

# BEYOND INCOME TAX RETURNS

---

*Your annual reminder about OTHER filings for the IRS, Oregon, and Washington. This is not an all-inclusive list of potential filings but is intended to highlight items affecting many taxpayers.*

## EXECUTIVE SUMMARY

As we start the new year, we want to ensure you know about information reporting requirements that you may need to comply with, in addition to filing income tax returns. We summarized some reminders below. ***While these non-income tax filings are not part of our normal client engagements for us to prepare, please [contact us](#) if you need more information or assistance.***

## CONTENTS

Executive Summary	1
Federal, Oregon, and Washington Reminders	2
Federal General Information Reporting Requirements and Deadlines	3
Information Return Penalties	6
A Few Notes on W-2s	7
Health Insurance Information Reporting	8
Report of Foreign Bank and Financial Accounts (FBAR) – FinCEN Report 114	8
Mandatory Withholding on Payments to Non-US Persons and Non-US Entities	9
Receiving Lots of Cash? There’s a Form for That.	9
Oregon’s New Statewide Transit Tax	9
Oregon Electronic Filing Requirements	10
Oregon New Hire Reporting Requirement	10
Oregon’s New Corporate Activity Tax (CAT Tax)	10
A Brief Guide to Washington’s Economic Nexus Rules	11
Wayfair – What Do I Need to Know?	12
Contact Us	12
Appendix A: 2019 Employer’s Worksheet to Calculate Employee’s Taxable Income Resulting from Employer Provided Vehicle	13
Appendix B: Annual Lease Value Table	14
Appendix C: Guide to Information Returns	15

## FEDERAL REMINDERS

- **Information Return Due Dates**

Certain information returns relating to employee wage information (Forms W-2 & W-3) and nonemployee compensation (Forms 1099-MISC) are required to be filed with the IRS by January 31, generally the same date as the due date for employee and payee statements (see page 3 for more details).

- **Entity Federal Tax Return Due Dates (Based on Calendar Tax Years Only)**

March 16, 2020:

- Partnership returns (Form 1065)

- S Corporation returns (Form 1120S)

April 15, 2020:

- Corporation returns (Form 1120)

- Trust returns (Form 1041)

May 15, 2020:

- Not for profit returns (Form 990)

- **Report of Foreign Bank and Financial Accounts Due Date**

The filing deadline for FinCEN Form 114, Reporting of Foreign Bank and Financial Accounts, is April 15.

## OREGON REMINDERS

- Effective January 1, 2020, most businesses in Oregon will be subject to a new .57% Corporate Activity Tax (CAT) on businesses with taxable commercial activity within Oregon in excess of \$1 million, plus an additional tax of \$250. See additional information regarding the new CAT tax on pages 10-11.
- On July 1, 2018, employers started withholding the state-wide transit tax, which is one-tenth of 1% from:
  - Wages of Oregon residents (regardless of where the work is performed)
  - Oregon-sourced wages of nonresidents who perform services in Oregon

See additional information regarding the new transit tax on page 9.

- Like the Federal deadlines, the deadline for filing W-2s and 1099s (that are reporting nonemployee compensation) with Oregon is January 31. Other forms are generally due March 31.
- **Don't forget:** All copies of 1099s and all W-2s must be electronically filed with Oregon, even if you're not required to electronically file them with federal authorities. There is no longer a minimum filing threshold for some forms (see page 10).

## WASHINGTON REMINDERS

Washington doesn't have an income tax, but you may still owe their Department of Revenue money if you provide services or sell goods to Washington customers. The Washington tax is based on gross receipts and is the Business and Occupation (B&O) tax. Check out our brief guide to Washington's economic nexus rules on page 10.

## FEDERAL GENERAL INFORMATION REPORTING REQUIREMENTS AND DEADLINES

The taxing authorities of the world are keen to know when and how businesses receive payments. The Internal Revenue Service (IRS) uses a variety of information return forms, including the W series and 1099 series, to capture this information and use it to double-check that no one is under-reporting income. Substantial penalties for late and/or incorrect filings of these information returns have been enacted and are being enforced.

The IRS also requires you to disclose whether you have filed the required Forms 1099 on your business tax return and/or your business schedules on your personal tax return. That means if you have a Schedule C, E, or F on your 1040 tax return, you are required to state whether you have filed these forms. See penalties on page 6.

### Deadlines and Filing Requirement

We've included the IRS Guide to Information Returns for a quick summary of types of returns, thresholds, and due dates. Please refer to pages 15-17.

