



Multnomah County Preschool For All Personal Income Tax Withholding Requirements and Formula

Introduction

On November 3, 2020, Multnomah County voters approved a measure to establish a tuition-free preschool program. This program is funded by a personal income tax, which went into effect January 1, 2021. Preschool For All (PFA) will give 3- and 4-year-olds in Multnomah County access to free, high-quality, developmentally appropriate, culturally responsive preschool experiences. The program is slated to grow over time, increasing the number of children and families that it serves each year. Families will be able to apply for slots in early 2022 and preschoolers will begin learning in September of 2022. All families in Multnomah County will be eligible to apply and families who currently have the least access to high-quality preschool will be prioritized for the first-available slots.

The PFA program is funded by a personal income tax of 1.5% on taxable income over \$125,000 for individuals and \$200,000 for joint filers, and an additional 1.5% on taxable income over \$250,000 for individuals and \$400,000 for joint filers. The rate will increase by 0.8% in 2026. Residents of Multnomah County will have 100% of their Oregon Taxable Income subject to the tax thresholds. For non-residents of Multnomah County, income sourced within the County will be subject to the tax thresholds. Please refer to our [FAQ](#) for further clarification.

Employer Responsibilities

For calendar year 2021, payroll withholding is not required. However, an employer must offer to withhold the Multnomah County Preschool For All Personal Income Tax from employees' wages as soon as the employer's payroll system(s) are able to process the withholding. Multnomah County understands the challenge of this transition and will not assess penalties if the withholding is not available in 2021.

Beginning calendar year 2022, employers with a Multnomah County location are required to withhold this tax from employees who work within Multnomah County and earn \$200,000 or more during the calendar year. An employee may use the Metro/MultCo OPT Form to elect in or out of withholding, or to designate a different withholding amount, based on their tax situation. For employees who are residents of the County, withholding is calculated on all wages. For employees

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who are nonresidents of the County, withholding is calculated on wages paid for services performed in the County.

Withheld taxes are due the same time as federal and state payroll (withholding) taxes. Taxes should be remitted to the City of Portland, which administers this tax for Multnomah County. As a corporation officer or employee, you can be held financially responsible for unpaid withholding taxes owed by the business.

Quarterly and annual returns are due to the City of Portland per the schedule below.

Employers must provide their employees with a Form W-2 by January 31 following the calendar year end. Employers should report subject wages and personal income tax withheld in the local wages and local income tax boxes on the form. If the employer also withholds for the Metro Supportive Housing Services tax, the local wages and local income taxes need to be reported separately for each jurisdiction.

Payment Due Dates

Multnomah County tax withholding payment due dates are the same as the dates for depositing federal and Oregon State withholding tax liabilities. New employers must deposit monthly until they have a lookback period* established.

Payment Due Dates for Multnomah County Tax Withholding

If your FEDERAL tax liability is:	Multnomah County withholding tax payments are due:	
Less than \$2,500 for the quarter	By the quarterly return due date	
<i>Example: If your federal withholding tax liability is \$2,300 and your Multnomah County income tax liability is \$150, you deposit quarterly.</i>		
\$50,000 or less in the lookback period*	By the 15 th of the month following payroll	
<i>Example: If your federal tax liability is \$5,000 and your Multnomah County income tax liability is \$330, you deposit monthly.</i>		
More than \$50,000 in the lookback period*	Semi-weekly deposit schedule	
	If the day falls on a:	Then pay taxes by:
	Wednesday, Thursday or Friday	The next Wednesday
	Saturday, Sunday, Monday or Tuesday	The next Friday
<i>Example: If your federal tax liability is \$60,000 and your Multnomah County income tax liability is \$4,000, you deposit semi-weekly.</i>		
\$100,000 in a single pay period	Within one banking day	
<i>Example: If your federal tax liability is \$120,000 and your Multnomah County income tax liability is \$8,000, you deposit the next business day.</i>		

*The lookback period is the 12-month period that ended the previous June 30. The lookback period for agricultural employers is the calendar year before the calendar year that just ended.

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Return Due Dates

Multnomah County Preschool For All Personal Income tax withholding return due dates are the same as Oregon employer reports.

Filing Due Dates for Quarterly Returns		
Quarter	Quarter Ending Date	Return Due Date
1 st – Jan-Feb-Mar	March 31	April 30
2 nd – Apr-May-Jun	June 30	July 31
3 rd – Jul-Aug-Sep	September 30	October 31
4 th – Oct-Nov-Dec	December 31	January 31, subsequent year

Filing Due Dates for Annual Returns		
Year	Annual Ending Date	Return Due Date
January – December	December 31	January 31, subsequent year

If the due date is on a weekend or a holiday, the return is due the next business day.

