

# Beyond Income Tax Returns

Your annual reminder about OTHER filings for the IRS, Oregon, and Washington.

## EXECUTIVE SUMMARY

As we at Perkins & Co spend the start of the new year preparing for the upcoming filing season, 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. ***If needed, we'd be happy to help you comply with any of the filings mentioned in this document. Please [get in touch with us](#) by January 14, 2022, so we can help you gather all the information needed to file in a timely fashion.***

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## FEDERAL REMINDERS

- **Information Return Due Dates**

Certain information returns relating to employee wage information (Forms W-2 & W-3) and nonemployee compensation (Forms 1099-NEC) 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 Tax Return Due Dates**

S corporation and partnership tax returns are due March 15 (for calendar year entities), and C corporation returns are due a month later, on April 15 (for calendar year entities).

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

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

## OREGON REMINDERS

- Effective January 1, 2020, most businesses in Oregon are subject to a new .57% Corporate Activity Tax (CAT) on businesses with taxable commercial activity in excess of \$1 million, plus an additional tax of \$250.
  - See additional information regarding the CAT tax beginning on page 11.
- Similar to the Federal deadlines, the deadline for filing W-2s and 1099s (that are reporting nonemployee compensation) with Oregon is January 31 this year. Other forms are generally due March 31.
- Beginning January 1, 2022, employers located with the Metro District will be required to withhold tax for the new Metro Supportive Housing Services Tax for any employee that makes over \$200,000.
- Beginning January 1, 2022, employers located within Multnomah County will be required to withhold taxes for the new Preschool For All Tax for any employee that makes over \$200,000.
- **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. Failure to file electronically may land you with assessed penalties of up to \$25,000.

## WASHINGTON REMINDERS

- Washington doesn't have an income tax, but you may still owe the Department of Revenue money if you provide services or sell goods to Washington customers. Check out our brief guide to Washington's economic nexus rules on page 12.

**Located in Washington? We are too! Let your accountant know if you'd like to meet at our Vancouver, Washington office.**



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 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, we are required to ask you if you have filed these forms. See penalties on page 6.

## DEADLINES AND FILING REQUIREMENT

Beginning in 2020, the due date for filing Form 1099 that includes nonemployee compensation (NEC) is January 31, and the automatic 30-day extension for forms that include NEC has been eliminated. **Use of Form 1099-NEC to report nonemployee compensation began in 2020.** Due to the creation of Form 1099-NEC, Form 1099-MISC has been revised, and box numbers have been rearranged for reporting certain income.

To ease statement furnishing requirements, Copies B, C, 1, and 2 have been made fillable online in a PDF format, and you can find those on the IRS website. You can complete these copies online and furnish to recipients and retain in your own files.

The Form 1099-NEC and Form W-2 filing due date is January 31, 2022, with the IRS and/or the Social Security Administration (SSA). Other information returns (Form 1099-MISC, Form 1099-INT, Form 1099-DIV, Form 1098) must be filed with the IRS by February 28, 2022, if paper filing, or by March 31, 2022, if filing electronically. 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, 2022.**

If you are engaged in a trade or business and 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 the IRS or from us.



### 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
- Cost of certain group term life insurance policies
- Fringe benefits to a more than 2% shareholder of an S-Corporation – see page 9
- (See "Employer-Provided Vehicles" below)

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.

Form <b>W-9</b> (Rev. October 2018) Department of the Treasury Internal Revenue Service	<b>Request for Taxpayer          Identification Number and Certification</b> ▶ Go to <a href="http://www.irs.gov/FormW9">www.irs.gov/FormW9</a> for instructions and the latest information.	<b>Give Form to the          requester. Do not          send to the IRS.</b>
1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.		
2 Business name/disregarded entity name, if different from above		
Print or type. Specific Instructions on page 3.	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.	
	<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	
	<input checked="" type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ <b>P</b>	
	<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.	
	<input type="checkbox"/> Other (see instructions) ▶	
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from FATCA reporting code (if any) _____ <small>(Applies to accounts maintained outside the U.S.)</small>	
	5 Address (number, street, and apt. or suite no.) See instructions.	Requester's name and address (optional)

**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).**



Form **W-9**  
(Rev. October 2018)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer  
Identification Number and Certification**

▶ Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

**Give Form to the  
requester. Do not  
send to the IRS.**

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1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

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2 Business name/disregarded entity name, if different from above

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3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC

C Corporation

S Corporation

Partnership

Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ **C or S**

Other (see instructions) ▶

**Note:** 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 **not** 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.

