



# LOCAL TAX UPDATE & RECENT IRS GUIDANCE

REAL ESTATE CONNECTION 8.6.2020

# PRESENTERS

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TIM KALBERG, CPA

Perkins & Co  
Shareholder

[tkalberg@perkinsaccounting.com](mailto:tkalberg@perkinsaccounting.com)



DAVE SULLIVAN  
MODERATOR

Perkins & Co  
Shareholder

[dsullivan@perkinsaccounting.com](mailto:dsullivan@perkinsaccounting.com)

# OVERVIEW

OREGON CORPORATE ACTIVITY TAX  
UPDATE ON NEW GUIDANCE

METRO SHS TAX  
VOTER-APPROVED NEW TAX

CITY OF PORTLAND/MULTNOMAH  
COUNTY TAX  
2020 CHANGES

FUTURE TAXES  
ON THE HORIZON

RECENT IRS GUIDANCE  
1031 EXCHANGES  
BUSINESS INTEREST EXPENSE  
CARRIED INTEREST

# OREGON CORPORATE ACTIVITY TAX



# OREGON CORPORATE ACTIVITY TAX UPDATE ON NEW GUIDANCE

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## HOUSE BILL 4202 (ENACTED JUNE 2020)

- Allows for exclusion of certain “foreign entities” from the unitary group so long as they have no commercial activity or other connection to Oregon
- Clarifies the calculation of the 35% subtraction of cost inputs or labor costs
- Eliminates the annual registration requirement
- Reduces penalty for underpayment of quarterly estimates to 5%, adds a prior year tax safe harbor, and extends the 80% threshold through tax year 2021
  - Penalty will be waived for 2020 due to COVID hardship, or “good-faith” effort by taxpayer
  - No estimates are due if 2020 tax liability expected to be < \$10,000 (reverts to \$5,000 thereafter)



# OREGON CAT PERKINS PONDERINGS

## REAL ESTATE INDUSTRY CHALLENGES

- How to compute commercial activity
- How to determine the unitary group
- What are cost inputs or labor costs for the 35% subtraction?
- Can the agency exclusion work?
- Is the CAT tax a recoverable expense?
- PPP loan forgiveness vs COD income

# METRO SHS TAX





## METRO SHS TAX (WHAT IS IT?)

- New personal and business income tax to fund homeless services
  - Personal – 1% of taxable income over \$125,000 (single)/\$200,000 (MFJ)
  - Business – 1% on net profits of businesses with gross receipts > \$5,000,000
- Effective for tax years beginning on or after 1/1/2021



# METRO SHS TAX IMPLEMENTATION PROCESS/ISSUES

- Tax on businesses and individuals residing inside the Metro boundary covering Clackamas, Multnomah, and Washington Counties
  - What about nonresident businesses and individuals?
- Filing/payment requirements
  - Annual return, with first one generally due 4/15/2022
  - Withholding and/or quarterly estimates for personal tax
  - Quarterly estimates for business tax
- Administered by City of Portland
- Mirror Multnomah County Business Income Tax rules
- Addressing potential double taxation of same income
  - Possible owner compensation deduction limitations
  - Possible tax credit or deduction for personal tax
- Apportionment issues (market-based vs cost of performance)

