

## **LIC-4.03 - Business License Exemption for Real Estate Salespersons**

***APPLICABLE TO TAX YEARS 2007 AND PRIOR—  
NOT APPLICABLE BEGINNING WITH TAX YEARS 2008 AND FORWARD***

### **BUSINESS LICENSE EXEMPTION FOR REAL ESTATE SALESPERSONS**

*Administrative Rule Adopted by Revenue Bureau Pursuant to Rule-Making Authority*

ARB-LIC-4.03

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Real estate salespersons (brokers) that engage in professional real estate activity only as an agent of a principal real estate broker are exempt from business license requirements under Business License Law. Real estate salespersons are not exempt from the requirements of the Multnomah County Business Income Tax Law.

The real estate salesperson is required to obtain a business license if the agent has any other business activity that combined with the real estate activity generates \$25,000 or more in gross receipts in a tax year.

Example 1: Charles Bodine, a real estate salesperson, engages in professional real estate activity as an agent of a principal real estate broker, and receives a commission from the broker for each real estate transaction executed by him. Mr. Bodine is also a real estate appraiser. Half (\$50,000) of the business gross income is generated from real estate sales commissions and half (\$50,000) from real estate appraisal fees (\$45,000 generated from appraisals performed in the City). Both activities are conducted from the Mr. Bodine's home office and both activities share expenses. Mr. Bodine is required to be licensed with the City and will report the net income (loss) from his sales activities as well as the appraising activities. The net income (loss) will be apportioned to the City based upon where his real estate appraisal work is performed (\$45,000 / \$100,000). The gross income from the real estate sales activities is exempt and not included in the numerator of the apportionment formula, even though it was derived from business activity performed in the City. However, it is included in the numerator of the apportionment formula for the County business income tax.

Example 2: Edith Farnham, a real estate salesperson, engages in professional real estate activity as an agent of a principal real estate broker, and Ms. Farnham receives commissions totaling \$50,000 from the broker for the real estate transaction executed by her. Ms. Farnham also owns residential property in Portland that generates \$15,000 in annual gross rents. If Ms. Farnham's real estate salesperson activity is separate and distinct from the residential rental activity, then Ms. Farnham is only required to license the residential rental activity (federal form 1040, Schedule E). The gross and net incomes from the real estate salesperson activity are not included when calculating the business license fee. They are, however, included when calculating the Multnomah County business income tax.

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### **REFERENCES**

Portland City Code Section [7.02.400.B](#).

Oregon Revised Statutes Sections [696.365](#).

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### **HISTORY**

Amended rule filed for inclusion in PPD January 12, 2006.

Amended by Revenue Bureau January 10, 2006 (housekeeping changes).

Submitted for inclusion in PPD September 17, 2002.

Originally adopted as Bureau of Licenses Administrative Rule 400.93-3 November 23, 1993 and amended as 400.93-3A December 26, 2000.

Revised administrative rule adopted by Director of Revenue Bureau August 10, 2009.