



How do you calculate the CAT liability?

No two businesses are exactly alike. The facts and circumstances of each business is unique, but every business will need the same information to determine its liability under the Corporate Activity Tax.

To calculate your business's CAT liability, you will need the following information:

- **Amount of commercial activity sourced to Oregon.** Determine the total amount of commercial activity sourced to Oregon that the business realized over the course of the year. Do not include receipts from items that are specifically excluded from commercial activity. This is the amount of your Oregon commercial activity.
- **Amount of labor costs, regardless of the place the labor cost is incurred.** Determine the total amount of labor costs the business paid or incurred over the course of the year. "Labor costs" means total compensation of all employees, not to include compensation paid to any single employee in excess of \$500,000.
- **Amount of cost inputs, regardless of the place the cost is incurred.** Determine the total amount of cost inputs the business paid or incurred over the course of the year. "Cost inputs" means the cost of goods sold as calculated in arriving at federal taxable income under the Internal Revenue Code. In the case of a taxpayer that is engaged in a farming operation, as defined in [ORS 317A.102](#), that does not report cost of goods sold for federal tax purposes, "cost inputs" means the taxpayer's operating expenses excluding labor costs.
- **Amount of qualifying payments to subcontractors for labor.** If you are claiming an exclusion from commercial activity for labor costs paid to subcontractors for single-family residential construction in Oregon pursuant to ORS 317A.122, determine the total amount of qualifying labor payments.

To estimate your tax liability, follow the steps below:

Step 1: Determine your taxable Oregon commercial activity.

- Subtract 35 percent of the greater of your labor costs or cost inputs from your Oregon commercial activity. This is your **taxable Oregon commercial activity**.

Notes:

- Expenses can't be claimed if they are not attributable to Oregon commercial activity. If you have commercial activity outside of this state, you will need to apportion your expenses to Oregon.

- Your subtraction is limited to 95 percent of your Oregon commercial activity.

Step 2: Determine your CAT liability.

- Subtract \$1 million from your taxable Oregon commercial activity from step 1. Multiply the result by 0.57 percent tax rate plus \$250.
- $([\text{Taxable Oregon Commercial Activity}] - [\text{\$1 million}]) \times .0057 + 250 = [\text{Oregon CAT liability}]$

If you have additional questions, please send them to the CAT policy team at cat.help.dor@oregon.gov