

Multnomah County Preschool For All Personal Income Tax Withholding Requirements and Formula

Introduction

On November 3, 2020, Multnomah County voters approved a measure to establish a tuition-free preschool program. This program is funded by a personal income tax, which went into effect January 1, 2021. Preschool For All (PFA) will give 3 and 4 year olds in Multnomah County access to free, high-quality, developmentally appropriate, culturally responsive preschool experiences. The program is slated to grow over time, increasing the number of children and families that it serves each year. Families will be able to apply for slots in early 2022 and preschoolers will begin learning in September of 2022. All families in Multnomah County will be eligible to apply and families who currently have the least access to high-quality preschool will be prioritized for the first-available slots.

The PFA program is funded by a personal income tax of 1.5% on taxable income over \$125,000 for individuals and \$200,000 for joint filers, and an additional 1.5% on taxable income over \$250,000 for individuals and \$400,000 for joint filers. The rate will increase by 0.8% in 2026. Residents of Multnomah County will have 100% of their Oregon Taxable Income subject to the tax thresholds. For non-residents of Multnomah County, income sourced within the County will be subject to the tax thresholds. Please refer to our [FAQ](#) for further clarification.

Employer Responsibilities

For calendar year 2021, payroll withholding is not required. However, an employer must offer to withhold the Multnomah County Preschool For All Personal Income Tax from employees' wages as soon as the employer's payroll system(s) are able to process the withholding. Multnomah County understands the challenge of this transition and will not assess penalties if the withholding is not available in 2021.

Beginning calendar year 2022, employers with a Multnomah County location are required to withhold this tax from employees that work within Multnomah County and earn \$200,000 or more during the calendar year. An employee may use the Metro/MultCo OPT Form to elect in or out of withholding, or to designate a different withholding amount, based on their tax situation.

Withheld taxes are due the same time as federal and state taxes. Taxes should be remitted to the City of Portland, who administers this tax for Multnomah County. As a corporation officer or employee, you can be held financially responsible for unpaid withholding taxes owed by the business.

Quarterly and annual returns are due to the City of Portland per the schedule below.

The employer must provide the employee with a Form W-2 by January 31st following year end. The employer should report subject wages and personal income tax withheld in the local wages and local income tax boxes on the form. If the employer also withholds for the Metro Supportive Housing Services tax, the local wages and local income taxes need to be reported separately for each jurisdiction.

Payment Due Dates

Multnomah County tax withholding payment due dates are the same as the dates for depositing federal and Oregon State withholding tax liabilities. New employers must deposit monthly until they have a lookback period* established.

| Payment Due Dates for Multnomah County Tax Withholding | | | | | | | |
|--|---|------------------------|--------------------|-------------------------------|--------------------|-------------------------------------|-----------------|
| If your FEDERAL tax liability is: | Multnomah County withholding tax payments are due: | | | | | | |
| Less than \$2,500 for the quarter <i>Example: If your federal withholding tax liability is \$2,300 and your Multnomah County income tax liability is \$150, you deposit quarterly.</i> | By the quarterly return due date | | | | | | |
| \$50,000 or less in the lookback period* <i>Example: If your federal tax liability is \$5,000 and your Multnomah County income tax liability is \$330, you deposit monthly.</i> | By the 15 th of the month following payroll | | | | | | |
| More than \$50,000 in the lookback period* | Semi-weekly deposit schedule | | | | | | |
| | <table border="1"> <tr> <td>If the day falls on a:</td> <td>Then pay taxes by:</td> </tr> <tr> <td>Wednesday, Thursday or Friday</td> <td>The next Wednesday</td> </tr> <tr> <td>Saturday, Sunday, Monday or Tuesday</td> <td>The next Friday</td> </tr> </table> | If the day falls on a: | Then pay taxes by: | Wednesday, Thursday or Friday | The next Wednesday | Saturday, Sunday, Monday or Tuesday | The next Friday |
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| Wednesday, Thursday or Friday | The next Wednesday | | | | | | |
| Saturday, Sunday, Monday or Tuesday | The next Friday | | | | | | |
| <i>Example: If your federal tax liability is \$60,000 and your Multnomah County income tax liability is \$4,000, you deposit semi-weekly.</i> | | | | | | | |
| \$100,000 in a single pay period <i>Example: If your federal tax liability is \$120,000 and your Multnomah County income tax liability is \$8,000, you deposit the next business day.</i> | Within one banking day | | | | | | |
| *The lookback period is the 12-month period that ended the previous June 30. The lookback period for agricultural employers is the calendar year before the calendar year that just ended. | | | | | | | |

