



# Metro Supportive Housing Services Program Tax Information Frequently Asked Questions – For Employers and Payroll Companies

In May 2020 voters in greater Portland approved a measure to raise money for supportive housing services for people experiencing homelessness or at risk of experiencing homelessness. The program is funded by a 1% tax on all taxable income of more than \$125,000 for individuals and \$200,000 for couples filing jointly, and a 1% tax on profits from businesses with gross receipts of more than \$5 million.

This is the first time Metro has implemented personal and business income taxes, and it is the first local personal income tax in the region since Multnomah County's personal income tax ended in 2006. There are details to work out and questions to be answered as a collection process is developed for these taxes. These FAQs will be updated regularly throughout the implementation process as answers are known.

## **General**

### **What is the name of this tax?**

Metro Supportive Housing Services

### **When is this tax effective?**

The tax is effective January 1, 2021.

### **When will all the rules and definitions be available?**

Metro code was adopted on December 17, 2020. Administrative rules to provide additional clarity and examples, an employer handbook and forms are currently being developed. Additional rules and definitions for the withholding and remittance process will be clarified during testing.

### **When will systems be ready and live?**

The City of Portland will be administering this tax for Metro on Portland Revenue Online (PRO). The withholding remittance for the personal income tax is currently being implemented and will be rolled out in two waves. Wave 1 will begin payroll withholding April 1, 2021 and Wave 2 will begin payroll withholding July 1, 2021. See rollout schedule below.

### **What wages are subject to this tax?**

This tax is based on Oregon taxable income for residents of the Metro district, and Oregon taxable income attributable to sources within the Metro district for nonresidents. This includes wages received by a nonresident attributable to work performed within the Metro district. Metro will follow the State of Oregon definition of wages and rules for determining which fringe benefits are taxable.

**What income is exempt from this tax?**

For joint filers, including filing statuses married filing jointly, qualifying widow(er) and head of household, the first \$200,000 is exempt from this tax. For single filers, including filing statuses single and married filing separately, the first \$125,000 is exempt from this tax.

For example: A single filer with \$275,000 in taxable income sourced from the Metro district would be taxed on \$150,000. At the 1% rate they would pay \$1,500.

**What about the Multnomah County Preschool for All tax?**

The Multnomah County Preschool for All tax was approved by Multnomah County voters in November 2020. It is a personal income tax on high wage earners effective January 1, 2021. Multnomah County is also working with the City of Portland to administer and collect this tax, and Metro and the County are working closely to ensure alignment in tax codes and implementation. The Preschool for All tax FAQs are available at <https://multco.us/dchs/preschool-all-tax-information> and questions can be emailed to [pfatax@multco.us](mailto:pfatax@multco.us).

**What if I have other questions, and how can I stay informed?**

Please email questions to [HousingServices@oregonmetro.gov](mailto:HousingServices@oregonmetro.gov). You can also request to be added to the Supportive Housing Services tax distribution list to receive updates.

**Rollout Schedule**

	<b>Wave 1</b>	<b>Wave 2</b>
Finalize specs: <ul style="list-style-type: none"> <li>• ACH credit addenda format provided</li> <li>• XML file specifications provided for return and W-2</li> </ul>	Dec 1-31	Dec 1-31
Initial testing*	Jan 4 – Feb 12	April-May
Acceptance testing*	Feb 15 – Mar 12	May-June
Project Go-Live	Mar 29	<i>Will already be live</i>
Payroll withholding begins	April 1	July 1
First quarterly tax return due	July 31	Oct 31

\*Testing will occur in the Portland Revenue Online (PRO) staging environment.

**Withholding**

**Are employers required to withhold Metro individual income tax from employees’ paychecks beginning on the effective date of January 1, 2021? If not, will employers be required to withhold Metro individual income tax from employees’ paychecks beginning at a later date?**

Beginning January 1, 2021 withholding will be voluntary. However, an employer must offer to its employees in writing to withhold the Metro personal income tax from the employees’ wages as soon as the employer’s payroll system(s) can be configured to capture and remit the taxes withheld.

Beginning January 1, 2022, and each year thereafter, withholding is mandatory for all employees that work in the Metro District and earn \$200,000 or more during the calendar year. This applies to resident and nonresident employees.

An employee below the \$200,000 earning threshold or with other tax considerations may choose to opt in to withholding at an employee designated amount, based on the employee's tax situation. Or an employee who meets the mandatory withholding criteria may choose to opt out of withholding, based on the employee's tax situation.

**Do you anticipate there will be penalties if the employer does not have withholding available at the start of 2021?**

No. Metro understands this is happening quickly and will not issue penalties if the withholding is not available in 2021. Metro strongly encourages employers to begin the process to implement withholding prior to January 1, 2022 when it will be required for employees earning \$200,000 or more annually.

**Do employees have the option to pay this tax in some other way outside of a payroll deduction (i.e. with their personal income taxes)?**

Yes, employees can opt to make quarterly estimated payments, or they can pay with their annual tax return if the tax liability is less than \$1,000. As a reminder, a single taxfiler with \$225,000 in taxable income would owe \$1,000 ( $\$225,000 - \$125,000 \text{ exemption} * 1\%$ ) and a joint taxfiler with \$300,000 in taxable income would owe \$1,000 ( $\$300,000 - \$200,000 \text{ exemption} * 1\%$ ).

