

# Oregon Withholding Tax Formulas

Effective January 1, 2023

## **To: Oregon employers**

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The *Oregon Withholding Tax Formulas* include:

- Things you need to know.
- Phase-out information for high income employees.
- Frequently asked questions.

For more information, call:

**503-945-8091**

**or**

**503-945-8100**



**955 Center Street NE  
Salem OR 97301-2555**

# Things you need to know

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Due to changes in federal tax laws, using federal Form W-4 for Oregon withholding calculations may not result in the correct amount of withholding for Oregon tax purposes. We have created Form OR-W-4, *Oregon Employee's Withholding Allowance Certificate*, for determining Oregon allowance claims. Employees with an existing "Oregon-only" federal Form W-4 don't need to change their allowances for Oregon unless they revise their federal Form W-4 after January 1, 2020.

**Important: These tables can only be used if the employee claims the same number of allowances for federal and state purposes.** If the employee's Oregon allowances are different from federal, refer to the instructions in the *Oregon Withholding Tax Formulas*.

The updated *Oregon Withholding Tax Formulas* reflects changes to the inflation adjusted amounts (such as exemption credit, standard deduction, and federal tax subtractions). Employees may notice a change in the amount of Oregon tax withheld. If your employee wishes to adjust for too much or too little tax withheld, refer them to our online withholding calculator and the Oregon Form OR-W-4 available at [www.oregon.gov/dor](http://www.oregon.gov/dor).

## Oregon Employer Update for Oregon-only W-4

In December 2017, Congress passed the Tax Cuts and Jobs Act (TCJA), resulting in many changes to federal personal income taxes. In response, the IRS updated the federal Form W-4 worksheets in early 2018. This changed the number of federal allowances employees should claim, creating a disconnect between federal and state withholding that could leave employees owing money when they file their Oregon personal income tax return for tax years beginning 01-01-2018 and later.

Encourage your employees—particularly those who have submitted a 2018 or later federal Form W-4 and don't have a separate form for their Oregon withholding—to make sure their amount of withholding covers their estimated 2018 Oregon personal income tax liability.

To help with these withholding changes, we have new tools available to your employees:

- An online withholding calculator to make determining the appropriate amount of Oregon withholding easier.
- Form OR-W-4 is an Oregon-specific form. Form OR-W-4 allows more flexibility in adapting to future federal tax law changes without inconveniencing Oregon employees and employers. The Oregon Form OR-W-4 will be more accurate for Oregon withholding.)

You may see an increase in employees making withholding changes. We understand that this may create an administrative burden for some employers, and we're working to reduce that impact as much as we can.

**If you have questions** about your withholding obligations as an employer, visit the withholding webpage at [www.oregon.gov/dor/personal](http://www.oregon.gov/dor/personal), and click on "Oregon withholding info and resources," or email us at: [payroll.help.dor@dor.oregon.gov](mailto:payroll.help.dor@dor.oregon.gov).

**If your employees have questions** refer them to our website at [www.oregon.gov/dor](http://www.oregon.gov/dor) or they may call us at 503-378-4988 for assistance.

## Legislative changes

HB 2119 (2019) requires employers to withhold income tax at a rate of eight (8) percent of employee wages if the employee hasn't provided a withholding statement or exception certificate. Continue withholding at the eight percent rate until the employee submits a withholding statement or exemption certificate.

## **You may be personally liable for withholding taxes**

As a corporation officer or employee, you can be held personally responsible for unpaid withholding taxes owed by the corporation. That's because Oregon Revised Statutes (ORS) 316.162 and ORS 316.207 authorize the department to transfer the liability for unpaid taxes from the corporation to the responsible officers and employees when the corporation fails to remit the tax withheld.

## **Interested in electronic funds transfer (EFT)?**

Payments for combined payroll taxes can be made electronically using the Department of Revenue's EFT program. You can set up your payments through a secure internet site or through your financial institution. For ACH credit payments, you need to file an authorization agreement with the Department of Revenue before you can receive the department's payment information. To submit your authorization agreement or to make an ACH debit payment, visit [www.oregon.gov/dor](http://www.oregon.gov/dor) and look for the link to Revenue Online.