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) \_\_\_\_\_

Exemption from FATCA reporting code (if any) \_\_\_\_\_

(Applies to accounts maintained outside the U.S.)

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5 Address (number, street, and apt. or suite no.) See instructions. | Requester's name and address (optional)

Print or type.  
Specific instructions on page 3.

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 LLCs 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 requires that 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.**

If you are required to file 250 or more information returns during the year, you must file electronically. 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 prior to the e-filing deadline. You can do this online at <https://fire.irs.gov>. The first day to e-file information returns regarding 2021 transactions will be sometime after January 15, 2022. 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-NEC, 1099-MISC, 1099-R, W-2G, and W-2 issued by a business registered to do business in the state of Oregon must *electronically* file a copy with [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 submitted electronically. For more information, go to [Oregon's iWire website](#).



## INFORMATION RETURN PENALTIES

Penalties of up to \$280 per return 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, 2022. Form 1099-NEC is due to the IRS by January 31, 2022. 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 \$280 per-return penalty will be reduced to \$50 if corrected within 30 days of the original due date or to \$110 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):

Maximum Penalty by Category	General Penalty Maximum	Small Business Penalty Maximum
Returns corrected by March 30	\$565,000	\$197,500
Returns corrected by August 1	\$1,696,000	\$565,000
Returns <b>not</b> corrected by August 1	\$3,392,000	\$1,130,000

The penalties are a whole different ball game for returns that were not filed due to intentional disregard of the rules. The penalty in those cases is \$560 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 carefully analyze all payments made during the year so that you can prepare all the proper forms.

## A FEW NOTES ON W-2S AND COMPENSATION

- A. **Due Dates:** The due date for filing 2021 Forms W-2, W-3 with the SSA is January 31, 2022, whether you file using paper forms or electronically.
- B. **Employer-Paid Group Term Life Insurance Coverage:** Up to \$50,000 of group term life insurance coverage is excluded from tax. Any amount in excess of \$50,000 must be included in an employee's taxable income and is subject to Social Security and Medicare taxes (FICA). Even though any amount of coverage exceeding \$50,000 is included in taxable wages, withholding of federal income tax (FIT) and state income tax (SIT) is not required. However, employers may withhold at their option. The amount of coverage must be reported as wages in Boxes 1, 3, and 5 of the employee's Form W-2 and Box 12 with code "C."



- C. **COVID-19 “Qualified Disaster Payments” to Employees:** Generally, anything of value that an employer provides to an employee is included in the employee’s taxable wages, unless an exception applies. Since COVID-19 was declared a national emergency on March 13, 2020, employers can use Internal Revenue Code (IRC) Section 139 to make tax-free, tax-deductible “qualified disaster payments” to employees. These payments can be made on a tax-free basis until the COVID-19 national emergency declaration has been lifted.

Qualified disaster payments are payments made by an employer to an employee that are not reimbursed by insurance and are **reasonably expected** by the employer to:

- Reimburse or pay for reasonable and necessary personal, family, living, or funeral expenses incurred as a result of a qualified disaster; and
- Reimburse or pay for reasonable and necessary expenses incurred to repair or rehabilitate a personal residence or repair or replace its contents to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster.

The payments cannot include luxury or decorative items or services.

With respect to COVID-19, employers can pay for or reimburse expenses (or provide benefits in kind) the employer reasonably believed resulted from the COVID-19 national emergency that are not covered by insurance. For example, employers could pay for, reimburse or provide employees with tax-free payments for over-the-counter medications, hand sanitizers, home disinfectant supplies, child care, or tutoring due to school closings, work-from-home expenses (for example, setting up a home office, increased utilities expenses, higher internet costs, using an in-home printer, and increased cell phone costs), increased costs from unreimbursed health-related expenses and increased transportation costs due to work relocation (such as taking a taxi or ride-sharing service from home instead of using public mass transit).

