



KATE BROWN  
Governor

April 24, 2020

Sandra McDonough  
Chief Executive Officer  
Oregon Business and Industry  
1149 Court Street NE  
Salem, OR 97301-4030

Dear Sandra,

The Student Success Act makes critical investments in our education system and its underlying funding mechanism, the Corporate Activity Tax (CAT), is an important part of our state's financial health. To advance the financial stability of the state and investment in our future workforce, I have communicated new expectations to the Department of Revenue to ensure continuity of actions related to the CAT as the department transitions to new leadership.

First, I've instructed the department to raise the threshold for making estimated tax payments from \$5,000 of annual tax liability to \$10,000 of annual tax liability for the first year of the tax. This means businesses that will owe under \$10,000 are not required to make quarterly estimated payments during 2020. Businesses in this situation that have not yet made their first quarter payment won't have to do so. The department will also not assess penalties for underestimated quarterly payments or for not making a quarterly payment if businesses don't have the financial ability to make the estimated payment.

Second, if a business knows they will owe more than \$10,000 in annual Corporate Activity Tax in 2020, and they have the ability to pay, they should make estimated quarterly payments and comply with the law to the fullest extent possible.

The department will honor a business taxpayer's good faith efforts to comply and not assess penalty if they document their efforts to comply, including how COVID-19 has impacted their business. Businesses should keep documentation in their records that supports their circumstances.

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I've instructed the department to consider the below factors in determining a "good faith effort" to comply with estimated quarterly payment requirements. If businesses have been negatively impacted by COVID-19 and are finding it difficult to calculate or pay an estimated quarterly payment, they should retain documentation showing:

- Their inability to pay a quarterly payment because of insufficient funds due to COVID-19.
- Their inability to reasonably calculate a quarterly payment or annual tax liability due to their business being impacted by COVID-19.
- That the taxpayer is unclear at this time whether the business will owe Corporate Activity Tax in April 2020 due to COVID-19 impacts, after taking into consideration exclusions and subtractions in the law.

Businesses uncertain about their economic future due to the COVID-19 crisis, or those that have been shuttered during this crisis, and have no ability to determine that they will owe a tax this year will not be penalized. Fairly administering Oregon tax law is a priority for both me and the Department of Revenue. I appreciate the thoughtful leadership of the business community during these difficult times.

Sincerely,

A handwritten signature in black ink that reads "Kate Brown" followed by a horizontal flourish.

Governor Kate Brown

cc: Nia Ray, Director of Oregon Department of Revenue  
Satish Upadhyay, Deputy Director of Oregon Department of Revenue