Where to File and Pay

The City of Portland is the Tax Administrator (the “Administrator”) for this tax. The City administers multiple taxes, including taxes for other jurisdictions, and has shown the technical capability and capacity to administer this tax for Multnomah County.

Employers can enjoy the benefits of filing and paying electronically with Portland Revenue Online (PRO) at Pro.Portland.gov.

Contact Information

If you have questions or need assistance please contact the Administrator (at the City of Portland) at EmployerWithholding@portlandoregon.gov or (503) 865-4748.

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Definitions

The terms “employer,” “employee,” and “wages” have the same definitions as they do for purposes of wage withholding under Oregon Revised Statutes (ORS) Chapter 316.

Penalties

When an employer fails to remit in whole or in part any tax withheld at the time required under Multnomah County Code (MCC) Chapter 11, sections 11.500 et seq., the Administrator will assess a late payment penalty. The following civil penalties may also be assessed:

1. 5% of the balance of the tax paid after the original due date if the failure to remit is for a period less than or equal to four months;
2. An additional 20% of the balance of the tax paid after the original due date if the failure to remit is for a period greater than four months; and
3. An additional penalty of 100% of the balance of the tax paid after the original due date of all tax years if the failure to remit is for three or more consecutive tax years.

The Administrator may waive all or any part of the penalty imposed under this subsection on a showing by the employer that there was reasonable cause for the failure to remit the withheld taxes or any portion of the withheld taxes and that the employer acted in good faith to file and remit the taxes withheld.

Interest

Interest will be charged on any remaining tax left unpaid after the due date. Late payers will be billed for interest due on unpaid balances. Please do not calculate and remit interest prior to receiving a bill for any interest due.

Rounding

When calculating tax to withhold and reporting the taxes withheld, employers can round to the nearest dollar using banker’s rounding rules or they can use exact amounts.

Withholding

MCC Chapter 11, sections 11.500 et seq., describe each employer’s obligation to collect and remit the Multnomah County personal income tax from the wages its employees earn that are subject to the Multnomah County Preschool for All personal income tax.

Withholding: Annual Reporting by Employer

1. An employer required to withhold or withholding for employees who have opted-in or are required to complete a form W-2 for federal personal income tax purposes must include the following information on the W-2:
 - a. Total County wages reported as Local wages;
 - b. County tax withheld during the calendar year reported as Local income tax;
 - c. The Locality name as “MULT”; and
 - d. The tax identification number of the employer.

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2. The employer must use a federal form W-2, or whichever form they use for Oregon personal income tax purposes, to report as required under paragraph (1), above.
3. The due date for filing the form W-2s for County purposes is the same as the federal due date.
4. The information on the form W-2 must be filed electronically with the Administrator for all employees for which Multnomah County tax was withheld and for all employees with \$200,000 or more in County wages.
5. Employer Annual Reconciliation Return.
 - a. An employer required to withhold or withholding for employees who have opted-in subject to withholding requirements must file a summary of total compensation paid and County personal income tax withheld for each employee. Each reconciliation return must include a reconciliation of income tax remitted to the Administrator by the employer for the calendar year to the total of income tax withheld from employees' pay for the calendar year.
 - b. The reconciliation returns for income tax withholding must be filed electronically with the Administrator. If an employer cannot file electronically, they may request permission of the Administrator to use an alternate filing method.
 - c. If there is a difference between the amount paid to the Administrator by the employer and the amount withheld by the employer from the employees' pay, the employer must explain the difference on the return.
 - d. The due date for each reconciliation return is January 31. If the due date is on a weekend or a holiday, the return is due the next business day. If the employer ceases doing business, each reconciliation return is due within 30 days of termination of business.

Personal Liability of Responsible Officers, Members or Employees for Taxes Withheld

1. A person may be held personally liable for unremitted income tax withholding, if that person is considered to have been an "employer," as that term is defined for purposes of ORS Chapter 316. In addition, the person must have been in a position to pay or direct the payment of the income tax withholding or direct the payment of the income tax withholding at the time the duty arose to withhold or pay the taxes. Additionally, the person must have been aware, or have been in a position that should have been aware, that the income tax withholding was not paid to the Administrator. An employer cannot avoid personal liability by delegating its responsibilities to another.
2. The Administrator will look to ORS Chapter 316 when determining whether an individual has sufficient indicia of control such that it is reasonable to hold the individual personally liable for failure to remit income tax withholding.

Alternative withholding for supplemental payments – Supplemental payments include bonuses, commissions, or other payment made in addition to the employee's regular pay. Employers may exclude supplemental payments from the withholding calculation above, as these payments may not be known at the time of calculation. If an employee is subject to Multnomah County tax withholding under the withholding calculation above, supplemental payments must have withholding applied. Income above \$200,000 and below \$400,000 must be withheld at a rate of 1.5% and income above \$400,000 must be withheld at a rate of 3%. If an employee is not subject to

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Multnomah County tax withholding, has opted out, or has opted in at an employee designated withholding amount, no withholding is required on supplemental payments.

