# Oregon Corporate Income & Excise Tax

## Characteristics of Corporate Taxpayers

## 2002 Edition

OREGON DEPARTMENT OF REVENUE

150-102-405 (Rev. 07-03)

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# Oregon
# Corporate Income
# &
# Excise Tax:

## Characteristics of Corporate Taxpayers

## 2002 EDITION

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

**150-102-405 (Rev. 07-03)**

## Contents

| Oregon Corporate Tax 2001-2002 Fiscal Year | |
|---|---|
| Total Revenue | $196.1 million |
| % of General Fund | 4.5% |

Corporations in Oregon have paid a form of income tax since 1929. These revenues will comprise a projected 4 percent of General Fund revenue in the 2001–03 biennium.

This summary report is the first in a series of annual reports describing characteristics of Oregon corporate taxpayers and is divided into three sections:

***Section One*** describes how corporations in Oregon are taxed, including the computation of tax and how payments are received.

***Section Two*** focuses on descriptive information based on corporate tax receipts. Corporations are required to make quarterly estimated payments on anticipated taxes for the current year in addition to making payments or receiving refunds at the end of a tax year. This receipt data is very current and provides a rich source of information that allows for timely analysis of trends in overall corporation payments as well as that for sub sectors.

***Section Three*** focuses on descriptive information based on tax return information. Corporations must file tax returns that contain detailed information about their income and the calculation of their final tax liability.

Although the tax return contains the most detailed information regarding the taxpayer and the calculation of their tax liability, tax returns are not filed until well after a tax year has ended. In addition, corporations routinely obtain deadline extensions before filing their return. So, while return data allow for more detailed analysis of the characteristics of Oregon corporations, the information is not as current as the information from receipts.

Together, these sections are intended to provide a comprehensive description of corporate taxpayers in Oregon.

*A note on the time period covered by this report:*
The time period covered by this report—returns corresponding to tax year 2000 and receipts through fiscal year 2002—uses the most current information available as of publication date.

# HOW CORPORATIONS ARE TAXED

HISTORY & TAX CALCULATION

Although commonly referenced as the "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. Corporations not "doing business," but having income from an Oregon source, pay the income tax. "Doing business" means that a corporation has sales activity and a certain level of physical presence in Oregon.

Although most corporate taxpayers are subject to the excise tax, the two taxes will often be lumped together and casually referred to as the "corporate income tax." In addition, there is an important difference in treatment between corporations that are organized as S corporations and those organized as C corporations. Although this is explained in greater detail later, it is important to note that the income of S corporations is passed through to shareholders, where it is taxed through the personal income tax system. Income of C corporations is taxed through the corporate income tax program.

## History

Oregon began taxing corporate net income in 1929, the same year the state began taxing personal income. The amount of corporate income and excise tax paid by corporations is based on their income attributable to Oregon activities.

The personal and corporate income taxes were both initially enacted to offer relief from property taxes. The 1929 law stated "…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, Cap. 427, sec. 23).

The explicit tie to the property tax was broken by 1951 legislation. At this time, the revenues from the corporate tax were sent to the general fund for general appropriations where they remain to this day.

## Tax Calculation

Below is a basic description of how taxes are determined for Oregon corporations. Because the corporation program is so complex, not every detail can be presented here, but this discussion attempts to describe the major components of the computation of this tax. Exhibit 1.1 provides a flowchart of this computation that will be discussed below.

### *Starting Point*

Oregon's definition of taxable income for corporations begins with federal taxable income. Federal taxable income is essentially gross income minus 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*

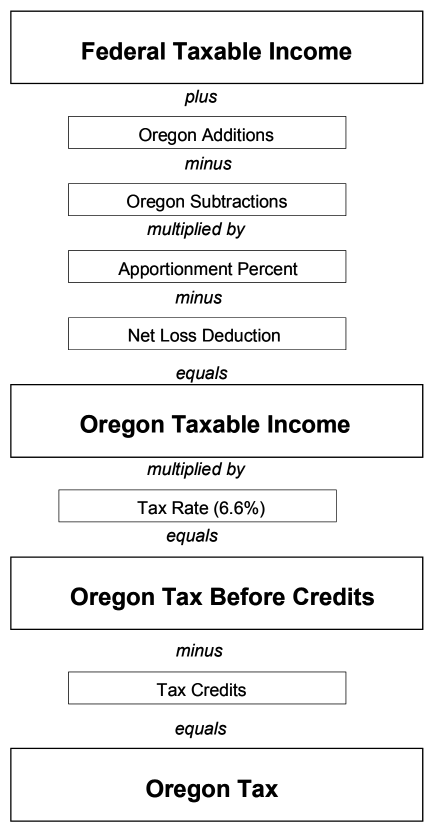
Additions are sources of gross income that are taxable in Oregon but not by the federal government. Some common Oregon additions include: state or municipal interest income, Oregon excise tax or other state taxes measured by net income or profits, and the income of related foreign sales corporations (FSCs)[1].

### *Subtractions*

Subtractions are sources of gross income that are taxable at the federal level but not by Oregon. Some common subtractions include dividend deductions and the income of non-unitary corporations.

Additions and subtractions may be any number of adjustments necessary to arrive at the appropriate bottom-line Oregon income.

**Exhibit 1.1**
**Components of the Oregon Corporate Income Tax**




### *Apportionment*

For the purposes of state taxation, the income of corporations which 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 attributable to Oregon activities. For these corporations, the base income is "apportioned" to Oregon by a three factor formula. The factors used in this formula are Oregon payroll relative to total payroll in all states, Oregon property relative to total

[1] In 2000, federal exclusion of income of FSCs was repealed for transactions after 2001 because of a World Trade Organization determination that the exclusion was an illegal export subsidy. Consequently, this Oregon addition is now limited to minor activity relating to contracts that existed prior to 2001.

property in all states, and Oregon sales relative to total sales in all states. An Oregon percentage is calculated for each of these factors and these three percentages are weighted to determine an overall apportionment percentage.

Prior to tax year 1991, the property, payroll, and sales factors were equally weighted when apportioning income for multi-state corporations. In 1991, Oregon switched to a double-weighted sales factor. Tax years beginning after May 2003 will employ a super-weighted sales factor. Sales will comprise 80 percent of the apportionment percentage, property 10 percent, and payroll the remaining 10 percent.