**There is no Form W-2 or 1099 reporting requirement for IRC Section 139 payments.**

- D. **Employer-provided vehicles:** The value of a company car used for personal travel must be treated as additional wages at a frequency chosen by the employer—up to and including on an annual basis-- unless the employee reimburses the employer for such personal use.

Following the declaration of COVID-19 as a national disaster on March 13, 2020, many employees ceased using company cars for business during 2020 but kept the company car. Under IRS rules, generally, all use of a company car is considered personal use unless the employee documents the business use of the car. As a result, many employees may have been surprised by the amount of imputed income reported on their 2020 Form W-2 attributed to their possession of a company car. To help address this situation, on January 5, 2021, the IRS issued [Notice 2021-7](#) announcing that employers could switch from using the “vehicle lease” valuation method to the “cents-per-mile” method (57.5 cents per mile for 2020 and 56 cents per mile for 2021) for determining the employee’s personal use of the company car after March 13, 2020. Generally, IRS rules prohibit switching valuation methods, but using this relief could result in substantial tax savings. Another option to avoid unwanted imputed income for personal use of a company car would be for the employee to simply return the company car.



FIT withholding on fringe benefit wage additions can be calculated as a combined total with regular wages or generally can be withheld at a flat 22% supplemental wage rate if the employee earns under \$1 million.

Alternatively, employers can choose not to withhold FIT if the employee is properly notified by January 31 of the year in which imputed income for personal use of a company car will arise or 30 days after a vehicle is provided and the value is properly reported on a timely filed Form W-2. But employers must withhold FICA taxes on such benefits.

For administrative convenience, an employer can calculate the value of personal use of a company vehicle for the current year based on the 12-month period beginning November 1 of the prior year and ending October 31 of the current year (or any other 12-month period ending in November or December) if the employee is properly notified no earlier than the employee's last paycheck of the current year and no later than the date the Forms W-2 are distributed. Once this valuation period is elected, the same accounting period generally must be used for all subsequent years with respect to the same automobile and employee. Please use the worksheets in **Appendix A and B** to calculate the taxable value of the vehicle to the employee.

Many companies have moved away from providing company cars and instead make cash payments to reimburse the employee for the business use of his or her personal vehicle. Car allowances paid in cash without any substantiation of business use are fully taxable and subject to FICA, FUTA, FIT, and SIT withholdings.

- E. **Benefits That Exceed the De Minimis Exclusion:** De minimis benefit amounts can be excluded when the benefit is of so little value (taking into account the frequency) that accounting for it would be unreasonable or administratively impractical. A common misconception is that if a fringe benefit is less than \$25, it is automatically considered a de minimis benefit. However, there is no statutory authority for this position. If a fringe benefit does not qualify as de minimis, generally the entire amount of the benefit is subject to income and employment taxes (FICA, FUTA, FITW, and SITW). Season tickets to sporting or theater events, use of an employer's residence, apartment, boat or vacation home, and country club or athletic facility memberships do not qualify as de minimis benefits. De minimis benefits have never included cash, gift cards or certificates, or cash-equivalent items, regardless of their amount. Gift cards or certificates that cannot be converted to cash and that are otherwise a de minimis fringe benefit redeemable for only specific merchandise such as ham, turkey, or another item of similar nominal value, might be excludable from income. However, gift cards or certificates that are redeemable for a wide variety of items are deemed to be cash equivalents. Any portion of a gift card or certificate that is considered a cash equivalent should be included in the employees' Forms W-2 and subject to income and employment taxes as detailed above.

While snacks and meals provided to employees can meet the de minimis requirements, they often do not. Still, most employer-provided meals are excluded from the employees' taxable income under the accountable plan rules for working condition fringe benefits. The employer's deduction for these meals and entertainment is limited to 50% of food and beverage expense excludable under the de minimis fringe benefit rule and quiet business meals with customers and clients (i.e., no entertainment



is involved). Entertainment expenses, even for a business purpose, generally are not deductible. But food or beverage expenses related to employee recreation, such as holiday parties or annual picnics, are fully deductible when provided primarily for the benefit of rank-and-file employees.

