

## MEASURES 66 AND 67 IMPACTS

Now that Measures 66 and 67 have passed, how will they impact you and your business?

### Individuals and Families

**Generally.** Measure 66 increases the income tax rate for higher income individuals and families. Specifically, it applies to individuals who file separately and earn more than \$125,000 per year, and to joint filers who earn more than \$250,000 per year. The previous income tax rate for these income levels was 9%.

**Individuals Filing Separately.** Beginning in the 2009 tax year, income tax rates on individuals filing separately will increase to 10.8% for income between \$125,000 and \$250,000. The income tax rate for income in excess of \$250,000 will increase to 11%. Those tax rates are the marginal tax rates for dollars earned in excess of those amounts - the income tax rate for income between \$0 and \$125,000 remains unchanged.

**Joint Return Filers.** Beginning in the 2009 tax year, the same tax rate increases that apply to separately filed returns also apply to joint returns, but at higher dollar amounts. The dollar amounts are \$250,000 and \$500,000, respectively.

**Decrease in Individuals Filing Separately and Joint Filer Tax Rates.** Beginning in tax year 2012, the marginal income tax rates for individuals filing separately with income between \$125,000 and \$250,000, and for joint filers with income between \$250,000 and \$500,000, will decrease by .9% to 9.9%. However, the marginal income tax rate for income earned above \$250,000 for individuals filing separately or \$500,000 for joint filers will not decrease.

**Fixed Income Levels.** Unlike the income tax rates for lower levels of income, the income amounts that trigger these rates are fixed and are not adjusted upwards based on cost of living increases.

**Federal Income Tax Deduction.** Measure 66 will also decrease the deduction allowable for federal income taxes paid, based on a sliding scale.

### Businesses

**Generally.** Measure 67 raises the minimum tax paid by businesses from \$10 per year to \$150 per year. Measure 67 applies retroactively to tax years beginning in 2009.

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**S Corporations.** The minimum corporate tax on S corporations is fixed at \$150 a year. This tax does not vary based on gross income. However, profits from an S corporation allocated to the S corporation owners are potentially subject to the Measure 66 increased tax rates at the shareholder level.

**C Corporations.** Unlike other business entities, C corporations may be required to pay more than the \$150 minimum tax, depending on how much income a corporation earns and how much sales it generates in Oregon. In general, C corporations will pay the greater of their regular tax or the minimum tax. C corporations should work closely with their CPA to calculate taxes due under Measure 67's tax structure.

**LLCs and Professional Corporations.** LLCs and professional corporations are taxed as either a C corporation or an S corporation according to their election.

**Filing Fee Increases.** Measure 67 also increases filing fees for certain filings, including business registry filings and UCC filings. However, the rate increases are relatively nominal.

### **Conclusion**

The passage of Measures 66 and 67 means increased taxes for higher income individuals and businesses. The effects of the taxes vary significantly, however, depending on an individual's income or a business's structure.

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