**Exhibit 1.2**
**Contribution of Factors to Apportionment Percentage**

| | Property | Payroll | Sales |
|---|---|---|---|
| Three Factor (pre-1991) | 33% | 33% | 33% |
| Double-weighted sales (1991) | 25% | 25% | 50% |
| Super-weighted sales (2003) | 10% | 10% | 80% |

The movement toward a super-weighted sales factor will reduce Oregon taxes for those companies with significant property and payroll within Oregon but with most of their sales outside the state. Taxes will increase for out-of-state companies with sales in Oregon, but with small shares of property and payroll in the state. Overall, this modification is expected to reduce corporate revenues by an estimated $62.5 million in the 2003-05 biennium (estimate from the Legislative Revenue Office 7-2-01 for HB 2281B).

### *Net Loss Deduction*

The current year taxable income may be reduced by losses carried forward from prior years. Oregon law allows an operating loss to be used to offset future tax liability. In Oregon, operating losses may be carried forward for up to 15 years. Operating losses may not be carried back.

### *Tax Before Credits*

The "tax before credits" is calculated by multiplying Oregon taxable income by the tax rate. The tax rate has changed a number of times since the tax was introduced in 1929 with rates ranging from 5 percent to 9 percent. The current rate is 6.6 percent, where it has been since it was reduced from 7.5 percent in 1987. Exhibit 1.3 on the following page provides a history of Oregon corporation rates.

[1] In 2000, federal exclusion of income of FSCs was repealed for transactions after 2001 because of a World Trade Organization determination that the exclusion was an illegal export subsidy. Consequently, this Oregon addition is now limited to minor activity relating to contracts that existed prior to 2001.

**Exhibit 1.3**
**Corporate Tax Rates, 1929 to Present**

| 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 |

### *Credits*

A corporation's Oregon tax liability may then be reduced by any of approximately 40 applicable credits claimed by the corporation. None of the credits is refundable, but most allow unused credit amounts to be carried forward and used in later years. These credits are described in detail in the *State of Oregon 2003–05 Tax Expenditure Report* and on pages 3-8 to 3-10 of this report.

### *Oregon Tax*

A corporation's net tax liability is the result of subtracting credits from the tax liability before credits. The minimum tax for excise taxpayers is $10. There is no minimum income tax. When the corporation excise tax was established in 1929, it included a minimum tax of $25. The 1931 Legislature decreased the minimum tax to $10 effective with the 1932 tax year where it has remained ever since.

S corporations and Insurance corporations vary from the general structure. Their variations are described in sections 1B and 1C.

For additional information, please refer to Oregon Department of Revenue's *Corporation Excise/Income Tax, Form 20, 20-I Instructions.*

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[1] In 2000, federal exclusion of income of FSCs was repealed for transactions after 2001 because of a World Trade Organization determination that the exclusion was an illegal export subsidy. Consequently, this Oregon addition is now limited to minor activity relating to contracts that existed prior to 2001.

# HOW CORPORATIONS ARE TAXED

## S CORPORATIONS

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

- one class of stock,
- no more than 75 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. A regular, or C corporation, pays taxes on income first at the corporate level. This income is taxed again when it is received by individual shareholders as dividends. An S corporation avoids this double taxation as the income is not taxed at the corporate level.

Considerations other than tax planning will influence the organizational structure of a business.

Oregon accepts the S corporation election made for federal purposes and allows the corporation to function as a pass-through entity.

S corporations have grown in popularity in recent years. In 1990 fewer than 20,000 S corporation returns were filed in Oregon. By tax year 2000 this number had more than doubled to over 43,000 returns. See Appendix F for additional history of S corporation returns in Oregon.

A small amount of S corporation income is taxed on the corporate side. Only a handful of S corporations have this type of income and it occurs when an S corporation has built-in gains or net excess passive income. This type of income generally occurs when a corporation has converted from a C corporation to an S corporation.

Tax Form 20-S is filed by S corporations that are paying either the income or the excise tax. The excise minimum tax is $10, which most S corporation filers pay.

For additional information, please refer to Oregon Department of Revenue's *S Corporation Tax, Form 20-S Instructions.*

Prior to 1997, foreign insurers paid a retaliatory tax and gross premium 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 insurers subject to the same taxes. Starting with tax year 1997, all foreign and domestic insurance corporations are subject to the corporate excise tax. Insurers file on Form 20-INS.

For tax years beginning on or after January 1, 1997, and before January 1, 2002, foreign insurers were required to pay a transition tax to the Department of Consumer and Business Services (DCBS) as the premiums tax was phased out. For tax years after 2001, foreign insurers are no longer subject to the transition tax, but they are still subject to the retaliatory tax that is paid to DCBS[2]. The excise tax is paid to the Department of Revenue.

Insurers use a three factor apportionment formula, as do other corporations, however the factor definition and weighting are unique for 20-INS filers. The three factors are 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; and the Oregon share of insurance sales (total premiums written) relative to the total insurance sales. All three factors are equally weighted to produce the overall apportionment percentage.

Title insurers file Form 20 instead of Form 20-INS and use the same apportionment factors as most other corporations. Title insurers begin with federal taxable income, make the same additions and subtractions that non-insurance corporations make, and apportion using property, payroll, and double-weighted sales factors (Note: as of May 2003, the weight of the sales factor changes from 50% to 80%.).

Insurance companies are required to file their excise tax return on a calendar year basis.