Return Due Dates

Multnomah County Preschool For All Personal Income tax withholding return due dates are the same as Oregon employer reports.

| Filing Due Dates for Quarterly Returns | | |
|--|---------------------|-----------------------------|
| Quarter | Quarter Ending Date | Return Due Date |
| 1 st – Jan-Feb-Mar | March 31 | April 30 |
| 2 nd – Apr-May-Jun | June 30 | July 31 |
| 3 rd – Jul-Aug-Sep | September 30 | October 31 |
| 4 th – Oct-Nov-Dec | December 31 | January 31, subsequent year |
| Filing Due Dates for Annual Returns | | |
| Year | Annual Ending Date | Return Due Date |
| January – December | December 31 | January 31, subsequent year |
| If the due date is on a weekend or a holiday, the return is due the next business day. | | |

Where to File and Pay

The City of Portland is the Tax Administrator for this tax. The City administers multiple taxes, including taxes for other jurisdictions, and has the technical capability and capacity to administer this tax for Multnomah County.

Employers can enjoy the benefits of filing and paying electronically with Portland Revenue Online (PRO) at Pro.Portland.gov.

Contact Information

If you have questions or need assistance please contact the Tax Administrator at EmployerWithholding@portlandoregon.gov or (503) 865-4748.

Definitions

The terms “employer”, “employee” and “wages” have the same definitions as they do for purposes of wage withholding under ORS Chapter 316.

Penalties

When an employer fails to remit in whole or in part any tax withheld at the time required under this section, the Tax Administrator will assess a late payment penalty.

1. 5% of the balance of the tax paid after the original due date if the failure to remit is for a period less than or equal to four months will be assessed;
2. An additional 20% of the balance of the tax paid after the original due date if the failure to remit is for a period greater than four months; and,
3. An additional penalty of 100% of the balance of the tax paid after the original due date of all tax years if the failure to remit is for three or more consecutive tax years.

The Administrator may waive all or any part of the penalty imposed under this subsection on a showing by the employer that there was reasonable cause for the failure to remit the withheld taxes or any portion of the withheld taxes and that the employer acted in good faith to file and remit the taxes withheld.

Interest

You will be charged interest on any remaining tax left unpaid after the due date. You will be billed for interest due on unpaid balances. Please do not calculate and remit interest prior to receiving a bill for any interest due.

Rounding

When calculating tax to withhold employers should round to the nearest dollar using banker's rounding rules.

W-2 Reporting

Please use MULT for box 20 on the W-2 form.

Withholding Calculation

Employers must calculate withholding as shown below for employees who work within Multnomah County and earn \$200,000 or more annually. These calculations do not consider marital or tax filing status. Employees may use the Metro/MultCo OPT form to elect a different withholding amount based on their taxable income and tax filing status.

Step 1 – Calculate subject wages

Subject wages are the employee's gross wages over \$200,000 minus the Oregon deduction for federal tax withheld minus the Oregon standard deduction.

- The federal tax adjustment in the formula can't be more than \$7,050 per year in 2021, based on the Oregon personal income tax laws. This deduction phases out as noted below.
- The standard deduction amount for 2021 is \$4,700. Multnomah County does not prepare withholding calculations based on marital or tax filing status, and uses the higher standard deduction amount.
- The Multnomah County income withholding threshold is \$200,000. Multnomah County withholding calculations do not consider marital or tax filing status; and use the joint filing amount.

Step 2 – Calculate Multnomah County withholding

The Multnomah County withholding amount is 1.5% of wages above \$200,000 and 3% of wages above \$400,000.

