

# HB 3427 FACT SHEET



OREGON  
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## WHAT DOES HB 3427 DO?

### 1. Creates a “Commercial Activity Tax” of .57% that applies to all business entities

(sole proprietors, partnerships, limited liability companies, Subchapter S corporations and Subchapter C corporations). The tax is \$0 on the first \$1 million in revenue and equal to \$250 + .57% of revenues in excess of \$1 million. The tax is calculated based on Oregon sales (sales to customers outside of Oregon not included). A subtraction is allowed for 35% of Oregon-apportioned labor costs (defined as total compensation excluding compensation in excess of \$500k for any individual employee) or input costs (costs included under Chapter 471 of the Internal Revenue Code (“Cost of Goods Sold”).

#### Commercial Activity Tax

Oregon Sales	Tax	Subtractions/Deductions
Under \$1M in Oregon Sales	\$0	
Over \$1M in Oregon Sales	\$250 + .57% of revenue > \$1M	35% of labor costs or input costs

### 2. Reduces personal income tax rates for the lowest three income tax brackets by .25%

#### Personal Income Tax Changes

Bracket	Old Rates	HB 3427 Rates
Not over \$2,000	5%	4.75%
\$2,000 to \$5,000	7%	6.75%
\$5,000 to \$125,000	9%	8.75%
Over \$125,000	9.9%	9.9%

### 3. Raises \$2 billion for a new “Fund for Student Success” for early childhood and K-12 education

## HOW WILL HB 3427 IMPACT THE REAL ESTATE INDUSTRY?

Brokerages, MLS’s and individual brokers with more than \$1 million in revenue will pay the Commercial Activity Tax. Individual brokers will experience the personal income tax cuts. The personal income tax cuts cap out at a tax savings of \$329 for brokers making \$125,000 per year. The Commercial Activity Tax will add roughly \$5,000 in tax for every \$1 million in revenues over the initial \$1 million threshold. Commissions that are passed through to individual brokers as part of a commission/fee arrangement will not be counted as revenue for the brokerage, but will be counted as revenue for the individual broker.

The tax will also impact other segments of the housing industry like construction. Construction is highly impacted by the “pyramiding” effect of the gross receipts tax. Each step in the construction supply chain is potentially subject to the tax, leading to an effective tax rate on housing that is much higher than the statutory rate of .57%. As a result, it is expected that the bill will increase the cost of housing.

## HOW WILL THE \$2 BILLION FROM HB 3427 BE SPENT?

The money goes to a new “Fund for Student Success” that includes a Student Investment Account, Statewide Education Initiatives Account and an Early Learning Account. The bill includes specific provisions about how each of those accounts are to be invested in educational programs identified by legislators as critical for student success. However, the [Oregon Business Council](#), [the Oregonian](#) and others have pointed to the fact that PERS costs for school districts are growing at such a fast rate that if those costs are not curtailed, they could consume 50-80% of the new revenue. [READ HB 3427](#)