**Should the employer be annualizing the taxable income each pay period or begin withholding when the employee has earned \$200,000?**

The withholding amount will be determined based on annual salary and using withholding tables, or an employee designated annual amount. Withholding will be annualized across all pay periods and an equal amount withheld each pay period.

**Are out of district employers who have employees who are residents of the Metro district required to withhold?**

All Metro district residents are subject to the tax, regardless of where the income is sourced. However, employers located outside the Metro district are not required to withhold. The employer may choose to offer withholding as a convenience for the employees who live within the Metro district.

**If an employee works some of the time in the Metro district are only those wages earned while working in the district subject to the tax?**

For nonresidents, only the wages earned while working in the Metro district are subject to the tax. This aligns with the way Oregon taxes nonresidents.

**What happens if the employee quits and goes to work somewhere else and does not get paid over the \$125,000? Would they collect the overpayment on their tax return?**

If the employee quit and earned no other income for the remainder of the year, when they filed their return they would receive a refund.

**As a payroll provider, or even an individual employer, there really is no way to determine when one ½ of a couple (one person's) wages have reached \$200,000 and to start withholding the tax. Is it anticipated that most individuals will pay the tax when they reach the \$125,000 and then if they file jointly with their spouse, the tax would be reconciled and refunded then, if necessary?**

Beginning January 1, 2022, employers will be required to withhold for all employees who earn \$200,000 or more annually. Employees have the following options for withholding:

- Automatic withholding by employer, based on expected annual salary and using withholding tables. Withholding will be annualized across all pay periods. This will not consider spousal income or other income.
- Opt in for employee designated amount. If the employee is below the \$200,000 mandatory withholding threshold, or has other income such as spousal income, they can complete the opt in form to indicate the amount they would like withheld each pay period.
- Opt out. If the employee falls into the automatic withholding category but does not want tax withheld, they can opt out. This could be because their spouse will have the full amount withheld, they'll be making quarterly estimated payments, or they expect their taxable income to be below the exemption amount.

**How will a mid-year job changer signal to their employer that they've already earned a certain amount and therefore they are subject to the tax?**

The employee can request the employer withhold based on annual salary and wage tables, or designate the amount they'd like withheld.

**How/how often will employees with multiple jobs update their employers as to the aggregate earnings?**

The employee can use the opt in/out form to designate the amount they'd like withheld from each employer. Alternatively, the employee can make quarterly estimated payments, or pay with their annual tax return if the tax liability is less than \$1,000.

**Payment**

**How will this tax be filed and paid?**

The City of Portland Revenue Division will administer and collect the taxes on Portland Revenue Online (PRO). Payment by ACH Credit is encouraged and available for bulk filers. ACH debit is available for employers with only one return and payment. Payment by check is available upon request or petition.

**What is the frequency requirement to remit the tax?**

The frequency is the same as Federal and State of Oregon withholding due dates, based on Federal liability.

**If the payment due date falls on a weekend or holiday, when will payment be due?**

Payments will be due the following business day.

**Will there be electronic filing and/or paper filing for this tax?**

It is anticipated that filing electronically will be an option.

**Tax Return and Filing**

**What are the employer reporting requirements?**

A quarterly reconciliation is due the last day of the month following the quarter to which the report relates. It is not anticipated that the quarterly reconciliation will include detailed withholding information by employee. This will be similar to the Oregon Form OQ.

An annual reconciliation is due the last day of January following any calendar year in which payroll withholdings have been made by an employer. This will be similar to the Oregon Form WR. The annual reconciliation will include W-2 information detailed by employee.

**Where and how will the reporting for employers take place?**

Reporting will be done on the Portland Revenue Online (PRO) website using bulk filing or electronic data entry.

**Will Metro and Multnomah County have combined reporting?**

Separate returns will be required for Metro and Multnomah County.

**Are there going to be any special W-2 reporting requirements for this tax?**

It is expected that employers will use the W-2 to report local wages and local income tax withheld.

**Has the personal income tax return been created? If not, when do you anticipate they will be ready?**

The tax return hasn't been created at this time. The final tax return is not anticipated until fall 2021, in advance of April 2022 filings.

Similar to the federal income tax return, the Metro return will require the individual to input income, additions, deductions and/or credits to determine their taxable income, then calculate tax. They will then report tax paid, either through employer withholding or quarterly estimated payments, to determine tax due or refund owed.

**Will there be a new registration for employers and third party agents on a portal or via paper form?**

Yes. By creating a login on PRO, an electronic registration is created.

**Will third party agent need a Third Party Agent Authorization or Power of Attorney to file on behalf of the employers?**

It is not anticipated that a Third Party Agent Authorization or Power of Attorney will be needed at this time.

**What identifier number will be used for employers to report this tax such as FEIN, State UI, State SIT or something else?**

The Federal Employer Identification Number (FEIN) will be used. There will also be an account number in PRO.