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## 191010

Ordinance

### Amend Business License Law Code related to the apportionment and allocation of income (amend Code Chapter 7.02)

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. In May 2011, the City Council passed ordinance 184597, adopting changes to the Business License Law to align more closely with the Oregon Revised Statutes specifically regarding the concept of “jurisdiction to tax” which impacts apportionment of income.
2. The Cost of Performance apportionment method assigns income and the related tax to the location where a business performs services. The Market-Based Sourcing apportionment method assigns income and the related tax to the location of a business’ customer.
3. Both the City of Portland and the State of Oregon used Cost of Performance apportionment for services through 2017. The State of Oregon adopted Market-Based Sourcing apportionment for services beginning with 2018. The City of Portland still uses Cost of Performance apportionment. Generally, it is desirable for the Business License Law to be in conformity with the state’s income tax law. These changes bring City of Portland back into conformity with the state.
4. Apportionment rules are important to businesses when they do business both within and outside the City and clear guidance assists the Revenue Division as it administers the Business License Law.
5. It is necessary to amend the apportionment section of the Business License Law to achieve greater conformity with the State of Oregon statutes to adopt Market-Based Sourcing of sales for income from services and intangible assets.
6. The Revenue Division administers business income taxes for Multnomah County and Metro. It is essential for taxpayer compliance with, and for Revenue Division’s administration of, the business taxes for the three jurisdictions that substantially similar provisions are adopted by each jurisdiction.

Introduced by

[Mayor Ted Wheeler](#)

Bureau

[Management and Finance;](#)  
[Revenue and Financial Services;](#)  
[Revenue Division](#)

Contact

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Monday through Thursday,  
7:30 to 4:30

**Requested Agenda Type**

Regular

Changes City Code

7. The Revenue Division has been working closely with Multnomah County and Metro to ensure that the proposed legislation is supported by all three jurisdictions and will be implemented uniformly with all three jurisdictions.
8. The proposal to align the local income tax apportionment rules more closely to the state income tax has received broad support from the Portland area business community, including the Portland Business Alliance.

NOW, THEREFORE, the Council directs:

- A. City Code Chapter 7.02 is amended as set forth in the attached Exhibit A, but shall not take effect until such time as substantially similar provisions are adopted by the governing bodies of Multnomah County and Metro to applicable provisions of the Multnomah County Code and Metro Code.

## Documents and Exhibits

 [Exhibit A](#) (22.77 Kb)

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
September 28, 2022

Auditor of the City of Portland  
Mary Hull Caballero

## Impact Statement

### Purpose of Proposed Legislation and Background Information

The City of Portland, in conformity with the State of Oregon, used a method of apportionment for the sales of services called Cost of Performance. The state changed to a method of apportionment for the sales of services called Market-Based Sourcing beginning with 2018. The City continued to use Cost of Performance. The proposed changes bring the City back into conformity with the State of Oregon for apportionment. This eases the compliance burden on taxpayers and assists the Revenue Division as it administers the law.

The Revenue Division administers business income taxes for Multnomah County and Metro. Those jurisdictions are proposing substantially similar changes. Conformity with these jurisdictions also eases the compliance burden on taxfilers and assists the Revenue Division as it administers the laws for Multnomah County, Metro, and the City.

## Financial and Budgetary Impacts

The proposed code changes would not have a material impact on City revenue or expenses.

## Community Impacts and Community Involvement

Adoption of the Oregon Revised Statutes and Oregon Administrative Rules for apportionment and allocation will reduce the tax return filing/compliance burden on taxpayers. It will reduce substantial differences between how the State of Oregon and the City of Portland determine what income the City may tax.

## 100% Renewable Goal

The legislation has no direct impacts on this goal.

## Budget Office Financial Impact Analysis

The Revenue Division has been working closely with Multnomah County and Metro to align the local income tax apportionment rules more closely to the State income tax. The City has been using the Cost of Performance apportionment method, which assigns income and the related tax to the location where a business performs services, and is proposing to change to using the Market-Based Sourcing apportionment method, which is currently used by the State of Oregon and assigns income and the related tax to the location of a business' customer. This change would ease the compliance burden on taxpayers and assists the Revenue Division as it administers the law. The proposed code changes would not have a material impact on City revenue or expenses. There may be an impact on the portion of taxes collected from businesses within the City versus those outside the City, but there has been no estimates for this potential shift.

## Agenda Items

### 772 Time Certain in [September 21, 2022 Council Agenda](#)

Passed to second reading

Passed to second reading September 28, 2022 at 9:30 a.m.

### 810 Regular Agenda in [September 28, 2022 Council Agenda](#)

Passed

Commissioner Jo Ann Hardesty Yea

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Yea