Oregon
Corporate Excise
and
Income Tax

Characteristics of Corporate Taxpayers

2012 Edition

Covering Fiscal Year 2012 Corporate Tax Receipts
and Tax Year 2010 Corporate Tax Returns

OREGON
DEPARTMENT
OF REVENUE

150-102-405 (Rev. 01-13)

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

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Oregon Corporate Tax Receipts 2011-12 Fiscal Year	
Corporate Tax Revenue	$427.2 million
Percent of General Fund	6.2%

Since 1929, corporations in Oregon have paid a form of income tax. These revenues were 6.2 percent of the General Fund in the 2011-12 fiscal year, and are projected to be about 6 percent of total General Fund revenue in the 2011-13 biennium.

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

Section 1 contains background information on the taxation of corporations in Oregon. It includes descriptions of the computation of tax and how payments are received.

Section 2 provides descriptive information based on corporate tax receipts through fiscal year 2012. 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 and in the specific industry sectors.

Section 3 focuses on corporate tax returns corresponding to tax year 2010. 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 corporate taxpayers. However, 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.

Background

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, Chapter 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.

Although commonly referred to as "Oregon 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 any transaction or transactions in the course of a corporation's activities conducted within Oregon. A corporation is doing business when it engages in any profit-seeking activity in Oregon. Corporations not doing business in Oregon but with income from an Oregon source pay the **income tax**. Most corporations pay the excise tax.

Current tax law 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. These distinctions are discussed in greater detail later in this report.

Tax Calculation

Below is a basic description of the calculation of taxes for corporations subject to the Oregon corporation excise or income tax. Because the corporate tax program is complex, not every detail is 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 is discussed below. For additional information, please refer to the Oregon Department of Revenue's Corporation Tax Forms and Instructions available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

Starting Point: Federal Taxable Income

Oregon's definition of taxable income for corporations is tied to federal taxable income. Federal taxable income is essentially 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.

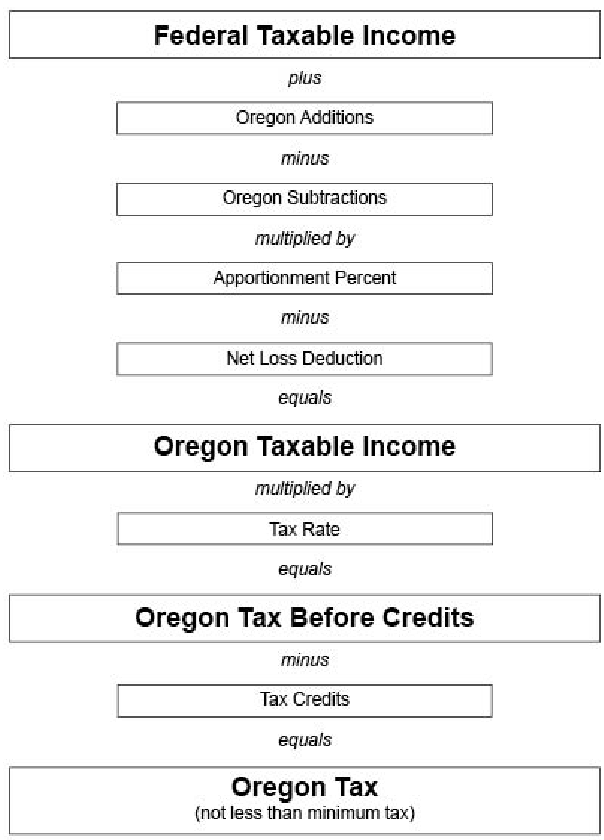
Additions

Additions are sources of gross income that are taxable in Oregon but not by the federal government or deductions allowed under federal law but not allowed under state law. Some common Oregon additions include state or municipal interest income, and Oregon excise tax or other state taxes measured by net income or profits.

Subtractions

Subtractions are sources of gross income that are taxable at the federal level but not by Oregon, or deductions allowed by state law but not allowed under federal law. Subtractions include dividend deductions and income of non-unitary corporations.

Exhibit 1.1
Computation of the Oregon Corporate Income Tax



Apportionment of Business Income

For purposes of state taxation, 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 earned from Oregon activities.

Before tax year 1991, a corporation's income was apportioned to Oregon by a three-factor formula. The factors used in this formula were 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 was calculated for each of these factors and these three percentages were weighted equally to determine an overall apportionment percentage that was applied to total income of the corporation.

In 1991, Oregon switched to a double-weighted sales factor to arrive at the apportionment percent, calculated as 50 percent of the sales factor plus 25 percent of the property and payroll factors. Tax years starting on or after May 1, 2003 used super-weighted sales where the apportionment percent was calculated as 80 percent of the sales factor plus 10 percent each of the property and payroll factors. Tax years starting on or after July 1, 2005 use only Oregon sales relative to sales in all states to determine apportionment percentage.[1] Refer to Exhibit 1.2 for a table summarizing the changes to 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 (5/1/2003)	10%	10%	80%
Single sales factor (7/1/2005)	0%	0%	100%

Allocation of Nonbusiness Income

Income that does not arise from the regular activities of a taxpayer's trade or business is not apportioned using the apportionment formula, but is instead allocated to a specific state. This income, known as nonbusiness income, is generally allocated to the state where the income producing activity occurs. For instance, rental income or loss that is not associated with the taxpayer's regular business would be assigned to the state where the rental takes place. Nonbusiness income from intangible assets is assigned to the state of the taxpayer's commercial domicile.

Net Loss Deduction

Apportioned 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 operating losses to offset past tax liability. Capital losses may be used to reduce the amount of capital gain income taxed by Oregon. Capital losses may be carried back up to three years, and then carried forward up to five years.

Taxable Income and Tax Before Credits

Oregon taxable income results from applying apportionment and allocation, then subtracting losses. Multiplying Oregon taxable income by the tax rate produces tax before credits. The tax rate has changed many times since corporate tax was introduced in 1929, with rates ranging from 5 to 9 percent. In 1987, the rate was reduced from 7.5 to 6.6 percent, where it remained until 2009.

With the voter approval of Measure 67 in January 2010, a second marginal corporate tax rate was created. For tax years 2009 and 2010, corporations pay a tax rate of 6.6 percent on taxable income up to $250,000, and a rate of 7.9 percent on any amount of taxable income greater than $250,000. For tax years 2011 and 2012, the tax rate remains 6.6 percent for income up to

[1] The apportionment methods described here are used for most corporations. Certain wood-products companies must use a double-weighted sales apportionment formula for tax years 2006 through 2009. Utilities and telecommunications companies may elect to use a double-weighted sales formula. These two exceptions and the effect on these corporations' tax are described in more detail in the *State of Oregon 2013-15 Tax Expenditure Report*, which is available at http://www.oregon.gov/DOR/STATS/statistics.shtml. Insurance companies use Oregon Form 20-INS and different factors for income apportionment, as described in detail in Section 1C.

$250,000, while the tax rate for taxable income greater than $250,000 decreases from 7.9 percent to 7.6 percent. From 2013 forward, the tax rate is 6.6 percent for taxable income of $10 million or less, and 7.6 percent for taxable income greater than $10 million. Exhibit 1.3 provides a history of Oregon corporation tax rates.

Exhibit 1.3—Corporate Tax Rates, 1929 to 2013

Tax 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
2009	6.6%	All Corporations, taxable income <= $250,000
	7.9%	All Corporations, taxable income > $250,000
2011	6.6%	All Corporations, taxable income <= $250,000
	7.6%	All Corporations, taxable income > $250,000
2013	6.6%	All Corporations, taxable income <= $10 M
	7.6%	All Corporations, taxable income > $10 M

Credits

A corporation can claim any of more than 40 applicable credits to reduce its Oregon tax liability. Most allow unused credit amounts to be carried forward and used in later years. See pages 3-10 to 3-13 for information on credit usage by C corporations. The *State of Oregon 2013-15 Tax Expenditure Report* also provides a thorough discussion of corporate tax credits. The report is available at http://www.oregon.gov/dor/STATS/Pages/statistics.aspx.

Oregon Tax

A corporation's net tax liability is the result of subtracting credits from the tax liability before credits. The corporation pays the greater of the calculated net tax liability or the alternative minimum tax.

When established in 1929, the corporation excise tax included a minimum tax of $25. The 1931 Legislature decreased the minimum excise tax to $10. With voter approval of Measure 67 in January 2010, a new alternative minimum tax structure was implemented effective for the 2009 tax year. The tiered minimum tax amounts are detailed in Exhibit 1.4.

The corporate minimum tax is based on Oregon sales, defined as the income received by a corporation from the sale of a product or service to an individual or business located in Oregon. For a corporation that only does business in Oregon, this amount is the total sales of the business. If a corporation does business in multiple states, the sales in Oregon would be used to determine the alternative minimum tax.

Exhibit 1.4—Corporate Alternative Minimum Tax For Tax Years Beginning in 2009

Oregon Sales	Minimum Tax
< $500,000	$150
$500,000 to $1 million	$500
$1 million to $2 million	$1,000
$2 million to $3 million	$1,500
$3 million to $5 million	$2,000
$5 million to $7 million	$4,000
$7 million to $10 million	$7,500
$10 million to $25 million	$15,000
$25 million to $50 million	$30,000
$50 million to $75 million	$50,000
$75 million to $100 million	$75,000
$100 million or more	$100,000

The alternative minimum tax for S corporations filing excise tax returns increased from $10 to $150. The taxation of S corporations varies from the C corporation structure because nearly all income of S corporations is passed on to the corporation's shareholders and taxed as personal income. The taxation of insurance corporations also varies from the C corporation structure. Insurance corporations use different definitions and application of apportionment factors and a different computation of taxable income that is based on their annual statement filed with the Oregon Insurance Commissioner. See Section 1B for more information on S corporations and Section 1C for additional information on insurance corporations.