For additional information, please refer to Oregon Department of Revenue's *Insurance Excise Tax, Form 20-INS Instructions.*

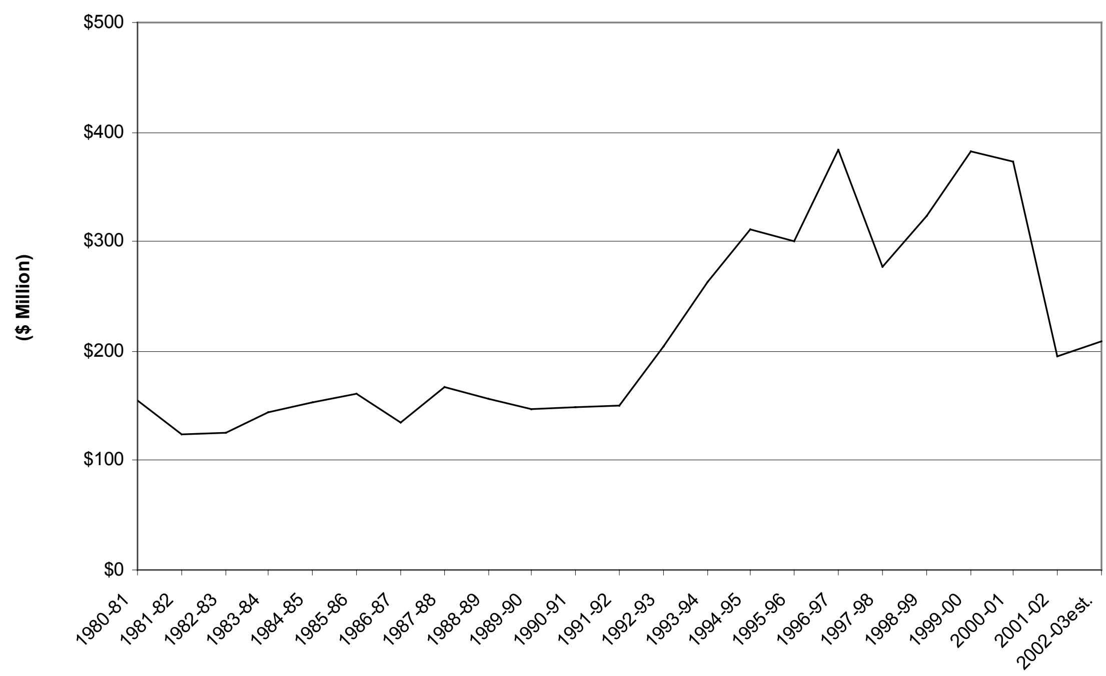
[2]The retaliatory tax is a comparison of the taxes, fees, assessments, penalties and fines that an Oregon company would pay in the foreign state to the taxes, fees, assessments, penalties and fines that the foreign insurer actually pays in Oregon. If another state heavily taxes Oregon insurance companies 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.

Section two presents summary information based on corporate receipts. Receipts received in any one fiscal year will be associated with multiple tax years. The numbers presented below are net payments—net of estimated payments, final payments associated with a return, and refunds issued to taxpayers.

### Recent Trends in Collections

Exhibit 2.1 shows net corporate tax collections since fiscal year 1980-81. These net receipts were relatively flat throughout the 1980s, grew dramatically throughout the 1990s, and declined severely in fiscal year 2002. The substantial swings that can be seen in this series from fiscal year 1996 to fiscal year 1998 are related to a couple of relatively large corporate kickers. (The Oregon Surplus Credit, or kicker credit, occurs if revenues exceed the forecast by more than two percent. The surplus is refunded to corporate taxpayers in the form of a credit. See Appendix D for more information and a history of kicker amounts.)

**Exhibit 2.1**
**Oregon Corporation Excise and Income Tax Net Receipts**




In fiscal year 2001-02, corporate collections showed a dramatic 47 percent decline due to slowing economic conditions and were actually below fiscal 1993 levels.

The decline in corporate receipts stems largely from a decline in the manufacturing sector, which contributed the largest share of corporate income tax through the late 1990s. The dramatic drop in corporate tax collections from fiscal 2001 to fiscal 2002 was largely due to the drop in manufacturing taxable income.

Exhibit 2.2 shows the dramatic drop in manufacturing receipts as well as year-over-year change in receipts for selected corporation sectors for fiscal 2001 and 2002.