Example 1: An employee has gross wages of \$300,000. The deduction for federal withholding is \$0 (phased out) and the standard deduction is \$4,700, so subject wages are \$295,300 = (\$300,000 – \$0 – \$4,700). The amount of subject wages above \$200,000 is \$95,300. The amount of annual Multnomah County withholding would be \$1,430 (\$95,300 * 1.5%).

You can figure Multnomah County withholding for this employee as follows:

| | | |
|---|---|------------------|
| 1 | Gross wages | \$300,000 |
| 2 | Less Oregon deduction for federal withholding | (\$0) |
| 3 | Less Oregon standard deduction | <u>(\$4,700)</u> |
| 4 | Subject wages | \$295,300 |
| 5 | Amount of subject wages over \$200,000 | \$95,300 |
| 6 | Tax to withhold (0.015 x line 5) | \$1,430 |

To figure withholding per pay period, take the annual "tax to withhold" and divide by the number of pay periods. In the example above this would be:

- Monthly: \$1,430 / 12 = \$119
- Semi-monthly: \$1,430 / 24 = \$60
- Bi-weekly: \$1,430 / 26 = \$55
- Weekly: \$1,430 / 52 = \$28

Example 2: An employee has gross wages of \$450,000. The deduction for federal withholding is \$0 (phased out) and the standard deduction is \$4,700, so subject wages are \$445,300 = (\$450,000 - \$0 - \$4,700). The amount of subject wages above \$200,000 and below \$400,000 is \$200,000. The amount of subject wages above \$400,000 is \$445,300. The amount of annual Multnomah County withholding would be \$4,359 = (\$200,000 * 1.5%) + (\$45,300 * 3%).

You can figure Multnomah County withholding for this employee as follows:

| | | |
|---|---|-----------|
| 1 | Gross wages | \$450,000 |
| 2 | Less Oregon deduction for federal withholding | (\$0) |
| 3 | Less Oregon standard deduction | (\$4,700) |
| 4 | Subject wages | \$445,300 |
| 5 | Amount of subject wages over \$400,000 (3%) | \$1,359 |
| 6 | Amount of subject wages over \$200,000 (1.5%) | \$3,000 |
| 7 | Tax to withhold | \$4,359 |

To figure withholding per pay period, take the annual “tax to withhold” and divide by the number of pay periods. In the example above this would be:

- Monthly: \$4,359 / 12 = \$363
- Semi-monthly: \$4,359 / 24 = \$182
- Bi-weekly: \$4,359 / 26 = \$168
- Weekly: \$4,359 / 52 = \$84

Bonus/Commission/Supplemental payments – If an employee has Multnomah County withholding established, supplemental payments should have withholding applied at 1.5% of the payment for employees with subject wages between \$200,000 - \$400,000. For employees with subject wages above \$400,000, supplemental payments should have withholding applied at 3%. If an employee does not have Multnomah County withholding established, no withholding is required on supplemental payments.

Multnomah County Withholding Formula

Step 1: Calculate subject wages

Subject Wages = Gross Wages – OR deduction for federal withholding – OR standard deduction

Step 2: Calculate Multnomah County withholding

For employees with subject wages above \$400,000
 Withholding = (Subject wages - \$400,000) * 3% + (\$200,000 * 1.5%)

For employees with subject wages above \$200,000
 Withholding = (Subject wages - \$200,000) * 1.5%

Phase out of Oregon deduction for federal withholding

| Wages are: | Deduction is: |
|-----------------------------|---------------|
| ≥ \$200,000 and < \$250,000 | \$7,050 |
| ≥ \$250,000 and < \$260,000 | \$5,650 |
| ≥ \$260,000 and < \$270,000 | \$4,200 |
| ≥ \$270,000 and < \$280,000 | \$2,800 |
| ≥ \$280,000 and < \$290,000 | \$1,400 |
| ≥ \$290,000 | \$0 |

Note: Multnomah County does not prepare withholding calculations based on marital or tax filing status, and uses the higher Oregon phase out table based on joint filing status.

Oregon standard deduction

| Wages are: | Deduction is: |
|------------|---------------|
| All wages | \$4,700 |

Note: Multnomah County withholding calculations do not consider marital or tax filing status and use the higher Oregon standard deduction amount.