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 2001, 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, this is 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:

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

Domestic Corporation. An Oregon domestic corporation is a corporation that 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. It is 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 does not 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 in which 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 can have no more than 75 shareholders.

Sales Factor. One of the three factors used in apportioning the business income of multistate or multinational corporations. The sales factor is expressed as a fraction: the numerator is Oregon sales, and the denominator is total sales.

Single Sales Factor. Tax years that begin on or after July 1, 2008 use only the sales factor to apportion multistate or multinational income. See Exhibit 1.2 for details.

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 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, but before July 1, 2008, use this method of calculating an overall apportionment formula. See Exhibit 1.2 for details.

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 Web site 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, 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 offices 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 trade 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.

Collections and Returns Data

The Integrated Tax Accounting (ITA) system used by the Oregon Department of Revenue provides information on corporation income and excise tax payments. We used tax return data for the most recent year with complete information.

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 Exhibit C.1, a corporate taxpayer that starts its fiscal year on December 1 would start tax year 2001 in December 2001. Their tax year would end November 2002. Their Oregon return would be due by March 15, 2003. The taxpayer then could submit a federal filing extension, extending their time to file both federal and state returns by six months. So a corporation that starts its fiscal year on December 1 may file its 2001 Oregon return as late as September 15, 2003.

Taxes must be paid by the original due date of the return, whether an extension is filed or not. Therefore payment data for a given year is complete sooner than return data.

Exhibit C.1—Corporate Filing Calendar

Tax Year Begins	Tax Year Ends	Oregon Corporation Return Due Date*	Due Date with Extension
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

* Federal corporation returns are due on the 15th day of the 3rd month after the end of the corporation's tax year. Oregon returns are due one month after federal returns.

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 2001 C corporation returns. A corporation's tax year 2001 is based on a filing period that begins any time in calendar year 2001.

Exhibit C.2—Tax Year 2001 C Corporation Excise Tax Returns
Tax Year Ending Month[1]

Dollars in thousands

	Number of Returns	Oregon Taxable Income	Oregon Tax	Percent of Oregon Tax
January	738	$282,928	$18,449	7.8%
February	591	$40,543	$2,637	1.1%
March	2,275	$179,436	$11,454	4.9%
April	795	$52,539	$2,639	1.1%
May	728	$186,787	$11,339	4.8%
June	3,069	$209,379	$13,471	5.7%
July	590	$23,825	$1,555	0.7%
August	694	$53,362	$3,472	1.5%
September	2,450	$193,368	$11,496	4.9%
October	1,033	$35,179	$2,303	1.0%
November	543	$33,370	$2,173	0.9%
December[2]	20,805	$2,603,375	$150,083	63.7%
Part year with/Dec.[3]	664	$26,667	$1,756	0.7%
Part year without Dec.[4]	550	$44,331	$2,830	1.2%
Total	**35,525**	**$3,965,089**	**$235,655**	**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 errors 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 Employment Department. 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, its only activity may be the wholesale trade of the manufactured good. This classification also may differ from the sector reported on the taxpayer's federal or state tax return.

The Department of Revenue Research Section attempts to assign a sector classification for taxpayers lacking this information.

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:

- Corporate taxes,
- 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—Corporation Kicker History

Biennium	Tax Year	Surplus/Shortfall ($ Millions)	Percentage	Mean for C Corps ($)	Mean for C Corps Receiving Benefit ($)
1979-81	1981	-$25	None	NA	NA
1981-83	1983	-$110	None	NA	NA
1983-85	1985	$13	10.6%	$125	$805
1985-87	1987	$7	6.2%	$234	$581
1987-89	1989	$36	19.7%	$918	$1,200
1989-91	1991	-$23	None	NA	NA
1991-93	1993	$18	Suspended	NA	NA
1993-95	1995	$167	50.1%	$5,664	$12,239
1995-97	1997	$203	42.2%	$4,378	$10,782
1997-99	1999	-$69	None	NA	NA
1999-01	2001	-$44	None	NA	NA
2001-03	2003	-$440	None	NA	NA