The IRS has changed the rules on the use of the Electronic Federal Tax Payment System (EFTPS) for withholding payments. Oregon law states that if a business is required to use EFTPS for federal purposes, they must use EFT for Oregon purposes. If a change to the federal rules affect you and you must begin paying your federal taxes with EFTPS, then you must pay your Oregon taxes with EFT.

Even though many businesses are required to make their payments this way, employers may voluntarily participate in the EFT program. Additional information and registration materials are available at: [www.oregon.gov/dor/e-filing](http://www.oregon.gov/dor/e-filing) or you may call the EFT help/message line at 503-947-2017 to receive a program guide.

## **Alternative withholding method for supplemental wage payments**

Employers may use a 8 percent flat rate to figure withholding on supplemental wages that are paid at a different time than an employee's regular payday. Supplemental wages include bonuses, overtime pay, commissions, or any other form of payment received in addition to the employee's regular pay. An election for exemption from state withholding, claimed by an employee by filing an exemption certificate with their employer, now expires on February 15 of the calendar year following the year of the election. This follows the federal rules for employees claiming exemption from federal withholding.

If an employee is eligible to claim an election for exemption from state withholding for a subsequent tax year, the employee must provide a new exemption certificate to the employer before February 15. If the employee doesn't provide an exemption certificate or a withholding statement by February 15, the employer must withhold at a flat rate of 8 percent. If the employee provides a new Form OR-W-4 claiming exemption from withholding after February 15, the employer may apply the exemption to future wages, but don't refund taxes withheld while the exempt status wasn't in place.

An employee claiming exemption from Oregon withholding must meet one of the following requirements:

- The employee's wages must be exempt from Oregon taxation.
- The employee must meet the qualification for having no tax liability.

An employee claiming exemption from Oregon withholding for having no tax liability must meet both of the following conditions:

- For the previous tax year, the employee had the right to a refund of all Oregon tax withheld because the employee had no tax liability.
- For the current tax year, the employee expects a refund of all Oregon income tax withheld because the employee expects to have no tax liability.

## **Do you have questions or need help?**

[www.oregon.gov/dor](http://www.oregon.gov/dor)  
503-378-4988 or 800-356-4222  
[questions.dor@dor.oregon.gov](mailto:questions.dor@dor.oregon.gov)

Contact us for ADA accommodations or assistance in other languages.

# Things you need to know

## Must I round withholding amounts to the nearest dollar?

When employers use the percentage method, the tax for the pay period may be rounded to the nearest dollar, but it's not required.

## When are withholding payments due?

Due dates for paying Oregon withholding tax are the same as due dates for depositing your federal tax liability.

If your federal tax liability is:	Oregon withholding tax payments are due:				
<ul style="list-style-type: none"> <li>• Less than \$2,500 for the quarter</li> </ul> <p><b>Example:</b> If your federal tax liability is \$2,300 and your state income tax liability is \$1,500, you deposit quarterly.</p>	➔	by the quarterly report due date			
<ul style="list-style-type: none"> <li>• \$50,000 or less in the lookback period*</li> </ul> <p><b>Example:</b> If your federal tax liability is \$5,000 and your state income tax liability is \$2,500, you deposit monthly.</p>	➔	by the 15th of the month following payroll			
<ul style="list-style-type: none"> <li>• More than \$50,000 in the lookback period*</li> </ul> <p><b>Example:</b> If your federal tax liability is \$60,000 and your state income tax liability is \$25,000, you deposit semi-weekly.</p>	➔	<b>Semiweekly deposit schedule</b>			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><i>If the day falls on a:</i> Wednesday, Thursday, and/or Friday</td> <td style="padding: 5px;"><i>Then pay taxes by:</i> the following Wednesday</td> </tr> <tr> <td style="padding: 5px;">Saturday, Sunday, Monday and/or Tuesday</td> <td style="padding: 5px;">the following Friday</td> </tr> </table>	<i>If the day falls on a:</i> Wednesday, Thursday, and/or Friday	<i>Then pay taxes by:</i> the following Wednesday	Saturday, Sunday, Monday and/or Tuesday	the following Friday
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Saturday, Sunday, Monday and/or Tuesday	the following Friday				
<ul style="list-style-type: none"> <li>• \$100,000 in a single pay period*</li> </ul> <p><b>Example:</b> If your federal tax liability is \$120,000 and your state income tax liability is \$75,000, you deposit within the next business day.</p>	➔	within one banking day			
<p><b>New business</b> Per federal rules, all new businesses should deposit monthly until a lookback period is available; this is the same for the State of Oregon. See Publication 15, Circular E.</p> <p>* The lookback period is the 12-month period that ended the preceding June 30. The lookback period for agricultural employers is the calendar year prior to the calendar year just ended.</p>					

