



# Payroll Tax Basics

Understanding basic requirements for reporting and paying Oregon payroll taxes

## Hiring employees in Oregon

This section will explain and answer questions about Oregon's basic payroll tax requirements such as:

- Where do I start?
- What are all the payroll tax requirements?
- Which taxes do I need to report and pay?
- When are they due?
- How are they reported?

## **I plan to use a payroll service; do I still need to know this information?**

- Even if you plan to use a payroll service or an accountant, you need to understand your responsibilities of meeting all filing and paying requirements and ensure that all taxes are reported and paid correctly.

## Who is required to pay withholding?

- **Any in-state or out-of-state employer** with employees working in Oregon and being paid for those services.
- Employers are required to withhold tax whether or not their employees are Oregon residents. Work locations include job sites, office locations, sales territories, or an employee's home.
- Employers may not have to withhold tax on Oregon employees if they can prove that each employee will receive **\$300 or less** within a calendar year.

## Requirements for employers located in Oregon:

- Oregon employers are required to pay withholding on **all wages** earned by Oregon resident employees no matter where the work is performed.
- Oregon employers with nonresident employees are also required to pay withholding on **all wages** earned in Oregon.
- Oregon employers with nonresident employees working outside the state are not required to withhold Oregon taxes on these wages.

## Requirements for employers located outside of Oregon with Oregon resident employees:

- Employers are required to pay Oregon withholding tax on all wages earned by resident employees working in the state, even if they work from home.
- Out-of-state employers are not required to pay Oregon withholding tax if all the work is performed outside of Oregon. However, out-of-state employers can choose to register and withhold Oregon taxes as a convenience to the employee.

## Employer located outside of Oregon, with Oregon nonresident employees:

- Nonresident employers must pay Oregon withholding tax on nonresident employees performing services in Oregon. Wages paid for services performed in Oregon are taxable to Oregon.
- However, if the employee's wages for the calendar year fall below the standard deduction amount an employee normally claims on their personal income tax return, withholding tax would not be required (i.e., married filing jointly).
- Employers would use the standard deduction amounts from the Oregon personal income tax return.
- [Additional withholding/transit tax information for out-of-state/nonresident employers.](#)

## What is considered wages?

- Wages include all salaries, commissions, bonuses, draws, fees, payments to a deferred compensation plan, or other items of value paid for services performed.
- If nonmonetary compensation is given in lieu of cash, such as property, rent, etc., employers must determine the fair market value of the item and include it in taxable wages.
- Any compensation paid to corporation officers for services performed for the corporation is also considered wages, whether the corporation is a standard or an S corporation.

## Employers may also be required to report and pay transit district taxes:

- The Oregon Department of Revenue administers transit tax programs for two major transit districts in Oregon that carry a ridership of more than 2 million a year:
  1. **Tri-County Metropolitan Transit District (TriMet):** This covers the Portland metropolitan area and surrounding counties (Washington, Multnomah, and Clackamas counties).
  2. **Lane Transit District (LTD):** This covers the greater Eugene/Springfield area (Lane County).

## What are transit taxes?

- Transit taxes are **employer** taxes used to fund the mass transit district. These are not deducted from the employee's paycheck.
- All employers paying wages earned in either the TriMet or LTD districts must report and pay transit taxes.
- Wages include all salaries, commissions, bonuses, fees, payments to a deferred compensation plan, or other items of value.
- Services can be performed from a job sites, office locations, sales territories, or an employee's home.
- Additional [transit tax information](#).

## Are there other payroll tax obligations?

- Yes. These tax programs are administered by their own separate agencies:
  1. [Employment Taxes \(State Unemployment Insurance or SUTA\)](#): These taxes are paid into a trust fund to provide unemployment insurance benefits to workers unemployed through no fault of their own.
  2. [Workers' Benefit Fund Assessment \(WBF\)](#): These taxes fund programs that help injured workers return to work and provide benefits to those permanently disabled due to a work-related injury. Note: The WBF Assessment must not be confused with Workers' Compensation Insurance. They are two separate programs.

## What is the next step to comply with payroll tax obligations?

1. Obtain a business identification number (BIN) by completing the *Combined Employer's Registration*. [Instructions for completing this form.](#)
2. Receive the necessary forms to report and pay your taxes. **You must have registered and received your BIN before you can obtain reporting forms.**
3. Registering for Combined Payroll Tax Reporting **must be completed before hiring the first employee**, but not more than six months before issuing your first paycheck.

## What is the Business Identification number (BIN)?

- The BIN is used for reporting, paying, or making inquiries about your withholding, unemployment insurance, transit taxes, and the Workers' Benefit Fund assessment.
- This is **not** the same as the **Business Registry Number** you obtained when you originally registered with the [Secretary of State's Corporation Division](#).
- The BIN must be included on all correspondence, returns, and payments.