For more information, please refer to Oregon Department of Revenue's Corporation Tax Forms and Instructions at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

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

- One class of stock.
- No more than 100 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 recognizes the S corporation election made for federal purposes allowing a corporation to function as a pass-through entity.

S corporations that are paying either the income or the excise tax file Oregon tax Form 20-S. Since S corporations generally pass their income through to their shareholders, relatively few of them have income that is subject to Oregon corporate tax. This type of income generally occurs when a corporation converts from a C corporation to an S corporation.

Most S corporation filers pay the excise minimum tax, because they pass their income through to their shareholders. With voter approval of Measure 67, this minimum tax increased from $10 to $150 effective for the tax year beginning January 1, 2009.

The number of S corporations had been steadily increasing for many years, but declined slightly for tax year 2009 and again for 2010. For the 1990 tax year, 18,437 S corporations filed returns in Oregon. For the 2010 tax year, 58,091 S corporations filed returns, one-half percent less than tax year 2009. For more statistics on S corporations, please refer to Section 3C.

For more information, please refer to Oregon Department of Revenue's S Corporation Tax Instructions, Form 20-S, available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

Before 1997, foreign (out-of-state) insurers paid a retaliatory tax and gross premiums 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 (in-state) insurers subject to the same taxes. Starting with tax year 1997, all foreign and domestic insurance corporations have been 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 gross premiums tax was being phased out. For tax years after 2001, foreign insurers are no longer subject to the transition tax, but are subject to the retaliatory tax that is paid to DCBS.[2] 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.

Until 2007, insurers were required to use an apportionment formula with three equally weighted factors. These factors were:

- 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.
- The Oregon share of insurance sales (total premiums written) relative to the total insurance sales.

Senate Bill 179, passed during the regular legislative session in 2007, changed the apportionment formula for insurance companies from three equally weighted factors to a single sales factor for the tax years starting on or after January 1, 2007. This change made treatment of the insurance companies similar to other corporations for the matters of apportionment.

Title insurers file Form 20 instead of Form 20-INS and use the same apportionment factors as most other corporations.

For more information, please refer to Oregon Department of Revenue's Insurance Excise Tax Instructions and Form 20-INS, available at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml.

[2] The retaliatory tax is based on a comparison of the taxes, fees, assessments, penalties, and fines that an Oregon insurance 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.

Timing of Tax Payments

Exhibit 2.1—Corporate Tax Receipts in FY 2011-12 By Tax Year

Tax Year	Net Receipts ($ thousands)
2006 and prior	$9,239
2007	$1,821
2008	$819
2009	-$20,792
2010	-$65,808
2011	$409,287
2012	$112,935
Total	**$447,502**

Corporations file a tax return after the end of their tax year, which is usually the same as a calendar year. However, for some corporations, the tax year covers a period of time significantly different from a calendar year.[3] Because corporations may receive extensions to file returns, and they make quarterly estimated payments, nearly all of the payments associated with the Oregon corporate excise and income tax are received before the corresponding tax returns are filed. Other payments or refunds occur after the tax returns are filed due to amended or audited returns. Payments received by the Oregon Department of Revenue during any fiscal year (July 1–June 30) represent tax liabilities from many different tax years.

Exhibit 2.1 provides details on the tax years for which payments were received in fiscal year 2012. These are net payments—composed of estimated payments, final payments associated with a return, and refunds issued to taxpayers.

Most of the payments were received for tax years 2011 and 2012, while refunds issued for earlier tax years were significant. Exhibit 3.3 on page 3-3 provides detailed information on the timing of corporate receipts for the tax year 2010.

Trends in Corporate Tax Receipts

Exhibit 2.2 shows net corporate tax receipts since fiscal year 1982-83. Actual net receipts were relatively flat throughout the 1980s, fluctuated throughout the 1990s, and sharply declined in fiscal year 2001-02, coinciding with the recession. Beginning with fiscal year 2002-03, receipts began to rise and nearly quadrupled by fiscal year 2005-06 relative to fiscal year 1982-83. However, due to the recent recession, receipts dropped sharply in fiscal year 2008-09, but rebounded substantially through fiscal year 2010-11, before decreasing slightly in fiscal year 2011-12.

The lower line on the chart shows that real receipts (receipts adjusted for inflation) were lower in fiscal year 2008-09 than fiscal year 1982-83, even though net receipts were almost twice as much. The swings from fiscal year 1995-96 to fiscal year 1997-98 and from fiscal year 2005-06 to fiscal year 2006-07 are related to the distribution of corporate "kickers."[4]

[3] For more detail on corporations' fiscal years and the due dates of corporations' tax returns, see Appendix C.
[4] The Oregon surplus credit, or kicker, occurs if revenues exceed the forecast by more than 2 percent. See Appendix D for more information and a history of kicker amounts.

Exhibit 2.2 - Oregon Corporation Excise and Income Tax Net Receipts

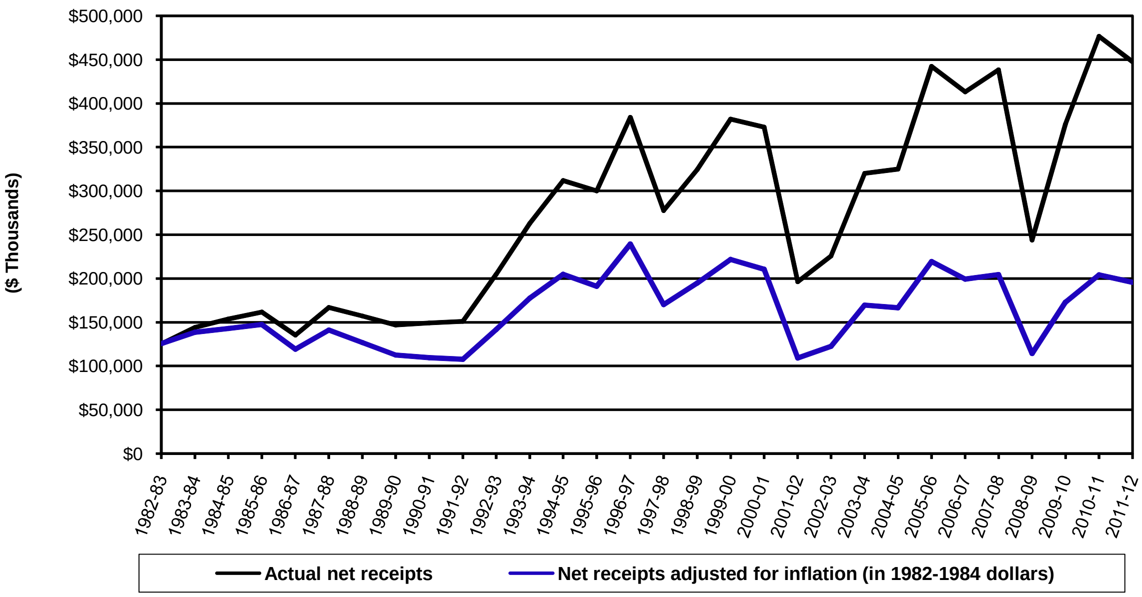


Exhibit 2.3 shows corporate receipts history for the 20 most recent fiscal years.

Exhibit 2.3—Corporate Receipts History

Fiscal Year*	Net Receipts ($ thousands)	Percent Change
1991-92	$150,884	1.5%
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	$320,164	42.0%
2004-05	$324,936	1.5%
2005-06	$442,306	36.1%
2006-07	$413,226	-6.6%
2007-08	$438,313	6.1%
2008-09	$243,806	-44.4%
2009-10	$376,135	54.3%
2010-11	$476,525	26.7%
2011-12	$447,502	-6.1%

* Fiscal year starts July 1.

Receipts by Industry Sector

Exhibits 2.4 and 2.5 show a comparison between corporate receipts in fiscal years 2011 and 2012, and provide some detail of which sectors contributed to the changes. In Exhibit 2.4, the primary sectors that contribute to the "All Other" category include transportation and warehousing; other services (except public administration); health care and social assistance; and professional, scientific, and technical services. Total receipts decreased by 6.1 percent from fiscal year 2010-11 to fiscal year 2011-12.

Exhibit 2.4 - Corporate Tax Receipts by Industry Sector

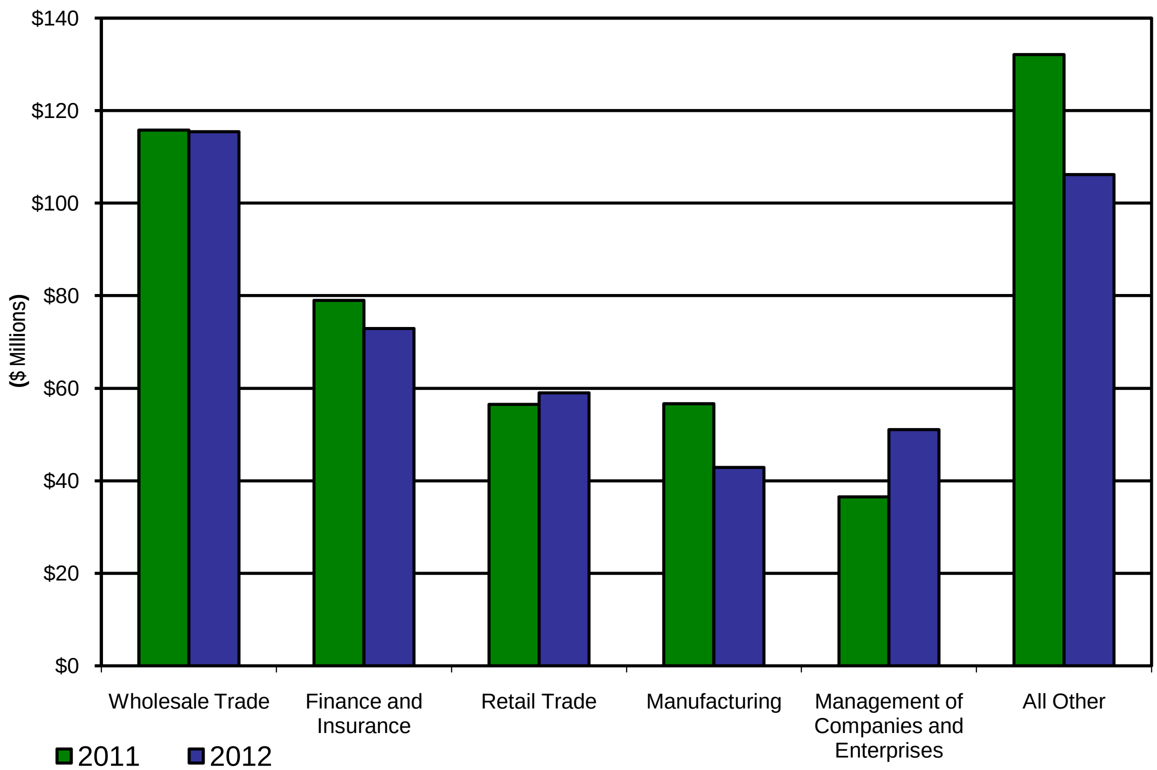


Exhibit 2.5 provides the detail of receipts from all sectors in fiscal years 2010-11 and 2011-12.

