

Tax Professional Liaison Meeting minutes and Q&A

Corporation tax updates

- Facsimile signatures will be allowed for Oregon returns due to COVID-19 to address the needs of the community.
- The presence of teleworking employees in Oregon between 3/8/2020 and 11/1/2020 will not be treated solely as a factor for Nexus determinations.
- Main corporate forms have been redesigned and will look different for tax year 2020. Slight adjustments on the forms have been made due to internal processes. The newly redesigned 2020 forms will be available at the beginning of the new year.

Fiduciary/estate tax updates

- Staffing updates with new full-time position starting 2021.
- OR-706-DISC Discharge Requests-Process change. Form OR-706-DISC no longer includes the signature block at the bottom for the estates auditor to sign. We will now respond with a Certificate of Discharge Letter.
- Old forms submitted with signature block will be responded to with Certificate of Discharge Letter.
- Current response times may be longer as we hire and train new staff in the unit. We also may see response times impacted by Covid-19 changes.

Corporate Activity Tax (CAT) updates

- CAT is a tax for the privilege of doing business in Oregon. Commercial activity is the amount realized in the regular course of the business that meets the transactional test in OAR 150-314-0335(5).
- Moneys received from CAT are sent to the Fund for Student Success and used for educational spending.
- Less than \$750,000 commercial activity requires no registration. Registration is due within 30 days of meeting the \$750,000 annual threshold.
- Businesses with \$1 million or more in taxable Oregon commercial activity must pay the CAT.
- The CAT allows a 35 percent subtraction for the greater of the cost of goods sold or labor costs.
- The tax rate is computed as \$250 plus 0.57 percent of taxable Oregon commercial activity above \$1 million.
- Taxpayers expecting to owe more than \$10,000 in CAT for the year should make quarterly estimated tax payments.
- The CAT is a calendar-year tax. CAT returns are due each year by April 15.
- All types of business entities (except the ones excluded below) are subject to CAT if they meet the filing threshold.

- Excluded entities from CAT:
 - Organizations described in IRC 501.
 - Farmers cooperatives, if under IRC 521.
 - Government entities.
 - State tuition programs under IRC 529.
 - Hospitals and long-term care facilities.
 - Businesses with less than \$750,000 in Oregon commercial activity.
- Unitary groups must register, file, and pay as a single taxpayer. Under House Bill 4202 (first 2020 special session), unitary groups may elect to exclude non-U.S. members of the group (Oregon Administrative Rule 150-317-1025).
- Estimated payments can be calculated using Worksheet OR-CAT. Payments can be made electronically, via mail or ACH credit.
- The department will not assess penalties for underestimated quarterly payments in 2020 if the business can show it made a good-faith effort to determine the required estimated installments.
- The first fall rules hearing occurred on October 27. The rules considered become effective January 1, 2021. A second fall rules hearing took place November 24, 2020.
- If you would like to sign up for additional information as it becomes available, please [subscribe to the CAT email list](#). Two live training sessions were held via the Zoom video conference platform in October.
- Links to the PowerPoint presentation used during the sessions and the questions asked by meeting participants with answers from the CAT policy staff are available online. Subject-specific videos will also be posted online soon and can be found on the [Corporate Activity Tax \(CAT\)](#) webpage.
- Questions regarding CAT can be directed to the email or phone number below:
 - Cat.help.dor@oregon.gov.
 - 503-945-8005.

Personal income tax audit updates

Audit process during COVID-19

- Heavily affected industries have been given additional consideration. Businesses will be evaluated on a case-by-case basis. This does not mean audits will not be conducted, simply more time will be given to provide information.

Accessing Oregon Revenue Online



ROL Step by
Step.pdf

- Up to five files may be attached up to 20 mbps per document.
- If submitting more than five, you can make multiple submissions, combine files either into one PDF or as a ZIP.