The filing deadline is January 31, 2020, for Form 1099-MISC, reporting nonemployee compensation (NEC) payments in box 7. Other 2019 information returns must be filed with the IRS and/or the Social Security Administration (SSA) by February 28, 2020, if paper filing or by April 1, 2020, if filing electronically. If you are going to paper file Form 1099s after January 31, 2020, the IRS recommends filing any late Form 1099-MISC Box 7 (NEC) on its own Form 1096 separate from the other information returns because of the different due dates. Otherwise, if you file one "late" box 7 on the same Form 1096 as other information types after January 31 but before February 28, all forms will be considered late. Yes, you're right, this means you could potentially be filing more than one Form 1096, and the IRS is okay with that. As an alternative, you can file your 1099s electronically. The advantage of filing electronically is there is no requirement to file a Form 1096; you only need to submit the 1099s, and there is less of a chance the IRS will confuse the due date. In some cases, it is possible to obtain an extension of time to file information returns with the IRS and/or SSA. **Regardless of how you file your government copies, information returns must be furnished to employees and other taxpayers by January 31, 2020.**

If you are engaged in a trade or business, and you make certain payments to persons other than corporations, you may be required to file an information return. This is true for all types of payors: individuals, partnerships, associations, corporations, or any other entity engaged in a trade or business. The following is a **partial** list of payments that require an information return. Minimum payment amounts requiring a return are listed where applicable. This list is intended only as a general reminder. You can obtain detailed instructions from us or the IRS.

## FORM 1099

- Interest (\$10)
- Dividends (\$10)
- Liquidation distributions (\$600)
- Payments to independent contractors (\$600)
- Director's fees (\$600)
- Prizes or awards (\$600)
- Exchanges of services or bartering transactions (all amounts)
- Commissions (\$600)
- Pension or annuity distributions (\$10)
- Rents
- Professional fees to unincorporated:
  - Doctors (\$600)
  - Accountants (\$600)
  - Other professionals (\$600)
- Professional fees to attorneys regardless of entity type (\$600)

## FORM W-2

- Wages, tips, bonuses
- Vacation allowances
- Severance pay
- Non-qualified moving expenses
- Other compensation
- Personal use value of auto  
(See "Employer-Provided Vehicles" below)
- Cost of certain group term life insurance policies
- Fringe benefits to a more than 2% shareholder of an S-Corporation – see page 7

We recommend that you obtain a Form W-9 (Request for Taxpayer Identification Number and Certification) from each vendor you do business with to determine the correct information to report on 1099 forms. For professional fees to non-attorneys, the Form W-9 can also tell you whether they are incorporated or not.

*Professional fees paid to unincorporated vendors (ex. Individuals, sole proprietors, partnerships, LLCs) DO require a 1099. (Perkins is an S-Corporation, so no need to send us 1099-MISCs.)*

<p><b>Form W-9</b> (Rev. October 2018) Department of the Treasury Internal Revenue Service</p>	<p><b>Request for Taxpayer Identification Number and Certification</b></p> <p>► Go to <a href="http://www.irs.gov/FormW9">www.irs.gov/FormW9</a> for instructions and the latest information.</p>	<p><b>Give Form to the requester. Do not send to the IRS.</b></p>
<p>1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.</p>		
<p>2 Business name/disregarded entity name, if different from above</p>		
<p>3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.</p> <p> <input checked="" type="checkbox"/> Individual/sole proprietor or single-member LLC                 <input type="checkbox"/> C Corporation                 <input type="checkbox"/> S Corporation                 <input checked="" type="checkbox"/> Partnership                 <input checked="" type="checkbox"/> Trust/estate             </p> <p> <input checked="" type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► <b>P</b> </p> <p><b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.</p> <p><input type="checkbox"/> Other (see instructions) ►</p>		
<p>4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) _____</p> <p>Exemption from FATCA reporting code (if any) _____</p> <p><small>(Applies to accounts maintained outside the U.S.)</small></p>		
<p>5 Address (number, street, and apt. or suite no.) See instructions.</p>		<p>Requester's name and address (optional)</p>

*Note professional fees paid to attorneys, even if they are a C or S Corporation DO require a 1099.*

<p><b>Form W-9</b> (Rev. October 2018) Department of the Treasury Internal Revenue Service</p>	<p><b>Request for Taxpayer Identification Number and Certification</b></p> <p>► Go to <a href="http://www.irs.gov/FormW9">www.irs.gov/FormW9</a> for instructions and the latest information.</p>	<p><b>Give Form to the requester. Do not send to the IRS.</b></p>
<p>1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.</p>		
<p>2 Business name/disregarded entity name, if different from above</p>		
<p>3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check <b>only one</b> of the following seven boxes.</p> <p><input type="checkbox"/> Individual/sole proprietor or single-member LLC</p> <p><input checked="" type="checkbox"/> C Corporation    <input checked="" type="checkbox"/> S Corporation    <input type="checkbox"/> Partnership    <input type="checkbox"/> Trust/estate</p> <p><input checked="" type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► <b>C or S</b></p> <p><b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.</p> <p><input type="checkbox"/> Other (see instructions) ►</p>	<p>4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) _____</p> <p>Exemption from FATCA reporting code (if any) _____</p> <p><small>(Applies to accounts maintained outside the U.S.)</small></p>	
<p>5 Address (number, street, and apt. or suite no.) See instructions.</p>		<p>Requester's name and address (optional)</p>

When completing information returns, taxpayer identification numbers (TIN) and names must be carefully listed. The IRS automatically matches identification numbers and names. If the name does not exactly match the record for the TIN, the IRS will issue you a matching notice. For payments made to sole proprietors, show the individual’s name on the first line and the business name on the second line. For payments made to single-member LLCs that are disregarded entities, enter the LLC owner’s name on the first line and the LLC’s on the second line, and use the LLC owner’s TIN if the LLC does not have its own TIN. Failure to include the correct name and number can subject the payer to penalties (discussed in more detail below).

