GENERAL TAX STRUCTURE

OREGON CONSISTENTLY RANKS AS HAVING AMONG THE LOWEST BUSINESS TAX COSTS IN THE COUNTRY. WE OFFER COMPANIES THE PERFECT PLACE FOR GROWING SUCCESS

Oregon's public finance structure relies principally on State lottery profits and the following:

PROPERTY TAX

- Used to support local taxing districts, including cities, counties and schools local property tax levies.
- Except for voter-approved bond issuances, property taxes are constitutionally limited to no more 1.5 percent of real market value.
- In addition, the increase in valuation of property for tax purposes is limited to 3 percent per year.
- Average tax per $1,000 of taxable value was $15.7 as of June 2009.

TAX EXPENSES OREGON BUSINESSES DO NOT PAY:

- General sales tax
- Use tax on equipment and other purchases
- Inventory tax
- Worldwide unitary tax
- Motor vehicle excise tax
- Levies on capital asset value or intangible properties, such as stocks, bonds or securities.

The absence of the above taxes translates into substantial cost savings for construction and business operations, compared to many other states and foreign locations.

PERSONAL INCOME TAX AND CORPORATE EXCISE/INCOME TAX

- Personal income taxes provide for most of the state's operating revenue, as well as public school funds.
- Personal income tax rates (2010) start at 5 percent, rising to 7 percent, and then, 9 percent on single/joint tax returns with taxable income greater than $7,650/15,300, up to $125,000/$250,000, at which point the marginal rate is 10.8 percent on income in excess of that level, and 11 percent on income in excess of $250,000/$500,000. (Starting in 2012, this last bracket is eliminated and the top rate drops from 10.8 to 9.9 percent)
- Capital gains are taxed at the same rate as other personal income.

- Corporate tax liability is the greater of either:
  - A minimum ranging from $150 and $100,000 relative to Oregon sales (approximating 0.1% of sales), or
  - An income-based levy (reducible with credits) of 6.6 percent on taxable income up to $250,000, and 7.9 percent on income in excess of that level, which in the next few years, will rise to $10 million, even as this top rate falls to 7.6%.
- A single-sales factor is used to apportion taxable income of corporations with multi-state operations. **Consequently, additional assets or payroll in Oregon do not directly generate new tax exposure.**
- See next page for further details.

ADDITIONAL TAX INFORMATION CAN BE FOUND AT THE OREGON DEPARTMENT OF REVENUE – http://www.oregon.gov/DOR web site.

INSURANCE FOR EMPLOYEES

WORKERS' COMPENSATION

With a focus on business, safety and efficiency, Oregon has created an insurance system that is a benefit to employers and generally has lower premiums than most states:

- Since 1991, Oregon's workers' compensation costs have declined nearly 62 percent, saving employers $16.4 billion, while benefits and services for workers have improved:
- Required for all workers. You may buy coverage from your choice of an insurance company qualified to write workers' compensation insurance.
- Alternatively, the State Accident Insurance Fund (SAIF) Corporation, a public non-profit organization, offers coverage, and qualifying large employers may receive certification as a self-insured employer.
- Many businesses with good-to-excellent experience will have substantially lower payroll costs than the indexed rates at http://www4.cbs.state.or.us/ex/imd/external/reports/index.cfm?fuseaction=dir&ItemID=1998 depending on industrial classification and insurance carrier.

UNEMPLOYMENT INSURANCE TAX

In good times and down times, Oregon consistently has one of the most stable unemployment funds of all states, minimizing payroll costs over the long haul:

- Unemployment Insurance (UI) monies fund an insurance program for covered workers who become unemployed through no fault of their own.
- New employers are assigned a "base rate" until they have had sufficient experience to qualify for an "experience rate-based" tax rate—after 21 to 33 months.
- In 2010, the rate is calculated on employee's first $32,100 of wages and ranges from 0.7 to 5.4 percent for experienced employers, with an average rate of about 2.76 percent, and a new employer rate of 3.1 percent.

OREGON CORPORATE EXCISE TAX

Tax Year Beginning on or after January 1, …	Base Rate on Taxable Income*	Top Rate on Taxable Income* in excess of … ($)	
2009	6.6%	7.9%	$250,000
2010	6.6%	7.9%	$250,000
2011	6.6%	7.6%	$250,000
2012	6.6%	7.6%	$250,000
2013 or later	6.6%	7.6%	$10,000,000

Minimum Amount † (May not be Reduced by Credits)	If Oregon Sales† <
$150	$500,000
$500	$1,000,000
$1,000	$2,000,000
$1,500	$3,000,000
$2,000	$5,000,000
$4,000	$7,000,000
$7,500	$10,000,000
$15,000	$25,000,000
$30,000	$50,000,000
$50,000	$75,000,000
$75,000	$100,000,000
$100,000	(Maximum)

* For a multi-state corporation taxable income equals income from consolidated U.S. tax return, multiplied by single factor based (100%) on Oregon sales† as a fraction of total domestic sales for the consolidated corporation. (See below)

† See below for definition of "Oregon sales." The new minimum amount is levied per entity with nexus in Oregon. It is for the privilege of "doing business" in Oregon like a franchise tax.

SINGLE SALES FACTOR FOR CORPORATE EXCISE/INCOME TAXES IN OREGON

The "excise tax" as assessed on a corporation is the greater of a minimum amount for all subsidiaries doing business in Oregon or a percentage of state taxable income for the consolidated corporation less credits. A corporation not meeting the definition of doing business—but still having a presence or "nexus" (*e.g.*, assets, contracts or regular activities) in Oregon—pays what is technically called the "corporate income tax," which except for the minimum is calculated the same as the excise tax.

Income from the consolidated federal tax return is apportioned to this state by a factor based entirely (100% for tax years beginning on or after July 1, 2005) on "**Oregon sales**." These include:

- All sales of tangible goods to Oregon-based customers,
- Enterprise intangible sales, for which income-producing activity is mostly performed in Oregon, and
- Thrown-back sales originating in Oregon but made to the U.S. government or to a customer located where the corporation would not be subject to taxation – *i.e.*, where it does not have *nexus*, irrespective of whether an income tax is levied there.

Specifically, with respect to the attribution of net domestic income to Oregon:

• Divide total Oregon sales [÷] by total sales or business receipts of the corporation within and without Oregon.

• Multiply this ratio (fraction) [×] by "federal taxable income before net operating loss deduction and special deductions," after certain additions and subtractions to income. (See forms at http://www.oregon.gov/DOR/BUS/forms-corporation.shtml).

Modified or alternative apportionment may apply to corporations in certain industries, such as broadcasting, insurance, transportation and utilities. In apportioning net income, Oregon adheres to the federal Uniform Division of Income Tax Purposes Act (UDITPA).

Before 2005, Oregon tax law was transitioning to an interstate apportionment formula based entirely on the state/national sales factor. Accounting for 50 percent of the formula as far back as 1991, the sales factor later rose 80 percent. The 2005 Legislature accelerated and completed this transition, in order to simplify the message and underscore the benefit for businesses that otherwise enrich the Oregon economy by adding value to goods and services that are "exported" nationwide or globally. This policy proportionally increases the tax burden for companies that largely sell or retail products from out of state, and that otherwise benefit from the absence of a general sales tax in Oregon.