- F. **Qualified Transportation Fringe Benefits:** Employers cannot deduct expenses incurred in providing any qualified transportation fringe benefits to employees. Tax-free transportation fringe benefits may still be provided to employees, but the employer will not get a deduction for providing such tax-free benefits. On December 16, 2020, the IRS published [final regulations](#) on how to calculate the disallowed deduction for employee qualified transportation costs. While the final regulations generally follow the [proposed rules](#), they include some helpful new positions and simplified methodologies on how to determine the cost of employee parking. For example, parking in some remote areas may be treated as having no value, so the deduction is not disallowed. The payroll tax treatment of employee parking, vanpool, and mass transit benefits remains unchanged.

Qualified commuting and parking amounts provided to the employee by the employer in excess of the monthly statutory limits are subject to FICA, FUTA, FITW, and SITW. For 2021, the statutory limits are \$270 per month for qualified parking and \$270 for transit passes and vanpooling. An employee can be provided both benefits for a total of \$540 per month, tax-free, with the excess included in Form W-2. Amounts exceeding the limits cannot be excluded as de minimis fringe benefits.

Bicycle commuting benefits incurred on or after January 1, 2018, are included in taxable wages subject to FIT, FITW, FITA, and FUTA. Because these benefits are taxed to the employee as regular compensation, the benefits are deductible by the employer.

The value of any de minimis transportation benefit provided to an employee can be excluded from Form W-2. For example, an occasional taxi fare home for an employee working overtime or departing a business function such as a holiday party may be provided tax-free.

- G. **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. A 2% shareholder is any person who owns, directly or indirectly, on any day during the taxable year, more than 2% of the outstanding stock or stock possessing more than 2% of the total combined voting power of the corporation. These fringe benefits are generally excluded from the income of other employees but are taxable to 2% S corporation shareholders similar to partners. If these fringe benefits are not included in the shareholder's Form W-2, they are not deductible for tax purposes by the S corporation. The disallowed deduction creates a mismatch of benefits and expenses among shareholders, with some shareholders paying more tax than if the fringe benefits had been properly reported on Form W-2. With the possible exception of medical benefits, these taxable-only-to-shareholders fringe benefits are also subject to Social Security and Medicare taxes.
- H. **Standard Mileage rates for 2022:** As of the print date of this newsletter, the IRS has not released the 2022 standard mileage rate (2021 rate is 56 cents per mile). Please check the IRS website for updated information.



## **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, and you'll be able to extend the filing due date for up to six months. 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, 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 were required to file a 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. 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 allow 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. For more information about FBARs, visit the [IRS's FBAR page](#) or contact us (see page 12).

## **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. To avoid difficulties, we recommend you obtain the relevant Form W-8 prior to the payee commencing work on your behalf.

## **OREGON'S CORPORATE ACTIVITY TAX BASICS**

Beginning January 1, 2020, most business industries and every tax structure doing business in Oregon have been subject to the Corporate Activity Tax. It does not matter whether your business is taxed as a C Corporation, S Corporation, partnership, trust, or sole proprietor. While hospitals, not-for-profit organizations, and governmental entities are not subject to the tax, 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 tax.

The CAT is a tax of 0.57% is imposed on businesses with taxable commercial activity in excess of \$1 million, plus an additional tax of \$250.

Only Oregon sourced commercial activity is taxed, and there are specific forms of income excluded from the definition of commercial activity, but in general, activities that will be taxed are: sales delivered in Oregon, rents of property located in Oregon, or services provided within Oregon.

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

All businesses that generate more than \$750,000 of Oregon sourced commercial activity are required to register within 30 days of meeting the \$750,000 registration threshold. A penalty of \$100 per month may be assessed for failing to register, up to \$1,000 per calendar year. All businesses with Oregon commercial activity in excess of \$1 million must file a return annually by April 15<sup>th</sup> the following year (April 15, 2021, for tax year 2020). An extension of up to six months will be granted to file a CAT return on the basis of good cause.

