

2020 Corporate Activities Tax

Will you be one of the businesses impacted?

Oregon's Corporate Activity Tax will impact over 40,000 businesses in Oregon and we're here to help you understand if you'll be one of the businesses impacted.

The Corporate Activities Tax will become effective as of the 2020 tax year and ORLA is in conversations about how restaurants and lodging establishments can add the cost of this new tax on customer bills so it can act as a pass through to customers as of 2020. We will follow up soon with more details about how restaurant and lodging operations can adapt to the new tax once we determine how the tax can appear on customer bills.

How much will you owe?

Get a general projection of what your annual Corporate Activities Tax will be in the future by completing the exercise below.

Step 1:

What were your total Oregon sales in 2018? Write that number down.

Step 2:

Dig up "IRS Form 1125-A." This form gives your "Total Cost of Goods Sold" during 2018. Take 35% of the total in box 8 (or 35 % of "Total Labor Cost".)

Step 3:

Take your 35% of Cost of Goods Sold number (or 35% of "Total Labor Cost") and subtract it from your 2018 total Oregon sales.

Step 4:

Now that you have your sales number after allowed Cost of Goods Sold (or Total Labor Cost) deductions subtract \$1 million.

Step 5:

Your number now after subtracting \$1 million in sales represents your Taxable Sales for Oregon's new Corporate Activity Tax.

Step 6:

Your tax liability is .57 percent of your Taxable Sales / answer to Step 5. Multiply Taxable Sales by .0057 to project your annual tax.

EXAMPLE

Step 1 :

2018 Total Sales = \$3,200,000

Step 2:

Cost of Goods Sold = \$900,000

OR Total Labor Cost = \$1,300,000

$\$1,300,000 \times (.035) = \$455,000$

Step 3:

(Total sales) – (35% of Labor Cost **OR** 35% of Total Cost of Goods Sold)

$\$3,200,000 - \$455,000 = \$2,745,000$

Step 4

$\$2,745,000 - \$1,000,000 = \$1,745,000$

Step 5

Taxable Sales = \$1,745,000

Step 6:

(Taxable Sales) \times (.0057) = Annual Corporate Activity Tax

$\$1,745,000 \times .0057 = \mathbf{\$9,946.50}$

This exercise is meant to help you project what your tax liability could be next year based on your sales in 2018. This is only an example, consult your tax advisor.

Stay up to date at OregonRLA.org

Oregon's new tax takes effect in the 2020 tax year. Check back for additional updates as the Oregon Department of Revenue undertakes the rulemaking process.