



November 2020 Tax Changes for the Portland Metro area

Local taxes

- Portland Business License Tax entities 2.6% of net Income - This tax applies to businesses **grossing** over \$50,000 a year. In other words, if you collect over \$50,000 a year in rental receipts, you owe taxes to the City of Portland.

- As compared to Beaverton Business License fees of:

Business		
0 - 4 employees	\$75 per year	\$75 per year
Each additional employee	\$8.50 per year	\$8.50 per year
Apartments / Hotels / Motels		
First 40 units	\$75 per year	\$75 per year
Each additional unit	\$1.25 per year	\$1.25 per year

- Multnomah County Business Income Tax Business entities (MCBIT) increased to 2.0% during 2020. This tax applies to businesses **grossing** over \$50,000 a year. **In other words, if you are a real estate investor and collect over \$50,000 a year in rental receipts, you owe taxes to the Multnomah County.**
- Washington County has no income tax, instead it has a real estate transfer tax. One percent of the sales price is imposed on each transfer of real property located in Washington County, Oregon.
- Portland Metro Supportive Services tax** aka (Homeless tax) (effective Jan 21) - This is a Metro region wide tax that is meant to help create funds to fight the homelessness challenges. The program is funded by a 1% tax on taxable income of more than \$125,000 for individuals and \$200,000 for couples filing jointly, and a 1% tax on profits from businesses with gross receipts of more than \$5 million.

- **Tri-Met Transit Tax** (Portland Metro area) **Payroll Tax** - Self-employment Income as well as wages are taxed 0.7737%. This tax commenced 2018.
- **Multnomah County: Tuition free preschool** (Measure 26-214 is effective Jan 2021) - The “preschool for all” initiative will be funded by an income tax on higher-income earners: individuals with an income over \$125,000 will be taxed at 1.5%, and another 1.5% on county residents who earn more than \$250,000 for a total of 3%. That rate could rise another 0.8% to 2.3% in each category, in 2026, depending on the needs of the program, which the county expects to be serving 7,000 new students by that time.
- **City of Portland rental tax** - \$60/Unit, which is similar to a tax charged by Gresham to inspect units for habitability.
- **Library Bond** (Measure 26-211) - This measure funds the expansion of Multnomah County library space, which will be increasing by 50% through expansions of seven library branches and the development of a new East County flagship library in Gresham. The bond measure will raise \$387 million and cost property owners an average of \$0.61 cents per \$1,000 in assessed property value for eight years. For a property that is valued at \$2,000,000, property owners will pay an additional \$1,220 on their property taxes in 2021.
- **Parks and Recreation Bond** (Measure 26-213) - This levy will prevent ongoing reductions to park services and recreation programs, preserve and restore park and natural area health, and center equity and affordable access for all. The levy is \$0.80 per \$1,000 assessed value. For a property that is valued at \$2,000,000, property owners will pay an additional \$1,600 on their property taxes in 2021.
- **Portland Schools Bond** (Measure 26-215) - This bond measure provides \$1.2 Billion in funding for facilities and educational investments. The measure is not expected to increase tax rates above previous targets, because existing debt service is scheduled to decline.

Oregon Taxes

- **Corporate income tax** (C corporations) - The corporate excise tax applies to corporations based in Oregon and is assessed on gross income from business conducted within the state. As of 2020, this tax has two marginal rates: 6.6% on the first \$10 million of income and 7.6% on all income above \$10 million.
 - All S corporations doing business in Oregon are required to pay a minimum excise tax of \$150.
 - Partnerships that are required to file Oregon tax returns, including LLCs classified as partnerships for federal tax purposes, are required to pay a minimum excise tax of \$150. This includes partnerships that have income from Oregon *and* have

one or more partners who are Oregon residents.

- **Corporate Activity Tax Modified Receipts** - The CAT is applied to taxable Oregon commercial activity in excess of \$1 million (Gross receipts – some subtraction for Cost of Goods sold). The tax is computed as \$250 plus 0.57 percent of taxable Oregon commercial activity of more than \$1 million. Only taxpayers with more than \$1 million of taxable Oregon commercial activity will have a payment obligation. If you collect or make over \$1,000,000 in annual rental income from your real estate investments, expect to have to pay this tax.
- **Personal income tax** - This is paid by individuals on their taxable income at 9.9%
- **Transit Tax** (statewide tax) - The statewide transit tax is calculated based on the employee's wages as defined in ORS 316.162. Employees who aren't subject to regular income tax withholding due to high exemptions, wages below the threshold for income tax withholding, or other factors **are subject to statewide transit tax withholding**. On July 1, 2018, employers began withholding the tax (one-tenth of 1 percent or .001) from:
 - Wages of Oregon residents (regardless of where the work is performed).
 - Wages of nonresidents who perform services in Oregon.
- **Oregon unemployment tax for employers and employees** (SUTA) – Effective January 1, 2021, Oregon businesses will pay more in payroll taxes to the state unemployment trust fund in **2021**. However, the change to Schedule 4 by the Employment Department is a modest shift from 2020. The average rate is estimated at 2.26% on the first \$43,800 paid to each employee.