To combat the rising problem of identity theft, the IRS recommends you mask the recipient’s taxpayer identification number on all information returns (i.e. Forms 1099 and W-2) that are sent to the payee. In other words, only the last four digits of the recipient’s TIN should be visible. **However, the full TIN should still appear on the government copy of the forms.**

Returns must be filed electronically if at least 250 returns are required to be filed – other filers may file electronically if they wish. The 250 threshold is applied separately to each type of return form. If you have not previously filed 1099s electronically, you will need to submit an e-filing application to the IRS at least 30 days before the e-filing deadline. You can do this online at <https://fire.irs.gov>. The first day to e-file information returns regarding 2019 transactions is January 10, 2020. You can register to file W-2s electronically online at the [Social Security Administration’s website](#).

Most states also require that a copy of the information return be filed with them if that state is listed in the payor or payee/recipient address. This can get tricky, so make sure to check the state-specific requirements for both the payor and the payee/recipient. For Oregon filers, any Form 1099-G, 1099-MISC, 1099-R, W-2G, and W-2 issued by a business registered to do business in the state of Oregon must be *electronically* filed on the [Oregon’s iWire website](#). Oregon will not accept paper-filed returns. There is no minimum threshold of forms prepared; instead, all forms listed above must be electronically submitted with Oregon. For more information, go to [Oregon’s iWire website](#).

## INFORMATION RETURN PENALTIES

Penalties of up to \$270 per form will be imposed for information returns as previously described under the following scenarios:

1. Failure to file an information return by the due date (including failure to file electronically if required) and/or
2. Failure to include all the information required to be shown on a return, or the inclusion of incorrect information on a return.

The due dates are dependent on how you file and to whom you are reporting. For most forms, the due date for these returns to be sent to recipients is January 31, 2020. Form 1099-MISC is now due to the IRS by January 31 when nonemployee compensation is being reported. All other information returns are due February 28 if filing by paper, or March 31 if filing electronically. The IRS may reduce the penalty if the failure is corrected shortly after the due date. The \$270 per-return penalty will be reduced to \$50 if corrected by March 30 or to \$100 if corrected by August 1 of the same year. The maximum penalties imposed on any one filer are divided into categories depending on when or if a corrected return was filed, and the size of the business (see table below). You are a “small business” for these purposes if your average annual gross receipts for the prior three years are five million dollars or less. While the penalties may seem small on a per return basis, they add up quickly and are generally very difficult to waive. These penalties are cumulative, subject to the maximum penalty in each category as shown on the following table (note that amounts have increased from the prior year):

<b>Maximum Penalty by Category</b>	<b>General Penalty Maximum</b>	<b>Small Business Penalty Maximum</b>
Returns corrected by March 30	\$556,500	\$194,500
Returns corrected by August 1	\$1,669,500	\$556,500
Returns <b>not</b> corrected by August 1	\$3,339,000	\$1,113,000

The penalties are increased for returns where the failure to file timely was due to intentional disregard of the rules. The penalty in those cases is \$550 per return, with an unlimited maximum penalty. It is your responsibility to prepare or engage someone to prepare all required information returns. The penalties, as you can see, are onerous. Take care to analyze all payments made during the year so that you can prepare all the proper forms.

## A FEW NOTES ON W-2S

- A. **TCJA Changes:** The 2017 Tax Cuts & Jobs Act made changes to taxable employee compensation in certain areas. Please check with your payroll provider or [contact us](#) if you have any questions regarding the sweeping tax law changes.
- B. **Due Dates:** The due date for filing 2019 Form W-2, W-3 with the SSA is January 31, 2020, whether you file using paper forms or electronically.
- C. **S Corporation owner-employees** who hold more than 2% of the company's stock aren't eligible for tax-privileged status on most fringe benefits. Other employees get their health insurance, anniversary gifts, and other Section 125 plan benefits pre-tax, but those items (among others) need to be treated as ordinary wages for >2% S corporation shareholders. With the possible exception of medical benefits, these taxable-only-to-shareholders fringe benefits are also subject to Social Security and Medicare taxes.
- D. **Employer-provided vehicles** that are available for employee personal use are a taxable fringe benefit and treated as ordinary wages and subject to Social Security and Medicare taxes. While the IRS provides three methods to value the benefit of an employer-provided vehicle, the most practical option is the lease valuation method. Contact us if you want to know more about the cents-per-mile or commuting valuation methods. The lease valuation method can be applied either on a calendar year basis or on a November 1 – October 31 basis. Please use the worksheets in **Appendix A and B** (on pages 13-14) to calculate the taxable value of the vehicle to the employee. Note that employers are responsible for notifying each employee using a company-provided vehicle as to the substantiation requirements, policies, valuation, and withholding methods adopted regarding the benefit of the employer-provided vehicle. The written notice should be provided by January 31 of the valuation year or 30 days after the employer supplies the car to the employee. The notice may be mailed to affected employees, provided in their paychecks, or posted where they will most likely read it. The employer need not give second or repeat notices if the valuation method has not changed and notice has previously been provided.
- E. **Value of employer-sponsored health coverage** (including both employee and employer contributions) should be reported in box 12 under code DD. This is only mandatory for 2019 Form W-2s if you filed 250 or more Form W-2s for 2018; the IRS currently has no plans to extend this requirement to smaller employers. If this requirement applies to you, please see the IRS's documentation on their [website](#) or [contact us](#).
- F. **Additional Medicare tax withholding** is still required at 0.9% on W-2 box 5 wages over \$200,000. Employers are required to begin withholding this tax in the pay period in which the employee's wages subject to Medicare tax exceed the \$200,000 threshold.
- G. **Standard Mileage rates for 2020:** Beginning on January 1, 2020, the standard mileage rates for the use of a car (also vans, pickups, or panel trucks) will be 57.5 cents for every mile of business travel driven (down 0.5 cents from the 2019 rate).

