



# Frequently Asked Questions (FAQs)

## Employer Payroll Tax

*This FAQ was created to provide answers to commonly asked questions about the Employer Payroll Tax.*

# General Information

## 1. When will the tax become effective?

The Community Safety Payroll tax became effective on **January 1, 2021**. For the first quarter of 2021 and 2022 reporting, the payroll tax withholding requirement applied to pay periods starting on or after January 1, 2021. All subsequent reporting will be based on pay date.

## 2. What is a payroll tax and who is responsible for collecting and remitting the tax?

The payroll tax is paid by employers, employees, and self-employed persons.

- **The Employer Payroll Tax** is based on all subject wages paid by an employer to all employees during the calendar quarter.
- **The Employee Payroll Tax** is applied to subject wages paid to an employee. The Employee Payroll Tax is collected and remitted by the employer to the City of Eugene.
- **The Self-Employed Payroll Tax** is applied to net earnings from self-employment. For the purpose of the payroll tax, self-employed persons are business operating units that are taxed federally as either sole proprietorships or partnerships. This includes LLCs that elect to be taxed as either partnerships or individuals.

## 3. Am I, as the employer, required to register with the City for the payroll tax?

**Yes.** Employers and self-employed individuals **with a physical address in the Eugene city limits** and have employees subject to the Community Safety Payroll Tax, will need to register. You can register quickly and easily through MUNIREvs.

## 4. As the employer I am already registered with the State of Oregon. Do I need to register again?

**Yes.** The City of Eugene's payroll tax is not connected with the State of Oregon. Upon completion of registration each business will be given an MUNIREvs account number to use exclusively for the payroll tax.

## 5. What is a business location for the purposes of the payroll tax?

For this purpose, the "business location" is defined as any physical location in the Eugene city limits to which an employer conducts business operations, including any real property, building, facility, or office owned, leased, or occupied by the employer.

The key factor is the **physical location of the employer**, not where the work is performed, client locations, temporary job sites, or where the employee lives. See [Business Location Examples](#).

## 6. How do I determine if my address is in the Eugene city limits?

Use the online [Search by Address](#) tool to see if an address is in the city limits. The Eugene city limits is not the same as the Eugene urban growth boundary or determined by certain ZIP codes. Your address may contain "Eugene," but still be outside the Eugene city limits. If the address is listed as "unincorporated," in the address finder, then it is not in the City limits.

## 7. How often are returns and payments required to be submitted?

The Employer and Employee Payroll Taxes are paid on a quarterly basis. Quarterly returns and payments of tax are due on or before the last day of the month following the end of the quarter.

Quarter	Due Date
1st quarter (January to March)	April 30*
2nd quarter (April to June)	July 31*
3rd quarter (July to September)	October 31*
4th quarter (October to December)	January 31*

\*When the due date falls on the weekend, or a legal holiday, the due date is the next business day.

# About the Employer Payroll Tax

## 1. Our business is an S corporation and our owners work as employees. Are those wages subject to both the Employer and the Employee Payroll Taxes?

Yes. Owner/Officers of S-corporations who provide services and are paid wages/other remuneration to the S-corporation are subject to the Employee Payroll Tax and their wages must be included in the Employer Payroll Tax. This is because working owner/officers of S-corps have elected to be treated as employees of their businesses for tax purposes and are therefore subject to payroll taxes.

## 2. What do I need to file for the Employer Payroll Tax?

The Employer Payroll Tax has one form that needs to be submitted quarterly:

- [Form EUG-PY-1, Employer Payroll Tax Quarterly Return](#)

**Note:** Employers that would like to claim the reduced tax rate for employers in the fourth quarter will also need to submit the [Reduced Tax Rate worksheet](#) in addition to the quarterly payroll tax return. Claiming the reduced tax rate is optional and requires that you maintain adequate records to substantiate eligibility for the reduced rate. Documentation will be requested in the event of a compliance audit.

## 3. What wages are subject to the payroll tax?

“Subject wages” are those wages subject to Oregon Revised Statute (ORS) Chapter 316 withholding, or wages after pre-tax deductions.

Specifically, subject wages are gross wages (including the cash value of all remuneration paid in any medium other than cash - i.e. salaries, fees, tips, bonuses, sales commissions, the fair market value of services paid in a medium other than cash) less any pretax deductions (i.e. certain retirement plans, certain health savings plans)

## 4. Are there any exempt wages?

For the purposes of the payroll taxes, “wages” does not include the following remuneration types: That is not subject to withholding under Oregon Revised Statute (ORS) Chapter 316.

