one or more of the following is true:

- Provides services to customers in Oregon

- Has sales activity in Oregon
- Has inventory in Oregon
- Has an office in Oregon
- Has a place of business in Oregon where affairs of the corporation are regularly carried on.

Domestic Corporation. An Oregon domestic corporation is a corporation that is organized (incorporated) under the laws of this state.

For federal corporation tax purposes, the term refers to U.S. corporations (as opposed to corporations organized in foreign countries).

Excise Tax. A tax imposed on corporations for the privilege of doing business in a state. C corporations' net tax liability is the result of subtracting credits from the tax liability before credits. A corporation's tax liability before credits is the greater of the calculated tax based on rates or the minimum tax. C corporations' minimum tax is based on total Oregon sales for the tax year and is between \$150 and \$100,000. Excise tax filers that are S corporations, partnerships or limited liability companies taxed as partnerships pay the greater of net tax liability or a \$150 minimum tax. Before voter approval of Measure 67, the minimum excise tax was \$10 for C corporations and S corporations.

Federal Taxable Income. The starting point for determining Oregon taxable income (line 28 of federal Form 1120). More specifically, income or loss determined under Chapter 1, subtitle A of the Internal Revenue Code (IRC Sections 1 through 1563).

Foreign Corporation. For Oregon purposes, a corporation organized under the laws of another state. For federal corporation tax purposes, a corporation organized in a foreign country (Oregon identifies these as "alien" corporations).

Income Tax. A tax on the income of those corporations that have Oregon-source income but are not doing business here. Income tax filers are not subject to the minimum tax. See *Doing Business*.

LIFO Recapture Tax. The last in, first out (LIFO) recapture amount is the amount, if any, by which the amount of inventory assets using the first in, first out (FIFO) method exceeds the inventory amount of such assets under the LIFO method.

Measure 67. In January 2010, Oregon voters passed Measure 67. The legislation created a second marginal tax rate on taxable income of C corporations. In addition, the legislation increased the minimum tax on C corporations and S corporations and created a \$150 minimum tax on partnerships.

Minimum Tax. For tax years beginning on or after January 1, 2009, C corporations are subject to an minimum tax between \$150 and \$100,000, based on total Oregon sales for the tax year. However, credits can be applied against the minimum, thus reducing tax below the minimum. Excise tax filers that are S corporations pay the greater of net tax liability or a \$150 minimum tax. There is no minimum tax for corporate income taxpayers.

Multinational Corporation. A corporation that conducts business in, or has income sourced to, more than one country.

Multistate Corporation. A corporation that conducts business in, or has income sourced to more than one state.

Net Receipts. Net corporate collections received. Estimated payments and final payments, less refunds, equals net receipts.

Nonbusiness Income. Under ORS 314.610(5), nonbusiness income is all income that does not arise from the taxpayer's normal business activities. Each item of nonbusiness income is generally allocated to one state rather than being apportioned to all states where the corporation does business.

Non-unitary Business. A business entity that does not belong in a unitary group. See *Unitary Group*.

Oregon Net Tax. Net tax differs from Oregon tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D—"Surplus Kicker."

Oregon Taxable Income. Federal taxable income after Oregon's statutory modifications have been applied. For multistate corporations, this is after the apportionment percentage is applied.

Passive Investment Income. Gross receipts derived from royalties, rents, dividends, interest, annuities, and certain sales or exchanges of stock or securities serving a passive investment purpose. A small number of S corporations must pay corporation income tax because they have passive investment income.

Payroll Factor. One of three factors used in apportioning the business income of multistate or multinational corporations for tax years prior to July 1, 2005. The payroll factor may still be used for apportionment in certain circumstances. The payroll factor is expressed as a fraction: the numerator is Oregon payroll, and the denominator is total payroll.

Property Factor. One of three factors used in apportioning the business income of multistate or multinational corporations for tax years prior to July 1, 2005. The property factor may still be used for apportionment in certain circumstances. The property factor is expressed as a fraction: the numerator is the average value of business property located or used in Oregon, and the denominator is the average value of business property located or used everywhere.

