Oregon
Corporate Excise
and
Income Tax

Characteristics of Corporate Taxpayers

2003 Edition

Covering fiscal year 2003 corporate tax receipts
and tax year 2001 corporate tax returns

OREGON
DEPARTMENT
OF REVENUE

150-102-405 (Rev. 12-03)

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Oregon Corporate Excise and Income Tax:

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

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Oregon Corporate Tax Receipts 2002-2003 Fiscal Year	
Total Revenue	$225.5 million
Percent of General Fund	4.5%

Corporations in Oregon have paid a form of income tax since 1929. These revenues compose a projected 4.2 percent of General Fund revenue in the 2003-05 biennium.

This summary report describes the characteristics of Oregon corporate taxpayers and is divided into three sections.

Section One contains background information on the taxation of corporations in Oregon. It includes descriptions of the computation of tax and how payments are received.

Section Two provides descriptive information based on corporate tax receipts through fiscal year 2003. Tax law requires corporations 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 a rich source of information that allows for timely analysis of trends in overall corporation payments or within subsectors of the economy.

Section Three focuses on corporate tax returns corresponding to tax year 2001. Corporations must file tax returns that contain detailed information about their income and the calculation of final tax liability. These details allow for more thorough analysis of the characteristics of Oregon corporations. Yet because corporations do not file tax returns until well after the end of a tax year and often obtain deadline extensions before filing their returns, the information from return data is not as current as the data from receipts.

Together, these three sections provide a comprehensive description of corporate taxpayers in Oregon using the most current information available at the time of publication.

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

Current tax law also treats corporations differently according to their organizational structure. For example, C corporations pay corporate excise or income taxes on their income, while the income of S corporations passes through to shareholders who are then taxed under the personal income tax system. Upcoming sections of this report discuss these distinctions in greater detail.

History

Oregon began taxing corporate net income in 1929, the same year that the state began taxing personal income. The state initially enacted these taxes to offer relief from property taxation. The 1929 law states that "…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.)

Legislation enacted in 1951 broke this explicit tie to the property tax. From that time forward, revenues from the corporate tax have contributed to the general fund for general appropriations.

Tax Calculation

Below is a basic description of the calculation of taxes for Oregon corporations. Because the corporate tax program is so complex, not every detail can be presented here. Instead, this discussion focuses on the major components of the computation of this tax. Exhibit 1.1 provides a flowchart of this computation that will be discussed below. For additional information, please refer to the Oregon Department of Revenue's Corporation Tax Forms and Instructions, which can be found at the department's Web site: www.dor.state.or.us

Starting Point

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

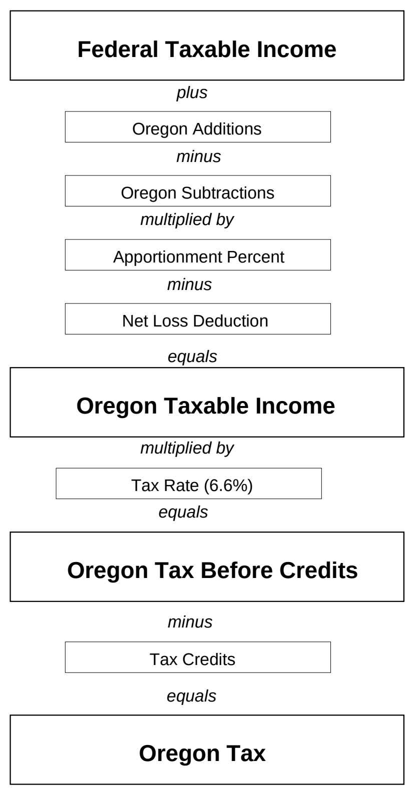
Additions are sources of gross income that are taxable in Oregon but not by the federal government. Some common Oregon additions include: state or municipal interest income, Oregon excise tax or other state taxes measured by net income or profits, and the income of related foreign sales corporations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

Subtractions

Subtractions are sources of gross income that are taxable at the federal level but not by Oregon. Subtractions include dividend deductions and land donations to school districts.

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 Tax



Apportionment

For the purposes of state taxation, the income of corporations that 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, 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 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.

[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.

Prior to tax year 1991, Oregon used equally weighted property, payroll, and sales factors when apportioning income for multi-state corporations. In 1991, Oregon switched to a double-weighted sales factor. Tax years beginning between May 2003 and July 2006 will employ a super-weighted sales factor. Sales will contribute 80 percent to the apportionment percentage, property 10 percent, and payroll the remaining 10 percent. Oregon is moving toward using sales as a single factor. Tax years starting in July 2008 will use sales alone to determine apportionment.

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%
Super-weighted sales (2006)	5%	5%	90%
Single sales factor (2008)	0%	0%	100%

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. The Legislative Revenue Office estimates that this modification will reduce corporate revenues by approximately $62.5 million in the 2003-2005 biennium.

Net Loss Deduction

Losses carried forward from prior years may reduce a corporation's current-year taxable income. Oregon law allows an operating loss to be used to offset future tax liability for up to 15 years. Oregon law does not allow losses to offset past tax liability.

