

Electronic Alert

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**Multnomah County Employers:
Are Your Employees Ready for the Preschool for
All Income Tax? Is Your Payroll System Ready?**

By Jeff Robertson

Employers whose employees work in Multnomah County take note: a new personal income tax measure took effect on January 1, 2021. This measure was quickly passed in the 2020 election, and likewise, quickly becomes effective. The measure was passed as one that seemingly required Multnomah County residents to file and remit the special Income Tax yearly, similar to the Arts Tax.

Two important points have arisen from the limited guidance available:

1. The Income Tax appears to be effective for anyone performing work in Multnomah County, as well as residents of Multnomah County who work in other counties; and
2. Multnomah County is attempting to require employers to withhold the tax in 2022 and asking employers to begin withholding in 2021.

The tax funds Preschool for All (PFA), which will provide free preschool for 3 and 4 year-olds in Multnomah County starting in September 2022. PFA is funded by a personal income tax of 1.5% on Oregon taxable income over \$125,000 for individuals and over \$200,000 for joint filers, and an additional tax of 1.5% on Oregon taxable income over \$250,000 for individuals and \$400,000 for joint filers. The tax applies to all Oregon taxable income earned by Multnomah County residents and income of nonresidents whose income is derived from Multnomah County.

Employees whose income is over the thresholds above will owe the tax starting in 2021.

There has been very little public discussion on the tax, its impact on employees, or the payroll requirements on employers, and this may be an unwelcome surprise to many higher wage earning employees. We do not have any guidance on how an employer is supposed to withhold on joint income thresholds, liability on failure to withhold or an employee's failure to remit the tax, work-from-home implications, or other considerations. Many payroll and HR departments may not even know there are any employer requirements for 2022 on withholding.

We remain available to help answer questions to the extent possible.

Employers who have questions about PFA withholding or other similar issues may contact Barran Liebman benefits team members Iris Tilley, Gabrielle Hansen, or Jeff Robertson at 503-228-0500 (or itilley@barran.com, ghansen@barran.com, or jrobertson@barran.com, respectively).