Retaliatory Tax. A tax based on a comparison of the taxes, fees, assessments, penalties, and fines that an Oregon insurance company would pay in another state to those that an insurer from that state actually pays in Oregon. If the tax burden to the other state is higher for an Oregon insurance company doing business in that state, the retaliatory tax applies that same level of taxation to the foreign state's companies that do business in Oregon.

S Corporation. Refers to Internal Revenue Code subchapter "S." S corporations are "pass-through" entities, in which the corporation's income and losses are passed through to the S corporation's shareholders, where they are taxed as personal income. A corporation

qualifying under this section can have no more than 100 shareholders, which should be U.S. citizens or residents. Also there should be only one class of stock (though there may be voting and nonvoting shares). Trusts holding stock must meet certain conditions as well.

Sales Factor. One of the three factors used in apportioning the business income of multistate or multinational corporations for tax years prior to July 1, 2005. The sales factor is expressed as a fraction: the numerator is Oregon sales, and the denominator is total sales. See *Single Sales Factor*.

Single Sales Factor. Use of only the sales factor to apportion multistate or multinational income. In Oregon, most corporations use the single sales factor for apportioning income for tax years that began on or after July 1, 2005.

State Surplus Refund (Kicker). Oregon is required by law to refund excess revenue when revenues collected for the biennium are more than 2 percent higher than forecast at the time the budget was adopted. Due to the passage of Measure 85 in 2012, corporate kicker refunds are now allocated to the General Fund to provide additional funding for K through 12 public education.

Subtractions. Those modifications allowed by Oregon law that are subtracted from federal taxable income in computing Oregon taxable income.

Super Weighted Sales Factor. Using a sales factor of greater than 50 percent in the formula used to apportion multistate or multinational income. In Oregon, most corporations used this method for apportioning income in tax years that begin on or after May 1, 2003, but before July 1, 2005.

Tax After Credits. Amount of tax after subtracting credits and before making adjustments.

Tax Liability. Also referred to as net tax. The amount of tax calculated to be owed by subtracting adjustments and credits from the greater of the tax based on rates or the minimum tax.

Unitary Business. A unitary business is one that has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by one or more of the following:

- Centralized management or a common executive force
- Centralized administrative services or functions resulting in economies of scale
- Flow of goods, capital resources, or services showing functional integration.

See also *Unitary Group*.

Unitary Group. Under ORS 317.705(2), a corporation or group of corporations engaged in business activities that constitute a unitary business.

Sector classification information is based on the 2012 North American Industry Classification System (NAICS) sectors.

A brief description of industries found in each sector appears below. Additional information regarding the NAICS system may be found at www.census.gov/eos/www/naics/.

NAICS Sector Code	NAICS Sector Title and Description
11	Agriculture, Forestry, Fishing, and Hunting. Includes farming, animal production, logging, and support activities.
21	Mining. Includes the extraction of mineral solids, liquid minerals, and gases. Also includes mineral quarrying such as crushed gravel and sand mining.
22	Utilities. Includes electric, natural gas, and water utilities.
23	Construction. Includes residential and commercial construction, and specialty trade construction.
31	Manufacturing. Includes food, apparel, wood products, paper, chemical, plastics, machinery, computer products, electronics, and furniture manufacturing.
42	Wholesale Trade. Includes wholesalers for durable and nondurable goods. Also includes wholesale trade agents and brokers.
44	Retail Trade. Includes motor vehicle dealers. Includes furniture, building material, garden equipment, food, drug, clothing, sporting goods, music, and general merchandise stores. Includes non-store retailers such as catalog, online, and mail order firms.
48	Transportation and Warehousing. Includes air, rail, water, and truck transportation. Includes charter buses and sightseeing operations. Includes postal service and courier services.
51	Information. Includes book, newspaper, radio, and television broadcasting, telecommunications, data processing, and libraries.
52	Finance and Insurance. Includes banks, mortgage lenders, insurance companies, and pension funds.
53	Real Estate and Rental and Leasing. Includes offices of real estate agents and brokers. Includes automobile, videotape, consumer electronics, and industrial machinery rental and leasing services.