Taxable Income and Tax Before Credits

Oregon taxable income is what remains after applying apportionment and subtracting losses. Multiplying Oregon taxable income by the tax rate produces tax before credits. The tax rate has changed a number of times since corporate tax was introduced in 1929, with rates ranging between 5 and 9 percent. The current rate is 6.6 percent, where it has been since its 1987 reduction from 7.5 percent. Exhibit 1.3 on the following page provides a history of Oregon corporation tax rates.

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 can claim any of approximately 40 applicable credits to reduce its Oregon tax liability. None of the credits is refundable, but most allow unused credit amounts to be carried forward and used in later years. See pages 3-8 to 3-11 of this report for information on credit usage by C corporations. The *State of Oregon 2000-05 Tax Expenditure Report* also provides a thorough discussion of corporate tax credits.

Oregon Tax

A corporation’s net tax liability is the result of subtracting credits from the tax liability before credits. When established in 1929, the corporation excise tax included a minimum tax of $25. The 1931 Legislature decreased the minimum excise tax to $10, its current level. The 2003 Legislature passed House Bill 2152[2], which sets the minimum excise tax at $250 to $5,000 depending on the corporation's structure and sales in Oregon. There is no minimum income tax.

The taxation of S corporations and Insurance corporations varies from this structure. See sections 1B and 1C of this report for additional details.

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

[2] HB 2152 has been referred to Oregon's voters. Depending on the outcome of the vote, it may not go into effect.

Certain corporations are known as "pass-through" entities because their income (or loss) passes 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 individual shareholders receive it as dividends. An S corporation avoids this double taxation because the income is not taxed at the corporate level. Oregon accepts the S corporation election made for federal purposes and allows the corporation to function as a pass-through entity.

The number of S corporations has increased in recent years. In 1990, 18,437 S corporations filed returns in Oregon. In tax year 2001, 44,117 S corporations filed returns.

S corporations generally pass their income through to their corporate owners. As a result, relatively few S corporations have income that is subject to Oregon's corporate tax. This type of income generally occurs when a corporation converts from a C corporation to an S corporation.

S corporations that are paying either the income or the excise tax file Oregon tax Form 20-S. 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 Instructions, Form 20-S.

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 Form 20-INS.

For tax years beginning on or after January 1, 1997, and before January 1, 2002, Oregon law required foreign insurers to pay a transition tax to the Department of Consumer and Business Services (DCBS) as the premiums tax was being phased out. For tax years after 2001, foreign insurers no longer are subject to the transition tax, but they still are subject to the retaliatory tax that is paid to DCBS[1]. The excise tax is paid to the Department of Revenue. Oregon requires insurance companies to file their excise tax returns on a calendar year basis.

Like other corporations, insurers use a three factor apportionment formula, though the definition and weighting of the factors differs. The three factors used for 20-INS filers 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 weighted equally 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.

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

[1] 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.

This section 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—composed of estimated payments, final payments associated with a return, and refunds issued to taxpayers.

Trends in Corporate Tax Receipts

Exhibit 2.1 shows net corporate tax receipts since fiscal year 1980-81. These net receipts were relatively flat throughout the 1980s, grew throughout the 1990s, and declined dramatically in fiscal year 2002. Fiscal year 2003 may be the beginning of a new growth trend. The swings from fiscal year 1996 to fiscal year 1998 are related to the distribution of corporate "kickers." The Oregon Surplus Credit, or kicker, occurs if revenues exceed the forecast by more than two percent. Oregon refunds this surplus 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

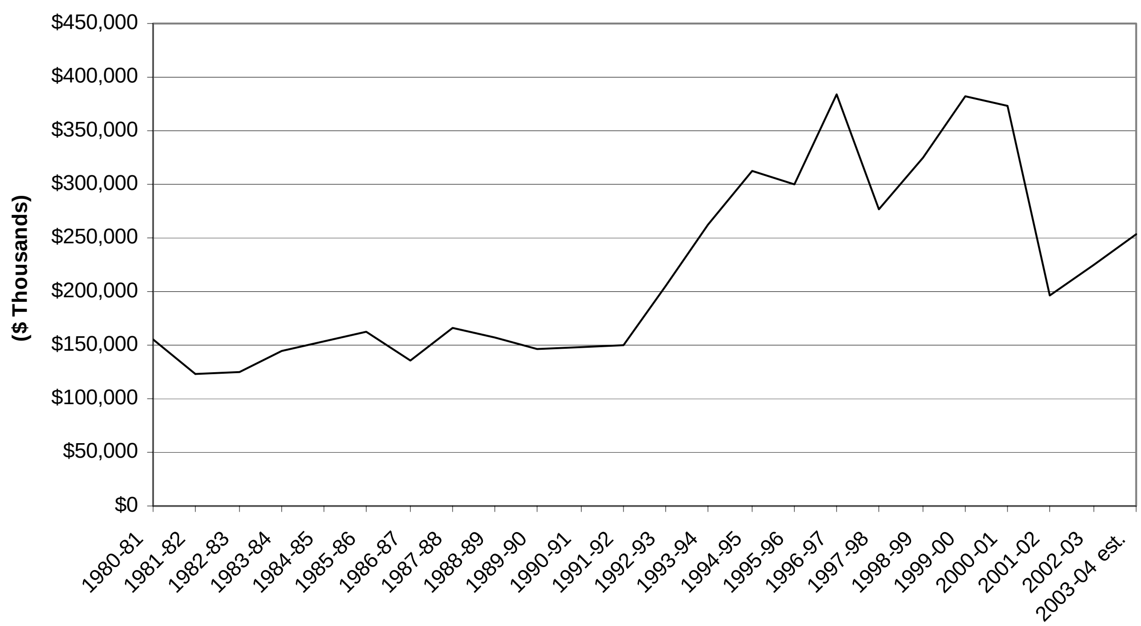


Exhibit 2.2 shows corporate receipts history beginning fiscal year 1970.