## HEALTH INSURANCE INFORMATION REPORTING

As you may be aware, there is a penalty for individuals without qualified health insurance coverage as part of the individual income tax filings. In order to ensure it is collecting penalties from all the right people, the IRS has created a new information reporting system for health insurers and applicable large employers (ALEs). This system was mandated by the Patient Protection and Affordable Care Act (ACA) of 2010.

You're an ALE if you have about 50 full-time employees; however, the rules for calculating employee counts are complex. If there's a month when you're paying 50 or more people during the year, these reporting requirements may apply to you. Please visit the link below or contact us if you need assistance in determining if you are an ALE. ALEs will report details of the health insurance offered and health insurance received to their employees via Forms 1094-C and 1095-C. Health insurance vendors will report to anyone with a policy not sponsored by an ALE via Forms 1094-B and 1095-B. The 1094 and 1095 series of forms are due along a timeline similar to W-2s. For more information on ALEs and the ACA, please [contact us](#) or visit the [ALE Info Center](#) on the IRS's website.

## REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS (FBAR) – FINCEN REPORT 114

If you have access to a foreign financial account or accounts (this includes bank accounts, brokerage accounts, retirement accounts, prepaid debit/credit cards purchased outside the US, and cash value life insurance) and the aggregate value of their highest balances was \$10,000 USD or more at any point during a calendar year, you must file an FBAR for that year. "Access" to an account means you owned it, owned part of it, were a trustee or custodian for it, or had signature authority over the account (even if multiple signatures were required to remove funds). It doesn't matter whether the account earned any income, the filing requirements are the same either way.

The FinCEN Report 114 (which replaced the form formerly known as TD F90-22.1) is an e-file ONLY form. The filing deadline is April 15, though a six-month extension is possible. The FinCEN Report 114 is not administered directly by the IRS. The IRS instituted Form 8938, Statement of Specified Foreign Assets. Compared to the FinCEN Report 114, the Form 8938 has much higher filing thresholds and modestly less onerous failure-to-file penalties.

Speaking of penalties, there is a minimum penalty of \$10,000 per account each year you failed to timely file the FinCEN Report 114/FBAR. If the IRS determines you knew you had a filing requirement and disregarded that filing requirement (a "willful violation"), they can assess a maximum penalty of the greater of \$100,000 per account or 50% of the value of the account at the due date of the unfiled FBAR and may pursue criminal charges. (Note the penalties are adjusted for inflation annually. Currently the \$10,000 and \$100,000 are \$12,921 and \$129,210, respectively.) A criminal conviction can result in up to five years in prison and an additional fine of \$250,000 per violation. If you didn't report income related to your foreign financial account, you may be subject to additional penalties on the unpaid income tax of 20-40% of the tax due, and an additional penalty of 75% of the unpaid income tax if the failure to report the income was willful.

We can assist you in filing your FBARs; however, if you believe you may have failed to file a required FBAR for a prior year, we recommend that you contact an attorney with experience in this area as soon as possible.



The IRS now offers Streamlined Offshore Asset Disclosure procedures for those who meet certain criteria, such as little income tax due to the US on income from these unreported accounts. The IRS would classify those who qualify as “low risk” and allows them a path to compliance. Also, they can come forward and be assessed lower, or even no penalties as long as they can demonstrate reasonable cause for not having previously disclosed. These programs are available to both US resident taxpayers and US taxpayers who live abroad. Visit the [IRS's FBAR page](#) for more information about FBARs, or contact us.

## MANDATORY WITHHOLDING ON PAYMENTS TO NON-US PERSONS AND NON-US ENTITIES

In conjunction with the increased media attention on US taxpayers with foreign accounts resulting from the Foreign Account Tax Compliance Act (FATCA), be aware that you may be required to withhold tax on most kinds of payments to non-US persons and non-US entities. Please be attentive to these requirements when working with remote contractors. In general, you are required to obtain one of the family of W-8 forms from foreign persons. On these forms, they'll either (1) attest to why they're exempt from withholding (usually because they promise to file a US tax return), (2) claim a lower treaty withholding rate and tell you what the rate is, or (3) they'll tell you to withhold as normal. Unless the payee tells you otherwise via a W-8 type form, you must withhold at least 30% and remit the withholding to the IRS on a timeline similar to payroll tax withholding. The year-end reporting form for foreign withholding is Form 1042-S for most types of payments. For more details on who is subject to this requirement and which version of the W-8 you need from each payee, review [IRS Publication 515](#). Some foreign entities and persons are reluctant to furnish information about their US tax status. In order to avoid difficulties, we recommend you obtain the relevant Form W-8 prior to the payee commencing work on your behalf.