- For domestic service in a private home.
- For casual labor not in the course of the employer’s trade or business.
- To an employee whose services to the employer consist solely of seasonal labor in connection with the planting, cultivating or harvesting of agricultural crops.
- For services performed by a duly ordained, commissioned or licensed minister of a church in the exercise of the minister’s ministry or by a member of a religious order in the exercise of religious duties required by such order, which duties are not commercial in nature.
- To persons temporarily employed as emergency forest fire fighters.

## 5. I have employees that are exempt from the Employee Payroll Tax for the pay period. As the employer, am I still subject to the Employer Payroll Tax for those subject wages paid to exempt employees?

Yes. The Employee Payroll Tax and the Employer Payroll Tax are separate from one another and have different rates for each. If an employee is exempt from the Employee Payroll Tax, those subject wages are still taxable to the employer.

## 6. My business closed before the fourth quarter and I have two or less employees. Do I have to wait until the 4<sup>th</sup> quarter to file for the reduced tax rate?

No. If filing a **final return** prior to the 4th quarter, the business may apply the reduced tax rate if the business qualifies. Complete the reduced tax rate worksheet (EUG-RTR), up to the final month the business was in operation at the Eugene location. Divide the total by the number of months in operation (1 = January, 2 = February, 12 = December) and enter that amount into the Annual average employment box. Be sure to round to two decimal places.

## 7. I’m already paying the Lane Transit District payroll tax. Do I need to pay the Community Safety Payroll Tax as well?

Yes. The Lane Transit Tax and Community Safety Payroll Tax are separate taxes and not connected. Therefore, if you are subject to both taxes, you must pay both taxes.

# Calculating the Employer Payroll Tax

## 1. How do I calculate the Employer Payroll Tax?

For each quarter, all employers must multiply the total subject wages paid to all employees during the calendar quarter by the Employer Payroll Tax rate is **.0021**. Please see the [Guide to calculating the Employer Payroll Tax](#).

**Note (Reduced tax rate for small employers):** At the fourth (or final) quarterly Employer Payroll Tax return for employers with an average of two or less employees during the year, they may apply to use the employer reduced tax rate of **.0015** on total subject wages up to \$100,000 by completing the reduced tax rate worksheet.

The difference will be used to reduce the tax due for the 4th quarter; or if there is an overpayment, the overpayment will be applied as a credit (or prepayment) for the next quarter. You can also request a refund by checking a box on the form.

## 2. How do I determine if I had two or less employees?

“Two or less employees” will be determined using **average annual employment**. This will be a count of all active employees subject to the tax (including all full-time, part-time, temporary, and seasonal employees) for each month, totaled for the year, and divided by 12. Only count active employees that worked for the business location(s) in the Eugene city limits.

‘Employees’ does not include temporary employees contracted through professional employment organizations or staffing services.

# Payroll Tax Subjectivity

## 1. My business does not have a physical location in Eugene, but I have employees that work from home in Eugene. Are those wages subject to the payroll tax?

No. The key factor is the **physical location of the employer**, not where the work is performed, client locations, temporary job sites, or where the employee lives. See the [Business Location Overview](#) for business location examples.

## 2. I have a business location in Eugene with employees that work from home outside the city limits. Are those wages subject to the payroll tax?

Yes. The key factor is the **physical location of the employer**, not where the work is performed, client locations, temporary job sites, or where the employee lives. See the [Business Location Overview](#) for business location examples.

## 3. My business is located outside of Eugene, but my employees travel to Eugene to meet with clients. Am I subject to the tax?

No. The payroll tax is applied to wages paid to an employee working for an employer located in the Eugene city limits. The **key factor is the physical location of the employer**, not where the work is performed or the location of clients. Client locations do not qualify as a “business location” for the purposes of the Employee Payroll Tax. See the [Business Location Overview](#) for business location examples.

## 4. My company has project sites located in the City, but my business is located outside of the City. Am I subject to the tax for my time at those sites?

No. The payroll tax is applied to wages paid to an employee working for an employer located in the Eugene city limits. The key factor is the physical location of the employer, not where the work is performed or the location of temporary job sites. Temporary job sites are not treated “business location” for the purposes of the Employee Payroll Tax. See the [Business Location Overview](#) for business location examples.

## 5. I have multiple business locations both in and out of the City limits. Am I subject only for the Eugene locations?

Yes. If an employer with a physical address in the City has one or more business locations outside the City, no tax is owed by the employer or employee for those hours an employee works at an employer’s business location that is outside the City. See the [Business Location Overview](#) for examples.

