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. A portion of the corporation's income is divided (based on an apportionment formula) among the taxing states.

Apportionment Formula. For Oregon, this is the weighted average of three factors multiplied by the taxpayer's business income. For tax year 2000 the three factors are: property, payroll, and double-weighted sales. This formula is used by taxpayers doing business (or with income sourced) both in Oregon *and* in other states.

Biennium. The period of two fiscal years for which the state budgets are determined. For example, July 1, 2003, to June 30, 2005, is referred to as the 2003–05 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 are "regular" corporations—they pay tax at the corporate level.

Combined Reporting. A method of measuring the tax liability of a corporation. An apportionment formula is applied to the combined unitary income of the corporation and its affiliates.

For Oregon, the applicable method for tax years beginning *before* January 1, 1986. See *Consolidated Reporting* for the applicable method for tax years beginning on or after January 1, 1996.

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 (over 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 beginning on or after January 1, 1986. See *Unitary Group.*

Credits. Dollar-for-dollar reductions in tax liability. Corporation tax credits 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 2003—05 Tax Expenditure Report*.

Doing Business. Under Oregon Administrative Rule (OAR) 150-317.010(4), a corporation is doing business in this state if it has sales activity in this state *plus* one of the following:

1. Inventory in Oregon.
2. An office in Oregon.
3. A place of business where affairs of the corporation are regularly carried on.

Domestic Corporation. An Oregon domestic corporation is a corporation which 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. This tax is measured by income. The minimum excise tax is $10.

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 those corporations that have Oregon source income *but* are not doing business here. See *Doing Business*. There is no minimum income tax.

Interest on Installment Sales. Interest on deferred tax liability for certain installment sales. Added to Oregon tax before credits.

Minimum Tax. Each Oregon corporate excise taxpayer must pay at least a $10 minimum tax. If a corporation has a negative Oregon income, it is still required to pay the minimum tax.

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.

Nexus. A connection or link between a corporation and a state sufficient to empower the state to tax the corporation's income.

Nonbusiness Income. Under ORS 314.610(5) nonbusiness income is all income that doesn't arise from the taxpayer's normal business activities.

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

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

Parent Corporation. A corporation that owns or otherwise controls other corporations. These other corporations are called "subsidiaries."

Passive Investment Income. Gross receipts derived from royalties, rents, dividends, interest, annuities, and certain sales or exchanges of stock or securities. Passive income is a factor for the small number of S corporations that are required to pay corporation income tax.

Payroll Factor. One of three factors used in apportioning the business income of multistate or multinational corporations. 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. 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 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 where the corporation's income and losses are passed through to the S corporation's shareholders, where it taxed as personal income. A corporation qualifying under this section may have no more than 75 shareholders.

Sales Factor. One of the three factors used in apportioning the business income of multistate or multinational corporations. It is the factor that is double-weighted for tax years prior to May 1, 2003, and 80 percent weighted thereafter. The sales factor is expressed as a fraction: the numerator is Oregon sales and the denominator is total sales.

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 was forecast at the time the budget was adopted. Refunds are made in the form of a credit on the tax return for the second year of the biennium.

Subsidiary Corporation. A corporation controlled or owned by another corporation. See *Parent Corporation.*

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

Super Weighted Sales Factor. Tax years that begin on or after May 1, 2003, use this method of calculating an overall apportionment formula. The sales factor receives an 80 percent weight; the property and payroll factors each receive a weight of 10 percent.

Tax After Credits. Amount of tax liability after subtracting credits.

Tax Due. Amount of final tax liability after subtracting tax credits, when applicable.

Tax Liability. The amount of tax owed by a taxpayer.

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:

- 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 single trade or business.

Sector classification information is based on the 2002 North American Industry Classification System (NAICS) sectors.

Selected detail of industries found in each sector appears below. Additional information regarding the NAICS system may be found on the U.S. Census Bureau website at www.census.gov.

Agriculture, Forestry, Fishing and Hunting. Includes farming, animal production, logging and support activities.

Mining. Includes the extraction of mineral solids, liquid minerals, and gases. Also includes mineral quarrying such as crushed gravel and sand mining.

