

Anchin Alert

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States Modify Thresholds for Tax Filing Requirements (Oregon, Washington, Ohio, Texas and Massachusetts)

The states of Oregon, Washington, Ohio, Texas and Massachusetts have made modifications to their thresholds and tax filing requirements.

Oregon

For tax years beginning January 1, 2020, a new Corporate Activity Tax (CAT) is being imposed on businesses for the privilege of doing business in this state. Oregon's CAT is measured on a business's commercial activity (the total amount a business realizes from transactions in Oregon). The CAT is applied to Oregon taxable commercial activity in excess of \$1 million.

The CAT thresholds to determine whether a business must undertake CAT filing are as follows:

- Business or unitary group with Oregon commercial activity in excess of \$750,000 must register for the CAT.
- Business or unitary group with Oregon commercial activity of \$1 million must file a return.
- Business or unitary group with taxable Oregon commercial activity in excess of \$1 million must file a return and pay tax.

For additional information on the Oregon state changes, click here: <https://www.anchin.com/news/anchin-alert-oregon-january-1-2020-nexus-changes>

Washington

Beginning Jan. 1, 2020, the nexus threshold for all Business and Occupation (B&O) tax classifications and sales tax collection will be \$100,000 of combined gross receipts per calendar year for businesses without a physical presence nexus. Physical presence nexus will also establish nexus for all B&O tax classifications and sales tax collection regardless of dollar amount.

The B&O tax is a gross receipts tax, assessed against an entity for conducting business in Washington. It applies to the gross income of the business. No deduction is allowed for labor, materials, taxes or other costs of doing business. The appropriate B&O tax classification depends on the nature of the business activity. Different tax classifications with different rates apply for various business activities. Businesses performing more than one activity may be subject to tax under one or more B&O tax classifications.

The state B&O tax is reported on the Department of Revenue's excise tax return. The Department assigns a reporting frequency for filing returns based on estimated yearly tax due and type of business. A business will be required to report on a monthly, quarterly or annual basis.

For additional information on the Washington state changes, click here: <https://www.anchin.com/news/anchin-alert-washington-january-1-2020-nexus-changes>

Ohio

The CAT is an annual tax imposed for the privilege of doing business in Ohio, measured by taxable gross receipts from most business activities. Most receipts generated in the ordinary course of business are subject to the CAT. An out-of-state person is only required to register and pay the CAT if that person has bright-line presence in Ohio. A person has bright-line presence if any one of the following applies at any time during the calendar year:

- i. The person's property in this state is at least \$50,000; or
- ii. The person's payroll in this state is at least \$50,000; or
- iii. The person's taxable gross receipts sourced to Ohio are at least \$500,000; or
- iv. 25% of the person's total property or total payroll or total gross receipts is within this state; or
- v. The person is domiciled in this state.

For additional information on the Ohio state changes, click here: <https://www.anchin.com/news/anchin-alert-ohio-january-1-2020-nexus-changes>

Texas

Texas has adopted an economic nexus threshold for its franchise tax. This means that a foreign (non-Texas) taxable has franchise tax nexus even if it has no physical presence in the state. Beginning with franchise tax reports due on or after Jan. 1, 2020, there is now an economic nexus threshold of \$500,000 in gross receipts in Texas. Tax will be due if gross receipts are in excess of \$1,180,000.

For additional information on the Texas state changes, click here: <https://www.anchin.com/news/anchin-alert-texas-january-1-2020-nexus-changes>

Massachusetts

In final regulations, the Massachusetts Department of Revenue has established new nexus rules for corporations doing business in the commonwealth. For taxable years beginning on or after Jan. 1, 2019, an out-of-state corporation with annual sales in Massachusetts of \$500,000 or more will be subject to the state's corporate excise tax. The Department of Revenue will aggregate related companies sales to reach the \$500,000 threshold. Once more information is available, we will post an update.

For more information, or to discuss this in greater detail, contact your Anchin Relationship Partner or Sharon Ackerman, Director in the Firm's Tax Controversy Services Group, at 212.840.3456 or info@anchin.com.



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