Exhibit 2.2
Corporate Tax Collections By Sector

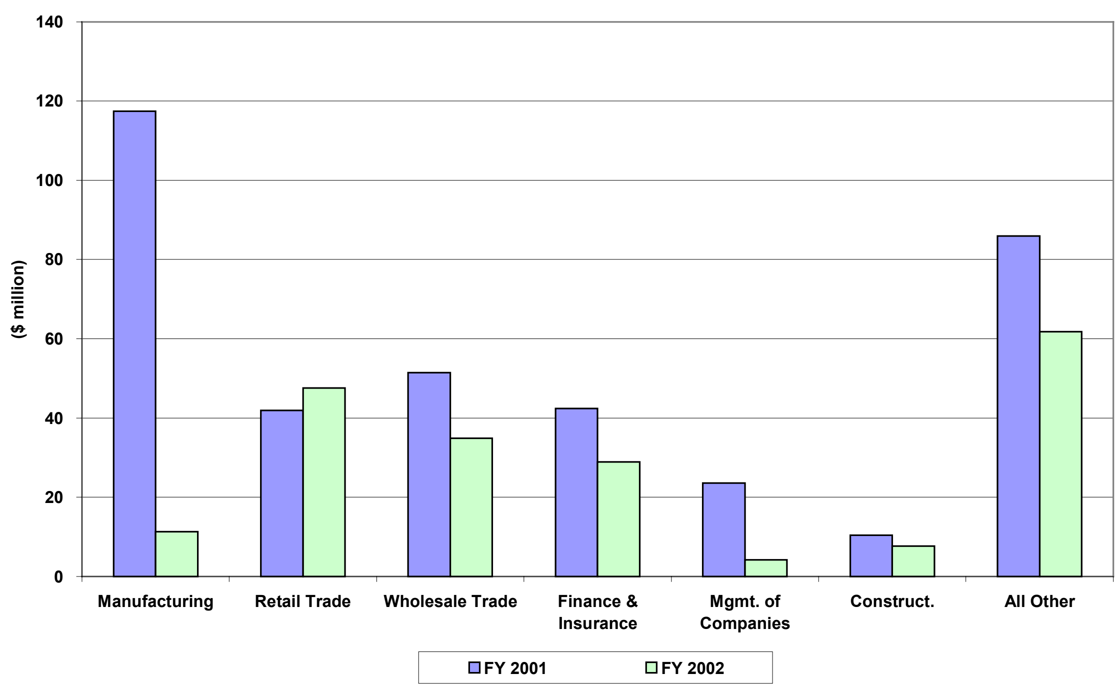


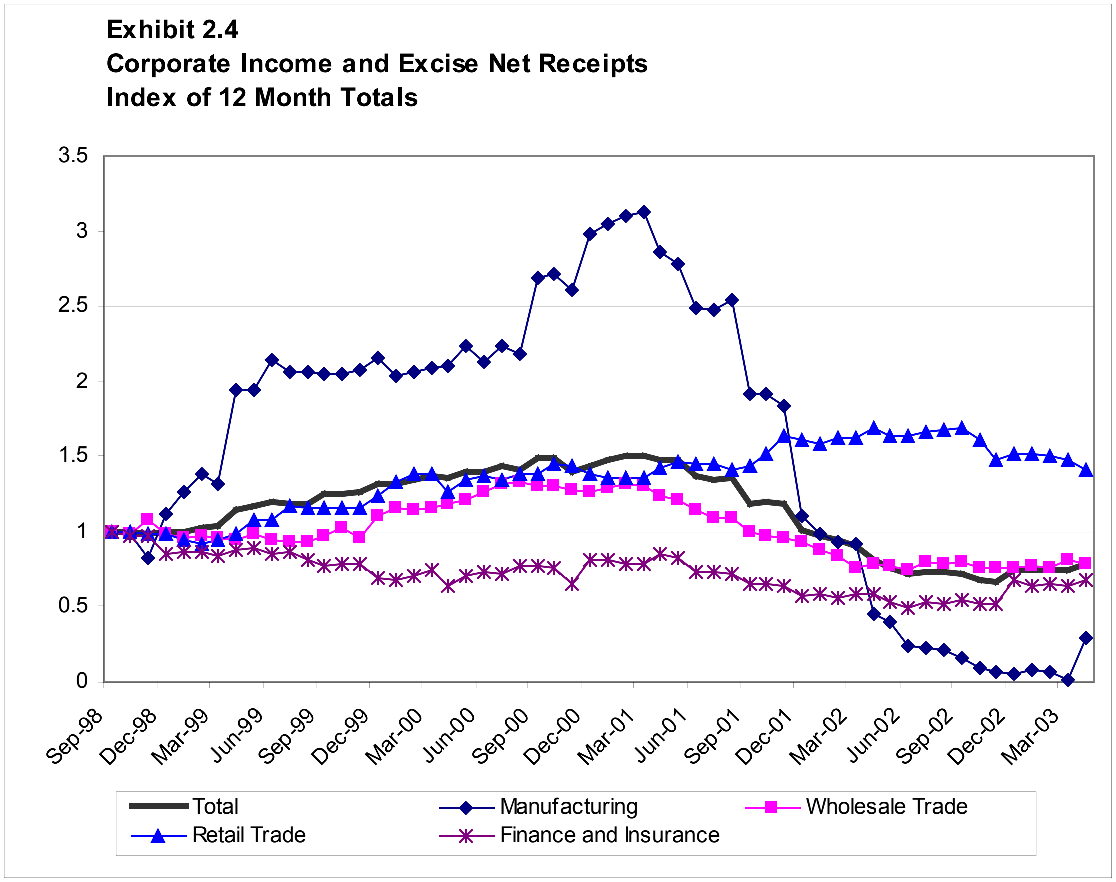
Exhibit 2.3 provides the dollars associated with collections for all sectors.

**Exhibit 2.3—Corporate Income Tax Receipts By Industry Sector**

| Industry Sector [1] | FY 2001 $ Million | FY 2002 $ Million | Change $ Million | Percentage Change | % of Total |
|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 2.8 | 3.3 | 0.5 | 17% | 2% |
| Mining | 1.7 | 1.4 | -0.3 | -17% | 1% |
| Utilities | -3.4 | 6.0 | 9.4 | NA | 3% |
| Construction | 10.5 | 7.7 | -2.8 | -27% | 4% |
| Manufacturing | 118.4 | 11.3 | -107.1 | -90% | 6% |
| Wholesale Trade | 53.1 | 34.9 | -18.2 | -34% | 18% |
| Retail Trade | 42.0 | 47.5 | 5.5 | 13% | 24% |
| Transportation and Warehousing | 8.3 | 1.4 | -6.9 | -83% | 1% |
| Information | 18.4 | -2.3 | -20.7 | -113% | -1% |
| Finance and Insurance | 43.3 | 28.9 | -14.4 | -33% | 15% |
| Real Estate and Rental and Leasing | 4.9 | 4.6 | -0.3 | -7% | 2% |
| Professional, Scientific, and Technical Services | 5.5 | 4.4 | -1.1 | -20% | 2% |
| Management of Companies and Enterprises | 25.0 | 4.2 | -20.8 | -83% | 2% |
| Administrative, Support, and Waste Management | 3.3 | 4.9 | 1.6 | 47% | 3% |
| Educational Services | 0.4 | 0.3 | -0.1 | -22% | 0% |
| Health Care and Social Assistance | 1.1 | 0.8 | -0.3 | -27% | 0% |
| Arts, Entertainment, and Recreation | 0.3 | 0.2 | -0.2 | -51% | 0% |
| Accommodation and Food Services | 3.9 | 4.0 | 0.1 | 4% | 2% |
| Other Services (except Public Administration) | 2.1 | 2.0 | -0.1 | -5% | 1% |
| Unknown | 31.7 | 30.5 | -1.1 | -4% | 16% |
| Total | 373.3 | 196.1 | -177.2 | -47% | 100% |

[1] Selected detail of the industries found in each sector are provided in Appendix B - Selected Glossary of Industry Sectors.

Another way to look at patterns of corporate tax receipts is to look at indexed values for each sector. Exhibit 2.4 shows the movement of each sector relative to its value at a fixed point in time. This charts the index of the moving total of the most recent 12 months of payments relative to the 12 months ending September 1998. The expansion and then contraction of manufacturing may be seen.




Appendix E contains historical data for corporate tax receipts from fiscal year 1970-71.

Section two focused on corporate tax receipts. Section three provides additional detail on corporate taxpayers based on information from returns.

In this section we first provide a description of how the tax liability is determined. Following this are subsections providing descriptive tables of corporate taxpayers.