Utilities. Includes electric, natural gas, and water utilities.

Construction. Includes residential and commercial construction as well as specialty trade construction.

Manufacturing. Includes food, apparel, wood products, paper, chemical, plastics, machinery, computer products, electronics, and furniture manufacturing.

Wholesale Trade. Includes wholesalers for durable and nondurable goods. Also includes wholesale trade agents and brokers.

Retail Trade. Includes motor vehicle dealers. Includes furniture, building material, garden equipment, food, drug, clothing, sporting goods, music, and general merchandise stores. Includes nonstore retailers such as electronic and mail order firms.

Transportation and Warehousing. Includes air, rail, water, and truck transportation. Includes charter buses and sightseeing operations. Includes postal service and courier services.

Information. Includes book, newspaper, radio, and television broadcasting. Includes telecommunications, data processing, and libraries.

Finance and Insurance. Includes banks, mortgage lenders, insurance companies, and pension funds.

Real Estate and Rental and Leasing. Includes offices of real estate agents and brokers. Includes automobile, video tape, consumer electronics, and industrial machinery rental and leasing services.

Professional, Scientific, and Technical Services. Includes legal services, architectural and engineering firms, accounting, advertising, photographic, marketing, and veterinary services.

Management of Companies and Enterprises. Includes office of bank holding companies and other holding companies.

Administrative, Support, and Waste Management. Includes employment and security agencies. Includes exterminating, janitorial, and landscaping services. Includes waste management and remediation.

Educational Services. Includes technical and trades schools. Includes educational support services.

Health Care and Social Assistance. Includes offices of doctors and dentists. Includes hospitals, nursing care facilities, and day care facilities.

Arts, Entertainment, and Recreation. Includes performing arts, sports, museums, theme parks, golf and skiing facilities, and bowling centers.

Accommodation and Food Services. Includes hotels and restaurants.

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.

Unknown. Corporations that the department is not able to classify.

Collections Data

Information on corporation income and excise tax collections is provided via the department's Integrated Tax Accounting (ITA) system. This system assigns all tax payments and refunds received to a particular taxpayer and tax year.

Tax Return Data

The information in this report is constructed from Oregon tax returns for the most recent year where completed returns are available.

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 return information. As you can see from the calendar in Exhibit C.1, a taxpayer that has a December 1 fiscal year would start tax year 2000 in December 2000. Their tax year would end November 2001. Their return would be due by March 15, 2002. The taxpayer could then option a federal filing extension that would also be recognized by Oregon. Their return would not be due until September 15, 2002. However, an extension of time to file does not mean an extension of time to pay tax. Statistics on collections from the Department of Revenue will not experience this same time lag.

Exhibit C.1
Corporate Filing Calendar

Tax Year Begins	Tax Year Ends	Filing/Federal Extension Due	Federal Extension Expires
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

The corporation excise and income tax database is revised for amended and audited returns. These returns replace the original where applicable. Modified returns received subsequent to finalizing the publication master database will not be reflected in the analysis.

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 2000 C corporation returns. A corporation's tax year 2000 is based on a filing period that begins any time in calendar year 2000.

Exhibit C.2—Tax Year 2000 C Corporation Excise Tax Returns
Tax year Period

Dollars in thousands

Tax Year End Month[1]	Number of Returns	Oregon Taxable Income	Oregon Tax	Percent of Oregon Tax
January	793	$286,195	$18,634	4.9%
February	626	$42,117	$2,774	0.7%
March	2,432	$224,501	$13,487	3.6%
April	846	$51,425	$3,052	0.8%
May	774	$223,152	$12,392	3.3%
June	3,218	$211,416	$13,767	3.6%
July	593	$43,519	$2,855	0.8%
August	731	$77,989	$5,037	1.3%
September	2,550	$213,237	$13,759	3.6%
October	1,119	$68,125	$3,354	0.9%
November	582	$26,656	$1,730	0.5%
December[2]	20,944	$4,675,552	$279,266	73.9%
Part year with/Dec.[3]	907	$33,536	$2,141	0.6%
Part year without Dec.[4]	679	$84,891	$5,423	1.4%
Total	**36,794**	**$6,262**	**$378**	**100.0%**

1. Ending month for the tax year. For example, if the tax year starts on July 1 and ends on June 30 then the tax year end month is June.
2. If tax year is equal to calendar year then the tax year end month is December.
3. Part year returns with ending date in December.
4. Part year returns with ending date other than December.