NAICS Sector Code	NAICS Sector Title and Description
54	Professional, Scientific, and Technical Services. Includes legal services, architectural and engineering firms, accounting, advertising, photographic, marketing, and veterinary services.
55	Management of Companies and Enterprises. Includes offices of bank holding companies and other holding companies.
56	Administrative and Support and Waste Management and Remediation Services. Includes employment and security agencies. Includes exterminating, janitorial, and landscaping services. Includes waste management and remediation.
61	Educational Services. Includes technical and trade schools. Includes educational support services.
62	Health Care and Social Assistance. Includes offices of doctors and dentists. Includes hospitals, nursing care facilities, and day care facilities.
71	Arts, Entertainment, and Recreation. Includes performing arts, sports, museums, theme parks, golf and skiing facilities, and bowling centers.
72	Accommodation and Food Services. Includes hotels and restaurants.
81	Other Services (except Public Administration). Includes automotive, electronic equipment, industrial equipment repair, and household goods repair. Includes personal care services, dry cleaning, and photo finishing services.

Collections and Returns Data

The Integrated Tax Accounting (ITA) system used by the Oregon Department of Revenue provides information on corporation income and excise tax payments. We use tax return data for the most recent year with complete information. The corporation excise and income tax database is revised for amended and audited returns. These returns replace the original where applicable. Amended returns and audit results received after finalizing the publication master database will not be reflected in the analysis.

The Department of Revenue Research Section checks the tax return data for errors to construct a finalized data set used for our analysis. Returns that are not internally consistent are identified and to the extent possible, inconsistent data are modified in a manner believed to correct errors on the returns. For example, if the return claims a credit that is not allowed, the reported amount is replaced by zero. Certain discrepancies or minor errors may not be resolved.

Due Dates for Returns

Corporations are required to file a tax return after the end of their tax year. For many corporations, the calendar year is their tax year. However, others file on a fiscal year basis. These fiscal year filers extend the length of time needed to obtain a complete database of returns. As seen from Exhibit C.1, a corporate taxpayer that starts its fiscal year on December 1 would start tax year 2012 in December 2012. The taxpayer's tax year would end November 2013. The taxpayer's Oregon return would be due by March 15, 2014. Then the taxpayer could submit a federal filing extension, extending the time to file both federal and state returns by six months. So, a corporation that starts its fiscal year on December 1 may file its 2012 Oregon return as late as September 15, 2014.

Taxes must be paid by the original due date of the return to avoid interest and penalty charges, whether an extension is filed or not. Therefore, payment data for a given year is normally complete sooner than return data.

Exhibit C.1—Corporate Filing Calendar

Tax Year Begins	Tax Year Ends	Oregon Corporation Return Due Date*	Due Date with Extension
January 1	December 31	April 15	October 15
February 1	January 31	May 15	November 15
March 1	February 28	June 15	December 15
April 1	March 31	July 15	January 15
May 1	April 30	August 15	February 15
June 1	May 31	September 15	March 15
July 1	June 30	October 15	April 15
August 1	July 31	November 15	May 15
September 1	August 31	December 15	June 15
October 1	September 30	January 15	July 15
November 1	October 31	February 15	August 15
December 1	November 30	March 15	September 15

* Federal corporation returns are due on the 15th day of the third month after the end of the corporation's tax year. Oregon returns are due one month after federal returns.

Tax Period

Although corporations may have varying fiscal years, most are calendar year filers. Exhibit C.2 shows the filing period for all tax year 2012 C corporation returns. A corporation's tax year 2012 is based on a filing period that begins any time in calendar year 2012. If the tax year starts on July 1 and ends on June 30, then tax year ending month is June.

