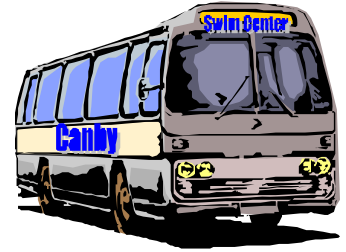




Canby Area Transit Taxes

A guide for businesses



This information is not a complete statement of laws and rules that apply to the Canby Area Transit (CAT) transit tax. For more information, visit www.canbyoregon.gov, under Quick Links select Municipal Code and Canby Municipal Code, Chapter 3.24.

Overview of the Canby Area Transit Tax

The Canby Area Transit District and Tax were established by City Ordinance 1081 in December of 2001. The 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.

The transit tax finances the locally operated transit system and cannot be used for any other purpose. The system provides transit services in Canby with connections to Woodburn, Wilsonville, and Oregon City.

Tax Rate

The tax rate is 0.6%. That is \$6.00 for every \$1,000 of taxable wages (multiplication factor = .0060). Additional penalties, interest and fees may also apply to late or incomplete filings.

Who must file and pay the transit tax?

All employers, including nonresident employers, self-employed individuals, sole proprietors, independent contractors, real estate agents, members of a partnership, traveling sales representatives, employees working from home, and certain LLC's who are or have been paying wages earned in the Canby Transit District must file transit tax returns with the City of Canby. If you also have earnings from *outside* the district, you must use a reasonable method of apportionment to calculate your tax liability.

What are taxable wages?

Wages include all salaries, commissions, tips, bonuses, fees, payments to a deferred compensation plan, or other items of value; as defined in ORS 267.380.

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.
- 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.

Apportionment of the tax

Employers located outside the Canby Urban Growth Boundary are subject to the payroll and/or self-employment tax if any employee or self-employed individual does business in the local transit area. Taxpayers should not pay both Canby Area Transit Tax and Tri-Met Tax on the same taxable wages/earnings. The tax should be paid on actual wages earned in the district. Self-employment earnings should be apportioned by a reasonable method. A template to assist you in calculating the apportionment is available on the Transit Tax page of the City of Canby website.

Where do I start?

When you obtain a City of Canby Business License, a Canby Area 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. Please contact the Transit Tax office for a tax account number.

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

Anyone who has self-employment earnings from business or service activities carried on in the Canby local transit area must pay this tax. This includes; self-employed individuals, sole proprietors, independent contractors, and members of a partnership. 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.

If you are self-employed and have employees you will need to file the quarterly tax return on wages earned by your employees and the annual self-employment return for your own net earnings.

Extensions to file for self-employment

An extension does not mean more time to pay.

If you have a federal extension, you must make your estimated payment by the original due date of the return to avoid a penalty and interest charge. Complete the CAT Self-Employment Tax Return and check the box indicating that you have an extension.

Amended Returns

If you need to amend a tax return, complete a new Tax Return form and check the amended return box.

When & where do I to file my return?

Tax return forms are sent to the employers before the end of each quarter. Returns are due:

Quarter ending:	Deadline to file is:
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

Annual self-employment forms are sent to the business in January of each year with a due date of **April 15**.

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.

You are 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 Area Transit taxes.

Mail returns and payments to:
Canby Area Transit
PO Box 930
Canby, OR 97013-0930

Penalty & interest charges

- All returns and payments received after the due date will incur a 10% penalty on any unpaid tax.
- An additional 15% penalty will be incurred on any unpaid tax over 30 days past due.
- Fraudulent tax returns or intent to evade will result in an additional 25% penalty.
- Interest is also charged at the rate of 1.5% per month or fraction thereof (18% APR) on the amount of tax due, exclusive of penalties, from the date the remittance first became delinquent until paid.

Questions & contact information

transitpayrolltax@canbyoregon.gov
Phone: 503-266-0687 Fax: 503-266-1799

Tax forms, instructions and a Canby Urban Growth Boundary map, are available on our web site
<http://www.canbyoregon.gov/transportation/transittax.htm>