## RECEIVING LOTS OF CASH? THERE'S A FORM FOR THAT.

Form 8300 must be filed within 15 days after a business receives more than \$10,000 in cash in a single transaction or a series of related transactions. "Cash" may include money orders, traveler's checks, cashier's checks, bitcoin, and foreign currency, as well as US coin and paper currency. Your depository institution will likely have this form on-hand and assist you in filling it out when you bring the money to them.

## OREGON'S NEW STATEWIDE TRANSIT TAX

Starting July 1, 2018, employers were required to withhold the transit tax that was enacted as part of the Oregon Legislature House Bill 2017. The statewide transit tax is generally calculated based on the employee's wages. The tax is one-tenth of one percent (0.001) and is withheld on wages of Oregon residents (regardless of where the work is performed) and Oregon-sourced wages of nonresidents who perform services in Oregon.

Where does the new statewide transit tax get reported on the Form W-2? Effective with 2019 W-2s, the amount withheld is required to be reported in Box 14.

For more information on this new statewide transit tax, visit the [ODR website - Statewide transit tax page](#).

## OREGON ELECTRONIC FILING REQUIREMENTS

Copies of all W-2s must be electronically filed with Oregon via a third party such as ADP or Intuit, or directly via the state's iWire electronic filing platform. You are also required to e-file **all** copies of 1099-MISCs, 1099-Gs, 1099-Rs, and W-2Gs (there is no longer a minimum threshold). Electronic filing is available January 1, and filings are due either January 31, 2020, when filing W-2s and nonemployee compensation on Form 1099-MISC, or March 31, 2020, for filing Forms 1099-R, 1099-G, W-2G, and all other 1099-MISC. Luckily, Oregon's iWire system is free, doesn't require advance registration, and allows you to hand-key data. If you have more than a handful of forms to e-file, we recommend checking with your accounting software vendor to see if they offer e-filing of these forms with Oregon.

To avoid paying any penalties to Oregon, efile the required information return. Failure to file electronically may land you with assessed penalties of up to \$25,000.

## OREGON NEW HIRE REPORTING REQUIREMENT

Employers are required to report all new hires (or rehires who have been gone more than 60 days) to the Oregon Department of Justice. The report can be made by remitting an Oregon New Hire Reporting Form no later than 20 days after the date of hire or rehire. You can obtain additional information about this reporting requirement, as well as the required reporting form, by visiting the [Oregon Department of Justice's Child Support Program web page](#). The link also provides information on optional electronic reporting to meet this requirement. Note that this report is not considered a normal payroll reporting function by some payroll services—if you outsource payroll, make sure this report is being filed on your behalf.

## OREGON PASSES NEW CORPORATE ACTIVITY TAX

Beginning January 1, 2020, most business industries and every tax structure doing business in Oregon are subject to the Corporate Activity Tax (CAT). It does not matter whether your business is taxed as a C Corporation, S Corporation, partnership, trust, or sole proprietorship. While hospitals, not-for-profit organizations, and governmental entities are not subject to CAT, most others engaging in activities creating a taxable presence in Oregon by meeting substantial nexus tests that have taxable commercial activity above the threshold are subject to the CAT.

### What is the CAT?

A tax of 0.57% will be imposed on businesses with taxable commercial activity in excess of \$1 million, plus an additional tax of \$250.

### Is All Commercial Activity Taxed?

No, not all commercial activity is taxed. Only Oregon sourced commercial activity is taxed, and there are specific forms of income excluded from the definition of commercial activity. In general, activity that will be taxed are sales, rents, or services delivered to a location or customer in Oregon.

### How is the Corporate Activity Tax Calculated?

The tax is calculated by determining a business' subject commercial activity less an eligible subtraction to arrive at taxable commercial activity. Taxable commercial activity in excess of \$1,000,000 is multiplied by 0.57%. \$250 is then added to the resulting amount to arrive at a business' total Corporate Activity Tax

liability. Eligible subtractions include either 35% of Oregon apportioned labor or 35% of Oregon apportioned cost inputs, whichever is larger, subject to limitations.

### When Will I Have to Pay the Tax?

The Corporate Activity Tax was effective January 1, 2020. All businesses that generate more than \$750,000 of Oregon sourced commercial activity will be required to register and file an annual return by April 15 of the following year. Estimated tax payments will be required and payable on the last day of January, April, July, and October for the previous calendar quarter starting with April 2020.

### What Does All of This Mean to Me and My Business?

The Oregon CAT is a new tax and will be in addition to any tax your business is currently paying. If you are currently a pass-through entity paying Oregon's minimum tax of \$150, this tax will be in addition to that tax, not instead of. The same goes for corporate taxpayers paying in any of the various Oregon minimum taxes. This tax is in addition to those corporate minimum or income taxes your business is already paying.