Exhibit 2.2—Corporate Receipts History

Dollars in thousands

Fiscal Year	Net Receipts	Percent Growth
1970-71	$36,544	
1971-72	$40,606	11.1%
1972-73	$51,130	25.9%
1973-74	$85,734	67.7%
1974-75	$90,691	5.8%
1975-76	$66,631	-26.5%
1976-77	$91,104	36.7%
1977-78	$125,474	37.7%
1978-79	$165,855	32.2%
1979-80	$177,176	6.8%
1980-81	$155,441	-12.3%
1981-82	$123,783	-20.4%
1982-83	$125,150	1.1%
1983-84	$144,003	15.1%
1984-85	$153,822	6.8%
1985-86	$161,660	5.1%
1986-87	$135,309	-16.3%
1987-88	$166,779	23.3%
1988-89	$157,026	-5.8%
1989-90	$146,842	-6.5%
1990-91	$149,074	1.5%
1991-92	$150,884	1.2%
1992-93	$204,605	35.6%
1993-94	$262,841	28.5%
1994-95	$311,848	18.6%
1995-96	$299,977	-3.8%
1996-97	$383,976	28.0%
1997-98	$277,481	-27.7%
1998-99	$324,295	16.9%
1999-00	$381,908	17.8%
2000-01	$372,969	-2.3%
2001-02	$196,272	-47.4%
2002-03	$225,525	14.9%
2003-04 est.	$252,971	12.2%

Fiscal year starts July 1.

Receipts by Industry Sector

Corporate receipts decreased in fiscal year 2001. 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. A decline in manufacturing taxable income was a primary factor in reducing total corporate tax collections in fiscal 2002. In fiscal 2003 total receipts increased, with increases in management of companies and finance and insurance contributing the most. Other sectors, such as construction and retail trade, experienced declines in this time period.

Exhibit 2.3
Corporate Tax Receipts By Industry Sector

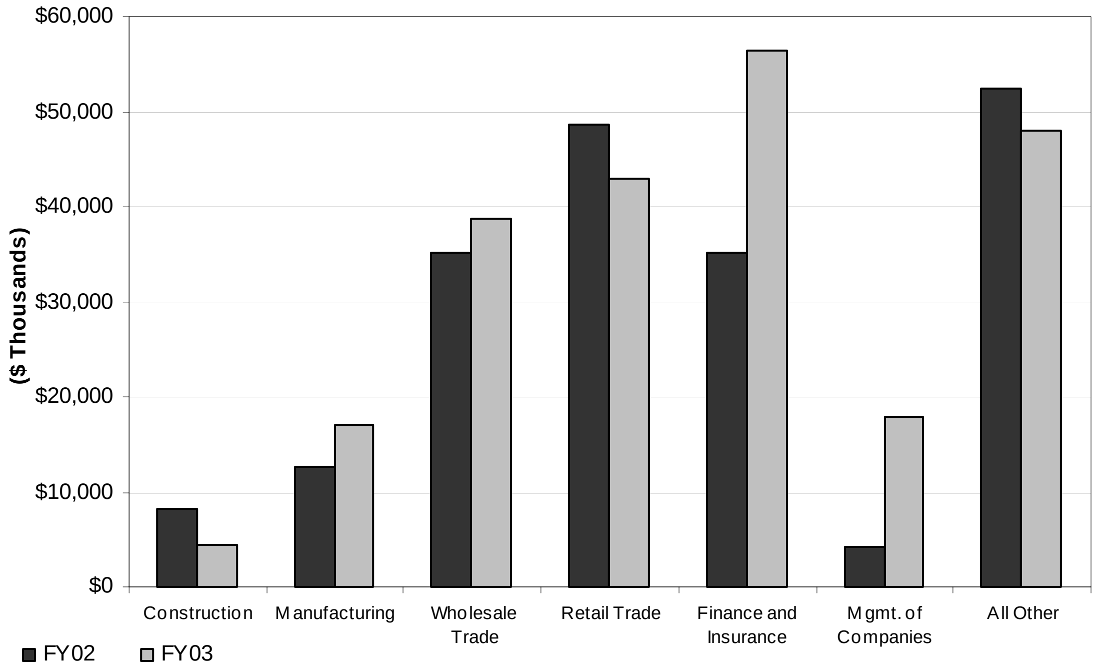


Exhibit 2.4 provides the collections detail for all sectors in fiscal years 2002 and 2003.