<p><b>Payrolls paid in:</b></p> <p><b>Quarter 1</b> January, February, March</p> <p><b>Quarter 2</b> April, May, June</p> <p><b>Quarter 3</b> July, August, September</p> <p><b>Quarter 4</b> October, November, December</p>
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## When are withholding reports due?

Employers with household employees, or employers who file federal Form 943 for agricultural employment, may file annual returns, Oregon Form WA, *Oregon Agricultural Annual Withholding Tax Return*, 150-206-013-1, for agricultural employees and Oregon Employment Form OA for household employees. All other employers must file a quarterly tax report, Oregon Employment Form OQ.

As long as you are registered as an employer, you must file Form OQ, even if you have no payroll during the reporting period.

# Computer formula

To figure Oregon withholding amounts, you may use the formulas shown below. If you use your own formula, it must be approved by the Oregon Department of Revenue before use.

To use the formulas, you must figure a “base wage” (BASE) amount. The base is the employee’s wage minus the federal tax withheld minus standard deduction. The federal tax adjustment in the formula can’t be more than \$7,800 per year in 2023. That’s because Oregon personal income tax law limits the amount of federal income tax that is subtracted from federal adjusted gross income (AGI). For payroll periods of less than a year, figure the annual withholding divided by the number of pay periods (see page 5 or 6).

Once you figure the base, use the base in the formulas below to compute your Oregon withholding (WH).

**Example 1:** A single employee has an annual wage of \$15,000 and claims 0 allowance. If the federal withholding for this employee is \$1,166 and standard deduction is \$2,605, then the base is \$11,229 = (\$15,000 – \$1,166 – \$2,605). The amount of annual Oregon withholding from the table below would be \$934.

$$\text{WH} = \$844 + [(\text{BASE} - \$10,200) \times 0.0875] - (\$236 \times \text{allowances})$$

$$\text{WH} = \$844 + [(\$11,229 - \$10,200) \times 0.0875] - \$236 \times 0 = \$934$$

You can figure Oregon withholding for this employee as follows:

1. Wage.....	\$15,000
2. Less federal withholding.....	– \$1,166
3. Less standard deduction.....	– \$2,605
4. BASE .....	\$11,229
5. Amount of BASE over \$10,200.....	\$1,029
6. Tax on first \$10,200 of BASE .....	\$844
7. Tax on excess (0.0875 × \$1,029).....	\$90
8. Total tax from rates (lines 6 + 7) .....	\$934
9. Less personal exemption credit (\$236 × 0).....	– \$0
10. Net tax to be withheld annually.....	\$934

**Example 2:** To figure monthly withholding based on the same information listed above, take the annual “net tax to be withheld” (\$934) and divide by 12 = \$78.

For twice a month, take the \$934 and divide by 24 = \$39.

For every two weeks, take the \$934 and divide by 26 = \$36.

For weekly, take the \$934 and divide by 52 = \$18.

For daily, take the \$934 and divide by 260 = \$4.

**Example 3:** A single employee earns \$132,000 a year and claims four allowances on her federal W-4. Because the employee makes more than \$125,000 annually, the employee’s subtraction for federal withholding is limited. For example, if the employee’s federal tax withheld is \$21,098 for the year, they may only subtract \$7,800 of that amount.