## Summary of All Corporate Returns

Corporations may file one of five Oregon tax returns depending on their business structure and nature of their business.

- ***Form 20, Excise Tax.*** Corporations doing business in Oregon file Form 20 and pay the corporation excise tax. The minimum corporation excise tax is $10.
- ***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 tax filers are not subject to a minimum tax.
- ***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 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.
- ***Form 20-INS, Insurance.*** This form is filed by insurance corporations. They pay the excise tax.
- ***Form 20-MTC, Multistate Tax Commission (MTC).*** Certain corporations whose only activity in Oregon is sales (under $100,000) and who have no property in Oregon may file Form 20-MTC. This form allows simplified filing for several states.

Oregon law defines a “unitary group” as a corporation or group of corporations engaged in business activities that constitute a single trade or business. If this unitary group files a consolidated federal return, it must also file a consolidated Oregon return, reflecting the activities of all the members.

**Exhibit 3.1—Tax Year 2000 Corporation Tax Returns**
**Type of Return Filed**

Dollars in thousands

| Oregon Tax Form Filed | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| 20 | 35,601 | $5,775,514 | $353,856 |
| 20-I | 290 | $3,712 | $157 |
| 20-S | 43,290 | $18,765 | $1,554 |
| 20-INS | 1,179 | $486,797 | $23,813 |
| MTC | 14 | Less than $1 | Less than $1 |
| **Total** | **80,374** | **$6,284,788** | **$379,380** |

The sections that follow contain additional detailed information for taxpayers. Section 3C contains summary information for 20-S filers. Section 3D describes 20-I income returns. All other returns, the bulk of the corporate tax, are described in 3B. That section contains information for C corporation excise taxpayers, that is, those filing forms 20, 20-INS, and 20-MTC. It also contains detailed information on income levels, industry groups, credits and other characteristics of these taxpayers.

# CORPORATE TAX RETURNS

## SUMMARY OF C CORPORATION EXCISE TAX RETURNS

This section provides detail on excise tax C corporation taxpayers. These taxpayers are "doing business" in Oregon. They must file one of the following tax forms: 20, 20-INS, or 20-MTC. For ease of reading, the sections and exhibits that follow show combined returns from all three return types and present results for all C corporation excise taxpayers.

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

- **Income groups**
- **NAICS sector**
- **State of commercial domicile**
- **Apportioned returns**
  - Total
  - By industry sector
- **Credit claimants**
  - All credits
  - Additional detail for pollution control
  - Additional detail for research credit
- **Minimum taxpayers**
  - Reason for minimum tax payment
  - By income group
  - By industry sector

Exhibit 3.2 shows the distribution of returns by taxable income category. For purposes of this exhibit, all losses are included with the zero income group. Keep in mind that taxable income and book income are not necessarily the same due to differences in accounting rules. This exhibit shows the concentration of the corporate excise tax—36 taxpayers paid nearly half of the total tax.

**Exhibit 3.2—Tax Year 2000 C Corporation Excise Tax Returns**
**Taxable Income Group**

**Dollars in thousands**

| Oregon Taxable Income Category | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Zero Income or Loss[1] | 22,497 | $0 | $229 |
| $1 - $50,000 | 9,993 | $120,494 | $7,761 |
| $50,000 - $100,000 | 1,528 | $107,739 | $6,837 |
| $100,000 - $250,000 | 1,175 | $187,094 | $11,627 |
| $250,000 - $500,000 | 556 | $195,105 | $12,156 |
| $500,000 - $1 million | 384 | $275,083 | $16,839 |
| $1 million to $5 million | 490 | $1,098,314 | $67,013 |
| $5 million to $10 million | 85 | $617,284 | $36,968 |
| $10 million to $25 million | 50 | $751,193 | $43,308 |
| Over $25 million | 36 | $2,910,006 | $174,929 |
| **Total** | **36,794** | **$6,262,312** | **$377,667** |

**Percentage Distribution of Taxable Returns**

| Oregon Taxable Income Category | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Zero Income or Loss[1] | 61.1% | 0.0% | 0.1% |
| $1 - $50,000 | 27.2% | 1.9% | 2.1% |
| $50,000 - $100,000 | 4.2% | 1.7% | 1.8% |
| $100,000 - $250,000 | 3.2% | 3.0% | 3.1% |
| $250,000 - $500,000 | 1.5% | 3.1% | 3.2% |
| $500,000 - $1 million | 1.0% | 4.4% | 4.5% |
| $1 million to $5 million | 1.3% | 17.5% | 17.7% |
| $5 million to $10 million | 0.2% | 9.9% | 9.8% |
| $10 million to $25 million | 0.1% | 12.0% | 11.5% |
| Over $25 million | 0.1% | 46.5% | 46.3% |
| **Total** | **100.0%** | **100%** | **100%** |

[1] Includes losses in current year as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.3 shows the distribution of returns by industry sector. For tax year 2000, manufacturing supplied over a third of total tax payments. We are unable to classify a large number of corporations into their appropriate sector due to missing information.

**Exhibit 3.3—Tax Year 2000 C Corporation Excise Tax Returns**
**Industry Sector**

**Dollars in thousands**

| Industry Sector [1] | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 1,220 | $48,174 | $3,090 |
| Mining | 54 | $21,637 | $1,401 |
| Utilities | 30 | $82,917 | $4,077 |
| Construction | 3,488 | $138,475 | $9,059 |
| Manufacturing | 2,181 | $2,239,839 | $131,484 |
| Wholesale Trade | 3,183 | $680,543 | $43,977 |
| Retail Trade | 2,761 | $640,350 | $41,582 |
| Transportation and Warehousing | 790 | $93,543 | $6,139 |
| Information | 710 | $277,090 | $17,183 |
| Finance and Insurance | 1,720 | $866,672 | $47,959 |
| Real Estate and Rental and Leasing | 967 | $68,107 | $4,508 |
| Professional, Scientific, and Technical Services | 2,615 | $88,733 | $5,657 |
| Management of Companies and Enterprises | 120 | $338,020 | $20,143 |
| Administrative, Support, and Waste Management | 1,344 | $71,522 | $4,525 |
| Educational Services | 129 | $5,583 | $369 |
| Health Care and Social Assistance | 1,887 | $30,326 | $1,926 |
| Arts, Entertainment, and Recreation | 250 | $4,194 | $278 |
| Accommodation and Food Services | 867 | $63,383 | $4,079 |
| Other Services (except Public Administration) | 1,134 | $43,269 | $2,831 |
| Unknown | 11,344 | $459,934 | $27,403 |
| **Total** | **36,794** | **$6,262,311** | **$377,670** |