Exhibit 2.4—Corporate Tax Receipts
By Industry Sector

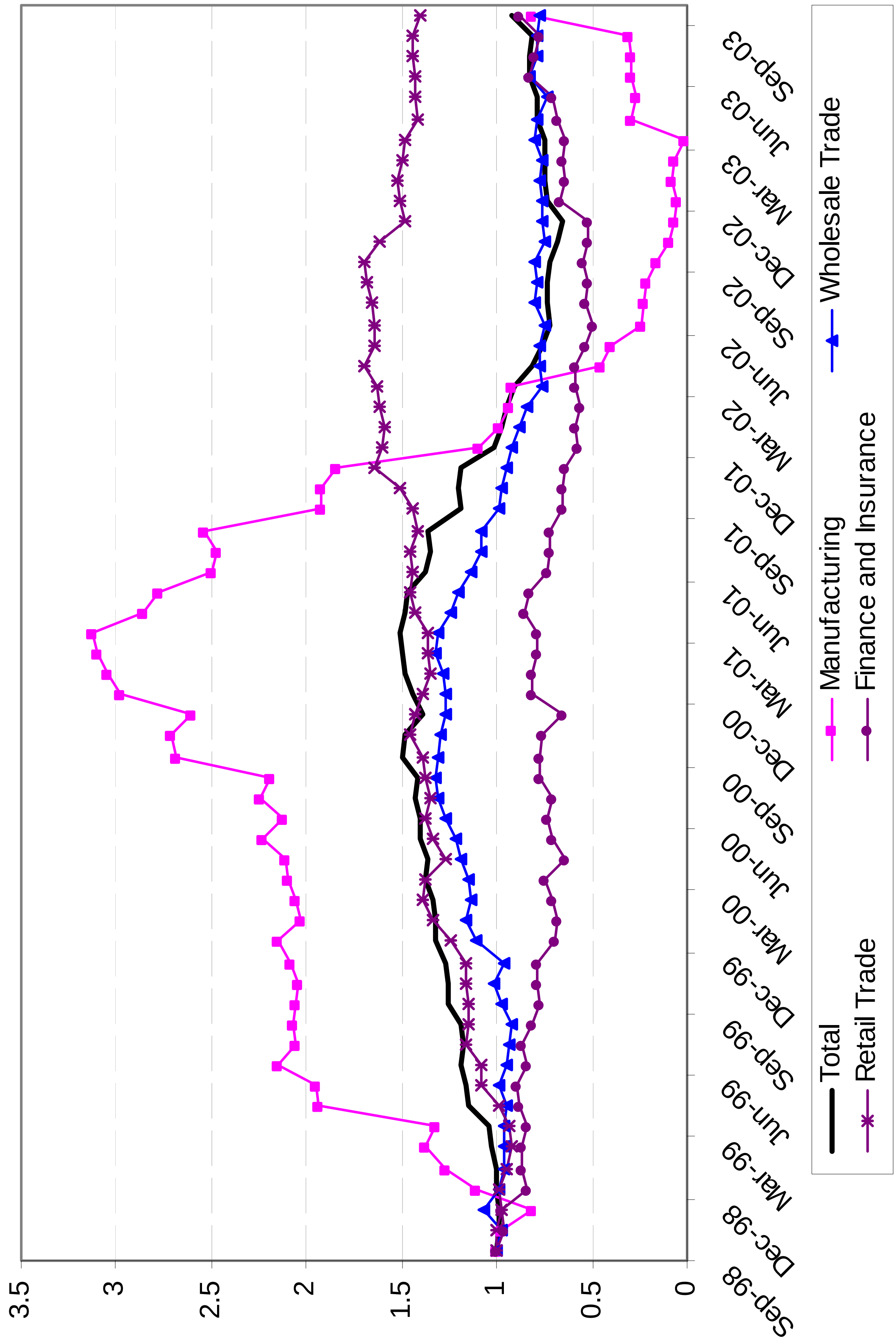
Dollars in thousands

Industry Sector [1]	FY 2002	FY 2003	Percent Change
Agriculture, Forestry, Fishing, and Hunting	$3,822	$3,526	-8%
Mining	$1,430	$48	-97%
Utilities	$6,072	$2,511	-59%
Construction	$8,128	$4,488	-45%
Manufacturing	$12,592	$17,109	36%
Wholesale Trade	$35,126	$38,702	10%
Retail Trade	$48,584	$43,003	-11%
Transportation and Warehousing	$1,639	$4,021	145%
Information	$1,670	$8,185	390%
Finance and Insurance	$35,251	$56,351	60%
Real Estate, Rental, and Leasing	$5,802	$3,317	-43%
Professional, Scientific, and Technical Services	$4,661	$4,629	-1%
Management of Companies and Enterprises	$4,180	$17,949	329%
Administrative, Support, and Waste Management	$5,297	$2,345	-56%
Educational Services	$417	$774	86%
Health Care and Social Assistance	$807	$2,376	194%
Arts, Entertainment, and Recreation	$326	$429	32%
Accommodation and Food Services	$4,028	$1,447	-64%
Other Services (except Public Administration)	$2,031	$1,005	-51%
Unknown	$14,409	$13,310	-8%
Total	**$196,272**	**$225,525**	**15%**

[1] Selected detail of the industries found in each sector is 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 2.5 (on the next page) shows the movement of each sector over a five year period, relative to its value at the beginning of the period (September 1998). The graph shows that total receipts have declined over this period. Receipts from manufacturing corporations increased strongly through March 2001, then fell sharply through March 2003. Total receipts and receipts from the manufacturing, wholesale trade, and finance and insurance sectors are still below their September 1998 levels. Receipts from the retail trade sector have grown to about 150 percent of their September 1998 level.