Temporary rules will be issued over the next 3 months and will be effective for 180 days after issuance helping to clarify rules and procedures. You can find copies of the first temporary rules issued [here](#).

## A BRIEF GUIDE TO CHANGES IN WASHINGTON'S ECONOMIC NEXUS RULES

### Basic Facts

**Washington amended its economic nexus threshold for the B&O Tax, effective January 1, 2020, by lowering it from \$267,000 to match that of sales tax at \$100,000 gross receipts.** Most businesses located or doing business in Washington may be subject to the Washington Business & Occupation (B&O) tax. The tax is due on gross income from business conducted in Washington. Retailers, wholesalers, manufacturers and service providers (to name a few) may be subject to B&O tax. You may have economic nexus in Washington, and therefore subject to the B&O tax, if in the current calendar year:

- You are an individual who is a resident or domiciled in Washington, or
- The business is organized or domiciled in Washington, or
- You have **more than \$100,000 of gross income in Washington**

For businesses without payroll or property in Washington, effective January 1, 2020, a business is deemed to have substantial nexus in the state if in the current or immediately preceding calendar year the business has more than \$100,000 of cumulative gross receipts in Washington.

Businesses can apportion sales to customers out of Washington provided they can meet the above criteria in the non-Washington customer's state. Washington's current B&O tax rate is 1.5%\* of subject gross receipts for service businesses, 0.471% for retailers, and 0.484% for wholesalers and manufacturers.

**\*Also new, the Workforce Education Investment Surcharge was effective January 1, 2020.** The surcharge is in addition to the Service and Other Activities B&O tax rate of 1.5%. Businesses *primarily engaged* in one or more of 43 specified business activities will be prompted to report the surcharge on their excise tax return.

There are several other rates for specialized industries; please reach out to us if you have questions. In addition to e-filing a return monthly or quarterly (depending on the volume of gross receipts), businesses apportioning some income out of Washington must also file an annual apportionment reconciliation due October 31 of the following year.

*This nexus presumption also applies to Washington's retail sales tax in addition to its B&O tax. Please [contact us](#) if you have any questions.*

## WAYFAIR – WHAT DO I NEED TO KNOW?

Prior to the Supreme Court's 2018 **Wayfair** decision, a business generally needed to have a substantial in-state physical presence for a state to impose **sales and use tax** collection obligations on a business; *Wayfair* has changed that.

*Wayfair* significantly altered the landscape of sales and use tax compliance, especially for online sellers, but also for many other businesses that derive sales from but are not physically present in a variety of states. Due to **Wayfair**, out-of-state sellers that deliver goods or provide services into a so-called "economic presence" state will need to determine if the business exceeds the state's specific economic sales or activity thresholds, generally in the prior calendar year or previous 12 months. As of January 1, 2020, all states that impose sales and use tax, with the exception of two, have enacted economic nexus standards with varying enforcement dates. Sellers may need to conduct an analysis on each state that has adopted, or plans to adopt, economic nexus threshold requirements for sales and use tax collection to ensure they are in compliance with all jurisdictions (state and local) in which they have customers. It is also reasonable to expect that states may use this ruling to determine economic nexus thresholds for state income tax purposes as well.

If you or your management team hasn't yet evaluated the impact that *Wayfair* has had on your business, you could be at risk. Non-compliance with sales and use tax collection and reporting can result in tax liabilities, penalties, and interest that never should have been your business's obligation.

As Oregonians, sales tax sometimes seems like a foreign concept, which is why this is of vital concern. It puts Oregon businesses at risk of noncompliance. It's important to understand where your business has nexus and how the recent ruling may impact your tax collection and reporting requirements. If you have not made a plan for sales and use tax compliance or have any questions, please contact your team at Perkins to see how we can help you.

## GET IN TOUCH WITH US

If you have any questions about what you've read, please don't hesitate to [contact us](#) or connect directly with your [Perkins & Co advisor](#).

### Fringe Benefit Compensation Value for Employer-provided Auto

**General Information: Employer-provided Auto**

Company:   
 Employee:   
 Auto Description:   
 Covered Period  to  **a**

Date Acquired:

**Annual Lease Value Method**

1) FMV (e.g., per NADA book) as of auto acquisition date or as of January 1 (or the beginning of a special accounting period) following the end of a deemed four-year lease term		\$ <input style="width: 100%;" type="text"/>
2) IRS annual lease value factor for line 1		<input style="width: 100%;" type="text"/>
3) Number of months in coverage period, if less than 12		<input style="width: 100%;" type="text"/>
4) Annual lease value (line 2 × line 3)		\$ <input style="width: 100%;" type="text"/>
5) Personal-use percentage (see note a below):		
a) Personal miles <input style="width: 100%;" type="text"/>		
b) Total miles <input style="width: 100%;" type="text"/>		<input style="width: 100%;" type="text"/>
6) Annual personal-use value (line 4 × line 5)		\$ <input style="width: 100%;" type="text"/>
7) Plus: Additional amount for company-provided gas used personally:		
a) Total personal miles per above		<input style="width: 100%;" type="text"/>
b) Less mileage when gas paid for personally	( <input style="width: 100%;" type="text"/> )	
c) Total personal miles on company-provided gas		<input style="width: 100%;" type="text"/>
d) Additional value for company-provided gas	× <input style="width: 100%;" type="text"/> <b>0.055</b> /mi. <b>b</b>	\$ <input style="width: 100%;" type="text"/>
8) Total additional compensation (line 6 + line 7d)		\$ <input style="width: 100%;" type="text"/>

**Notes:**

- a** Taxpayers who do not adopt the special accounting period must measure mileage for the calendar year (i.e., January-December). IRS Ann. 85-113 allows employers to adopt any 12-month period that ends between October 31 and December 31.
- b** FMV can be used instead of 5.5 cents per mile. The 5.5 cents per mile can only be used if the fuel is provided in kind.