**Percentage Distribution**

| Industry Sector [1] | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 3.3% | 0.8% | 0.8% |
| Mining | 0.1% | 0.3% | 0.4% |
| Utilities | 0.1% | 1.3% | 1.1% |
| Construction | 9.5% | 2.2% | 2.4% |
| Manufacturing | 5.9% | 35.8% | 34.8% |
| Wholesale Trade | 8.7% | 10.9% | 11.6% |
| Retail Trade | 7.5% | 10.2% | 11.0% |
| Transportation and Warehousing | 2.1% | 1.5% | 1.6% |
| Information | 1.9% | 4.4% | 4.6% |
| Finance and Insurance | 4.7% | 13.8% | 12.7% |
| Real Estate and Rental and Leasing | 2.6% | 1.1% | 1.2% |
| Professional, Scientific, and Technical Services | 7.1% | 1.4% | 1.5% |
| Management of Companies and Enterprises | 0.3% | 5.4% | 5.3% |
| Administrative, Support, and Waste Management | 3.7% | 1.1% | 1.2% |
| Educational Services | 0.4% | 0.1% | 0.1% |
| Health Care and Social Assistance | 5.1% | 0.5% | 0.5% |
| Arts, Entertainment, and Recreation | 0.7% | 0.1% | 0.1% |
| Accommodation and Food Services | 2.4% | 1.0% | 1.1% |
| Other Services (except Public Administration) | 3.1% | 0.7% | 0.8% |
| Unknown | 30.8% | 7.3% | 7.3% |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

[1] Selected detail of industries found in each sector are provided in Appendix B - Selected Glossary of Industry Sectors.

Exhibit 3.4 shows the distribution of returns by the state of commercial domicile as reported on the tax return. The state of domicile is the state where the corporation headquarters are located. The state of domicile is not necessarily the same state as the address on the return, or the state under whose laws the corporation was incorporated.

For tax year 2000, most of the corporate income tax liability did not come from corporations domiciled in the state of Oregon. Corporations domiciled outside of the state of Oregon accounted for over 70 percent of the total liability.

**Exhibit 3.4—Tax Year 2000 C Corporation Excise Tax Returns State of Domicile**

Dollars in thousands

| Geographic Location | Number of Returns | Oregon Taxable Income | Oregon Tax | Percent of Total Tax |
|---|---|---|---|---|
| New England[1] | $611 | $176,109 | $10,473 | 2.8% |
| Mid-Atlantic[2] | $1,643 | $557,448 | $32,064 | 8.5% |
| South[3] | $1,414 | $345,346 | $20,756 | 5.5% |
| Midwest[4] | $1,834 | $1,007,038 | $60,575 | 16.0% |
| Southwest[5] | $824 | $197,415 | $11,074 | 2.9% |
| West[6] | $30,314 | $3,957,497 | $241,319 | 63.9% |
| California | $1,789 | $1,821,338 | $115,896 | 30.7% |
| Idaho | $173 | $63,376 | $4,073 | 1.1% |
| Nevada | $95 | $6,249 | $413 | 0.1% |
| Oregon | $26,555 | $1,728,455 | $101,267 | 26.8% |
| Washington | $1,240 | $284,603 | $16,272 | 4.3% |
| All other West | $462 | $53,476 | $3,399 | 0.9% |
| Outside U.S. | $142 | $11,422 | $743 | 0.2% |
| Missing | $12 | $10,036 | $662 | 0.2% |
| **Total** | **$36,794** | **$6,262,311** | **$377,669** | **100%** |

[1] Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

[2] Delaware, Maryland, New Jersey, New York, Pennsylvania, and Washington D.C.

[3] Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

[4] Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

[5] Arizona, New Mexico, Oklahoma, and Texas.

[6] Alaska, Colorado, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.

Taxpayers doing business in multiple states must apportion their income. These corporations must apportion their base income by the three factor formula. The overall apportionment percentage is the weighted average percent of three factors—sales, payroll, and property. Tax year 2000 returns were filed using the double-weighted sales factor. Tax years beginning in May 2003 will use an 80 percent sales factor, also referred to as a "super-weighted" sales factor.

The majority of the Oregon corporate tax liability comes from multi-state corporations. Exhibit 3.5 shows this split.

**Exhibit 3.5—Tax Year 2000 C Corporation Excise Tax Returns Apportionment Percentage**

Dollars in thousands

| Apportionment | Number of Returns | Oregon Taxable Income | Oregon Tax | Percent of Total Tax |
|---|---|---|---|---|
| Multi-state i.e. Apportioned | 11,791 | $5,551,184 | $331,542 | 87.8% |
| Nonapportioned | 25,003 | $711,127 | $46,127 | 12.2% |
| **Total** | **36,794** | **$6,262,311** | **$377,669** | **100%** |

Exhibit 3.6 shows the distribution by industry sector of the multi-state (i.e. apportioned) excise tax returns.

**Exhibit 3.6—Tax Year 2000 C Corporation Excise Tax Returns Industry Sector for Multistate (Apportioned) Returns**

Dollars in thousands

| Industry Sector [1] | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 92 | $23,689 | $1,544 |
| Mining | 9 | $18,567 | $1,198 |
| Utilities | 9 | $82,743 | $4,065 |
| Construction | 634 | $87,236 | $5,670 |
| Manufacturing | 544 | $2,117,367 | $123,585 |
| Wholesale Trade | 1,758 | $597,613 | $38,622 |
| Retail Trade | 519 | $542,741 | $35,343 |
| Transportation and Warehousing | 228 | $84,863 | $5,563 |
| Information | 295 | $254,716 | $15,717 |
| Finance and Insurance | 1,007 | $776,442 | $42,136 |
| Real Estate and Rental and Leasing | 167 | $38,948 | $2,579 |
| Professional, Scientific, and Technical Services | 772 | $65,664 | $4,130 |
| Management of Companies and Enterprises | 58 | $324,438 | $19,306 |
| Administrative, Support, and Waste Management | 434 | $59,582 | $3,797 |
| Educational Services | 31 | $4,920 | $325 |
| Health Care and Social Assistance | 94 | $17,478 | $1,071 |
| Arts, Entertainment, and Recreation | 36 | $509 | $34 |
| Accommodation and Food Services | 98 | $50,354 | $3,214 |
| Other Services (except Public Administration) | 137 | $32,624 | $2,123 |
| Unknown | 4,869 | $370,689 | $21,518 |
| **Total** | **11,791** | **$5,551,183** | **$331,540** |

[1] Selected detail of industries found in each sector are provided in Appendix B - Selected Glossary of Industry Sectors.