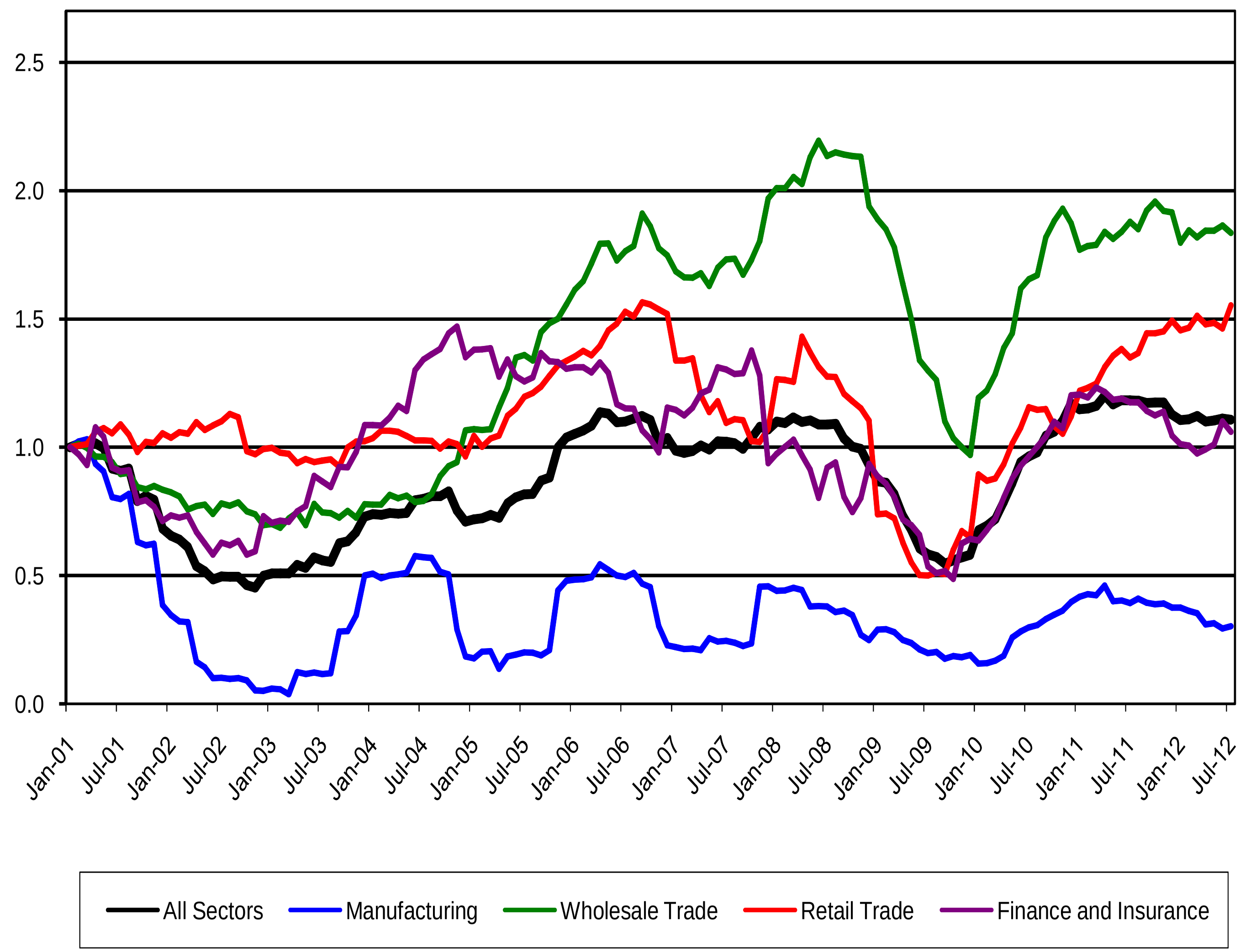
Exhibit 2.5—Corporate Tax Receipts by Industry Sector

Industry Sector *	FY 2011 ($ thousands)	FY 2012 ($ thousands)	Percent Change	Percent of Total Receipts
Agriculture, Forestry, Fishing, and Hunting	$7,085	$6,652	-6%	1.5%
Mining	$614	$556	-9%	0.1%
Utilities	$1,551	($1,665) **	-207%	-0.4%
Construction	$10,148	$12,323	21%	2.8%
Manufacturing	$56,628	$42,889	-24%	9.6%
Wholesale Trade	$115,774	$115,431	0%	25.8%
Retail Trade	$56,482	$58,985	4%	13.2%
Transportation and Warehousing	$19,734	$9,618	-51%	2.1%
Information	$13,604	$23,721	74%	5.3%
Finance and Insurance	$79,023	$72,925	-8%	16.3%
Real Estate, Rental, and Leasing	$7,983	$7,509	-6%	1.7%
Professional, Scientific, and Technical Services	$15,907	$14,770	-7%	3.3%
Management of Companies and Enterprises	$36,509	$51,072	40%	11.4%
Administrative, Support, and Waste Management	$9,270	$8,817	-5%	2.0%
Educational Services	$3,006	$2,050	-32%	0.5%
Health Care and Social Assistance	$14,395	$8,803	-39%	2.0%
Arts, Entertainment, and Recreation	$2,299	$557	-76%	0.1%
Accommodation and Food Services	$5,889	$6,015	2%	1.3%
Other Services (except Public Administration)	$20,154	$4,622	-77%	1.0%
Unknown	$468	$1,849	***	0.4%
Total	**$476,525**	**$447,502**	**-6%**	**100%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."
** Negative amount for this sector is a result of significant refunds, making the percent change not meaningful.
*** The magnitude of change is not meaningful for this category. The number of unclassified corporations and receipts attributable to them will drop significantly with time due to the on-going efforts to improve NAICS code assignment to corporate taxpayers.

Another way to look at changes in corporate tax receipts is to look at indexed values for the largest sectors. Exhibit 2.6 shows 12-month cumulative receipts of selected sectors, relative to their value in January 2001. Total receipts were decreasing through December 2002, then rose through November 2004. As of December 2006, total receipts returned back to their January 2001 level and stayed that way through late 2007. After rising modestly through late 2007 and maintaining this level through early 2008, receipts declined steadily until October of 2009, then began increasing rapidly until 2011 when they began to decline slightly.

Exhibit 2.6 - Corporate Tax Receipts Index of 12-Month Totals (January 2001 = 1)
January 2001 through July 2012



Summary of All Corporate Returns

Corporations may file one of four Oregon tax returns depending on their business structure and nature of their business. C corporations may file Forms 20, 20-I or 20-INS, while S corporations file Form 20-S.

- ***Form 20, Excise Tax***. Corporations doing business in Oregon file Form 20 and pay the corporation excise tax. For tax year 2010, the minimum corporation excise tax is based on Oregon sales and ranges from $150 to $100,000. See Exhibit 1.4 on page 1-5 for details.
- ***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 is from an Oregon source if it is derived from tangible or intangible property located in Oregon or any activity carried on in Oregon that is not considered doing business in Oregon, whether intrastate, interstate, or foreign commerce. Income tax filers are not subject to a minimum tax.
- ***Form 20-INS, Insurance.*** Insurance corporations file Form 20-INS and pay the excise tax. They are subject to the same minimum tax requirement as filers of Form 20.
- ***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 federal 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. For tax year 2010 excise taxpayers pay a minimum tax of $150. Income taxpayers are not subject to a minimum tax.

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 that are engaged in business activities that constitute a unitary business as defined by ORS 317.705.

Exhibit 3.1—Tax Year 2010 Corporation Tax Returns
Type of Return Filed

Oregon Tax Form Filed	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)
20 Oregon Corporation Excise Tax Return	29,812	$5,064,259	$367,081
20-I Oregon Corporation Income Tax Return	418	$8,323	$603
20-INS Oregon Insurance Excise Tax Return	1,149	$570,556	$41,177
20-S Oregon S Corporation Tax Return	58,091	$8,005	$9,498
Total	**89,470**	**$5,651,143**	**$418,359**

Timing of Filing Tax Returns

Corporations' tax years may cover a period of time significantly different from a calendar year.[5] Because of this and extensions for filing returns, most tax year 2010 returns were received during a two-year period.

Exhibit 3.2 shows when the returns were received. By December 2011, about 72 percent of the tax for tax year 2010 had been reported on returns.

