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May 3, 2019 Publication

Oregon House Passes Gross Receipts Tax

Tax Legal Update

In our [April 25, 2019 Legal Update](#), we discussed the key points of Oregon's proposed gross receipts tax. On May 1, 2019, the Oregon House of Representatives passed an [amended version of the bill](#). As described in our prior Legal Update, the proposed tax is in addition to existing business income and excise taxes. The bill passed on a party-line vote, with no Democrats voting against the bill and no Republicans voting for the bill. We expect it to pass the Oregon Senate, likely on a similar party-line vote.

The key differences in the tax provisions of the bill compared to the version described in our prior Legal Update are:

- **Rate Increase.** The tax rate was increased from 0.49 percent to 0.57 percent.
- **Increased Subtraction for Cost Inputs or Labor Costs.** The percentage of "cost inputs" or "labor costs" allowed as a subtraction was increased from 25 percent to 35 percent of such costs.
- **Cost Inputs Redefined.** "Cost inputs" are now defined as cost of goods sold ("COGS") as calculated under Section 471 of the Internal Revenue Code of 1986, as amended.
- **Commercial Activity Excludes Sales Commissions Paid to Non-employees.** "Commercial activity" (i.e., taxable business receipts) now excludes revenue required by contract to be distributed to another person or entity as a sale commission, provided the person is not an employee of the business making the distribution.
- **Unitary Group Threshold Slightly Changed.** The ownership threshold for inclusion in a unitary group that must register and pay the tax as a single taxpayer changed from "at least 50 percent" to "more than 50 percent."

If you would like to know more about the proposed tax, how it might affect your business, or options to plan for it, please contact one of our

Oregon tax partners: [John Gadon](#) (503.778.2130) or [Eric Kodesch](#) (503.778.2107).