There are a number of credits available to corporate excise taxpayers. Not all taxpayers claiming a credit are able to use the full amount of the credit due to insufficient tax liability. Most unused credits may be carried forward for up to five years to offset future tax liability. Corporations must claim the full amount of credit, to the extent of their liability, before the credit may be carried forward.

**Exhibit 3.7—Tax Year 2000 C Corporation Excise Tax Returns**
**Credit Usage**

**Dollars in thousands**

| Credit | Number of Taxpayers Claiming | Amount of Credit Claimed | Number of Taxpayers with Reduction in Tax Liability | Amount of Credit Used |
|---|---|---|---|---|
| ***General Corporation Credits*** | | | | |
| Pollution Control | 123 | $13,107 | 98 | $10,033 |
| Pollution Prevention | 9 | $31 | 5 | $13 |
| Oregon Affordable Housing Credit | 22 | $3,662 | 20 | $3,447 |
| Farm-Worker Housing Lender's Credit | 6 | $463 | 6 | $463 |
| Business Energy Facilities | 155 | $4,483 | 94 | $2,455 |
| Farm-Worker Housing Construction | 5 or fewer | $56 | 5 or fewer | $3 |
| Dependent Care Assistance | 18 | $3,753 | 13 | $1,536 |
| Qualified Research Activities | 173 | $27,132 | 94 | $9,548 |
| Other Corporation Credits | 52 | $522 | 36 | $456 |
| ***Insurance Only Credits*** | | | | |
| Worker's Compensation Assessments | 99 | $4,480 | 65 | $2,836 |
| Fire Insurance Credit | 304 | $4,231 | 214 | $1,479 |
| Oregon Life and Health IGA Assessments | 336 | $4,543 | 259 | $3,392 |
| Oregon IGA Assessments | 15 | $7 | 12 | $3 |
| **Total Credits** [1] | **1,144** | **$66,472** | **829** | **$35,926** |

[1] Numbers of taxpayers does not match detail due to taxpayers claiming multiple credits. The amount of credit used for total credits does not match detail due to unused credits.

The two largest credits for tax year 2000, in terms of total dollars claimed, were pollution control and the research credit. Additional details for taxpayers claiming the pollution control and research credits appear in Exhibits 3.8 and 3.9.

## Exhibit 3.8—Tax Year 2000 C Corporation Excise Tax Returns
## Pollution Control Claimants

**Dollars in thousands**

| Industry Category | Number of Taxpayers Claiming | Amount of Credit Claimed | Taxpayers with Reduction in Tax Liability | Amount of Credit Used |
|---|---|---|---|---|
| Agriculture | 18 | $211 | 11 | $42 |
| Manufacturing | 39 | $9,485 | 33 | $7,625 |
| Wholesale Trade | 18 | $502 | 13 | $89 |
| Retail Trade | 14 | $413 | 13 | $359 |
| Management of Companies | 5 | $189 | 5 | $188 |
| All Other and Unknown | 29 | $2,307 | 23 | $1,730 |
| **Total** | **123** | **$13,107** | **98** | **$10,033** |

| Oregon Net Income | Number of Taxpayers Claiming | Amount of Credit Claimed | Taxpayers with Reduction in Tax Liability | Amount of Credit Used |
|---|---|---|---|---|
| Zero Income or Loss[1] | 22 | $2,265 | 0 | $0 |
| 0-$100,000 | 29 | $117 | 28 | $70 |
| $100,000 - $500,000 | 22 | $341 | 21 | $189 |
| $500,000 - $2 million | 13 | $926 | 13 | $413 |
| Greater than $2 million | 37 | $9,458 | 36 | $9,361 |
| **Total** | **123** | **$13,107** | **98** | **$10,033** |

[1] Includes losses in current year as well as losses carried forward from prior years that result in $0 income.

**Exhibit 3.9—Tax Year 2000 C Corporation Excise Tax Returns**
**Research Credit Claimants**

**Dollars in thousands**

| Industry Category | Number of Taxpayers Claiming | Amount of Credit Claimed | Number of Taxpayers with Reduction in Tax Liability | Amount of Credit Used |
|---|---|---|---|---|
| Manufacturing | 54 | $13,455 | 39 | $7,414 |
| Computer and Electronic Manuf. | 34 | $9,970 | 22 | $3,976 |
| All other manufacturing | 20 | $3,485 | 17 | 3,438 |
| Wholesale Trade | 31 | $2,801 | 18 | $401 |
| Professional, Scientific, and Technical Services | | | | |
| (Incl. Software Publishing) | 23 | $4,340 | 7 | $213 |
| All Other and Unknown | 65 | $6,537 | 30 | $1,520 |
| **Total** | **173** | **$27,132** | **94** | **$9,548** |

| Oregon Net Income | Number of Taxpayers Claiming | Amount of Credit Claimed | Number of Taxpayers with Reduction in Tax Liability | Amount of Credit Used |
|---|---|---|---|---|
| Zero Income or Loss[1] | 78 | $15,191 | 0 | $0 |
| 0-$100,000 | 28 | $334 | 27 | $54 |
| $100,000 - $500,000 | 23 | $363 | 23 | $229 |
| $500,000 - $2 million | 19 | $944 | 19 | $471 |
| Greater than $2 million | 25 | $10,299 | 25 | $8,794 |
| **Total** | **173** | **$27,132** | **94** | **$9,548** |

[1] Includes losses in current year as well as losses carried forward from prior years that result in $0 income.

