

OREGON CORPORATE ACTIVITY TAX (CAT)

On May 16, 2019, Governor Kate Brown signed *House Bill 3427* into law that established the *Oregon Corporate Activity Tax (CAT)* on all business entity types, including C corporations, S corporations, partnerships, and sole proprietorships that had Oregon “commercial activity” of more than \$1 Million (gross) in the State of Oregon. Oregon is still developing definitions, regulations, and forms but our understanding in talking with Oregon representatives is that “commercial activity” is defined as sales made to Oregon customers only.

The *CAT* is in addition to the State’s current corporate income. The revenue it generates will be transferred to the *Fund for Student Success* and will be used for educational purposes.

The following is a quick reference to the new tax:

- Exclusions – business entities with \$750,000 or less of Oregon commercial activity are excluded.
- Registration – once your business grosses more than \$750,000 of Oregon sales, you are required to register with the State of Oregon within 30 days.
- Filing – if your Oregon gross sales exceed \$1 Million in a calendar year, you are required to file an annual return that is due on April 15th and to submit quarterly estimated payments.

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SALES TAX – SOUTH DAKOTA V. WAYFAIR

On June 21, 2018, the United States Supreme Court ruled in favor of South Dakota. This ruling concluded that South Dakota could mandate that businesses with more than 200 transactions or \$100,000 in in-state sales must collect and remit sales tax on transactions in South Dakota, even if the business is without a physical presence (nexus) in the state. Other states have begun adopting the same or similar rules. This ruling affects not only internet sales, but any sales made in any state without regard as to how the sale was transacted.

What does this mean for your business? If you are selling to the end user (retail) in states other than Oregon, Alaska, Delaware, Montana, or New Hampshire (states with no sales tax), you may be required to collect sales tax, file reports, and remit the tax to each required state.

Steps to take to determine if you are required to collect sales tax:

- Are you selling to any end users (retail)? If not, you are not required to collect sales tax.
- Determine the States where you have retail sales.
- Determine the economic threshold in those states (most common rules - \$100,000 in gross sales or 200 transactions).
- If you meet the threshold in any state, determine if you can want to hire a 3rd party to help you with the sales tax percentages for each location (which can include state, county, or city sales tax) and the preparation of the reports (monthly, quarterly, or annual).

My office does not prepare sales tax returns but would suggest that you use a company that specializes in this area. A good resource is Avalara.com, however it is your responsibility to do your own due diligence before selecting a program.