Exhibit C.2—Tax Year 2012 C Corporation Tax Returns
Tax Year Ending Month

	Oregon Taxable			
	Number of	Income	Oregon Net Tax	Percent of
	Returns	(\$ thousands)	(\$ thousands)	Oregon Tax
January	544	\$558,418	\$30,475	7.3%
February	381	\$45,525	\$3,348	0.8%
March	1,714	\$188,684	\$15,811	3.8%
April	498	\$61,906	\$3,932	0.9%
May	510	\$226,691	\$11,141	2.7%
June	2,288	\$353,898	\$26,917	6.5%
July	357	\$57,616	\$4,690	1.1%
August	466	\$155,810	\$6,110	1.5%
September	1,684	\$369,529	\$25,184	6.1%
October	717	\$109,109	\$7,980	1.9%
November	364	\$15,466	\$1,447	0.3%
December	19,385	\$4,117,621	\$269,981	65.0%
Part year with Dec.*	624	\$68,307	\$5,172	1.2%
Part year without Dec.**	445	\$30,724	\$2,906	0.7%
Total	29,977	\$6,359,303	\$415,095	100.0%

* Part-year returns with ending date in December.

** Part-year returns with ending date other than December.

Sector Classification

NAICS codes are assigned based primarily on information reported by the Oregon Employment Department. The Employment Department classifies corporations based on their reported principal activity in Oregon. For certain multistate corporations, their activity in Oregon may differ from their primary activity in the United States as a whole. For example, a certain manufacturer may produce a product at several plants in the United States. However, in Oregon, its only activity may be the wholesale trade of the manufactured good. This classification also may differ from the sector reported on the taxpayer's federal or state tax return. We try to assign a sector classification for taxpayers lacking this information and make other changes as appropriate.

The state surplus refund, or kicker, refers to the original provision in Oregon law that returns money to taxpayers if actual revenues exceed forecasted revenues by at least 2 percent.

The kicker is determined by separating all General Fund money into corporate taxes and all other General Fund revenue and comparing collections at the end of a biennium to the forecast at the close of the regular session. If collections of corporate taxes are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is allocated to the General Fund to provide additional funding for K through 12 public education. If the collections of all other General Fund revenues are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is returned to personal income taxpayers.

Prior to the passage of Measure 85 in 2012, if corporate tax collections exceeded the forecast, the money was refunded to corporate taxpayers as a credit on the tax return for the tax year in which the biennium ends. For example, when the actual corporate tax collections from the 2003-05 biennium exceeded the 2003 close of session forecast by more than 2 percent, the excess was returned to corporate taxpayers through a credit on the 2005 returns.

The kicker law was part of Measure 86, passed in 2000. It provided that the Legislature may vote to suspend the kicker with a two-thirds majority vote. During the 2007 legislative session, the corporate kicker was suspended and diverted into the Rainy Day fund. Small corporations with Oregon sales of less than \$5 million were allowed to claim a one-time small sales credit. The amount of the credit was equal to 67 percent of the tax after all other credits. The 2007 Legislature also changed the kicker distribution. Beginning in 2009, the kicker is calculated based on tax liability before credits, as opposed to how it was calculated for tax year 2005, using after-credit tax liability.

Exhibit D.1 shows the recent history of the corporation kicker.

Exhibit D.1—Recent Corporation Kicker History

Biennium	Tax Year	Surplus/Shortfall (\$ Million)	Percentage	Surplus Credited* (\$ Million)	Mean Credit for C Corps (\$)	Mean for C Corps Receiving Benefit (\$)
1989-91	1991	-\$23	None	N/A	N/A	N/A
1991-93	1993	\$18	Suspended	N/A	N/A	N/A
1993-95	1995	\$167	50.1%	\$224	\$5,664	\$12,239
1995-97	1997	\$203	42.2%	\$169	\$4,378	\$10,782
1997-99	1999	-\$69	None	N/A	N/A	N/A
1999-01	2001	-\$44	None	N/A	N/A	N/A
2001-03	2003	-\$440	None	N/A	N/A	N/A
2003-05	2005	\$101	35.9%	\$161	\$4,829	\$13,462
2005-07	2007	\$344	Suspended	N/A	N/A	N/A
2007-09	2009	-\$236	None	N/A	N/A	N/A
2009-11	2011	-\$4	None	N/A	N/A	N/A
2011-13	2013	-\$10	None	N/A	N/A	N/A

* Since the percentage credit is based on estimated liability, the amount refunded as a "surplus credit" differs from the surplus amount.