Exhibit 3.2—Tax Year 2010 Corporation Tax Returns Received By Month

Month	Number of Returns*	Net Tax Reported ($ thousands)	Percent of Total Net Tax Reported	Cumulative Net Tax ($ thousands)	Cumulative Percent
February 2011 or prior	6,284	$3,075	0.7%	$3,075	0.7%
March 2011	21,817	$15,723	3.8%	$18,798	4.5%
April 2011	15,563	$16,459	3.9%	$35,257	8.4%
May 2011	2,346	$1,723	0.4%	$36,980	8.8%
June 2011	2,976	$3,634	0.9%	$40,614	9.7%
July 2011	2,788	$7,169	1.7%	$47,782	11.4%
August 2011	4,126	$13,280	3.2%	$61,062	14.6%
September 2011	16,556	$49,796	11.9%	$110,858	26.5%
October 2011	6,350	$150,989	36.1%	$261,847	62.6%
November 2011	1,374	$31,675	7.6%	$293,522	70.2%
December 2011	1,780	$8,639	2.1%	$302,160	72.2%
January 2012	1,581	$15,069	3.6%	$317,229	75.8%
February 2012	1,177	$4,741	1.1%	$321,970	77.0%
March 2012	1,145	$14,105	3.4%	$336,074	80.3%
April 2012	758	$24,723	5.9%	$360,798	86.2%
May 2012	513	$7,810	1.9%	$368,608	88.1%
June 2012	701	$8,094	1.9%	$376,703	90.0%
July 2012 or later	1,635	$41,656	10.0%	$418,359	100.0%
Total	**89,470**	**$418,359**	**100.0%**		

* Net tax and number of returns reported in this table are based on original returns except when replaced by amended or audited returns.

[5] For more detail on corporations' fiscal years and the due dates of corporations' tax returns, see Appendix C.

Timing of Receipts for Tax Year 2010

Because corporations generally must make quarterly estimated payments of tax liability before their return is filed, and because of differences in filing periods, payments for any tax year will be received during several calendar years. Exhibit 3.3 shows that corporations significantly overpaid their 2010 tax liability through October 2011. Large corporations that pay less than their actual tax liability can face penalties, so it is likely that they overpay to avoid those penalties. The resulting overpayments lead to significant refunds beginning in November 2011.

Exhibit 3.3—Tax Year 2010 Corporation Tax Receipts By Month

Month Received	Net Reciepts for Tax Year* ($ thousands)	Percent of Total Receipts for Tax Year	Cumulative Receipts ($ thousands)	Cumulative Percent
March 2010 or prior	$3,880	0.9%	$3,880	0.9%
April-10	$28,701	6.7%	$32,581	7.6%
May-10	$11,285	2.6%	$43,866	10.2%
June-10	$59,385	13.8%	$103,251	24.1%
July-10	$12,355	2.9%	$115,606	26.9%
August-10	$4,661	1.1%	$120,267	28.0%
September-10	$66,319	15.5%	$186,586	43.5%
October-10	$29,524	6.9%	$216,111	50.3%
November-10	$35,776	8.3%	$251,887	58.7%
December-10	$111,064	25.9%	$362,950	84.6%
January-11	$30,119	7.0%	$393,070	91.6%
February-11	$9,102	2.1%	$402,172	93.7%
March-11	$37,459	8.7%	$439,631	102.4%
April-11	$38,568	9.0%	$478,199	111.4%
May-11	$24,747	5.8%	$502,946	117.2%
June-11	$16,763	3.9%	$519,709	121.1%
July-11	$8,924	2.1%	$528,633	123.2%
August-11	$11,992	2.8%	$540,626	126.0%
September-11	$19,929	4.6%	$560,555	130.6%
October-11	$1,521	0.4%	$562,076	131.0%
November-11	-$13,096	-3.1%	$548,980	127.9%
December-11	-$44,423	-10.3%	$504,557	117.6%
January 2012 or later	-$75,332	-17.6%	$429,224	100.0%
Total	**$429,224**	**100.0%**		

* Net receipts for the tax year will not match the tax liability reported on returns. This is primarily due to penalty and interest payments.

History of Tax Returns Filed

Exhibit 3.4 shows the history of corporate tax returns filed in Oregon since 1990. The number of returns increased steadily through 2008, but declined slightly in 2009 and again in 2010. However, the total tax increased significantly from 2008 to 2009 and again in 2010.

Exhibit 3.4—Corporate Return History

Tax Year	Number of S Corporation Returns	Number of C Corporation Returns	Total Number of Returns	Tax After Credits ($ thousands)	Oregon Net Tax* ($ thousands)
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	40,567	39,735	80,302	$356,391	$357,981
1999	42,153	38,930	81,083	$392,577	$392,631
2000	44,047	38,410	82,457	$357,701	$357,996
2001	45,179	37,458	82,637	$242,790	$242,878
2002	46,744	36,527	83,271	$236,827	$237,051
2003	48,842	35,991	84,833	$285,120	$285,720
2004	50,980	34,883	85,863	$313,245	$313,480
2005	53,341	34,242	87,583	$458,336	$294,015
2006	54,771	33,130	87,901	$449,916	$449,970
2007	57,396	33,508	90,904	$413,586	$398,995
2008	58,587	32,640	91,227	$280,300	$280,569
2009	58,310	31,890	90,200	$371,178	$371,780
2010	58,091	31,379	89,470	$417,902	$418,359

* Net tax differs from tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D — "Surplus Kicker."

The following sections provide additional information about corporate taxpayers:

- Section 3B gives details for C corporation taxpayers, which file Forms 20, 20-I, and 20-INS.
- Section 3C summarizes information for S corporations, 20-S filers.

This section provides detail on C corporation taxpayers. C corporations paid almost 98 percent of the total corporate excise and income tax payments for tax year 2010. Taxpayers doing business in Oregon must file Form 20 or 20-INS. Only a few taxpayers are subject to corporate income tax. They are not doing business in Oregon and file tax Form 20-I. For ease of reading, the sections and exhibits that follow show the information pooled from these three return types, describing all C corporation taxpayers.

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

- **Taxable income category**
- **Industry sector**
- **State of commercial domicile**
- **Apportioned returns**
  - Total
  - By industry sector
- **Credit usage**
  - All credits
  - Additional detail for business energy facilities credit
  - Additional detail for pollution control credit
  - Additional detail for qualified research activities credit
- **Minimum tax returns**
  - By income group
  - By Oregon sales
  - Tax detail
  - Reason for minimum tax payment
  - By industry sector
- **Tax rate returns**
  - By income group
  - Tax detail
  - By industry sector

Exhibit 3.5 shows the distribution of returns and the source of tax 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 tax. The 100 largest corporations, in terms of taxable income, paid almost 43 percent of the total tax.

As discussed in section 1-A, a corporation is required to pay the larger of the minimum tax or the tax from the tax rates. Exhibit 3.5 shows that less than 12 percent of the total tax comes from the minimum tax. Corporations paying the minimum tax (minimum tax returns) are discussed further starting on page 3-14, while those paying tax based on the tax rates (tax rate returns) are detailed beginning on page 3-17.

Exhibit 3.5—Tax Year 2010 C Corporation Tax Returns
Taxable Income Category

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Oregon Net Tax from Minimum Tax ($ thousands)	Oregon Net Tax from Rates ($ thousands)
Zero Income or Loss*	20,424	$0	$34,281	$34,281	$0
$1 - $50,000	7,160	$81,063	$7,506	$2,999	$4,507
$50,000 - $100,000	1,092	$78,259	$5,818	$1,237	$4,580
$100,000 - $250,000	961	$153,142	$10,810	$2,162	$8,648
$250,000 - $500,000	555	$196,989	$13,651	$1,599	$12,052
$500,000 - $1 million	400	$278,745	$19,934	$1,492	$18,442
$1 million to $5 million	583	$1,292,456	$94,419	$2,078	$92,341
$5 million to $10 million	104	$726,589	$47,618	$855	$46,763
$10 million to $25 million	66	$1,027,593	$70,749	$205	$70,544
Over $25 million	34	$1,808,301	$104,076	$300	$103,776
Total	**31,379**	**$5,643,138**	**$408,860**	**$47,208**	**$361,653**

Percentage Distribution of Taxable Returns

Oregon Taxable Income Category	Number of Returns	Oregon Taxable Income	Oregon Net Tax	Oregon Net Tax from Minimum Tax	Oregon Net Tax from Rates
Zero Income or Loss*	65.1%	0.0%	8.4%	72.6%	0.0%
$1 - $50,000	22.8%	1.4%	1.8%	6.4%	1.2%
$50,000 - $100,000	3.5%	1.4%	1.4%	2.6%	1.3%
$100,000 - $250,000	3.1%	2.7%	2.6%	4.6%	2.4%
$250,000 - $500,000	1.8%	3.5%	3.3%	3.4%	3.3%
$500,000 - $1 million	1.3%	4.9%	4.9%	3.2%	5.1%
$1 million to $5 million	1.9%	22.9%	23.1%	4.4%	25.5%
$5 million to $10 million	0.3%	12.9%	11.6%	1.8%	12.9%
$10 million to $25 million	0.2%	18.2%	17.3%	0.4%	19.5%
Over $25 million	0.1%	32.0%	25.5%	0.6%	28.7%
Total	**100.0%**	**100%**	**100%**	**100.0%**	**100.0%**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.6 shows the distribution of returns by industry sector. For tax year 2010, the finance and insurance, wholesale trade, retail trade, and manufacturing sectors together accounted for 66 percent of total tax liability.