## About Oregon's combined payroll tax reporting:

- Combined payroll tax reporting allows employers to report and pay all Oregon payroll taxes under one tax identification number and to file one report.
- Oregon's combined payroll tax reporting system is a partnership between the three separate state agencies administering Oregon's payroll taxes. Each agency administers its own tax program and has its own requirements.

## Which agency handles which tax programs?

- [The Oregon Department of Revenue](#) is responsible for administering the State Payroll Withholding (SIT) and Transit District Tax Programs (TriMet and LTD).
- [The Employment Department](#) administers the State Unemployment Insurance Tax Program (SUTA).
- [The Department of Consumer and Business Services](#) administers the Workers' Benefit Fund Assessment (WBF Assessment).

## How to report payroll taxes:

- The [Oregon Quarterly Tax Report](#) reports your payroll taxes for any quarter you have payroll or hours worked.
- There are several ways to submit this report: Paper, electronically, or Interactive Voice Response System (IVR).
- This report must be filed each quarter as long as your account is open, **even if you have no payroll or hours worked.**

## Oregon Quarterly Tax Report (OQ) filing:

### Electronic

- There are several options available for electronic quarterly payroll tax reporting:
  1. [OTTER \(Oregon Tax Employer Reporting System\)](#): Free reporting software downloaded either online or from a CD. You can use this to report quarterly payroll for one or more businesses.
  2. [SETRON \(Secured Employer Tax Online\)](#): Web-based reporting, which is compatible with any operating system. It is useful to businesses with 50 or fewer employees.
  3. [IVR \(Interactive Voice Response\)](#): Payroll tax reporting is required even for quarters with no wages or hours worked. You may file your **no payroll, no hours worked** report by calling 503-378-3981.

## Oregon Quarterly Tax Report (OQ) filing:

### Paper

- You can choose to file your report this way instead of using the electronic formats **OTTER**, **SETRON**, or **IVR**.
- Personalized paper forms are available and included in the [Combined Payroll Tax Booklet](#) ordered or mailed each year.
- If you choose this method to file **a no payroll report**, be sure to only report the tax programs you are subject to and enter a “0” on both the subject wage (line 1) and on tax (line 5).

## Payment methods:

- There are also several ways to submit your payroll tax deposits:
  1. Electronic Funds Transfer (EFT) allows you to submit your payment electronically using either **ACH Debit** or **ACH Credit**, depending on which works best for your business needs.  
**Important: If you are required to submit your federal payments using EFT, you are also required to do so for Oregon.** [More information on EFT.](#)
  2. Payment by paper allows you to pay by check or money order using the Oregon Combined Tax Payment Coupon (OTC). This coupon is used to indicate how to apply payment amounts for each tax program and quarter. **Payment form OTC does not replace reporting Form OQ (Oregon Quarterly Tax Report) to report your quarterly taxes.**

## Payment due dates:

### Electronic or paper

- Due dates for paying Oregon withholding tax are the same as the due dates for paying your federal tax liability.
- **Payment for Employment (SUTA), Transit Taxes, and the Workers' Benefit Fund Assessment** is due the last day of the month following the end of the calendar quarter. **Example: First quarter (January 1–March 31) would be due by April 30; second quarter (April 1–June 30) would be due July 31; and so forth.**

## Additional information

- Once you register for combined payroll tax reporting and have received your Business Identification Number (BIN), the Employment Department sends instructions on how to download and install [OTTER](#) ([OTTER is the preferred method for tax reporting](#)).
- If you cannot or do not wish to report electronically, [order preprinted paper reporting forms online here](#).
- If you are an agricultural or domestic in-home care employer who chooses to report annually rather than quarterly, paper reporting is your only option at this time. Forms and instructions are mailed each year in November.

## Making changes or updating your account:

- The [Change in Status form](#) is used to update employer information for withholding, unemployment, and transit tax to an existing employer account. Use the [Change in Status form](#) when you:
  1. no longer have employees;
  2. stop or start working in a transit area;
  3. need to update address and phone numbers;
  4. make changes in contact information;
  5. need to update owner/officer information; and
  6. need to add or remove a spouse as a liable owner.
- For information on reporting changes that affect your **Workers' Compensation Insurance** and **Workers' Benefit Fund Assessment**. Download the [Corrections and Changes Notification form](#).



## CHANGE IN STATUS REPORT • If you have workers' compensation insurance, you must also notify your insurer.

- Has your business name, mailing address, telephone number, or federal employer identification number (FEIN) changed? Check this box and fill in the change(s) below.
- Has the address where your forms are delivered changed? Check this box and fill in the change(s) below.

