



Excess Wage Computation

Taxable Wage Base & Excess

Wages defined

The “taxable wage base” is the amount of wages paid to an individual worker, in a calendar year, on which each employer must pay the employment tax. In Oregon, this figure is calculated and updated annually.

“Excess wages” are wages over the taxable wage base an employee receives from their employer. The employer reports, but does not pay tax on excess wages.

Sample Excess Wage Worksheet

Oregon’s 2007 taxable wage base is \$ 29,000.

Below you see one way to track excess wages. We are using Oregon’s taxable wage base of \$ 29,000 in this example.

John’s wages reach the wage base limit in the fourth quarter. His employer will report \$1000 in excess wages for John.

Mary reaches the wage base limit in the third quarter, with \$8000 as excess. In the fourth quarter, all of Mary’s wages are excess (since she passed the wage base limit in the prior quarter). Excess wages

may not exceed the total wages for the quarter being reported. Therefore, there is \$12,000 in excess wages in the fourth quarter.

Sue never reaches the wage base limit, so her wages are all taxable and she has no excess wages.

Special Situations

Example 1

The business in the above example changes ownership between the second and third quarter and is a “successor” in interest. The successor employer may use the wages reported by the previous employer to calculate excess wages.

Example 2

Mary works for the same employer in Oregon and in one or more other states during a calendar year. Mary has wages which are reportable to Oregon. The employer may use the aggregate of all prior taxable wages it paid to Mary in all other such states in computing excess payroll for Oregon. This limits the employer’s liability to taxes on the highest taxable wage base of the states where wages are reportable.

Mary is paid \$12,000 in Ohio, moves to Oregon, and is paid another \$37,000 in the same calendar year by the same employer. Let’s further suppose

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
John	\$9,000.00	\$6,000.00	\$9,000.00	\$6,000.00	\$30,000.00
Excess	\$0.00	\$0.00	\$0.00	\$1,000.00	\$1,000.00
Mary	\$12,000.00	\$12,000.00	\$13,000.00	\$12,000.00	\$49,000.00
Excess	\$0.00	\$0.00	\$8,000.00	\$12,000.00	\$20,000.00
Sue	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$4,000.00
Excess	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subject Wages Form OQ Line 1A	\$22,000.00	\$19,000.00	\$23,000.00	\$19,000.00	\$83,000.00
Excess Wages Form OQ Line 2A	\$0.00	\$0.00	\$8,000.00	\$13,000.00	\$21,000.00
Taxable Wages Form OQ Line 3A	\$22,000.00	\$19,000.00	\$15,000.00	\$6,000.00	\$62,000.00

the wage base in Ohio is \$9,000 and in Oregon the wage base is \$29,000. The employer would be taxed on \$9,000 in Ohio and on \$20,000 (\$29,000 minus \$9,000) in Oregon. If Mary had started in Oregon, earned \$37,000 then moved to Ohio and earned \$12,000 the employer would have paid tax on the entire \$29,000 to Oregon and no tax would be due in Ohio.

Example 3

Mary transferred from Washington (taxable wage base \$30,100 for 2007) and her employer had paid up to the Oregon limit (\$29,000 or over). Any Oregon wages paid that same year would be reported to Oregon, but would be in excess and not taxed. If Mary moved through several states prior to coming to Oregon, the employer may use the aggregate of all taxable wages paid to determine how much, if any to still report as taxable in Oregon.

Sample Spreadsheet

For those getting this document from our web page, we have attached a sample spreadsheet in Microsoft Excel. The formulas are protected. You may just enter the year and the correct wage base limit will appear. Now just enter the payroll information to the left and the excess will calculate on the right. If you want to remove protection and see the formulas the password is *excess*. Just click the attachments tab.

Questions

If you have questions or need additional information, please contact the Employment Department tax representative in your area or call 503-947-1488. To find your tax representative, view the web page at www.oregon.gov/EMPLOY/TAX/TaxOffices.shtml. TDD/Nonvoice Users 711 or by email at taxinfo@emp.state.or.us. You may also visit our web site at www.oregon.gov/EMPLOY/TAX/.

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