### Annual Lease Value Table

Automobile Fair Market Value	Annual Lease Value	Automobile Fair Market Value	Annual Lease Value
\$ 0 – 999	\$600	\$22,000 - 22,999	\$6,100
1,000 – 1,999	850	23,000 – 23,999	6,350
2,000 – 2,999	1,100	24,000 – 24,999	6,600
3,000 – 3,999	1,350	25,900 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	23,000 – 29,999	7,750
6,000 – 6,999	2,100	30,000 – 31,999	8,250
7,000 – 7,999	2,350	32,000 – 33,999	8,750
8,000 – 8,999	2,600	34,000 – 35,999	9,250
9,000 – 9,999	2,850	36,000 – 37,999	9,750
10,000 – 10,999	3,100	38,000 – 39,999	10,250
11,000 – 11,999	3,350	40,000 – 41,999	10,750
12,000 – 12,999	3,600	42,000 – 43,999	11,250
13,000 – 13,999	3,850	44,000 – 45,999	11,750
14,000 – 14,999	4,100	46,000 – 47,999	12,250
15,000 – 15,999	4,350	48,000 – 49,999	12,750
16,000 – 16,999	4,600	50,000 – 51,999	13,250
17,000 – 17,999	4,850	52,000 – 53,999	13,750
18,000 – 18,999	5,100	54,000 – 55,999	14,250
19,000 – 19,999	5,350	56,000 – 57,999	14,750
20,000 – 20,999	5,600	58,000 – 59,999	15,250
21,000 – 21,999	5,850		

For vehicles with a fair market value in excess of \$59,999, the Annual Lease value is equal to 25% of the vehicle's fair market value plus \$500.

**Guide to Information Returns (If any date shown falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.)**

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1042-S	Foreign Person's U.S. Source Income Subject to Withholding	Income such as interest, dividends, royalties, pensions and annuities, etc., and amounts withheld under Chapter 3. Also, distributions of effectively connected income by publicly traded partnerships or nominees.	See form instructions	March 15	March 15
1097-BTC	Bond Tax Credit	Tax credit bond credits to shareholders.	All amounts	February 28*	On or before the 15th day of the 2nd calendar month after the close of the calendar month in which the credit is allowed
1098	Mortgage Interest Statement	Mortgage interest (including points) and certain mortgage insurance premiums you received in the course of your trade or business from individuals and reimbursements of overpaid interest.	\$600 or more	February 28*	(To Payer/Borrower) January 31
1098-C	Contributions of Motor Vehicles, Boats, and Airplanes	Information regarding a donated motor vehicle, boat, or airplane.	Gross proceeds of more than \$500	February 28*	(To Donor) 30 days from date of sale or contribution
1098-E	Student Loan Interest Statement	Student loan interest received in the course of your trade or business.	\$600 or more	February 28*	January 31
1098-MA	Mortgage Assistance Payments	Assistance payments paid to homeowners from funds allocated from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (HFA Hardest Hit Fund) or the Emergency Homeowners' Loan Program.	All amounts	February 28	January 31
1098-Q	Qualifying Longevity Annuity Contract Information	Status of a contract that is intended to be a qualifying longevity annuity contract (QLAC), defined in section A-17 of 1.401(a)(9)-6, that is purchased or held under any plan, annuity, or account described in section 401(a), 403(a), 403(b), or 408 (other than a Roth IRA) or eligible governmental plan under section 457(b).	All amounts	February 28	January 31
1098-T	Tuition Statement	Qualified tuition and related expenses, reimbursements or refunds, and scholarships or grants (optional).	See instructions	February 28*	January 31
1099-A	Acquisition or Abandonment of Secured Property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender.	All amounts	February 28*	(To Borrower) January 31
1099-B	Proceeds From Broker and Barter Exchange Transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)).	All amounts	February 28*	February 15**
1099-C	Cancellation of Debt	Cancellation of a debt owed to a financial institution, the Federal Government, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the Postal Rate Commission, or any organization having a significant trade or business of lending money.	\$600 or more	February 28*	January 31
1099-CAP	Changes in Corporate Control and Capital Structure	Information about cash, stock, or other property from an acquisition of control or the substantial change in capital structure of a corporation.	Over \$1,000	February 28*	(To Shareholders) January 31, (To Clearing Organization) January 5
1099-DIV	Dividends and Distributions	Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock and liquidation distributions (including distributions reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)).	\$10 or more, except \$600 or more for liquidations	February 28*	January 31**
1099-G	Certain Government Payments	Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable grants.	\$10 or more for refunds and unemployment	February 28*	January 31
1099-H	Health Coverage Tax Credit (HCTC) Advance Payments	Health insurance premiums paid on behalf of certain individuals.	All amounts	February 28*	January 31
1099-INT	Interest Income	Interest income (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)); market discount subject to an election under section 1278(b).	\$10 or more (\$600 or more in some cases)	February 28*	January 31**

\*The due date is March 31 if filed electronically.