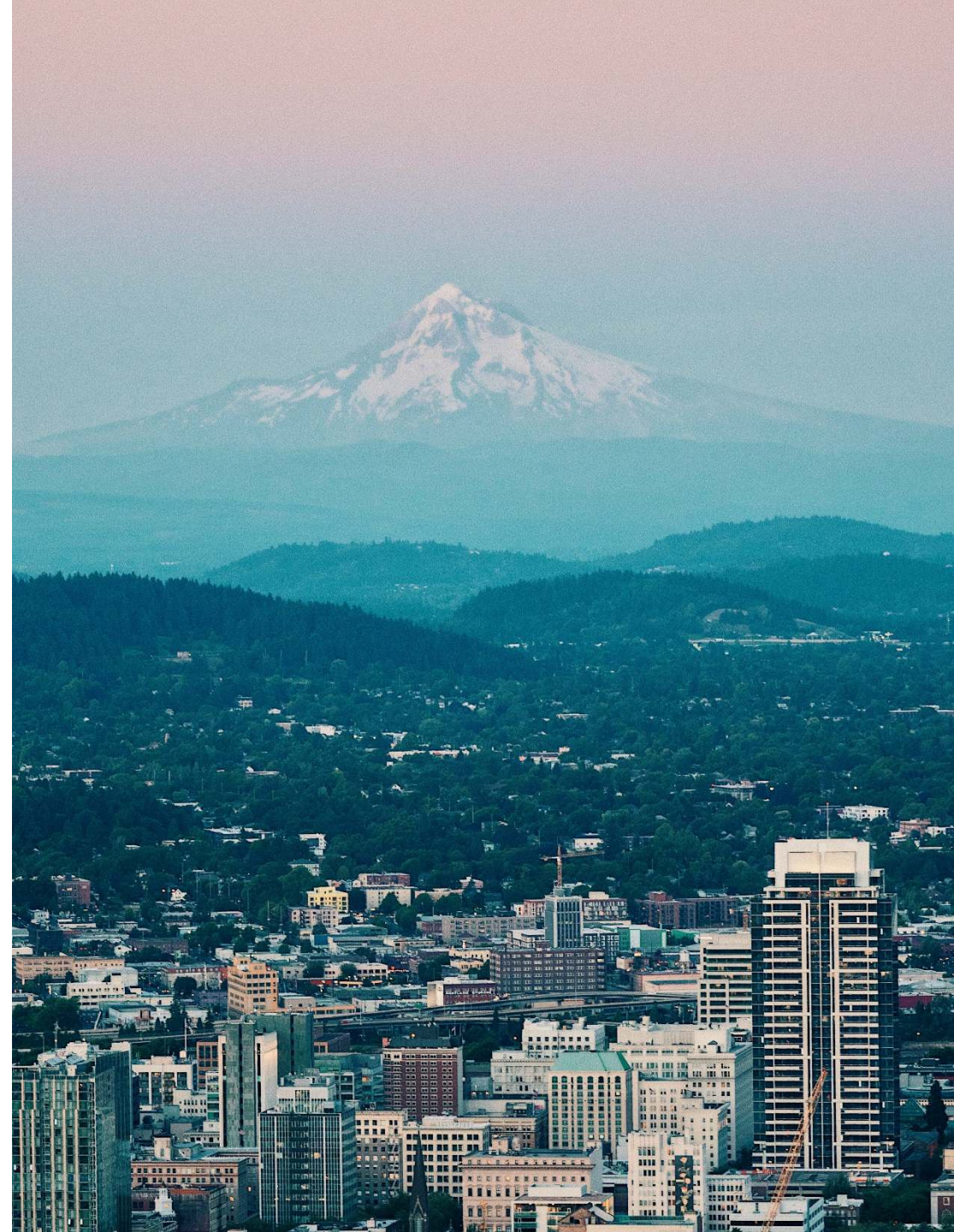


# CITY OF PORTLAND/ MULTNOMAH COUNTY TAX



# MULTNOMAH COUNTY (2020 CHANGES)

- Tax rate increased to 2% (combined 4.6% rate with City of Portland)
- Maximum owner compensation deduction increased to \$127,000 (same as City of Portland)
- Gross receipts exemption increased to \$100,000



# FUTURE STATE & LOCAL TAX MEASURES





# FUTURE TAXES ON THE HORIZON

- Metro Get Moving 2020
- Oregon Real Estate Transfer Tax

# RECENT IRS GUIDANCE





## RECENT IRS REGS

### 1031 Exchanges

- Defined real property
- Personal property safe harbor

### Business interest expense

- Tax shelter rules did not go away
- Updated for CARES Act

### Carried interest

- Section 1231 exception

THANK YOU