Exhibit 2.5
Corporate Tax Receipts
Index of 12-Month Totals



This section focuses on completed tax returns.

Summary of 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.*** Insurance corporations file form 20-INS and 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.

If a corporation or group of corporations files a consolidated federal return, it also must file a consolidated Oregon return, reflecting the activities of all the members.

Exhibit 3.1—Tax Year 2001 Corporation Tax Returns
Type of Return Filed

Dollars in thousands

Oregon Tax Form Filed	Number of Returns	Oregon Taxable Income	Oregon Tax
20 Oregon Corporation Excise Tax Return	34,318	$3,695,313	$222,146
20-I Oregon Corporation Income Tax Return	249	$4,549	$300
20-S Oregon S Corporation Tax Return	44,117	$11,393	$1,174
20-INS Oregon Insurance Excise Tax Return	1,199	$269,777	$13,508
20-MTC Multistate Tax Commission Return	8	$0	$0
Total	**79,891**	**$3,981,031**	**$237,129**

Exhibit 3.2—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
2001	44,117	35,774	79,891	$237,129	$236,849

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

The following sections provide additional information about corporate taxpayers. C corporation excise taxpayers file Forms 20, 20-INS, and 20-MTC. Section 3B gives details for C Corporations, the most common returns filed in Oregon. Section 3C summarizes information for 20-S filers. Section 3D describes 20-I income returns.

This section provides detail on excise tax C corporation taxpayers. C corporations paid about 94 percent of the total corporate excise and income tax payments for tax year 2001. 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**
- **Industry sector**
- **State of commercial domicile**
- **Apportioned returns**
    - Total
    - By industry sector
- **Credit claimants**
    - All credits
    - Additional detail for business energy facilities credit
    - Additional detail for pollution control credit
    - Additional detail for qualified research activities credit
- **Minimum taxpayers**
    - Reason for minimum tax payment
    - By income group
    - By industry sector

Exhibit 3.3 shows the distribution of returns by taxable income category. Taxable income and book income are not necessarily the same because of differences in accounting rules. For example, a company that reports a profit on its public financial statements may have no taxable income. This exhibit shows the concentration of the corporate excise tax. Seventy-four taxpayers paid nearly half of the total tax.

Exhibit 3.3—Tax Year 2001 C Corporation Excise Tax Returns
Taxable Income Category

Dollars in thousands

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Tax
Zero Income or Loss[1]	22,587	$0	$226
$1 - $50,000	9,363	$106,612	$6,857
$50,000 - $100,000	1,264	$88,403	$5,614
$100,000 - $250,000	1,017	$159,394	$10,486
$250,000 - $500,000	460	$161,144	$10,091
$500,000 - $1 million	341	$241,028	$14,897
$1 million to $5 million	352	$778,074	$47,853
$5 million to $10 million	67	$451,761	$28,004
$10 million to $25 million	51	$799,911	$43,869
Over $25 million	23	$1,178,762	$67,759
Total	**35,525**	**$3,965,089**	**$235,655**

Percentage Distribution of Taxable Returns

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Tax
Zero Income or Loss[1]	63.6%	0.0%	0.1%
$1 - $50,000	26.4%	2.7%	2.9%
$50,000 - $100,000	3.6%	2.2%	2.4%
$100,000 - $250,000	2.9%	4.0%	4.4%
$250,000 - $500,000	1.3%	4.1%	4.3%
$500,000 - $1 million	1.0%	6.1%	6.3%
$1 million to $5 million	1.0%	19.6%	20.3%
$5 million to $10 million	0.2%	11.4%	11.9%
$10 million to $25 million	0.1%	20.2%	18.6%
Over $25 million	0.1%	29.7%	28.8%
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 3.4 shows the distribution of returns by industry sector. Missing information prevents classification of a large number of corporations into appropriate sectors. For tax year 2001, retail trade contributed nearly one-fifth of total tax payments.

Exhibit 3.4—Tax Year 2001 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	1,430	$62,476	$2,983
Mining	51	$14,753	$946
Utilities	34	$86,171	$5,234
Construction	3,331	$128,880	$8,367
Manufacturing	2,092	$622,704	$31,860
Wholesale Trade	3,124	$604,216	$39,346
Retail Trade	2,645	$694,808	$45,203
Transportation and Warehousing	851	$65,996	$4,350
Information	659	$183,646	$11,667
Finance and Insurance	2,356	$785,102	$44,268
Real Estate, Rental, and Leasing	1,044	$50,099	$3,295
Professional, Scientific, and Technical Services	2,640	$63,145	$4,121
Management of Companies and Enterprises	119	$258,769	$12,828
Administrative and Support and Waste Management	1,250	$56,944	$3,524
Educational Services	154	$6,850	$453
Health Care and Social Assistance	1,955	$25,871	$1,652
Arts, Entertainment, and Recreation	247	$6,251	$414
Accommodation and Food Services	876	$46,351	$3,063
Other Services (except Public Administration)	1,596	$39,745	$1,674
Unknown	9,071	$162,313	$10,407
Total	**35,525**	**$3,965,089**	**$235,655**

