



Frequently Asked Questions (FAQs) Self-Employment Tax

This FAQ was created to provide answers to commonly asked questions about the Self-Employment Tax.

General Information

[1. When will the tax become effective?](#)

The Community Safety Payroll tax is effective January 1, 2021. The first annual return and payment for the self-employment tax will be due on April 15, 2022, for tax year 2021 for calendar year filers.

[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 applied to total wages paid by an employer with a physical address in the Eugene city limits.
- The Employee Payroll Tax is applied to total wages paid to an employee working at an employer located in the Eugene city limits.
- The Self-Employment Tax is applied to the net earnings from self-employed persons with a physical address in the Eugene city limits.

An employer is responsible for paying the Employer Payroll Tax as well as withholding and remitting the Employee Payroll Tax on behalf of all employees with subject wages.

Self-employed persons are responsible for paying the Self-Employment Tax. If they have employees, they are also responsible for filing and remitting the Employee Payroll Tax on behalf of employees.

[3. What is a self-employed business entity?](#)

For the purposes of the Community Safety Payroll Tax, a self-employed business entity is a sole proprietorship (including an independent contractor), a partner in a partnership, or a member of a multi-member limited liability company (LLC) that is treated as a partnership for federal tax purposes. Sole proprietors also include the member of a single member LLC that's disregarded for federal income tax purposes and a member of a qualified joint venture. If the business has elected S-Corporation taxation treatment, it is not considered self-employed for tax purposes. Working owner/officers of S-corps have elected to be treated as employees of their business and should be reporting a reasonable wage for services performed.

About the Self-Employment Tax

[1. If I'm self-employed with employees, do I have to pay both the Employer Payroll Tax and Self-Employment Tax?](#)

Yes. Self-employed business entities with employees that provide services to the self-employed business are subject to the Employee and Employer Payroll Tax, and their wages must be included in the Employer Payroll Tax. For calendar year 2021, Self-Employed business owners with employees were not subject to the Employer Payroll Tax. Please see the [Tax Treatment Chart](#) in the Document Library for more information.

[2. Am I required to register with the City for the payroll tax as a self-employed person?](#)

Yes. If a self-employed business entity (see Question 3 in the *General Information* section of this FAQ) has a physical address in the Eugene city limits, then it will need to register. Registration is quick and easy through MUNIREvs. See the “How to File” section of the Community Safety Payroll Tax web page for more information.

[3. 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; the state registration cannot be used for the Community Safety Payroll Tax. Upon registration, each business will be given a unique MUNIREvs account number to use exclusively for the payroll tax.

[4. What is a business location for the purposes of the payroll tax?](#)

For this purpose, “business location” is defined as any physical location in the Eugene city limits to which a self-employed person conducts business operations, including any real property, building, facility, or office owned, leased, or occupied by the self-employed person. See the [Business Location Overview](#) (available in Document Library).

[5. I'm already paying the Lane Transit District payroll for Self-Employment 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 are not connected. Therefore, if the self-employed business entity is subject to both taxes, it must pay both taxes.

Self-Employment Tax Subjectivity

1. How do I determine if the business address is in the Eugene city limits?

Use our online [Search by Address](#) tool on the Community Safety Payroll Tax Website to see if an address is in the city limits. The Eugene city limits is not the same as the Eugene urban growth boundary; nor is it determined by certain ZIP codes. The address may contain “Eugene,” but still be outside the Eugene city limits. If the address is listed as “unincorporated,” it is not in the city limits.

2. 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.

Telecommuters (or remote workers) are not subject to the payroll tax if they work for an employer located outside the Eugene city limits, even if working from home within the City limits. See the [Business Location Overview](#) (available in Document Library).

3. I have a business location in Eugene with employees that work from home outside the city limits. Are those wages subject to the employee 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.

Telecommuters (or remote workers) are subject to the Employee Payroll Tax to the extent that they work for an employer located in the Eugene city limits, even though the work may be performed outside the City limits. See the [Business Location Overview](#) (available in Document Library).

4. My business is located outside of Eugene, but my employees travel to Eugene to meet with clients. Are my employees 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 Payroll Tax. See the [Business Location Overview](#) (available in Document Library).

Calculating the Self-Employment Tax

[1. How do I calculate the Self-Employment Tax?](#)

The Self-Employment Tax is calculated at a tax rate of 0.0021 (or .21 percent) of net earnings from self-employment. For self-employed individuals with two or less, or no employees, the tax rate is 0.0015 (or .15 percent) for the first \$100,000 of net earnings from self-employment. Please see the [Guide to Calculating the Self-Employment Tax](#) in the Document Library.

[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. Please see the instructions for the Self-Employment Tax.

Filing the Self-Employment Tax

1. When are the return and payment required to be submitted?

The Self-Employment Tax is paid on an annual basis and is due the same day as the federal and Oregon individual income tax returns which is April 15 for calendar year filers. For individuals filing a fiscal year return, the return is due on the 15th day of the fourth month following the end of the fiscal year. For the Self-Employment tax, if the business is a fiscal year filer, please email the city at cspayrolltaxhelp@eugene-or.gov as your due date may need to be adjusted.

When the due date falls on a Saturday, Sunday, or legal holiday, the due date will be the next business day.

2. What do I need to file for the Self-Employment Tax?

The Self-Employment Tax one form that needs to be submitted annually:

- Form EUG-SE, Self-Employment Tax Return

3. What earnings are subject to the Self-Employment Tax?

Net self-employment earnings are generally found on Federal Schedule SE, line 3. The net self-employment earnings on Federal Schedule SE may include earnings reported on Federal Schedule C or C-EZ or Federal Schedule K-1 from Federal Partnership return 1065.

This is not intended to be tax preparation advice. Please consult your CPA or tax preparer to ensure accurate calculation of annual net earnings.

4. 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, even if the business filed an extension.

If the business files the Self-Employment return more than 30 days after the due date, including an extension, a 20 percent late-filing penalty will be added. The business will owe a total penalty of 25 percent of any tax not paid.

Interest is charged on any unpaid tax if the business does not 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.

5. Are estimated payments required?

No, the business does not need to submit estimated payments for the Self-Employment Tax.

6. Are extensions allowed to file a return?

Yes. If the business is allowed an extension for Federal or Oregon purposes, it is allowed the same extension for the Self-Employment Tax. If the business has been granted an extension, it must make the Self-Employment Tax payment by the original due date of the return to avoid a penalty and interest charge. An extension doesn't mean more time to pay.

7. 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).

8. 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 44-21-07-F.
- Join the Payroll Tax Interested Parties email list to get updates on the payroll tax.