**Example 4:** A married employee earns \$175,000 a year and claims four allowances on his federal W-4 but he is choosing to withhold at the higher single rate even though he is married. Because his annual income is higher than \$145,000 which is the final step in the phase-out for the single withholding rates, his employer wouldn’t give any subtraction for federal tax withheld. His employer would also not allow any allowances in the formula because his income is over \$100,000 for a single individual.

A list of questions and answers about the withholding formula is on page 7.

# Use the formula that matches your payroll

## Annual wages up to \$50,000—Annual wages formula:

### Single with fewer than 3 allowances

**BASE = wages – federal tax withheld (not to exceed \$7,800) – standard deduction (\$2,605[S])**

If BASE is:

<i>At least</i>	<i>But not over</i>	
0 –	4,050	WH = 236 + [BASE × 0.0475] – (236 × allowances)
4,050 –	10,200	WH = 428 + [(BASE – 4,050) × 0.0675] – (236 × allowances)
10,200 –	50,000	WH = 844 + [(BASE – 10,200) × 0.0875] – (236 × allowances)

### Single with 3 or more allowances, or married

**BASE = wages – federal tax withheld (not to exceed \$7,800) – standard deduction (\$5,210[M])**

If BASE is:

<i>At least</i>	<i>But not over</i>	
0 –	8,100	WH = 236 + [BASE × 0.0475] – (236 × allowances)
8,100 –	20,400	WH = 621 + [(BASE – 8,100) × 0.0675] – (236 × allowances)
20,400 –	50,000	WH = 1,451 + [(BASE – 20,400) × 0.0875] – (236 × allowances)

### Other pay periods

To determine other pay periods, figure the annual formula. Then for:

<b>Monthly</b> .....	Divide by 12
<b>Twice a month</b> .....	Divide by 24
<b>Every two weeks</b> .....	Divide by 26
<b>Weekly</b> .....	Divide by 52
<b>Daily</b> .....	Divide by 260

# Use the formula that matches your payroll

## Annual wages of \$50,000 or higher—Annual wages formula:

### Single with fewer than 3 allowances

—If single and wages are greater than \$100,000 then allowances = 0.

**BASE = wages – federal tax withheld (not to exceed [PHASE OUT]) – standard deduction (\$2,605[S])**

[S] PHASE OUT =

- wages ≥ \$50,000 and <\$125,000 = \$7,800
- wages ≥ \$125,000 and <\$130,000 = \$6,250
- wages ≥ \$130,000 and <\$135,000 = \$4,700
- wages ≥ \$135,000 and <\$140,000 = \$3,100
- wages ≥ \$140,000 and <\$145,000 = \$1,550
- wages ≥ \$145,000 = \$0

If BASE is:

	<i>But</i>	
	<i>not</i>	
<i>At least</i>	<i>over</i>	
39,595 – 125,000		WH = 608 + [(BASE – 10,200) × 0.0875] – (236 × allowances)
125,000		WH = 10,653 + [(BASE – 125,000) × 0.099] – (236 × allowances)

### Single with 3 or more allowances, or married

—If single and wages are greater than \$100,000 then allowances = 0.

—If married and wages are greater than \$200,000 then allowances = 0.

**BASE = wages – federal tax withheld (not to exceed [PHASE OUT]) – standard deduction (\$5,210[M])**

[M] PHASE OUT =

- wages ≥ \$50,000 and <\$250,000 = \$7,800
- wages ≥ \$250,000 and <\$260,000 = \$6,250
- wages ≥ \$260,000 and <\$270,000 = \$4,700
- wages ≥ \$270,000 and <\$280,000 = \$3,100
- wages ≥ \$280,000 and <\$290,000 = \$1,550
- wages ≥ \$290,000 = \$0

[S] PHASE OUT =

- wages ≥ \$50,000 and <\$125,000 = \$7,800
- wages ≥ \$125,000 and <\$130,000 = \$6,250
- wages ≥ \$130,000 and <\$135,000 = \$4,700
- wages ≥ \$135,000 and <\$140,000 = \$3,100
- wages ≥ \$140,000 and <\$145,000 = \$1,550
- wages ≥ \$145,000 = \$0

