



CAT

Canby Area Transit Taxes



A guide for businesses

***Please provide this information sheet to your
Accounting/Payroll Administrator***

The Canby Area Transit District is bounded by the limits of the Canby Urban Growth Boundary – an area including and extending somewhat beyond the city limits of Canby. Similar to other local transit districts such as Wilsonville, Sandy and Molalla, Canby is separate from the Tri-Met transportation system and charges a lower tax rate.

Employer Payroll Transit Tax

All employers, including businesses headquartered outside the district, that pay wages **earned in the local transit district** must file payroll tax returns with the City of Canby. The transit tax is imposed directly on the employer. The tax is figured only on the amount of gross payroll for services performed within the local transit district. This includes traveling sales representatives and employees working from home.

Self-Employment Transit Tax

Also subject to the tax are the earnings of self-employed individuals, sole proprietors, independent contractors, real estate agents, members of a partnership, and certain LLC's who have **earnings from doing business or providing services in the local transit area**. If you also have earnings from *outside* the district, you must use a reasonable method of apportionment to calculate your tax liability.

Where do I start?

When you obtain a Canby Business License, a Canby Transit Tax account will also be set up based on the tax classification indicated on your Business License application. Some businesses may be subject to both tax types. If you are working outside the city limits but within the urban growth boundary you are not required to have a business license; however you are still required to file and pay transit tax. If you are not required to have a city business license, please contact the Transit Tax office to be issued a tax account number.

How and when do I to file?

Payroll forms are sent out quarterly and are due no later than the last day of the month following the end of the quarter. Annual self-employment forms are sent annually and due no later than April 15 each year. Forms and instructions are also available on the CAT Tax web page. You are still required to file a return even if you have zero tax due. If you use a payroll service or a tax preparer, please be sure they are aware your business is subject to Canby transit taxes.

What is the tax rate?

The tax rate is 0.6 %. That is \$6.00 for every \$1000 of taxable wages (multiplication factor = .0060). Additional penalties, interest and fees may also apply to late or incomplete filings.

Exemptions and special circumstances

Wages exempt from transit taxes:

- Federal credit unions
- public school districts
- entities with a 501(c)(3) designation (except hospitals)
- domestic service in a private home
- religious organizations, including churches
- **Ministers:** Compensation received by a minister or member of a religious order when performing religious services is not subject to this tax. However, compensation received for performing religious services as an independent contractor is subject to this tax.
- **Insurance Agents:** Insurance related income is not subject to the tax. However, non-insurance related earnings are subject to this tax.

Partnerships: The individual self-employed members of the partnership are responsible for filing and paying the tax. However, a partnership may choose to file one transit self-employment tax return and pay the tax for all of its individual partners.

Corporation distributions: C-Corp and S-Corp distributions are not subject to this tax. However, all employers who pay wages for services performed in the local transit area must pay the transit payroll tax. This includes corporation officers who must receive reasonable compensation for services performed.

Annual Payroll Filing: Annual (rather than quarterly) payroll tax reporting may be authorized for businesses whose reporting history indicates the business does occasional work within the local transit area resulting in tax due of \$120 or less per year, or an average of \$30 or less per quarter. If you would like to switch to annual payroll reporting please contact the Transit Tax office. Please note that annual payroll returns are due by the last day of January following the end of each tax year.

Tax forms, instructions and additional information, such as a Canby Urban Growth Boundary map, can be accessed from our web site at:

<http://www.canbyoregon.gov/transportation/transittax.htm>

Tax filings, payments and correspondence should be mailed to:

City of Canby
Transit Tax
PO Box 930
Canby OR 97013-0930

Payments can also be made in person at:

City Hall
222 NE 2nd Avenue
Canby, OR

Questions can be directed to:

Email: transitpayrolltax@canbyoregon.gov

Phone: 503-266-0687

Fax: 503-266-1799