



# Metro supportive housing services tax

## Frequently asked questions: business income tax

In May 2020, voters in greater Portland approved a measure to raise money for supportive housing services for people experiencing homelessness or at risk of experiencing homelessness. The program is funded by a 1% marginal tax on taxable income of more than \$125,000 for individuals and \$200,000 for couples filing jointly, and a 1% tax on profits from businesses with gross receipts of more than \$5 million.

This is the first time Metro has implemented personal and business income taxes, and it is the first local personal income tax in the region since Multnomah County's personal income tax ended in 2006. Most relevant regulations and draft tax forms have been published. Regulations can be found at [www.oregonmetro.gov/supportivehousingtax](http://www.oregonmetro.gov/supportivehousingtax) and draft tax forms can be found at <https://www.portland.gov/revenue/tax-software>. Final tax forms will be released in early 2022. These FAQ will be updated regularly throughout implementation as answers are known.

### **What income is subject to this tax?**

Net income from businesses within Metro's jurisdiction who have over \$5 million in gross receipts regardless of the geography in which those receipts are acquired.

The Metro business income tax applies to partnerships, C corporations, S corporations, limited liability companies and estates/trusts. Unlike the Multnomah County business income tax and City of Portland business license fee, sole proprietorships are not subject to the business income tax. Business income and expenses from sole proprietorships are reported on an individual's personal income tax return.

### **When does the tax start, and when is it due?**

The taxes are effective for tax years beginning on or after January 1, 2021. The first income tax returns will generally be due on April 15, 2022, which is the due date of the federal and Oregon returns for the 2021 tax year.

Taxfilers with tax owed of \$1,000 or greater must make estimated tax payments through quarterly payments to the City of Portland or have their employer withhold a sufficient amount as to estimate the actual tax liability. For tax year 2021 there will be no penalties or interest if estimated quarterly tax payments are not made.

### **What if I do business both in and out of the Metro jurisdiction?**

Taxfilers who have income from business activity both within and without the Metro district must apportion that income to determine the amount earned within the Metro district. Metro has aligned with the methods of apportionment used by Multnomah County and the City of Portland.

The administrative rules further explain apportionment and include examples. The rules are available at <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax/codes-and-rules>.

### **When will all the rules and definitions be available?**

Metro code was adopted on December 17, 2020 and administrative rules were adopted on July 9, 2021. Code and rules are available at <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax/codes-and-rules>.

### **Do I need to offer payroll withholding to my employees?**

For calendar year 2021, payroll withholding is not required. However, an employer must offer to withhold the Metro personal income tax from employees' wages as soon as the employer's payroll system(s) are able to process the withholding. Metro understands the challenge of this transition and will not assess penalties if the withholding is not available in 2021.

Payroll withholding is mandatory beginning in 2022 for employees earning more than \$200,000 per year. Please see the FAQ for payroll providers for more details on implementing payroll withholding.

### **How do I know if I am inside Metro jurisdiction?**

Metro's jurisdiction includes the 24 cities and unincorporated portions of Clackamas, Multnomah and Washington counties that lie within the Portland metropolitan area, stretching from Forest Grove to Troutdale and south to Wilsonville. Cities outside of Metro's jurisdiction include North Plains, Banks, Gaston, Canby, Estacada and Sandy. Sauvie Island is also outside Metro's jurisdiction, as is Corbett.

To determine whether your residence, workplace, and/or earned business income is within Metro's jurisdiction, enter the property address at <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax>.

### **What happens if the Metro jurisdiction changes?**

The tax will be applied to areas within the new jurisdiction or removed from areas that are no longer within the Metro jurisdiction.

### **How will the taxes be collected?**

The City of Portland Revenue Division will administer and collect the taxes.

If you have filed business income taxes with the Portland Revenue Division in the past, your information is already on file and the process will be similar. If your business is located in Clackamas or Washington County, it is likely you have not filed with the Portland Revenue Division, and you will need to register.

### **Why will the City of Portland collect the taxes?**

The City currently administers business taxes for Portland and Multnomah County, as well as other taxes. The City also has experience administering the Multnomah County personal income tax ("ITAX", 2003-2005). The City has the experience, the technical capability and a scalable team to allow for collection of these taxes for Metro.

### **Will this return be part of the Combined Business Tax Return for the City of Portland business license and Multnomah County business income tax?**

The Metro business income tax return will be a standalone form. If you file a Combined Business Tax Return it will be attached to that.

### **What if my business entity passes through income to owners or partners on a Schedule K-1? Will the individual pay tax on that income again?**

A taxfiler is allowed a deduction on the personal income tax return for pass-through income subject to Metro business income tax. Pass-through income comes from a business whose net income is taxed on the owners' or partners' personal tax returns. This includes, but is not limited to, entities taxed as partnerships and S corporations.

### **If I end up overpaying, how will it be refunded?**

Similar to Oregon and federal returns, the taxpayer may choose to have overpayments refunded or applied to the next year's tax.

**Where do I go if I have questions?**

Please see our website at <https://www.oregonmetro.gov/public-projects/supportive-housing-services-tax> for more information about these new taxes, including the tax codes and Frequently Asked Questions.

For further questions regarding withholding requirements and business tax filing, please contact the City of Portland Revenue Division at **SHS.Tax@portlandoregon.gov** or **(503) 865-4748**.