If BASE is:

	<i>But</i>	
	<i>not</i>	
<i>At least</i>	<i>over</i>	
36,990 – 250,000		WH = 1,215 + [(BASE – 20,400) × 0.0875] – (236 × allowances)
250,000		WH = 21,305 + [(BASE – 250,000) × 0.099] – (236 × allowances)

### Other pay periods

To determine other pay periods, figure the annual formula. Then for:

- Monthly ..... Divide by 12
- Twice a month..... Divide by 24
- Every two weeks ..... Divide by 26
- Weekly..... Divide by 52
- Daily ..... Divide by 260

# Frequently asked questions about the withholding computer formula

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**1. Does the federal withholding amount subtracted include FICA?**

No.

**2. What standard deduction amount should be entered for the Oregon formula?**

For employees claiming single or head of household status, use \$2,605 divided by the number of pay periods. For employees claiming married status, use \$5,210 divided by the number of pay periods. For single employees with three or more allowances, use \$5,210 divided by the number of pay periods.

**3. What do you do if the federal tax withholding exceeds \$7,800 on an annual basis?**

Use \$7,800 (or the phased-out amount for high-income earners).

**4. What phase-out amount for federal tax withheld should I enter if my employee is married, but wishes to be withheld at the higher single rate?**

Use the single phase-out amounts.

**5. What is included in “wages”?**

All taxable amounts are included in wages (hourly wage, salary, bonuses, tips, etc.).

**6. What isn’t included in “wages”?**

Non-taxable amounts such as pre-tax deductions for insurance, cafeteria or flex spending plans (section 125 plans), retirement plans (section 401k, etc.), health savings accounts, etc.

**7. What phase-out amount should I use if my employee claims single with three or more exemptions?**

Use the single phase-out amounts. Only use married phase-out amounts for employees who check the “Married” box on the W-4.

**8. What is the difference between twice a month and every two weeks?**

The twice-a-month formula (often referred to as semi-monthly) is based upon 24 pay periods a year. The every two weeks or biweekly formula is based upon 26 pay periods a year.

**9. Is there a straight percentage method that can be used instead of the formula?**

No. Even though Oregon’s top tax rate is 9.9 percent, employees usually pay less than the highest rate due to the federal tax subtraction, the standard deduction, and the personal exemption credit. The actual percentage they pay depends

on a number of factors, only when the employee hasn’t filed a withholding statement or exemption certificate, can the employer withhold a straight percent (8%).

**10. If the withholding amount is negative, what do I use?**  
Zero, however, you should check your calculations to make sure your entries are correct.

**11. Does my computer program need to allow for subtracting federal withholding from gross wages?**

Yes, up to \$7,800 on an annual basis.

**12. Is the personal exemption credit subtracted before or after the other calculations?**

After.

**13. Is the format of the Oregon withholding formula similar to that for the federal formula?**

Yes; however, the tax brackets and rates are different. In addition, the Oregon formula requires subtracting the personal exemption credit after the other calculations.

**14. What should I do if my “canned” computer package can’t use the Oregon withholding formula?**

Most of the newer packages are flexible enough to use the Oregon formula. Usually you need to answer a menu of questions about items such as subtracting federal withholding and how to subtract the personal allowance. Some of the older packages don’t allow for subtracting federal withholding or for subtracting the personal credit allowance after the other calculations. If your package doesn’t accommodate the Oregon formula, you should contact the publisher of the package.

**15. Do my employees need to adjust their W-4?**

Maybe. If your employee feels like the formulas don’t accurately reflect their tax situation, they can change their withholding rate by filling out the Oregon Form W-4. Employees can verify they are claiming the proper number of allowances by using the the online withholding calculator at [www.oregon.gov/dor](http://www.oregon.gov/dor).

**16. Can employees use different W-4 withholding information (allowances, etc.) for Oregon withholding than they do for federal withholding?**

Yes. The employee should indicate the desired number of allowances on Form OR-W-4 for Oregon and Form W-4 for federal withholding.