Percentage Distribution

Industry Sector [1]	Number of Returns	Oregon Taxable Income	Oregon Tax
Agriculture, Forestry, Fishing, and Hunting	4.0%	1.6%	1.3%
Mining	0.1%	0.4%	0.4%
Utilities	0.1%	2.2%	2.2%
Construction	9.4%	3.3%	3.6%
Manufacturing	5.9%	15.7%	13.5%
Wholesale Trade	8.8%	15.2%	16.7%
Retail Trade	7.4%	17.5%	19.2%
Transportation and Warehousing	2.4%	1.7%	1.8%
Information	1.9%	4.6%	5.0%
Finance and Insurance	6.6%	19.8%	18.8%
Real Estate, Rental, and Leasing	2.9%	1.3%	1.4%
Professional, Scientific, and Technical Services	7.4%	1.6%	1.7%
Management of Companies and Enterprises	0.3%	6.5%	5.4%
Administrative and Support and Waste Management	3.5%	1.4%	1.5%
Educational Services	0.4%	0.2%	0.2%
Health Care and Social Assistance	5.5%	0.7%	0.7%
Arts, Entertainment, and Recreation	0.7%	0.2%	0.2%
Accommodation and Food Services	2.5%	1.2%	1.3%
Other Services (except Public Administration)	4.5%	1.0%	0.7%
Unknown	25.5%	4.1%	4.4%
Total	**100.0%**	**100.0%**	**100.0%**

[1] Selected detail of industries found in each sector is provided in Appendix B — "Selected Glossary of Industry Sectors."

Exhibit 3.5 shows the distribution of returns by the state of commercial domicile as reported on the tax return. The location of a corporation's headquarters determines its state of domicile. 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 2001, most of the corporate income tax liability did not come from corporations domiciled in the state of Oregon. Corporations domiciled outside of Oregon accounted for almost 65 percent of the total liability.

Exhibit 3.5—Tax Year 2001 C Corporation Excise Tax Returns
State of Domicile

Dollars in thousands

Region	Number of Returns	Oregon Taxable Income	Oregon Tax	Percent of Total Tax
Northeast[1]	1,891	$451,970	$25,836	11.0%
Midwest[2]	2,028	$807,548	$46,437	19.7%
South[3]	2,309	$491,976	$28,827	12.2%
West[4]	29,145	$2,207,948	$134,193	56.9%
Outside U.S.	152	$5,648	$362	0.2%
Total	**35,525**	**$3,965,089**	**$235,655**	**100%**

[1] Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
[2] Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.
[3] Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, Washington D.C., and West Virginia.
[6] Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Western States

Dollars in thousands

State	Number of Returns	Oregon Taxable Income	Oregon Tax	Percent of Total Tax
Alaska	26	$445	$29	0.0%
Arizona	150	$28,769	$975	0.4%
California	1,762	$452,373	$26,101	11.1%
Colorado	238	$18,673	$1,199	0.5%
Hawaii	21	$11,167	$667	0.3%
Idaho	174	$69,458	$4,578	1.9%
Montana	35	$1,820	$120	0.1%
Nevada	90	$10,269	$678	0.3%
New Mexico	21	$49	$3	0.0%
Oregon	25,313	$1,359,927	$84,418	35.8%
Utah	109	$10,090	$613	0.3%
Washington	1,195	$244,880	$14,808	6.3%
Wyoming	11	$27	$2	0.0%
Total	**29,145**	**$2,207,948**	**$134,193**	**56.9%**

Taxpayers doing business in multiple states must apportion their income using a three factor formula. The Oregon apportionment percentage is a weighted average percent of sales, payroll, and property. Tax year 2001 returns were filed using the double-weighted sales factor.

Most Oregon corporate tax liability comes from multi-state corporations.

Exhibit 3.6—Tax Year 2001 C Corporation Excise Tax Returns
Apportioned Returns

Dollars in thousands

Apportionment	Number of Returns	Oregon Taxable Income	Oregon Tax	Percent of Total Tax
Multi-state (Apportioned)	11,710	$3,276,173	$193,761	82.2%
Nonapportioned	23,815	$688,917	$41,893	17.8%
Total	**35,525**	**$3,965,089**	**$235,655**	**100%**

Exhibit 3.7 shows the distribution of the multi-state (apportioned) excise tax returns by industry sector.