Withholding Calculation

Employers must calculate automatic withholding as shown below for employees who work within Multnomah County and earn \$200,000 or more annually. These calculations assume joint filing status. Employees may use the Metro/MultCo OPT form to elect a different withholding amount based on their taxable income and tax filing status.

Step 1 – Calculate subject wages

Subject wages are the employee's gross wages over \$200,000 minus the Oregon deduction for federal tax withheld minus the Oregon standard deduction.

- The federal tax adjustment in the formula can't be more than \$8,250 per year in 2024, based on the Oregon personal income tax laws. This deduction phases out as noted below.
- The standard deduction amount for 2024 is \$5,495 for joint filers. Employers automatically withholding for employees should use the higher standard deduction amount for automatic withholding.
- The Multnomah County income withholding threshold is \$200,000. Multnomah County withholding calculations use the joint filing amount for automatic withholding.

Step 2 – Calculate Multnomah County withholding

The Multnomah County withholding amount is 1.5% of wages above \$200,000 and 3% of wages above \$400,000.

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Example 1: An employee has gross wages of \$300,000. The deduction for federal withholding is \$0 (phased out) and the standard deduction is \$5,495 (assume joint filing), so subject wages are \$294,790 = (\$300,000 - \$0 - \$5,495). The amount of subject wages above \$200,000 is \$94,505. The amount of annual Multnomah County withholding would be \$1,418 (\$94,505 * 1.5%).

You can figure Multnomah County automatic withholding for this employee as follows:

1	Gross wages	\$300,000
2	Less Oregon deduction for federal withholding	(\$0)
3	Less Oregon standard deduction	(\$5,495)
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4	Subject wages	\$294,505
5	Amount of subject wages over \$200,000	\$94,505
6	Tax to withhold (0.015 x line 5)	\$1,418

To figure withholding per pay period, take the annual “tax to withhold” and divide by the number of pay periods. In the example above this would be:

- Monthly: $\$1,418 / 12 = \118
- Semi-monthly: $\$1,418 / 24 = \59
- Bi-weekly: $\$1,418 / 26 = \55
- Weekly: $\$1,418 / 52 = \27

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Example 2: An employee has gross wages of \$450,000. The deduction for federal withholding is \$0 (phased out) and the standard deduction is \$5,495 (assume joint filing), so subject wages are \$444,505 = (\$450,000 - \$0 - \$5,495). The amount of subject wages above \$200,000 and below \$400,000 is \$200,000. The amount of subject wages above \$400,000 is \$44,505. The amount of annual Multnomah County withholding would be \$4,335 = (\$200,000 * 1.5%) + (\$44,505 * 3%).

You can figure Multnomah County withholding for this employee as follows:

1	Gross wages	\$450,000
2	Less Oregon deduction for federal withholding	(\$0)
3	Less Oregon standard deduction	(\$5,495)
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4	Subject wages	\$444,505
5	Amount of subject wages over \$400,000 * (3%)	\$44,505
6	Amount of subject wages over \$200,000 * (1.5%)	\$200,000
7	Tax to withhold	\$4,335

To figure withholding per pay period, take the annual "tax to withhold" and divide by the number of pay periods. In the example above this would be:

- Monthly: $\$4,335 / 12 = \361
- Semi-monthly: $\$4,335 / 24 = \181
- Bi-weekly: $\$4,335 / 26 = \167
- Weekly: $\$4,335 / 52 = \83

Multnomah County Withholding Formula
<p>Step 1: Calculate subject wages</p> <p>Subject Wages = Gross Wages – OR deduction for federal withholding – OR standard deduction</p>
<p>Step 2: Calculate Multnomah County withholding</p> <p>For employees with subject wages above \$400,000</p> <p>Withholding = (Subject wages - \$400,000) * 3% + (\$200,000 * 1.5%)</p> <p>For employees with subject wages above \$200,000</p> <p>Withholding = (Subject wages - \$200,000) * 1.5%</p>

Phase out of Oregon deduction for federal withholding	
Wages are:	Deduction is:
≥ \$200,000 and < \$250,000	\$8,250
≥ \$250,000 and < \$260,000	\$6,600
≥ \$260,000 and < \$270,000	\$4,950
≥ \$270,000 and < \$280,000	\$3,300
≥ \$280,000 and < \$290,000	\$1,650
≥ \$290,000	\$0

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Note: Multnomah County employers should use the higher Oregon phase out table based on joint filing status for automatic withholding.

Oregon standard deduction

Wages are:

Deduction is:

All wages

\$5,495 (joint filers)

Note: Multnomah County employers should use the higher Oregon phase out table based on joint filing status for automatic withholding.