Wildfire relief

- Department of Revenue will provide relief to qualifying individuals.
- Impacted individuals must reside in a FEMA-designated county (Marion, Linn, Clackamas, Lane, Jackson, Douglas, Lincoln, and Klamath). Taxpayers who qualify will have any penalty and interest imposed for late filing or late payments for due dates after 9/7/2020 and before 1/15/2021 removed.
- Collections relief is available; payment plans should not be skipped or reduced. Payment plans can be modified. Contact the department at least five days before payment is due to accommodate any changes that may be required.

Q&A

- Does a printed name count as a signature?
 - Yes, a printed name via software constitutes a signature.
- What is the timeframe for the Certificate of Discharge Letter?
 - We have 18 months to complete the reviews, but we are striving to get them completed closer to a 12-month turnaround. We understand that we are a little behind on getting these out and are working to get caught up. The letter will help automate the process by cutting down on the physical signature requirements.
- What are cost inputs for the CAT?
 - Cost inputs is Cost of Goods Sold (COGS) arriving at federal taxable income under the Internal Revenue Code (IRC). Taxpayers should refer to IRS guidelines under IRC Section 471 to determine the types of costs eligible to be claimed under their COGS. HB 4202 (first 2020 special session) added a special definition for farming operations, taxpayers engaged in farming operations who do not report COGS for federal tax purposes may use their operating expenses, excluding labor, to calculate the 35 percent subtraction.
- Will there be a penalty abatement for late registration for 2020 for CAT?
 - A penalty waiver is available; however, taxpayers should wait to see if the penalty is assessed before requesting a waiver.
- When will the CAT forms be available?
 - Forms will be available in early January.
- Will an extension be allowed for the CAT April 15 deadline?
 - A six-month extension to file is available. This is not an extension to pay and must be requested before April 15. An extension will be granted on the basis of

good cause, which is defined as circumstances beyond a taxpayer's control or if the taxpayer lacks the information needed to file an accurate CAT return.

- Is automotive fuel an excluded activity for CAT?
 - Yes, there is an exclusion for sales or transfer of motor vehicle fuel or any other product used for the propulsion of motor vehicles, under OAR317A.100(1)(b)(Q).
- Will online or paper filing be available for CAT returns?
 - E-file will be available based on each tax software vendor's capabilities. Please check with your software vendor to see if they have e-file available. E-file is encouraged, if possible.
- Does a unitary group need to apportion its commercial activity and costs?
 - Yes, taxpayers with commercial activity in and outside of Oregon must apportion eligible costs. OAR 150-317-1200 *Cost Input or Labor Cost Subtraction* provides guidance to unitary groups on methods for calculating the subtraction and apportioning eligible costs. The department is amending OAR 150-317-1200 regarding the 35 percent subtraction to reflect changes made by HB 4202 (first 2020 special session). The updated rule will be finalized by December 1, 2020 and will be available on the Secretary of State website. The October [Notice of Proposed Rulemaking—CAT October 1, 2020](#) document also provides information on the proposed rule.
- Individual sold rental property in an LLC is subject to the CAT. Would it make a difference if it was not in an LLC?
 - If the LLC is in the business of selling rental property, it is subject to the CAT. Commercial activity means the total amount realized from transactions and activity *in the regular course of a person's trade or business* (emphasis added). If the sale of the house was a one-time event and not part of the normal business activities, then it would not be considered commercial activity. If an individual buys and sells houses regularly, then the sale of a house would be considered commercial activity and be subject to CAT.
- Is the \$750,000 CAT registration requirement after allowed exclusions or gross income or before exclusions (such as agent proceeds)?
 - \$750,000 is based on Oregon commercial activity. If receipts are excluded from Oregon commercial activity per ORS 317A.100(1)(b) and is below the \$750,000 threshold, then the CAT registration is not required.
- If a taxpayer resides in an unaffected county while their tax preparer resides in an affected county, does the taxpayer qualify for wildfire relief?
 - Yes, relief applies if the wildfire occurred in a place where the taxpayer, place of business, or place of records are impacted.

Next meeting scheduled for December 4, 2020

- **New law update.** This will be offered via Zoom to comply with governor's orders. New law updates will be recorded and uploaded for those who are unable to attend the scheduled live presentation meeting times.