The minimum excise tax is $10. Sixty-five percent of all C corporation excise taxpayers paid the minimum tax. Exhibit 3.10 shows the number of C corporations paying the minimum tax for various income levels. Taxpayers in higher income categories paying only the minimum tax have credits that reduce their tax liability to $10.

**Exhibit 3.10—Tax Year 2000 C Corporation Excise Tax Returns**
**Minimum Taxpayers**

**Dollars in thousands**

| **Oregon Taxable Income Category** | **Total Number of Minimum Tax Returns** |
|---|---|
| Zero Income or Loss[1] | 22,476 |
| $1 - $50,000 | 1,156 |
| $50,000 - $100,000 | 36 |
| $100,000 - $250,000 | 44 |
| $250,000 - $500,000 | 15 |
| $500,000 - $1 million | 13 |
| $1 million to $5 million | 14 |
| $5 million to $10 million | 5 or fewer |
| $10 million to $25 million | 5 or fewer |
| Over $25 million | 5 or fewer |
| **Total** | **23,762** |

[1] Includes losses in current year as well as losses carried forward from prior years that result in $0 income.

Most taxpayers paying the minimum had no income in the current year or used a loss carried forward from another year to result in zero taxable income. Exhibit 3.11 details the reason for minimum tax payment for the 23,762 minimum excise taxpayers.

**Exhibit 3.11—Tax Year 2000 C Corporation Excise Tax Returns**
**Minimum Tax Payment Details**

| **Reason For Minimum Tax Payment** | **Number of Returns** |
|---|---|
| ***Current Income*** | |
| Zero income or loss in current year | 17,431 |
| Minimal income in current year | 878 |
| ***Losses Carried Forward*** | |
| Losses carried forward from prior years result in zero income or loss | 5,045 |
| Losses carried forward from prior years result in minimal income | 128 |
| ***Credits*** | |
| Credits reduce tax to minimum | 258 |
| ***Combination*** | |
| Combination of losses carried forward and credits reduce tax to minimum | 22 |
| **Total** | **23,762** |

Minimum taxpayers appear in all industry sectors. Exhibit 3.12 details minimum taxpayers by sector.

**Exhibit 3.12—Tax Year 2000 C Corporation Excise Tax Returns**
**Minimum Taxpayers By Sector**

| Industry Sector [1] | Number of Returns |
|---|---|
| Agriculture, Forestry, Fishing and Hunting | 832 |
| Mining | 33 |
| Utilities | 20 |
| Construction | 2,299 |
| Manufacturing | 1,327 |
| Wholesale Trade | 1,740 |
| Retail Trade | 1,668 |
| Transportation and Warehousing | 484 |
| Information (includes Telecommunications) | 521 |
| Finance and Insurance | 953 |
| Real Estate and Rental and Leasing | 613 |
| Professional, Scientific, and Technical Services | 1,662 |
| Management of Companies and Enterprises | 69 |
| Administrative, Support, and Waste Management | 829 |
| Educational Services | 79 |
| Health Care and Social Assistance | 1,432 |
| Arts, Entertainment, and Recreation | 142 |
| Accommodation and Food Services | 546 |
| Other Services (except Public Administration) | 680 |
| Unknown | 7,833 |
| **Total** | **23,762** |

[1] Selected detail of industries found in each sector are provided in Appendix B - Selected Glossary of Industry Sectors.

S corporations are corporations that have elected to pass their income (or loss) through to the shareholders. The income is not taxed at the corporation level—it is included as income for the shareholders.

A small amount of S corporation income is taxed on the corporate side. This occurs when an S corporation has built-in gains or net excess passive income. Only a handful of S corporations have this type of income.

In order to make the S corporation election, the corporation must meet certain conditions including limitations on the number of shareholders.

Tax Form 20-S is filed by S corporations that are paying either the income or the excise tax. The excise minimum tax is $10. Corporations "doing business" are subject to the minimum even if they have passed all of their income through to the shareholders.

Exhibit 3.13 contains summary information about 20-S filers.

**Exhibit 3.13—Tax Year 2000 S Corporation Tax Returns**
**S Corporation Summary**

**Dollars in thousands**

| Type of Filer | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Income Tax | 675 | $218 | $14 |
| Excise Tax | 42,615 | $18,547 | $1,540 |
| **Total 20-S** | **43,290** | **$18,765** | **$1,554** |

Exhibit 3.14 contains additional detail on characteristics of 20-S filers. As the exhibit shows, most do not apportion their income between Oregon and other states. Most are domiciled (i.e. have their headquarters) in Oregon. Income taxpayers are not subject to a minimum tax, although excise taxpayers are. Since S corporations are pass-through entities, most pay only the minimum tax of $10. The 246 filers that pay more than the minimum have built-in gains or excess net passive income and must pay tax on the corporate level.

**Exhibit 3.14—Tax Year 2000 S Corporation Tax Returns**
**S Corporation Characteristics**

**Dollars in thousands**

| | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| ***Apportionment for 20-S Filers*** | | | |
| Multi-state (apportioned) | 3,936 | $6,997 | $493 |
| Non-apportioned | 39,354 | $11,768 | $1,061 |
| ***State of Domicile for 20-S Filers*** | | | |
| Oregon | 39,645 | $15,854 | $1,334 |
| Other | 3,645 | $2,911 | $220 |
| ***Minimum Tax for 20-S Excise Filers*** | | | |
| Pay Minimum | 42,369 | $1,545 | $416 |
| Pay Greater than Minimum | 246 | $17,002 | $1,124 |

Only a handful of taxpayers are subject to the corporate income tax. These taxpayers are not doing business in Oregon. They do, however, have income from an Oregon source.

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, whether intrastate, interstate, or foreign commerce.

There is no minimum tax for corporate income tax filers.

These taxpayers must file Form 20-I. Exhibit 3.15 shows the number of returns and tax associated with 20-I filers.

**Exhibit 3.15—Tax Year 2000 20-I Tax Returns**
**Income Tax Returns Summary**

Dollars in thousands

| | Number of Returns | Oregon Taxable Income | Oregon Tax |
|---|---|---|---|
| Total 20-I | 290 | $3,712 | $157 |

**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.