Exhibit 3.6—Tax Year 2010 C Corporation Tax Returns
Industry Sector

Industry Sector *	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,501	$77,361	$6,177
Mining	95	$12,361	$694
Utilities	64	$38,486	$3,065
Construction	2,755	$129,904	$9,235
Manufacturing	2,234	$683,538	$48,276
Wholesale Trade	3,453	$1,367,368	$101,802
Retail Trade	2,089	$798,874	$50,955
Transportation and Warehousing	811	$201,705	$16,078
Information	1,010	$273,151	$20,624
Finance and Insurance	2,950	$1,042,147	$67,469
Real Estate, Rental, and Leasing	1,843	$65,660	$6,244
Professional, Scientific, and Technical Services	3,703	$148,657	$12,511
Management of Companies and Enterprises	1,183	$397,325	$31,369
Administrative, Support, and Waste Management	1,128	$104,600	$8,252
Education Services	218	$24,215	$1,853
Health Care and Social Assistance	1,612	$79,635	$7,454
Arts, Entertainment, and Recreation	367	$8,573	$855
Accommodation and Food Services	813	$60,230	$5,169
Other Services (except Public Administration)	1,814	$126,522	$10,322
Unknown	1,736	$2,826	$456
Total	**31,379**	**$5,643,138**	**$408,860**

Percentage Distribution

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	4.8%	1.4%	1.5%
Mining	0.3%	0.2%	0.2%
Utilities	0.2%	0.7%	0.7%
Construction	8.8%	2.3%	2.3%
Manufacturing	7.1%	12.1%	11.8%
Wholesale Trade	11.0%	24.2%	24.9%
Retail Trade	6.7%	14.2%	12.5%
Transportation and Warehousing	2.6%	3.6%	3.9%
Information	3.2%	4.8%	5.0%
Finance and Insurance	9.4%	18.5%	16.5%
Real Estate, Rental, and Leasing	5.9%	1.2%	1.5%
Professional, Scientific, and Technical Services	11.8%	2.6%	3.1%
Management of Companies and Enterprises	3.8%	7.0%	7.7%
Administrative, Support, and Waste Management	3.6%	1.9%	2.0%
Education Services	0.7%	0.4%	0.5%
Health Care and Social Assistance	5.1%	1.4%	1.8%
Arts, Entertainment, and Recreation	1.2%	0.2%	0.2%
Accommodation and Food Services	2.6%	1.1%	1.3%
Other Services (except Public Administration)	5.8%	2.2%	2.5%
Unknown	5.5%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

Exhibit 3.7 shows the distribution of returns by the state of commercial domicile (the location of corporation's headquarters) as reported on the tax return. 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 2010, most of the corporate tax liability did not come from corporations domiciled in Oregon. Corporations domiciled outside of Oregon accounted for more than four-fifths of the total liability.

Exhibit 3.7—Tax Year 2010 C Corporation Tax Returns
Region of Commercial Domicile

Region*	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Percent of Total Tax
Northeast	2,518	$1,084,290	$81,436	19.9%
Midwest	2,313	$1,292,533	$86,322	21.1%
South	2,883	$986,160	$72,283	17.7%
West	23,265	$2,268,764	$167,750	41.0%
Outside U.S.	400	$11,392	$1,069	0.3%
Total	**31,379**	**$5,643,139**	**$408,860**	**100%**

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

Tax Year 2010 C Corporation Tax Returns
State of Commercial Domicile
Western Region

State	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Percent of Total Tax
Alaska	48	$7,687	$632	0.2%
Arizona	198	$78,731	$6,322	1.5%
California	1,911	$706,523	$52,322	12.8%
Colorado	255	$89,004	$5,985	1.5%
Hawaii	33	$10,256	$780	0.2%
Idaho	142	$26,739	$2,182	0.5%
Montana	40	$5,944	$384	0.1%
New Mexico	20	$8,373	$662	0.2%
Nevada	119	$7,561	$548	0.1%
Oregon	19,295	$1,025,956	$78,898	19.3%
Utah	139	$15,397	$1,266	0.3%
Washington	1,050	$285,729	$17,706	4.3%
Wyoming	15	$863	$65	0.0%
Total	**23,265**	**$2,268,764**	**$167,750**	**41.0%**

Taxpayers doing business in multiple states must apportion their business income using an apportionment formula. For tax years beginning on or after July 1, 2005, Oregon uses 100 percent sales factor apportionment.[6]

Exhibit 3.8—Tax Year 2010 C Corporation Tax Returns Apportioned Returns

Apportionment	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Percent of Total Tax
Multistate (Apportioned)	12,999	$5,219,795	$370,779	90.7%
Nonapportioned	18,380	$423,343	$38,354	9.4%
Total	**31,379**	**$5,643,138**	**$408,860**	**100%**

Exhibit 3.9 shows the distribution of the multistate (apportioned) tax returns by industry sector.

Exhibit 3.9 Tax Year 2010 C Corporation Tax Returns Industry Sector for Multistate (Apportioned) Returns

Industry Sector *	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Percent of Total Tax
Agriculture, Forestry, Fishing, and Hunting	148	$37,781	$3,072	0.8%
Mining	42	$11,921	$618	0.2%
Utilities	21	$32,705	$2,531	0.7%
Construction	747	$111,785	$7,210	1.9%
Manufacturing	1,063	$615,836	$42,526	11.5%
Wholesale Trade	2,331	$1,312,650	$96,838	26.1%
Retail Trade	588	$761,259	$46,767	12.6%
Transportation and Warehousing	347	$191,744	$15,138	4.1%
Information	559	$258,695	$19,341	5.2%
Finance and Insurance	2,031	$982,566	$62,874	17.0%
Real Estate, Rental, and Leasing	534	$47,191	$4,721	1.3%
Professional, Scientific, and Technical Services	1,813	$129,360	$10,652	2.9%
Management of Companies and Enterprises	1,008	$376,769	$30,211	8.1%
Administrative, Support, and Waste Management	453	$93,818	$7,341	2.0%
Education Services	95	$23,161	$1,751	0.5%
Health Care and Social Assistance	180	$58,175	$4,836	1.3%
Arts, Entertainment, and Recreation	100	$6,121	$559	0.2%
Accommodation and Food Services	120	$52,572	$4,434	1.2%
Other Services (except Public Administration)	252	$114,262	$9,154	2.5%
Unknown	567	$1,422	$203	0.1%
All	**12,999**	**$5,219,795**	**$370,779**	**100%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

[6] Section 1A provides more detail on changes in Oregon's corporate apportionment formula.

Many credits are available to corporate 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 several 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 3.10—Tax Year 2010 C Corporation Tax Returns
Credit Usage

Credit	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)	Percent of Credit Used
General Corporation Credits					
Business Energy Facilities	329	$109,006	204	$44,869	41.2%
Dependent Care Assistance	13	$2,081	5 or fewer	$1,096	52.7%
Oregon Affordable Housing Credit	20	$9,055	13	$2,942	32.5%
Pollution Control	44	$14,366	21	$1,086	7.6%
Qualified Research Activities	210	$76,310	92	$8,705	11.4%
Long-Term Care Facilities	7	$2	6	$2	100.0%
Biomass Production or Collection	11	$488	8	$388	79.5%
Farm-Worker Housing Construction	8	$581	6	$149	25.6%
Diesel Engine	8	$1,111	5 or fewer	$600	54.0%
Oregon Trust for Cultural Development	10	$22	10	$19	86.4%
Tax Paid on Intangible Expense Add-back	9	$2,124	8	$1,931	90.9%
Other Corporation Credits	18	$27,981	11	$300	1.1%
Insurance Only Credits					
Fire Insurance Credit	255	$6,591	178	$2,644	40.1%
Workers' Compensation Assessments	80	$2,344	67	$1,684	71.8%
Total*	**889**	**$252,062**	**544**	**$66,415**	**26.3%**

* The total number of taxpayers does not match detail due to taxpayers claiming multiple credits.

The three corporation tax credits with the highest total claims were business energy facilities, pollution control, and qualified research activities. Details for taxpayers claiming these credits are in the next three exhibits. The pollution control credit expired as of December 31, 2007, so the credits claimed for tax year 2010 were unused credits from prior years carried forward to 2010.

Exhibit 3.11—Tax Year 2010 C Corporation Tax Returns
Business Energy Facilities
Credit Usage by Industry Sector and Taxable Income

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	32	$339	20	$205
Construction	18	$2,748	10	$2,287
Manufacturing	83	$8,641	53	$3,806
Wholesale Trade	41	$15,923	26	$7,295
Retail Trade	39	$17,853	25	$15,125
Transportation and Warehousing	9	$717	5 or fewer	$179
Finance and Insurance	23	$33,669	13	$11,277
Real Estate, Rental, and Leasing	8	$173	5 or fewer	$41
Professional, Scientific, and Technical Services	11	$67	8	$24
Management of Companies and Enterprises	24	$10,839	15	$1,540
Administrative, Support, and Waste Management	10	$200	7	$161
All Other and Unknown	31	$17,836	19	$2,929
Total	**329**	**$109,006**	**204**	**$44,869**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)
Zero Income or Loss*	98	$25,665	0	$0
$1 - $50,000	31	$106	17	$14
$50,000 - $100,000	21	$354	17	$37
$100,000 - $250,000	27	$506	20	$99
$250,000 - $500,000	28	$7,443	27	$199
$500,000 - $1 million	25	$791	24	$392
$1 million to $5 million	48	$3,550	48	$1,809
$5 million to $10 million	23	$13,275	23	$4,120
$10 million to $25 million	16	$7,194	16	$6,981
Over $25 million	12	$50,123	12	$31,217
Total	**329**	**$109,006**	**204**	**$44,869**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.12—Tax Year 2010 C Corporation Tax Returns
Pollution Control
Credit Usage by Industry Sector and Taxable Income

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	6	$31	5 or fewer	$8
Manufacturing	14	$1,891	7	$639
Wholesale Trade	6	$541	5 or fewer	$124
Management of Companies and Enterprises	6	$3,766	5 or fewer	$35
All Other and Unknown	12	$8,136	5 or fewer	$280
Total	**44**	**$14,366**	**21**	**$1,086**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)
Zero Income or Loss*	18	$12,625	0	$0
$1 - $100,000	5 or fewer	$32	5 or fewer	$6
$100,000 - $500,000	10 or fewer	$458	5 or fewer	$34
$500,000 - $5 million	6	$557	6	$362
Over $5 million	8	$693	8	$685
Total	**44**	**$14,366**	**21**	**$1,086**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.13—Tax Year 2010 C Corporation Tax Returns
Qualified Research Activities
Credit Usage by Industry Sector and Taxable Income

