

Greater Portland Area Voters Approve New Personal Income and Business Profits Taxes

Overview

In a ballot measure held on May 19, 2020, the voters of Multnomah, Washington, and Clackamas counties in Oregon (comprising the greater Portland-area in Oregon) approved a ballot measure authorizing new personal income and business profits taxes intended to generate income to support homeless services.¹ This alert summarizes the recently approved local taxes.

Imposition of New Personal and Business Profits Tax

The Metro Council of the greater Portland, Oregon metropolitan area² proposed a ballot measure to institute individual income and business profit taxes in order to raise funds to support the reduction and prevention of homelessness within the Portland area to begin in 2021. The measure institutes a 1% tax on married couples filing joint returns with taxable income over \$200,000 (over \$125,000 for individual filers).³ Only taxable income over \$200,000 (or \$125,000 for individual filers) is subject to the 1% tax. This tax applies to both residents and non-residents of the greater Portland metropolitan area; however, non-residents will only be taxed on income earned within the Portland metropolitan area.⁴

As applicable to business entities, the measure institutes a 1% tax on businesses with gross receipts of more than \$5 million per year.⁵ The measure of the tax is expected to be tied to taxable income apportioned to the Metro area. The current draft of the measure applies to both C-corporations and pass-through entities.

The intent behind this new tax is to provide financial resources to assist with addressing homelessness within the area. The measure provides authorization to "Metro to establish a regional supportive housing funding program, providing the resources to address unmet needs of people experiencing or at risk of experiencing long-term or frequent episodes of homelessness in the greater Portland region."⁶

Considerations

The official ballot measure does not address most of the tax technical issues or questions regarding the administration of the taxes, so many details remain unknown. Specifically, the current information on the tax does not address any relief for individuals who own pass-through entities which are subject to the tax; such individuals would appear to be required to pay the personal income tax on their pro rata share of pass-through entity income subject to the business profits tax. Additionally, the measure does not address the administration of the tax. Deloitte is continuing to monitor the release of additional guidance and information regarding this new Portland metropolitan area personal income and business profits tax.

Contacts:

If you have questions regarding this new Portland area tax or other Oregon tax matters, please contact any of the following Deloitte professionals:

¹ <https://www.oregonmetro.gov/news/greater-portland-says-yes-supportive-housing-services>

² The Metro and Metro Council is a regional governing body which serves more than 1.5 million people in Clackamas, Multnomah, and Washington counties in Oregon. <https://www.oregonmetro.gov/regional-leadership/what-metro>

³ <https://multco.us/elections/may-2020-primary-metro-measure-26-210>

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

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