Estimated tax payments are required for taxpayers expecting \$5,000 or more of Corporate Activity Tax liability for the 2022 tax year. A CAT liability of \$5,000 for the year corresponds with taxable commercial activity equal to \$1,833,252.

PPP loans or EIDL loans are not subject to CAT. The federal assistance provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act is not considered commercial activity and not subject to the tax.

For more information and frequently asked questions, use the link here:

<https://www.oregon.gov/DOR/programs/businesses/Pages/corporate-activity-tax.aspx>



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

### Basic Facts

**In 2020, Washington amended their economic nexus threshold for the B&O Tax 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,
- 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 one hundred thousand dollars of cumulative gross receipts in the State.

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).

*This nexus presumption also applies to Washington's retail sales tax in addition to its B&O tax. Please [contact us](#) if you have concerns about whether this will affect you.*

### SALES AND USE TAX

In general, if you are a company selling tangible personal property or certain services remotely to customers outside of Oregon, you may be subject to sales tax in that state. Many states have adopted an "economic presence" rule, imposing collection obligations on remote sellers whose sales to customers in that state exceed certain sales or activity threshold, generally in the prior calendar year or previous 12 months. 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 economic nexus thresholds for state income tax purposes.

As Oregonians, sales tax sometimes seems like a foreign concept, which is why this is of vital concern. It puts Oregon businesses at a higher risk of noncompliance. It's important to understand where your business has nexus and how this may impact your taxes and reporting requirements. If you have not made a plan for Sales and Use tax compliance or have 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:  Date Acquired:   
 Covered Period  to  a

#### 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 \$   
 2) IRS annual lease value factor for line 1   
 3) Number of months in coverage period, if less than 12   
 4) Annual lease value (line 2 × line 3) \$   
 5) Personal-use percentage (see note a below):  
     a) Personal miles   
     b) Total miles   
 6) Annual personal-use value (line 4 × line 5) \$   
 7) Plus: Additional amount for company-provided gas used personally:  
     a) Total personal miles per above   
     b) Less mileage when gas paid for personally (  )  
     c) Total personal miles on company-provided gas   
     d) Additional value for company-provided gas ×  0.056 /mi. b \$   
 8) Total additional compensation (line 6 + line 7d) \$

#### 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	25,000 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	28,000 – 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 in the District of Columbia or where the return is to be filed, 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-F	Fines, Penalties, and Other Amounts	Statement furnished by a government or governmental entity regarding a court order or agreement with respect to a violation or potential violation of law.	Not yet required. See <a href="https://www.irs.gov/Form1098F">IRS.gov/Form1098F</a>	N/A	N/A
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 Regulations section 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)(ii)(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

\* 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-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). Tax-exempt interest is also reported on this form.	\$10 or more (\$600 or more in some cases)	February 28*	January 31**
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 and 200 or more transactions		
1099-LS	Reportable Life Insurance Sale	Payments made to a payment recipient in a reportable policy sale.	All amounts***	February 28*	For reportable policy sale payment recipient, February 15; For issuer, January 15, or earlier as required by Regulations section 1.6050Y-2(d)(2)(i)(A)
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 Information	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*	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		
		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		
		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**		
	Aggregated direct sales of consumer goods for resale.	\$5,000 or more			
1099-NEC	Nonemployee Compensation	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	January 31	January 31
		Aggregated direct sales of consumer goods for resale.	\$5,000 or more		
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). Tax-exempt OID is also reported on this form.	\$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

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

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

\*\*\* See Regulations sections 1.6050Y-1(a)(16)(ii) and 1.6050Y-2(f)(2) for exceptions for amounts paid to persons other than sellers. Also, no amounts are required to be reported on statements furnished to issuers. See Regulations section 1.6050Y-2(d)(2)(i)(A).



## Guide to Information Returns (Continued)

Form	Title	What To Report	Amounts To Report	Due Date	
				To IRS	To Recipient (unless indicated otherwise)
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
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	March 1* (except as provided in Regulations section 1.6050Y-3(c))	February 15 (except as provided in Regulations section 1.6050Y-3(d)(2))
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, January 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.