Industry Sector	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in Tax Liability	Amount of Credit Used ($ thousands)
Manufacturing	76	$30,732	47	$5,216
Wholesale Trade	19	$3,629	11	$2,665
Information	38	$15,555	9	$288
Professional, Scientific, and Technical Services	48	$15,191	12	$235
Management of Companies and Enterprises	12	$7,873	5 or fewer	$28
All Other and Unknown	17	$3,329	10 or fewer	$273
Total	**210**	**$76,310**	**92**	**$8,705**

Oregon Taxable Income Category	Number of Taxpayers Claiming Credit	Amount of Credit Claimed ($ thousands)	Number of Taxpayers with Reduction in	Amount of Credit Used ($ thousands)
Zero Income or Loss*	111	$38,421	0	$0
$1 - $50,000	14	$954	10	$11
$50,000 - $100,000	8	$705	5 or fewer	$13
$100,000 - $250,000	13	$376	13	$100
$250,000 - $500,000	15	$958	15	$217
$500,000 - $1 million	13	$8,006	13	$411
$1 million to $5 million	19	$7,775	19	$1,314
$5 million to $10 million	11	$15,942	11	$3,466
Over $10 million	6	$3,172	10 or fewer	$3,172
Total	**210**	**$76,310**	**92**	**$8,705**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

For tax year 2010, each corporation doing business in Oregon is subject to a minimum tax ranging from $150 to $100,000 based on Oregon sales; see Exhibit 1.4 for details. Seventy-six percent of all C corporation taxpayers paid the minimum tax for tax year 2010. Exhibit 3.14 shows the number of C corporations paying the minimum tax for various taxable income levels.

Exhibit 3.14—Tax Year 2010 C Corporation Tax Returns
Minimum Tax Returns by Taxable Income

Oregon Taxable Income Category	Total Number of Returns	Returns Paying Minimum Tax	Percent Paying Minimum Tax	Oregon Net Tax ($ thousands)
Zero Income or Loss*	20,424	20,127	98.5%	$34,281
$1 - $50,000	7,160	3,338	46.6%	$2,999
$50,000 - $100,000	1,092	116	10.6%	$1,237
$100,000 - $250,000	961	125	13.0%	$2,162
$250,000 - $500,000	555	57	10.3%	$1,599
$500,000 - $1 million	400	33	8.3%	$1,492
$1 million to $5 million	583	32	5.5%	$2,078
$5 million to $10 million	104	11	10.6%	$855
Over $10 million	100	6	6.0%	$505
Total	**31,379**	**23,845**	**76.0%**	**$47,208**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Exhibit 3.15 shows the number of C corporations paying the minimum tax by Oregon sales and the corresponding minimum tax amounts.

Exhibit 3.15—Tax Year 2010 C Corporation Tax Returns
Minimum Tax Returns by Oregon Sales Category

Oregon Sales	Minimum Tax	Total Number of Returns	Returns Paying Minimum Tax	Percent Paying Minimum Tax
Form 20-I Returns	Not Subject to Minimum	420	0	0.0%
< $500,000	$150	19,545	16,450	84.2%
$500,000 to $1 million	$500	3,143	2,247	71.5%
$1 million to $2 million	$1,000	2,586	1,717	66.4%
$2 million to $3 million	$1,500	1,199	778	64.9%
$3 million to $5 million	$2,000	1,336	837	62.6%
$5 million to $7 million	$4,000	707	418	59.1%
$7 million to $10 million	$7,500	579	358	61.8%
$10 million to $25 million	$15,000	946	564	59.6%
$25 million to $50 million	$30,000	427	228	53.4%
$50 million to $75 million	$50,000	165	87	52.7%
$75 million to $100 million	$75,000	79	42	53.2%
$100 million or more	$100,000	247	119	48.2%
Total	**Total**	**31,379**	**23,845**	**76.0%**

Minimum taxpayers accounted for only about 12 percent of the total tax paid by C corporations in 2010, as shown in Exhibit 3.16.

Exhibit 3.16—Tax Year 2010 C Corporation Tax Returns
Tax Detail for Minimum Tax Returns by Oregon Sales Category

Oregon Sales	Minimum Tax	Returns Paying Minimum Tax	Oregon Taxable Income for Minimum Tax Returns	Oregon Net Tax for Minimum Tax Returns* ($ thousands)	Percent of Total Tax
Form 20-I Returns	Not Subject to Minimum	0	$0	$0	0.0%
< $500,000	$150	16,450	$3,083	$2,466	0.6%
$500,000 to $1 million	$500	2,247	$2,636	$1,124	0.3%
$1 million to $2 million	$1,000	1,717	$2,907	$1,717	0.4%
$2 million to $3 million	$1,500	778	$2,750	$1,167	0.3%
$3 million to $5 million	$2,000	837	$4,883	$1,674	0.4%
$5 million to $7 million	$4,000	418	$6,559	$1,672	0.4%
$7 million to $10 million	$7,500	358	$13,171	$2,689	0.7%
$10 million to $25 million	$15,000	564	$32,776	$8,460	2.1%
$25 million to $50 million	$30,000	228	$36,739	$6,840	1.7%
$50 million to $75 million	$50,000	87	$39,537	$4,350	1.1%
$75 million to $100 million	$75,000	42	$29,961	$3,150	0.8%
$100 million or more	$100,000	119	$295,977	$11,900	2.9%
Total	**Total**	**23,845**	**$470,980**	**$47,208**	**11.5%**

* For some taxpayers the net tax is less than the minimum tax due to an accounting period change. While for others, the net tax is greater than the minimum tax due to the addition of tax adjustments.

Most taxpayers paying the minimum tax had no income in the current year or the tax based on income was less than the minimum tax. Exhibit 3.17 details the reasons for minimum tax payments.

Exhibit 3.17—Tax Year 2010 C Corporation Tax Returns
Minimum Tax Payment Details

Reason For Minimum Tax Payment	Number of Returns	Percent of Minimum Tax Returns	Oregon Net Tax ($ thousands)
Current Income			
Zero income or loss in current year	15,211	63.8%	$22,225
Tax from rates applied to current year income less than minimum tax	4,856	20.4%	$12,671
Losses Carried Forward From Prior Years			
Losses carried forward result in zero income or loss	3,215	13.5%	$7,475
Losses carried forward result in tax from rates applied to income less than minimum tax	362	1.5%	$1,111
Credits			
Credits reduce tax to minimum	164	0.7%	$2,488
Combination			
Combination of losses carried forward and credits reduce tax to minimum	37	0.2%	$1,237
Total	**23,845**	**100.0%**	**$47,208**

Minimum tax returns appear in all industry sectors. Exhibit 3.18 shows minimum tax returns by sector.

Exhibit 3.18—Tax Year 2010 C Corporation Tax Returns
Minimum Tax Returns By Industry Sector

Industry Sector *	Total Number of Returns	Returns Paying Minimum Tax	Percent Paying Minimum Tax	Oregon Net Tax ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,501	1,118	74.5%	$920
Mining	95	76	80.0%	$85
Utilities	64	48	75.0%	$411
Construction	2,755	2,286	83.0%	$2,181
Manufacturing	2,234	1,615	72.3%	$6,689
Wholesale Trade	3,453	2,333	67.6%	$8,662
Retail Trade	2,089	1,582	75.7%	$4,807
Transportation and Warehousing	811	592	73.0%	$1,648
Information	1,010	812	80.4%	$1,746
Finance and Insurance	2,950	1,945	65.9%	$6,833
Real Estate, Rental, and Leasing	1,843	1,449	78.6%	$1,439
Professional, Scientific, and Technical Services	3,703	2,885	77.9%	$2,140
Management of Companies and Enterprises	1,183	827	69.9%	$4,478
Administrative, Support, and Waste Management	1,128	847	75.1%	$869
Education Services	218	163	74.8%	$177
Health Care and Social Assistance	1,612	1,337	82.9%	$2,313
Arts, Entertainment, and Recreation	367	295	80.4%	$274
Accommodation and Food Services	813	632	77.7%	$605
Other Services (except Public Administration)	1,814	1,488	82.0%	$634
Unknown	1,736	1,515	87.3%	$296
Total	**31,379**	**23,845**	**76.0%**	**$47,208**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

Prior to the passage of Measure 67 in January 2010, C corporations not paying the minimum tax paid a tax rate of 6.6 percent on taxable income. The passage of Measure 67 created a second marginal tax rate. For tax year 2010, corporations paid a tax rate of 6.6 percent on taxable income up to $250,000, and a rate of 7.9 percent on any amount of taxable income greater than $250,000. Exhibit 3.19 shows the number of C corporations paying tax based on the rates by various income levels.

Exhibit 3.19—Tax Year 2010 C Corporation Tax Returns
Tax Rate Returns by Taxable Income

Oregon Taxable Income Category	Total Number of Returns	Tax Rate Returns	Percent Paying Tax Based on Rates
Zero Income or Loss*	20,424	297	1.5%
$1 - $50,000	7,160	3,822	53.4%
$50,000 - $100,000	1,092	976	89.4%
$100,000 - $250,000	961	836	87.0%
$250,000 - $500,000	555	498	89.7%
$500,000 - $1 million	400	367	91.8%
$1 million to $5 million	583	551	94.5%
$5 million to $10 million	104	93	89.4%
$10 million to $25 million	66	63	95.5%
Over $25 million	34	31	91.2%
Total	**31,379**	**7,534**	**24.0%**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

While only 24 percent of C corporations paid tax based on the rates in tax year 2010, they accounted for more than 88 percent of the total tax, as shown in Exhibit 3.20.