## 6. Does the payroll tax apply to government agencies and their employees? How about nonprofit 501(c)(3) organizations?

Public employees are subject to the Employee Payroll Tax if they work at a public employer located in the Eugene city limits.

Public employers are exempt from the Employer Payroll Tax because intergovernmental taxation is prohibited. Without express authority, one government entity cannot tax another. Examples of public employers are governmental agencies, tribal government, school districts, and other local districts (i.e water districts, etc.)

Nonprofit 501(c)(3) organizations are subject to the Employer Payroll Tax and their employees are subject to the Employee Payroll Tax.

# Filing and Paying the Employer Payroll Tax

## 1. Are estimated payments required?

No, you do not need to submit estimated payments for the payroll taxes.

## 2. Are extensions allowed to file a return?

Businesses are not allowed an extension to file quarterly returns for the Employer Payroll Tax or Employee Payroll Tax. The business must file the quarterly return and pay the tax by the due date to avoid penalty and interest.

## 3. As an employer, am I required to report the payroll tax on a Form W-2? If so, how is that reported?

Yes. The business is required to report the subject wages and tax withheld for each employee. Report the subject wages on Form W-2 provided to an employee in box 18 (local wages, tips, etc.), the payroll tax paid in box 19 (local income tax), and "EUG" in box 20 (locality name).

## 4. What happens if my payment (check, online check, Credit Card, etc.) bounces?

The City of Eugene will charge an NSF Fee of \$20 for returned checks and any online payments.

## 5. Where do I send my paper forms?

Please send signed complete paper forms with payment (i.e. checks, cashier's checks, or Money order) to the address on the [form](#). We strongly encourage the use of the online MUNIRevs filing/payment solution. Using the MUNIRevs system ensures accurate tax calculations, applies payments made in real time, and maintains a record of prior tax submissions.

## 6. If I file my form online, but do not want to pay online, can I mail in my payment?

Yes. If the business prefers paying the tax by check, then please put the business phone number on the check and mail it to the address on the [form](#).

## 7. How can I make a prepayment?

Prepayments can be made through MUNIRevs. The City of Eugene will not be able to match mailed payments without returns and vouchers, please **do not** send prepayment checks directly to our office. **Note:** Prepayments are not a payment of the payroll tax until they are applied to a specific outstanding payroll tax liability.

## 8. What documents need to be mailed with my payment?

Please supply the following information with payment:

1. Quarterly payroll tax return
2. Supplemental Quarterly payroll tax return
3. Voucher form for each payroll tax type
4. Check for each voucher form

## 9. What forms do I need to file and pay?

The tax forms that need to be filed are based on 1) the business entity type and 2) the federal return filed annually to report business operations of the employing unit. Please see the [Tax Subjectivity Charts](#) to determine which forms need to be filed.

## 10. How can I make a payment using ACH Credit?

ACH Credit is automatically available to bulk filers. If the business is **not** a bulk filer and would like to use the ACH credit option to pay for the Community Safety Payroll Tax via MUNIRevs, then please do the following:

1. Log into the [MUNIRevs website](#)



# Filing and Paying the Employer Payroll Tax

3. Go to the “Making Payments” section of the FAQs.
4. Click on “ACH Credit Form” in question 2 of the Making Payments FAQs.
5. Complete the ACH Credit Form.  
Email the form to [MUNIRevs](#).

## **11. How long does it take before I receive an approval on my ACH Credit application?**

Please allow 3-5 business days to process the ACH Credit request.

## **12. Have questions or want to learn more?**

- [Email us with any questions](#) or call 541-682-5053.
- Read the [Community Safety Payroll Tax Ordinance](#) or [Administrative Order 44-20-05-F](#) or [Administrative Order 44-21-06](#).
- [Join the Payroll Tax Interested Parties email list](#) to get updates on the payroll tax.

## **13. Are there penalties for filing or paying late?**

**Yes.** There is a 5 percent late-payment penalty on any tax not paid by due date of the return.

If the return is filed more than 30 days after the due date, a 20 percent late-filing penalty will be added, and the business owe a total penalty of 25 percent of any tax not paid.

Employers who knowingly fail to deduct and withhold the tax may be subject to a penalty of \$250 per employee, up to \$25,000 for each tax period, in addition to any other penalties or interest.

## **14. If I don't file or pay by the due date, do I get charged interest?**

**Yes.** Interest is charged on any unpaid tax if you don't pay the tax by the due date. The interest period begins the day after the tax is due on all unpaid tax from the due date until the tax is paid.