

**LIC-6.14 - Apportionment of Gross Income from Business Activities Other than Sales of Tangible Personal Property**  
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**APPORTIONMENT OF GROSS INCOME FROM BUSINESS ACTIVITIES OTHER THAN SALES OF TANGIBLE PERSONAL PROPERTY**

*Administrative Rules Adopted by Bureau of Licenses Pursuant to Rule-Making Authority*  
 ARB-LIC-6.14

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Passive, portfolio, personal service income, and all other items of gross income are apportioned to the location of the income producing activity. The term "income producing activity" applies to each separate item of income and means the transactions and activity directly engaged in by the taxpayer in the regular course of its trade or business for the ultimate purpose of obtaining gain or profit.

Time spent in performing services includes the amount of time expended in the performance of a contract or other obligation which gives rise to such gross income. Personal service not directly connected with the performance of a contract or other obligation, for example, time expended in negotiating the contract, is excluded from the computations.

Income from transactions and activities performed on behalf of a business, such as those conducted on its behalf by an independent contractor, must be apportioned to the business' domicile location.

Example 1: Gross income from the performance of personal services are apportioned to the City to the extent such services are performed in the City. If services relating to a single item of income are performed partly within and partly without the City, the gross income for the performance may be apportioned by either of the following methods:

- a. Project by project method. Over the course of the license/tax year, each project is tracked to determine where the costs of performance occur. The entire gross income of each project is apportioned to the City unless greater than 50% of the costs of performance of a project occurs outside the City.
- b. Hourly method. Over the course of the license/tax year, each hour for services performed within the City is logged. Total gross income apportioned to the City are measured by the ratio of time spent performing such services in the City vs. the total time spent in performing services everywhere.

Example 2: A broker provides the service of matching a supplier with a purchaser of either tangible personal property (e.g., lumber, food products) or services (e.g., employment). Gross income for the performance of the service are apportioned to the County to the extent such services are performed in the County and is apportioned following one of the methods identified in Example 1

Example 3: Gross income from the rental, leasing, sale, or licensing of real and personal property are apportioned to the County if the property is located in the County. Generally, transactions involving property are attributable to the situs of the property.

Example 4: Gross income from interest, dividends, and other portfolio income items are apportioned to the City if the administrative activities to select, record, and/or reconcile the portfolio investments are performed in the City. Generally, portfolio activity is attributable to the commercial domicile of the trade or business.

Example 5: Gross income from royalties, patents, customer lists and other intangibles are apportioned to the County if the commercial domicile of the business is in the County. There must be significant costs of performance away from the commercial domicile to apportion the income elsewhere.

Example 6: Gross income from sale of franchises located in the County and gross income of franchise fees or royalties from County sources are apportioned to the County. Due to the nature of franchise agreements, a minimum connection between the franchisor and the County exists. This minimum connection may be an employee coming to County to solicit the sale of franchises, copyrights, trademarks, licenses, patents or other intangible assets, inspect franchisee operations, coordinate joint advertising, etc., or perform after the sale activities in this County for the franchisee.

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**REFERENCES**

Portland City Code Section [7.02.610 C.2.](#)

Multnomah County Code Section [5.60.610 C.2.](#)

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**HISTORY**

Submitted for inclusion in PPD September 17, 2002.

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