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Portland Exempts Construction Companies and Contractors From City's 1% Gross Receipts Tax

Tax Legal Update

Since January 1, 2019, Portland has imposed a 1% gross receipts surcharge tax on “large retailers.” In November 2018, we published an [alert](#) summarizing the new tax. The tax is generally imposed on a larger retailer’s Portland sales.

The tax, as originally enacted, exempted certain sales and certain businesses. However, there was no general exemption for the construction industry.

On December 12, 2019, the Portland City Council approved an amendment, excluding “**contractors**” from the tax. For this purpose, a “contractor” generally includes a person or business that undertakes, or submits a bid, to construct, alter, repair, inspect, move or demolish a building, road, railroad or any improvement attached to real estate. The term “contractor” generally also includes a person or business that purchases, or owns, property and constructs, or arranges for construction, of one or more residential structures or small commercial structures with the intent of selling them.

We have been informally advised by the Portland Revenue Division that the “contractor” exclusion will be applied to all of 2019 so that qualifying contractors will not be subject to the tax.

Construction companies and contractors, with sufficient Oregon receipts, will generally still be subject to the statewide “corporate activity tax” that becomes effective on January 1, 2020.

If you would like to know more about the surcharge tax or the new exemption, please contact one of our Oregon tax partners: **John Gadon**, gadonj@lanepowell.com, 503.778.2130 and **Eric Kodesch**, kodesche@lanepowell.com, 503.778.2107.