Exhibit 3.7—Tax Year 2001 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	Percent of Total Oregon Tax
Agriculture, Forestry, Fishing, and Hunting	103	$18,959	$1,247	0.6%
Mining	9	$13,971	$894	0.5%
Utilities	10	$85,954	$5,219	2.7%
Construction	631	$91,081	$5,861	3.0%
Manufacturing	536	$516,509	$25,018	12.9%
Wholesale Trade	1,769	$554,127	$36,445	18.8%
Retail Trade	512	$571,760	$37,290	19.2%
Transportation and Warehousing	285	$58,596	$3,858	2.0%
Information	277	$158,126	$9,980	5.2%
Finance and Insurance	1,617	$654,032	$37,152	19.2%
Real Estate, Rental, and Leasing	207	$28,352	$1,857	1.0%
Professional, Scientific, and Technical Services	795	$45,240	$2,943	1.5%
Management of Companies and Enterprises	50	$234,126	$11,284	5.8%
Administrative, Support, and Waste Management	400	$48,063	$2,971	1.5%
Educational Services	49	$6,083	$402	0.2%
Health Care and Social Assistance	113	$10,281	$615	0.3%
Arts, Entertainment, and Recreation	42	$2,678	$177	0.1%
Accommodation and Food Services	99	$30,347	$2,003	1.0%
Other Services (except Public Administration)	146	$31,976	$1,158	0.6%
Unknown	4,060	$115,911	$7,387	3.8%
Total	**11,710**	**$3,276,173**	**$193,761**	**100%**

[1] Selected detail of industries found in each sector is provided in Appendix B — "Selected Glossary of Industry Sectors."

A number of credits are available to corporate excise taxpayers. Not all taxpayers claiming a credit are able to use the full amount because their credits exceed their 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 3.8—Tax Year 2001 C Corporation Excise Tax Returns Credit Usage

Dollars in thousands

Credit	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
General Corporation Credits				
Business Energy Facilities	172	$9,375	114	$2,308
Dependent Care Assistance	18	$2,455	13	$1,135
Farm-Worker Housing Lender's Credit	5 or fewer	$424	5 or fewer	$424
Oregon Affordable Housing Credit	24	$3,550	23	$3,547
Pollution Control	105	$14,626	81	$8,773
Pollution Prevention	13	$145	10 or fewer	$100
Qualified Research Activities	140	$25,217	55	$2,767
Reclaimed Plastics Credit	10 or fewer	$53	10 or fewer	$14
Other Corporation Credits	18	$135	10	$76
Insurance Only Credits				
Fire Insurance Credit	291	$4,520	181	$1,137
Oregon IGA Assessments	19	$37	11	$3
Oregon Life and Health IGA Assessments	321	$1,880	233	$1,048
Workers' Compensation Assessments	91	$3,497	64	$951
Total Credits[1]	**1,226**	**$65,914**	**807**	**$22,283**

[1] Number 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 three corporation tax credits with the highest total claims were business energy facilities, pollution control, and qualified research activities. Additional details for taxpayers claiming these credits are in the next three Exhibits.

Exhibit 3.9—Tax Year 2001 C Corporation Excise Tax Returns
Business Energy Facilities Credit Claimants by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Agriculture, Forestry, Fishing, and Hunting	23	$129	10	$28
Manufacturing	40	$1,039	23	$604
Wholesale Trade	16	$247	14	$188
Retail Trade	29	$279	25	$244
Finance and Insurance	10 or fewer	$438	7	$433
Professional, Scientific, and Technical Services	10 or fewer	$11	5 or fewer	$7
Management of Companies and Enterprises	5 or fewer	$211	5 or fewer	$131
All Other and Unknown	44	$7,022	27	$673
Total	**172**	**$9,375**	**114**	**$2,308**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss[1]	58	$6,943	0	$0
$1 - $50,000	31	$64	31	$24
$50,000 - $100,000	11	$37	11	$17
$100,000 - $250,000	9	$48	9	$48
$250,000 - $500,000	11	$67	11	$67
$500,000 - $1 million	14	$232	14	$196
$1 million to $5 million	13	$209	13	$183
$5 million to $10 million	6	$48	6	$48
$10 million to $25 million	8	$459	8	$459
Over $25 million	11	$1,266	11	$1,266
Total	**172**	**$9,375**	**114**	**$2,308**

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

Exhibit 3.10—Tax Year 2001 C Corporation Excise Tax Returns
Pollution Control Credit Claimants by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Agriculture, Forestry, Fishing, and Hunting	16	$71	11	$46
Manufacturing	38	$9,200	28	$6,020
Wholesale Trade	11	$75	10	$57
Retail Trade	14	$404	14	$341
All Other and Unknown	26	$4,876	18	$2,308
Total	**105**	**$14,626**	**81**	**$8,773**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss[1]	24	$5,761	0	$0
$1 - $50,000	15	$54	15	$32
$50,000 - $100,000	12	$50	12	$40
$100,000 - $250,000	7	$49	7	$49
$250,000 - $500,000	5 or fewer	$73	5 or fewer	$73
$500,000 - $1 million	10	$181	10	$179
$1 million to $5 million	15	$725	15	$667
$5 million to $10 million	5 or fewer	$328	5 or fewer	$328
$10 million to $25 million	6	$2,751	6	$2,751
Over $25 million	8	$4,654	8	$4,654
Total	**105**	**$14,626**	**81**	**$8,773**

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

Exhibit 3.11—Tax Year 2001 C Corporation Excise Tax Returns
Qualified Research Activities Credit Claimants by Industry Sector and Taxable Income