Business Name \_\_\_\_\_

Physical or Mailing Address \_\_\_\_\_

Telephone Number ( ) \_\_\_\_\_

FEIN \_\_\_\_\_

Oregon Business Identification Number (BIN) \_\_\_\_\_

Federal Employer Identification Number (FEIN) \_\_\_\_\_

Fax to: **503-947-1700**

-or-

Mail to: **Employment Department  
875 Union St NE, Rm 107  
Salem OR 97311-0030**

**NATURE OF CHANGE:** (Please check as appropriate) If an entity change, see instructions.

- A. Sold, leased, or otherwise transferred:  All or  Part of the business, to:

Business Name: \_\_\_\_\_ Date of Sale: \_\_\_\_\_

New Owner's Name: \_\_\_\_\_ Telephone: ( ) \_\_\_\_\_

Address: \_\_\_\_\_

Was business operating at the time it was sold, leased, or otherwise transferred?  Yes  No

If only part of the business was transferred, describe what was transferred: \_\_\_\_\_

How many employees were transferred? \_\_\_\_\_

- B. Partnership formed or changed. **Explain on a separate sheet and attach** along with a Combined Employer's Registration form for a new partnership.

- C. Corporation:  Formed  Dissolved  Ceased operations

Effective Date: \_\_\_\_\_ **Explain on a separate sheet and attach** along with a Combined Employer's Registration form for a new corporation.

- Change of Officers (attach a list of officers with SSNs, home addresses, and phone numbers).

\_\_\_\_\_  
 Entity change from: \_\_\_\_\_ To: \_\_\_\_\_

- D. Now doing business in:  TriMet and/or  Lane Transit District Effective Date: \_\_\_\_\_

- E. No longer doing business in:  TriMet and/or  Lane Transit District Effective Date: \_\_\_\_\_

New location: \_\_\_\_\_

- F. Partnership, LLC/LLP, or sole proprietor operating without employees.

- G. Now using leased employees: Name of leasing company \_\_\_\_\_ Date employees transferred: \_\_\_\_\_

Total number of employees prior to transfer \_\_\_\_\_ How many employees transferred? \_\_\_\_\_

- H. Closed business or no longer doing business in Oregon.

**Note:** Corporate officers and members of limited liability companies are employees for some tax programs, but not in others. Check with each agency to see if these individuals are considered employees.

**Date of final payroll** \_\_\_\_\_ Location of terminated business' records: Name: \_\_\_\_\_

(mm/dd/yy)

Address \_\_\_\_\_

I understand that it will be necessary for me to again report and pay taxes if at any time I resume operating, even though in a different line of business and regardless of the extent of my employment.

Signature  \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_ Telephone No. ( ) \_\_\_\_\_

## Changing your business entity:

- If your business entity is changing, complete the [Change in Status form](#) and/or a new [Combined Employer's Registration](#).
- Examples of when you need to complete of a new registration include:
  1. Changing from a sole proprietor to a partnership or corporation.
  2. Changing from a partnership to a sole proprietor or corporation.
  3. Changing members in a partnership of five or fewer partners.
  4. Changing from any entity type to a Limited Liability Corporation (LLC).
- If you aren't sure which form you need to complete, call 503-945-8091.

## When is reporting information sent?

- [Oregon Tax Coupons \(OTC\)](#): If you are not making your payments electronically (EFT), payment coupons are sent out each year by the end of December or within three weeks after you register your business.
- [OTTER](#) updates are sent out each year in February to employers using [OTTER software](#).
- [Oregon Quarterly Reports \(Form OQ\)](#) are also sent out each year in February to those employers who choose not to file electronically.

## Year-end reconciliation form:

### Oregon Annual Reconciliation Report (Form WR)

- All employers must file an [Oregon Annual Withholding Reconciliation Report \(WR\)](#) to reconcile all OQ reports filed, even if you are required to submit your W-2 information electronically.
- This report is due by the last day of February after the tax year.
- If you stop doing business during the year, this report is due within 45 days from your final payroll.
- If necessary, you can submit a written request asking for an extension of time to submit Form WR (up to an additional 30 days).

## Learn more about Oregon payroll taxes:

- Visit the Oregon Department of Revenue website: [www.oregon.gov/DOR/BUS](http://www.oregon.gov/DOR/BUS).
- E-mail: [payroll.help.dor@state.or.us](mailto:payroll.help.dor@state.or.us).
- Subscribe to [Payroll Tax News](#) to receive up-to-date payroll tax information by e-mail.
- For general information and to ask questions about registration, withholding, and transit tax issues, call 503-945-8091 (option 2) or 1-800-356-4222 to speak to a representative.

## Additional contact information:

- **Employment Tax (SUTA):** 503-947-1488
- **Benefit Fund Assessment questions:** 503-378-2372
- **Workers' Benefit Fund information:** 503-947-7815
- **Workers Compensation:** 503-947-7814
- **Transit boundary questions:**
  - TriMet: 503-962-6466
  - Lane Transit: 541-682-6100
- **Electronic Funds Transfer (EFT) questions:** 503-947-2017
- **IRS (Business Telephone Assistance):** 1-800-829-4933

## Useful publications for employers:

- [\*Oregon Withholding Tax Tables \(150-206-430\)\*](#)
- [\*Oregon Business Guide\*](#)
- Instruction booklet for the [\*Oregon Quarterly Combined Tax Report\*](#)
- [\*Transit Payroll Taxes for Employers \(150-211-503\)\*](#)