Exhibit 3.20—Tax Year 2010 C Corporation Tax Returns
Tax Detail for Tax Rate Returns by Taxable Income

Oregon Taxable Income Category	Tax Rate Returns	Oregon Taxable Income from Rates ($ thousands)	Oregon Net Tax from Rates ($ thousands)	Percent of Total Tax
Zero Income or Loss*	297	$0	$0	0.0%
$1 - $50,000	3,822	$68,434	$4,507	60.0%
$50,000 - $100,000	976	$69,933	$4,580	78.7%
$100,000 - $250,000	836	$132,926	$8,648	80.0%
$250,000 - $500,000	498	$177,299	$12,052	88.3%
$500,000 - $1 million	367	$255,672	$18,442	92.5%
$1 million to $5 million	551	$1,227,906	$92,341	97.8%
$5 million to $10 million	93	$645,448	$46,763	98.2%
$10 million to $25 million	63	$987,164	$70,544	99.7%
Over $25 million	31	$1,607,377	$103,776	99.7%
Total	**7,534**	**$5,172,158**	**$361,653**	**88.5%**

* Includes losses in current year, as well as losses carried forward from prior years that result in $0 income.

Tax rate returns appear in all industry sectors. Exhibit 3.21 shows returns paying tax based on rates by sector.

Exhibit 3.21—Tax Year 2010 C Corporation Tax Returns
Tax Rate Returns By Industry Sector

Industry Sector *	Total Number of Returns	Tax Rate Returns	Percent Paying Tax Based on Rates	Oregon Net Tax ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	1,501	383	25.5%	$5,258
Mining	95	19	20.0%	$609
Utilities	64	16	25.0%	$2,655
Construction	2,755	469	17.0%	$7,054
Manufacturing	2,234	619	27.7%	$41,587
Wholesale Trade	3,453	1,120	32.4%	$93,139
Retail Trade	2,089	507	24.3%	$46,148
Transportation and Warehousing	811	219	27.0%	$14,430
Information	1,010	198	19.6%	$18,877
Finance and Insurance	2,950	1,005	34.1%	$60,635
Real Estate, Rental, and Leasing	1,843	394	21.4%	$4,806
Professional, Scientific, and Technical Services	3,703	818	22.1%	$10,371
Management of Companies and Enterprises	1,183	356	30.1%	$26,891
Administrative, Support, and Waste Management	1,128	281	24.9%	$7,383
Education Services	218	55	25.2%	$1,676
Health Care and Social Assistance	1,612	275	17.1%	$5,140
Arts, Entertainment, and Recreation	367	72	19.6%	$581
Accommodation and Food Services	813	181	22.3%	$4,564
Other Services (except Public Administration)	1,814	326	18.0%	$9,688
Unknown	1,736	221	12.7%	$160
Total	**31,379**	**7,534**	**24.0%**	**$361,653**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

With 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 at the corporate level 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. For tax year 2010, the minimum tax for excise taxpayers is $150. Income tax filers are not subject to a minimum tax.

Exhibit 3.22—Tax Year 2010 S Corporation Tax Returns
S Corporation Summary

Type of Filer	Number of Returns	Number Paying Minimum Tax*	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)
Excise Tax	56,734	56,583	$7,401	$9,459
Income Tax	1,357	0	$604	$40
Total 20-S	**58,091**	**56,583**	**$8,005**	**$9,498**

*Income tax filers are not subject to the minimum tax. Of the 1,357 income tax returns, 1,290 paid no tax.

Exhibit 3.23 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 3.23—Tax Year 2010 S Corporation Tax Returns
S Corporation Characteristics

	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)
Apportionment for 20-S Filers			
Multistate (Apportioned)	7,841	$4,167	$1,689
Nonapportioned	50,250	$3,839	$7,809
State of Domicile for 20-S Filers			
Oregon	50,930	$4,188	$8,359
Other	7,161	$3,817	$1,139

Exhibit 3.24 shows the distribution of 20-S returns by industry sector. For tax year 2010, the construction, wholesale trade, retail trade, and professional, scientific, and technical sectors together contributed almost 49 percent of the total tax payments.

Exhibit 3.24—Tax Year 2010 S Corporation Tax Returns
Industry Sector

Industry Sector *	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)
Agriculture, Forestry, Fishing, and Hunting	2,277	$882	$398
Mining	95	$31	$16
Utilities	43	$0	$6
Construction	9,388	$770	$1,433
Manufacturing	3,332	$476	$529
Wholesale Trade	3,301	$438	$901
Retail Trade	5,063	$1,941	$949
Transportation and Warehousing	1,641	$92	$245
Information	1,021	$46	$149
Finance and Insurance	2,102	$428	$330
Real Estate, Rental, and Leasing	3,927	$434	$599
Professional, Scientific, and Technical Services	8,499	$1,277	$1,326
Management of Companies and Enterprises	389	$57	$57
Administrative, Support, and Waste Management	2,789	$439	$432
Education Services	531	$14	$79
Health Care and Social Assistance	3,700	$285	$569
Arts, Entertainment, and Recreation	915	$1	$132
Accommodation and Food Services	3,713	$123	$561
Other Services (except Public Administration)	2,802	$126	$423
Unknown	2,563	$146	$362
Total	**58,091**	**$8,005**	**$9,498**

Percentage Distribution

Industry Sector *	Number of Returns	Oregon Taxable Income	Oregon Net Tax
Agriculture, Forestry, Fishing, and Hunting	3.9%	11.0%	4.2%
Mining	0.2%	0.4%	0.2%
Utilities	0.1%	0.0%	0.1%
Construction	16.2%	9.6%	15.1%
Manufacturing	5.7%	5.9%	5.6%
Wholesale Trade	5.7%	5.5%	9.5%
Retail Trade	8.7%	24.2%	10.0%
Transportation and Warehousing	2.8%	1.1%	2.6%
Information	1.8%	0.6%	1.6%
Finance and Insurance	3.6%	5.3%	3.5%
Real Estate, Rental, and Leasing	6.8%	5.4%	6.3%
Professional, Scientific, and Technical Services	14.6%	16.0%	14.0%
Management of Companies and Enterprises	0.7%	0.7%	0.6%
Administrative, Support, and Waste Management	4.8%	5.5%	4.5%
Education Services	0.9%	0.2%	0.8%
Health Care and Social Assistance	6.4%	3.6%	6.0%
Arts, Entertainment, and Recreation	1.6%	0.0%	1.4%
Accommodation and Food Services	6.4%	1.5%	5.9%
Other Services (except Public Administration)	4.8%	1.6%	4.5%
Unknown	4.4%	1.8%	3.8%
Total	**100.0%**	**100.0%**	**100.0%**

* The order and definitions for these sectors is from the North American Industry Classification System (NAICS). For additional information on NAICS sectors, please see Appendix B — "Selected Glossary of Industry Sectors."

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. The corporation's business income is divided (based on an apportionment formula) among the taxing states.

Allocation. A method of attributing income to the states from which a multistate or multinational corporation receives nonbusiness income.

Apportionment Formula. Taxpayers doing business (or with income sourced) both in Oregon and in other states use the specified formula to apportion their income to Oregon. For tax years beginning on or after July 1, 2005, 100 percent sales apportionment (with a few exceptions) should be used. Section 1A describes apportionment history in detail.

Biennium. The period of two fiscal years for which the state budgets are determined. For example, July 1, 2011 to June 30, 2013 is referred to as the 2011-13 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 for determining the portion of total income of a unitary group of corporations attributable to each taxpayer in the group. Each corporation taxable in Oregon uses its own Oregon factors to determine its Oregon taxable income and its tax liability. Each corporation's net losses, credits, etc. are kept separate and distinct. Once each corporation's tax liability has been determined the sum of liabilities is paid as one entity. For Oregon, this is the applicable method for tax years that began before January 1, 1986. See *Consolidated Reporting* for the applicable method for tax years that began on or after January 1, 1986.

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 (more than 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 that began on or after January 1, 1986. See *Unitary Group.*

Credits. Dollar-for-dollar reductions in tax liability. Corporation tax credits claimed often 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 2013-15 Tax Expenditure Report, available at http://www.oregon.gov/dor/STATS/Pages/statistics.aspx.

Doing Business. A taxpayer is doing business when it engages in any profit-seeking activity in Oregon. What transaction or transactions need be entered into within this state in the course of such an activity to constitute the doing or carrying on of business within the state is primarily a question of fact, depending upon the circumstances in each case. For example, a corporation is doing business in Oregon if one or more of the following is true:

- Provides services to customers in Oregon;
- Has sales activity in Oregon;
- Has inventory in Oregon;
- Has an office in Oregon;
- Has a place of business in Oregon 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. C corporations pay the greater of net excise tax liability or an alternative minimum tax between $150 and $100,000, based on total Oregon sales for the tax year. Excise tax filers that are S corporations, partnerships or limited liability companies taxed as partnerships pay the greater of net tax liability or a $150 minimum tax. Before voter approval of Measure 67, the minimum excise tax was $10 for C corporations and S corporations.

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 the income of those corporations that have Oregon-source income but are not doing business here. Income tax filers are not subject to the minimum tax. See *Doing Business*.

LIFO Recapture Tax. The last in, first out (LIFO) recapture amount is the amount, if any, by which the amount of inventory assets using the first in, first out (FIFO) method exceeds the inventory amount of such assets under the LIFO method.

Measure 67. In January 2010, Oregon voters passed Measure 67. The legislation created a second marginal tax rate on taxable income of C corporations. In addition, the legislation increased the minimum tax on C corporations and S corporations and created a $150 minimum tax on partnerships.

Minimum Tax. For tax years beginning on or after January 1, 2009, C corporations pay the greater of net excise tax liability or an alternative minimum tax between $150 and $100,000, based on total Oregon sales for the tax year. Excise tax filers that are S corporations pay the greater of net tax liability or a $150 minimum tax. There is no minimum tax for corporate income taxpayers.

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.

Nonbusiness Income. Under ORS 314.610(5), nonbusiness income is all income that does not arise from the taxpayer's normal business activities. Each item of nonbusiness income is generally allocated to one state rather than being apportioned to all states where the corporation does business.

