

Alert | State & Local Tax (SALT)



June 2024

Increases to Oregon Minimum Tax May Qualify for November Ballot

Oregon Initiative Petition 17 (IP17), also known as the People's Rebate, appears on track to qualify for the November 2024 ballot. As of June 14, the measure's proponents have submitted over 135,000 signatures, well above the 117,173 needed to qualify.

If passed, IP17 would significantly increase Oregon's Corporate Minimum Tax for corporations with annual Oregon sales in excess of \$25 million. IP17 would also mandate that the funds raised through the increased Oregon Minimum Tax would go toward providing a cash rebate for individuals who reside in Oregon for more than 200 days of a qualifying calendar year.

Mechanically, IP17 would amend ORS 317.090(2), which requires each corporation that files an Oregon Corporate Excise return to pay the greater of the taxpayer's general corporate excise tax liability or the Oregon Corporate Minimum Tax. Currently, the Oregon Corporate Minimum Tax for such corporations ranges from \$150 to \$100,000 based on the taxpayer's Oregon sales (i.e., the taxpayer's Oregon numerator).

If passed, IP17 would require the Oregon Minimum Tax to be calculated by applying a 3% gross receipts tax to annual Oregon sales in excess of \$25 million (i.e., the Oregon apportionment numerator) plus Oregon's current Oregon Minimum Tax amount (of \$30,000, \$50,000, \$75,000, or \$100,000, depending on the corporation's annual Oregon sales). IP17 would also modify Oregon's Corporate Minimum Tax provision related to S corporations.

The potential impact of IP17 would depend on whether a taxpayer’s general corporate tax liability is greater than the taxpayer’s new Oregon Corporate Minimum Tax (as calculated under IP17).

To illustrate the impact of the proposed change to the Oregon Minimum Tax under IP17, the following examples have been provided:

Annual Oregon Sales	Current Oregon Minimum Tax	Oregon Minimum Tax Under IP17	Difference in Oregon Minimum Tax
\$20 million	\$15,000	No impact	None
\$24.5 million	\$15,000	No impact	None
\$25.5 million	\$30,000	\$45,000	\$15,000
\$35 million	\$30,000	\$330,000	\$300,000
\$50 million	\$50,000	\$800,000	\$750,000
\$75 million	\$75,000	\$1,575,000	\$1,500,000
\$100 million	\$100,000	\$2,350,000	\$2,250,000
\$150 million	\$100,000	\$3,850,000	\$3,750,000

IP17 does not propose any changes to the sourcing rules used to determine an impacted taxpayer’s annual Oregon sales. Corporate entities with annual Oregon sales of \$25 million or less would not be impacted by the passage of IP17, nor would pass-through entities and individuals.

Changes to the Oregon Minimum Tax in IP17 are similar to the tax amendments proposed in Measure 97 (M97), which appeared on the November 2016 Oregon ballot. M97 also included amendments to the Oregon Corporate Minimum Tax for C corporations only by imposing a 2.5% tax on annual Oregon sales over \$25 million plus \$30,000. M97 was defeated at the ballot, receiving more than 59% no votes. To pass, IP17 needs to receive a simple majority of votes.

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