20-INS filers must file their return on a calendar year basis.

The Research Section checks the tax return data for basic errors, such as errors in addition made by the taxpayer, to construct finalized data used for our analysis. Certain discrepancies or minor errors may not be resolved.

Sector Classification

NAICS codes are assigned based on information from the Oregon Department of Employment. The Employment Department classifies firms based on their principal activity in Oregon. For certain multi-state corporations, their activity in Oregon may differ from their primary activity in the U.S. as a whole. For example, a certain manufacturer may produce a product at several plants in the U.S. However, in Oregon their only activity may be the wholesale trade of the manufactured good. This classification may also differ from the self-reported sector from the taxpayer on either their federal or state tax return.

The Department of Revenue, Research Section, attempts to assign sector information for taxpayers lacking information from the employment department.

The state surplus refund, or kicker, refers to the provision in Oregon law that returns money to taxpayers if actual revenues differ from forecast revenues by more than 2 percent.

The kicker is calculated by dividing all General Fund money into one of two categories:
1. Corporate taxes,
2. All other General Fund revenue.

Collections at the end of a biennium are compared to the forecast at the close of the regular session. If collections in either of these two categories are at least 2 percent greater than the forecast for that category, then all of the excess (including the 2 percent) is returned to taxpayers.

The money is returned to taxpayers via a check or a credit. If corporate tax collections exceed the forecast, the money is refunded as a credit on the tax return for the tax year in which the biennium ends.

The Legislature may vote to suspend the kicker.

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

Exhibit D.1
2 Percent Corporation Kicker Credit History

Biennium	Tax Year	Surplus/Shortfall ($ Million)	Percentage	Mean for all C Corps ($)	Mean for C Corps Receiving Benefit ($)
1979-81	1981	-25.0	None	NA	NA
1981-83	1983	-110.0	None	NA	NA
1983-85	1985	13.0	10.6%	125	805
1985-87	1987	7.0	6.2%	234	581
1987-89	1989	36.0	19.7%	918	1,200
1989-91	1991	-23.0	None	NA	NA
1991-93	1993	18.0	Suspended	NA	NA
1993-95	1995	167.0	50.1%	5,664	12,239
1995-97	1997	203.0	42.2%	4,378	10,782
1997-99	1999	-69.0	None	NA	NA
1999-01	2001	-43.9	None	NA	NA

Exhibit E.1—Corporate Receipts History

Dollars in millions

Fiscal Year	Net Receipts
1970-71	$37
1971-72	$41
1972-73	$51
1973-74	$86
1974-75	$91
1975-76	$67
1976-77	$91
1977-78	$125
1978-79	$166
1979-80	$177
1980-81	$155
1981-82	$124
1982-83	$125
1983-84	$144
1984-85	$154
1985-86	$162
1986-87	$135
1987-88	$167
1988-89	$157
1989-90	$147
1990-91	$149
1991-92	$151
1992-93	$205
1993-94	$263
1994-95	$312
1995-96	$300
1996-97	$384
1997-98	$277
1998-99	$324
1999-00	$382
2000-01	$373
2001-02	$195
2002-03[est.]	$209

Fiscal year starts July 1.

Exhibit F.1—Corporate Return History

Dollars in thousands

Tax Year	Number of S Corporation Returns	Number of C Corporation Returns	Total Number of Returns	Oregon Tax (Before Kicker)	Oregon Net Tax[1]
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	40,290	39,200	79,490	$351,233	$351,125
1999	41,715	38,130	79,845	$381,882	$381,631
2000	43,290	37,084	80,374	$379,380	$379,478

[1] Net tax differs from Oregon tax by the Oregon surplus refund (kicker) and adjustments for LIFO benefit recapture.