Dollars in thousands

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Manufacturing	42	$7,284	26	$2,036
Wholesale Trade	24	$3,918	10 or fewer	$81
Information	20	$5,973	5 or fewer	$441
Professional, Scientific, and Technical Services	27	$6,970	10 or fewer	$56
All Other and Unknown	27	$1,073	11	$154
Total	**140**	**$25,217**	**55**	**$2,767**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used
Zero Income or Loss[1]	85	$21,307	0	$0
$1 - $50,000	6	$58	6	$9
$50,000 - $100,000	9	$176	9	$28
$100,000 - $250,000	8	$68	8	$67
$250,000 - $500,000	5 or fewer	$90	5 or fewer	$45
$500,000 - $1 million	7	$322	7	$168
$1 million to $5 million	15	$1,438	15	$692
$5 million to $10 million	5 or fewer	$228	5 or fewer	$228
$10 million to $25 million	5 or fewer	$1,030	5 or fewer	$1,030
Over $25 million	5 or fewer	$500	5 or fewer	$500
Total	**140**	**$25,217**	**55**	**$2,767**

[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. Over 65 percent of all C corporation excise taxpayers paid the minimum tax. Exhibit 3.12 shows the number of C corporations paying the minimum tax for various income levels. Taxpayers in higher income categories paying the minimum tax have credits that reduce their tax liability to $10.

Exhibit 3.12—Tax Year 2001 C Corporation Excise Tax Returns Minimum Taxpayers

Oregon Taxable Income Category	Total Number of Minimum Tax Returns
Zero Income or Loss[1]	22,578
$1 - $50,000	1,153
$50,000 - $100,000	35
$100,000 - $250,000	27
$250,000 - $500,000	16
$500,000 - $1 million	13
$1 million to $5 million	11
$5 million to $10 million	5 or fewer
$10 million to $25 million	5 or fewer
Over $25 million	5 or fewer
Total	**23,840**

[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 3.13 details the reason for minimum tax payment for the minimum excise taxpayers.

Exhibit 3.13—Tax Year 2001 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	17,631
Minimal income in current year	1,346
Losses Carried Forward	
Losses carried forward from prior years result in zero income or loss	4,488
Losses carried forward from prior years result in minimal income	146
Credits	
Credits reduce tax to minimum	213
Combination	
Combination of losses carried forward and credits reduce tax to minimum	16
Total	**23,840**

Minimum taxpayers appear in all industry sectors. Exhibit 3.14 shows minimum taxpayers by sector.

Exhibit 3.14—Tax Year 2001 C Corporation Excise Tax Returns
Minimum Taxpayers By Industry Sector

Industry Sector [1]	Returns Paying Minimum Tax	Total Returns	Percent Paying Minimum
Agriculture, Forestry, Fishing, and Hunting	996	1,430	69.7%
Mining	35	51	68.6%
Utilities	24	34	70.6%
Construction	2,302	3,331	69.1%
Manufacturing	1,358	2,092	64.9%
Wholesale Trade	1,889	3,124	60.5%
Retail Trade	1,612	2,645	60.9%
Transportation and Warehousing	567	851	66.6%
Information (includes Telecommunications)	492	659	74.7%
Finance and Insurance	1,350	2,356	57.3%
Real Estate, Rental, and Leasing	681	1,044	65.2%
Professional, Scientific, and Technical Services	1,753	2,640	66.4%
Management of Companies and Enterprises	68	119	57.1%
Administrative, Support, and Waste Management	815	1,250	65.2%
Educational Services	100	154	64.9%
Health Care and Social Assistance	1,465	1,955	74.9%
Arts, Entertainment, and Recreation	154	247	62.3%
Accommodation and Food Services	537	876	61.3%
Other Services (except Public Administration)	1,016	1,596	63.7%
Unknown	6,626	9,071	73.0%
Total	**23,840**	**35,525**	**67.1%**

[1] Selected detail of industries found in each sector is provided in Appendix B — "Selected Glossary of Industry Sectors."

With a few exceptions, S corporations pass their income (or loss) through to their shareholders. The income is not taxed at the corporation level, rather it is taxed as income of the shareholders. S corporation income is taxed on the corporate side when an S corporation has built-in gains or net excess passive income.

S corporations paying either the income or the excise tax file Form 20-S. The minimum tax for excise taxpayers is $10 and the minimum tax for income taxpayers is $0. Corporations doing business in Oregon are subject to the minimum excise tax even if they pass their income through to shareholders.

Exhibit 3.15—Tax Year 2001 S Corporation Tax Returns
S Corporation Summary

Dollars in thousands

Type of Filer	Number of Returns	Number Paying Minimum Tax	Oregon Taxable Income	Oregon Tax
Income Tax	683	557	$473	$32
Excise Tax	43,434	43,220	$10,920	$1,143
Total 20-S	**44,117**	**43,777**	**$11,393**	**$1,174**

Exhibit 3.16 shows that most 20-S filers do not apportion their income between Oregon and other states, and most are domiciled (i.e. have their headquarters) in Oregon.

Exhibit 3.16—Tax Year 2001 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)	4,127	$6,523	$461
Nonapportioned	39,990	$4,870	$713
State of Domicile for 20-S Filers			
Oregon	40,316	$7,707	$902
Other	3,801	$3,686	$272

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 3.17 shows the number of returns and tax associated with 20-I filers.

Exhibit 3.17—Tax Year 2001 20-I Tax Returns
Income Tax Returns Summary

Dollars in thousands

	Number of Returns	Oregon Taxable Income	Oregon Tax
Total 20-I Returns	249	$4,549	$300

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