

Oregon Withholding Tax

T. Cross and J. Thorpe



Who must withhold?

All Oregon employers (including farmers and ranchers) must withhold tax from employee wages at the same time employees are paid. This differs from federal withholding rules, which state that federal income tax withholding from farmworker wages is done on a voluntary basis.

Who is an employee?

An employee is defined as anyone who performs services for another person or organization. The key criterion used in deciding whether a person is an employee is the employer's authority to direct the way the services are performed. Individuals recognized by the federal government as independent contractors may be regarded by the state as employees.

Taxable wages

Wages subject to Oregon withholding tax include salaries, commissions, bonuses, wages, fees, or any item of value paid to an individual for services as an employee. Taxable items include: merchandise (such as a freezer of beef), stocks, room, board, or other considerations given in payment for the employee's services.

An employer must withhold tax on wages paid when an employer-employee relationship exists between a husband and wife, and on wages paid to minors for bona fide personal services rendered to their parents. The value of meals or lodging furnished for the convenience of the employer is not taxable.

Exempt wages

Certain wages are exempt from Oregon withholding law. The most significant for agricultural employers relates to seasonal employees. Wages paid to a seasonal farm laborer whose total annual income from a single employer is less than \$300 are exempted from withholding law. This exemption is only for planting, cultivating, or harvesting seasonal agricultural crops.

When the annual income from one employer exceeds \$300, the entire amount, including the first \$300, is subject to withholding tax. The employer may elect to withhold 2% of total wages without considering withholding exemptions.

Which crops are seasonal?

A seasonal agricultural crop requires an annual or less than annual season to mature. Seasonal crops include:

1. Field and forage crops.
2. Seed of grasses, cereal grains, vegetable crops, and flowers.
3. Bulbs and tubers of vegetable crops.
4. Holly cuttings harvested annually for Christmas sale. Christmas trees are not considered seasonal agricultural crops.

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Labor connected with the following is not exempt from withholding tax:

1. Nursery stock unless planted, cultivated, and harvested within an annual period.
2. Raising, shearing, feeding, caring for, training, or management of livestock, bees, poultry, furbearing animals, or wildlife.

Quarterly filing—All employers with more than \$50 per month Oregon withholding, except agricultural employers who qualify for annual filing, must file withholding returns quarterly using Form WQ, *Oregon Quarterly Withholding Tax Return*.

Quarter	Ending	Form WQ Due Date
1st: Jan-Mar	Mar 31	Apr 30
2nd: Apr-Jun	Jun 30	Jul 31
3rd: Jul-Sep	Sep 30	Oct 31
4th: Oct-Dec	Dec 31	Jan 31

To register

Employers must register with the State Department of Revenue using Form 150-211-055, *Combined Employer's Registration Report*. You should register before you issue your first paychecks.

Annual filing—Agricultural employers who file IRS Form 943, *Employer's Annual Tax Return for Agricultural Employees*, can also file Oregon withholding annually using Form WA, *Oregon Annual Withholding Tax Return for Agricultural Employees*. It is due by January 31. Tax payments are due the same day as you make your FICA or federal tax payment.

Figuring withholding tax

You may choose among two methods for calculating withholding taxes from your employees. One method uses "wage bracket" withholding tax tables prepared by the Department of Revenue. The second method is the percentage formula which is used in computer payroll systems. The percentage formulas are also found in the Oregon withholding tax tables.

You should use the number of exemptions claimed by employees on Internal Revenue Service Form W-4's. If an employee has not filed a Form W-4, use 0 (zero) exemptions.

Annual report—All employers must file Form WR, *Oregon Annual Withholding Reconciliation Report*, by February 15.

For more information

Forms are regularly mailed by the Department of Revenue to registered employers. Call or write for the materials below; single copies available at no charge:

Employment Division
Oregon Department of Revenue
875 Union Street NE
Salem, OR 97311
(503) 378-3224

Information for Oregon Employers

Oregon Withholding Tax Tables

Payment due dates

Due dates for paying Oregon withholding tax are the same as due dates for depositing federal withholding tax, except for employers who are authorized to report and pay semi-annually. A description of federal withholding tax deposit due dates is included in EC 1338, *Federal Income Tax Withholding*.

Reporting

All employers must file withholding returns by the due dates, even if the payroll was 0 (zero) for the period. Most employers file quarterly, but some qualify for annual filing.



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