\*\*The due date is March 15 for reporting by trustees and middlemen of WHFITs.

## Guide to Information Returns (Continued)

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1099-K	Payment Card and Third Party Network Transactions	Payment card transactions.	All amounts	February 28*	January 31
		Third party network transactions.	\$20,000 or more <b>and</b> 200 or more transactions		
1099-LS	Reportable Life Insurance Sale	Proceeds from a reportable life insurance sale.	All amounts	February 28*	January 31
1099-LTC	Long-Term Care and Accelerated Death Benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider.	All amounts	February 28*	January 31
1099-MISC	Miscellaneous Income  (Also, use to report direct sales of \$5,000 or more of consumer goods for resale.)	Rent or royalty payments; prizes and awards that are not for services, such as winnings on TV or radio shows (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)).	\$600 or more, except \$10 or more for royalties	February 28* <b>Note:</b> If any payments for nonemployee compensation are reported in box 7, the due date is January 31 for both paper and electronic returns.	January 31**
		Payments to crew members by owners or operators of fishing boats including payments of proceeds from sale of catch.	All amounts		
		Section 409A income from nonqualified deferred compensation plans (NQDCs).	All amounts		
		Payments to a physician, physicians' corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance plans.	\$600 or more		
		Payments for services performed for a trade or business by people not treated as its employees (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)). Examples: fees to subcontractors or directors and golden parachute payments.	\$600 or more		
		Fish purchases paid in cash for resale.	\$600 or more		
		Crop insurance proceeds.	\$600 or more		
		Substitute dividends and tax-exempt interest payments reportable by brokers.	\$10 or more		February 15**
		Gross proceeds paid to attorneys.	\$600 or more		February 15**
	A U.S. account for chapter 4 purposes to which you made no payments during the year that are reportable on any applicable Form 1099 (or a U.S. account to which you made payments during the year that do not reach the applicable reporting threshold for any applicable Form 1099) reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A).	All amounts (including \$0)	January 31**		
1099-OID	Original Issue Discount	Original issue discount (including amounts reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(A) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)); market discount subject to an election under section 1278 (b).	\$10 or more	February 28*	January 31**
1099-PATR	Taxable Distributions Received From Cooperatives	Distributions from cooperatives passed through to their patrons including any domestic production activities deduction and certain pass-through credits.	\$10 or more	February 28*	January 31
1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530)	Earnings from qualified tuition programs and Coverdell ESAs.	All amounts	February 28*	January 31
1099-QA	Distributions from ABLE Accounts	Distributions from ABLE accounts.	All amounts	February 28	January 31
1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	Distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(B) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)).	\$10 or more	February 28*	January 31

\*The due date is March 31 if filed electronically.

\*\*The due date is March 15 for reporting by trustees and middlemen of WHFITs.



## Guide to Information Returns (Continued)

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
1099-S	Proceeds From Real Estate Transactions	Gross proceeds from the sale or exchange of real estate and certain royalty payments.	Generally, \$600 or more	February 28*	February 15
1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA	Distributions from an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	February 28*	January 31
1099-SB	Seller's Investment in Life Insurance Contract	Seller's investment in a life insurance contract as determined by the issuer.	All amounts	February 28*	January 31
3921	Exercise of an Incentive Stock Option Under Section 422(b)	Transfer of stock pursuant to the exercise of an incentive stock option under section 422(b).	All amounts	February 28*	January 31
3922	Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)	Transfer of stock acquired through an employee stock purchase plan under section 423(c).	All amounts	February 28*	January 31
5498	IRA Contribution Information	Contributions (including rollover contributions) to any individual retirement arrangement (IRA), including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA recharacterizations; and the fair market value (FMV) of the account.	All amounts	May 31	(To Participant) For FMV/RMD, Jan 31; For contributions, May 31
5498-ESA	Coverdell ESA Contribution Information	Contributions (including rollover contributions) to a Coverdell ESA.	All amounts	May 31	April 30
5498-QA	ABLE Account Contributions Information	Contributions (including rollover contributions) to an ABLE account.	All amounts	May 31	March 15
5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information	Contributions to an HSA (including transfers and rollovers) or Archer MSA and the FMV of an HSA, Archer MSA, or Medicare Advantage MSA.	All amounts	May 31	(To Participant) May 31
W-2G	Certain Gambling Winnings	Gambling winnings from horse racing, dog racing, jai alai, lotteries, keno, bingo, slot machines, sweepstakes, wagering pools, poker tournaments, etc.	Generally, \$600 or more; \$1,200 or more from bingo or slot machines; \$1,500 or more from keno	February 28*	January 31

\*The due date is March 31 if filed electronically.