Non-unitary Business. A business entity that does not belong in a unitary group. See *Unitary Group.*

Oregon Net Tax. Net tax differs from Oregon tax after credits by the Oregon surplus refund (kicker) and adjustments for Last In, First Out (LIFO) benefit recapture. For additional information on kicker refunds, please see Appendix D—"Surplus Kicker."

Oregon Taxable Income. Federal taxable income after Oregon's statutory modifications have been applied. For multistate corporations, this is after the apportionment percentage is applied.

Passive Investment Income. Gross receipts derived from royalties, rents, dividends, interest, annuities, and certain sales or exchanges of stock or securities. A small number of S corporations must pay corporation income tax because they have passive investment income.

Payroll Factor. One of three factors used in apportioning the business income of multistate or multinational corporations for tax years prior to July 1, 2005. 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 for tax years prior to July 1, 2005. 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 tax based on 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 they are taxed as personal income. A corporation qualifying under this section can have no more than 100 shareholders, which should be U.S. citizens or residents. Also there should be only one class of stock (though there may be voting and nonvoting shares). Trusts holding stock must meet certain conditions as well.

Sales Factor. One of the three factors used in apportioning the business income of multistate or multinational corporations for tax years prior to July 1, 2005. The sales factor is expressed as a fraction: the numerator is Oregon sales, and the denominator is total sales. See *Single Sales Factor*.

Single Sales Factor. Use of only the sales factor to apportion multistate or multinational income. In Oregon, most corporations use the single sales factor for apportioning income for tax years that began on or after July 1, 2005

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. Due to the passage of Measure 85 in 2012, corporate kicker refunds are now allocated to the General Fund to provide additional funding for K through 12 public education.

Subtractions. Those modifications allowed by Oregon law that are subtracted from federal taxable income in computing Oregon taxable income.

Super Weighted Sales Factor. Using a sales factor of greater than 50 percent in the formula used to apportion multistate or multinational income. In Oregon, most corporations used this method for apportioning income in tax years that begin on or after May 1, 2003, but before July 1, 2005.

Tax After Credits. Amount of tax liability after subtracting credits.

Tax Due. Amount of final tax liability after subtracting pre-payments from net tax.

Tax Liability. Also referred to as net tax. The amount of tax calculated to be owed by subtracting adjustments and credits from the greater of the tax based on rates or the minimum tax.

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 one or more of the following:

- 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 unitary business.

Sector classification information is based on the 2002 North American Industry Classification System (NAICS) sectors.

A brief description of industries found in each sector appears below. Additional information regarding the NAICS system may be found at www.census.gov.

NAICS Sector Code	NAICS Sector Title and Description
11	**Agriculture, Forestry, Fishing, and Hunting.** Includes farming, animal production, logging, and support activities.
21	**Mining.** Includes the extraction of mineral solids, liquid minerals, and gases. Also includes mineral quarrying such as crushed gravel and sand mining.
22	**Utilities.** Includes electric, natural gas, and water utilities.
23	**Construction.** Includes residential and commercial construction, and specialty trade construction.
31	**Manufacturing.** Includes food, apparel, wood products, paper, chemical, plastics, machinery, computer products, electronics, and furniture manufacturing.
42	**Wholesale Trade.** Includes wholesalers for durable and nondurable goods. Also includes wholesale trade agents and brokers.
44	**Retail Trade.** Includes motor vehicle dealers. Includes furniture, building material, garden equipment, food, drug, clothing, sporting goods, music, and general merchandise stores. Includes non-store retailers such as catalog, online, and mail order firms.
48	**Transportation and Warehousing.** Includes air, rail, water, and truck transportation. Includes charter buses and sightseeing operations. Includes postal service and courier services.
51	**Information.** Includes book, newspaper, radio, and television broadcasting, telecommunications, data processing, and libraries.
52	**Finance and Insurance.** Includes banks, mortgage lenders, insurance companies, and pension funds.
53	**Real Estate and Rental and Leasing.** Includes offices of real estate agents and brokers. Includes automobile, videotape, consumer electronics, and industrial machinery rental and leasing services.

NAICS Sector Code	NAICS Sector Title and Description
54	**Professional, Scientific, and Technical Services.** Includes legal services, architectural and engineering firms, accounting, advertising, photographic, marketing, and veterinary services.
55	**Management of Companies and Enterprises.** Includes offices of bank holding companies and other holding companies.
56	**Administrative and Support and Waste Management and Remediation Services.** Includes employment and security agencies. Includes exterminating, janitorial, and landscaping services. Includes waste management and remediation.
61	**Educational Services.** Includes technical and trade schools. Includes educational support services.
62	**Health Care and Social Assistance.** Includes offices of doctors and dentists. Includes hospitals, nursing care facilities, and day care facilities.
71	**Arts, Entertainment, and Recreation.** Includes performing arts, sports, museums, theme parks, golf and skiing facilities, and bowling centers.
72	**Accommodation and Food Services.** Includes hotels and restaurants.
81	**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.

The Department of Revenue Research Section checks the tax return data for errors to construct a finalized data set used for our analysis. Returns that are not internally consistent are identified and to the extent possible, inconsistent data are modified in a manner believed to correct errors on the returns. For example, if the return claims a credit that is not allowed, the reported amount is replaced by zero. Certain discrepancies or minor errors may not be resolved.

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 seen from Exhibit C.1, a corporate taxpayer that starts its fiscal year on December 1 would start tax year 2010 in December 2010. The taxpayer's tax year would end November 2011. The taxpayer's Oregon return would be due by March 15, 2012. Then the taxpayer could submit a federal filing extension, extending the 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 2010 Oregon return as late as September 15, 2012.

Taxes must be paid by the original due date of the return to avoid interest and penalty charges, whether an extension is filed or not. Therefore, payment data for a given year is normally 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 third 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. Amended returns and audit results received after 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 2010 C corporation returns. A corporation's tax year 2010 is based on a filing period that begins any time in calendar year 2010. If the tax year starts on July 1 and ends on June 30, then tax year ending month is June.

Exhibit C.2—Tax Year 2010 C Corporation Tax Returns
Tax Year Ending Month

	Number of Returns	Oregon Taxable Income ($ thousands)	Oregon Net Tax ($ thousands)	Percent of Oregon Tax
January	591	$549,930	$32,355	7.9%
February	409	$51,913	$3,415	0.8%
March	1,784	$188,969	$15,557	3.8%
April	527	$52,975	$4,668	1.1%
May	546	$171,560	$10,450	2.6%
June	2,481	$370,524	$28,856	7.1%
July	374	$68,811	$5,588	1.4%
August	504	$144,713	$6,314	1.5%
September	1,824	$296,455	$21,174	5.2%
October	765	$98,008	$8,421	2.1%
November	387	$37,014	$2,988	0.7%
December	20,196	$3,563,804	$264,919	64.8%
Part year with Dec.*	555	$32,474	$2,693	0.7%
Part year without Dec.**	436	$15,986	$1,463	0.4%
Total	**31,379**	**$5,643,138**	**$408,860**	**100.0%**

* Part-year returns with ending date in December.
** Part-year returns with ending date other than December.

Sector Classification

NAICS codes are assigned based on information reported by the Oregon Employment Department. The Employment Department classifies firms based on their reported principal activity in Oregon. For certain multistate corporations, their activity in Oregon may differ from their primary activity in the United States as a whole. For example, a certain manufacturer may produce a product at several plants in the United States. 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. We try to assign a sector classification for taxpayers lacking this information and make other changes as appropriate.

The state surplus refund, or kicker, refers to the provision in Oregon law that returns money to taxpayers if actual revenues exceed forecasted revenues by at least 2 percent.

The kicker is determined by separating all General Fund money into corporate taxes and all other General Fund revenue and comparing collections at the end of a biennium to the forecast at the close of the regular session. If collections of corporate taxes are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is returned to corporate taxpayers. If the collections of all other General Fund revenues are at least 2 percent greater than the forecast, then all of the excess (including the 2 percent) is returned to personal income taxpayers.

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. For example, when the actual corporate tax collections from the 2003-05 biennium exceeded the 2003 close of session forecast by more than 2 percent, the excess was returned to corporate taxpayers through a credit on the 2005 returns.

The current kicker law was part of Measure 86, passed in 2000. It provided that the Legislature may vote to suspend the kicker with a two-thirds majority vote. During the 2007 legislative session, the corporate kicker was suspended and diverted into the Rainy Day fund. Small corporations with Oregon sales of less than $5 million were allowed to claim a one-time small sales credit. The amount of the credit was equal to 67 percent of the tax after all other credits. The 2007 Legislature also changed the kicker distribution. Beginning in 2009, the kicker is calculated based on tax liability before credits, as opposed to how it was calculated for tax year 2005, using after-credit tax liability.

Due to the passage of Measure 85 in 2012, corporate kicker refunds will now be allocated to the General Fund to provide additional funding for K through 12 public education.

Exhibit D.1 shows the recent history of the corporation kicker.

Exhibit D.1—Recent Corporation Kicker History

Biennium	Tax Year	Surplus/Shortfall ($ Million)	Percentage	Surplus Credited* ($ Million)	Mean Credit for C Corps ($)	Mean for C Corps Receiving Benefit ($)
1989-91	1991	-$23	None	NA	NA	NA
1991-93	1993	$18	Suspended	NA	NA	NA
1993-95	1995	$167	50.1%	$224	$5,664	$12,239
1995-97	1997	$203	42.2%	$169	$4,378	$10,782
1997-99	1999	-$69	None	NA	NA	NA
1999-01	2001	-$44	None	NA	NA	NA
2001-03	2003	-$440	None	NA	NA	NA
2003-05	2005	$101	35.9%	$161	$4,829	$13,462
2005-07	2007	$344	Suspended	NA	NA	NA
2007-09	2009	-$236	None	NA	NA	NA
2009-11	2011	-$4	None	NA	NA	NA

* Since the percentage credit is based on estimated liability, the amount refunded as a "surplus credit" differs from the surplus amount.