

## Exhibit A

**Example 1:** U.S. manufacturer with no foreign entities that has \$150 million of Oregon sourced commercial activity, none of which are excludable, \$100 million of COGS (which is greater than its labor costs) and an 8% Oregon apportionment factor. The taxpayer's Oregon corporate excise tax group and Oregon CAT filing group are the same.

Because this taxpayer has no excludable commercial activity no expenses will need to be excluded from COGS. Under this scenario, the calculation would be:

35% statutory limitation:	$35\% \times \$100 \text{ million} = \$35 \text{ million}$
Apportioned subtraction:	$\$35 \text{ million} \times 8\% = \$2.8 \text{ million}$
Total subtraction:	\$2.8 million

Because the taxpayer's overall subtraction is less than \$142.5 million (95% of \$150 million) no further limitation applies

**Example 2:** U.S. retailer with no foreign entities that has \$6.25 billion of gross amounts realized from transactions and activity in the regular course of its trade or business, of which \$500 million is sourced to Oregon. Forty percent of these gross and Oregon-sourced numbers are excluded from commercial activity pursuant to one or more of the exclusions contained in ORS 317A.100(1)(b). After application of these exclusions, U.S. retailer has gross non-excludable commercial activity of \$3.75 billion and non-excludable Oregon-sourced commercial activity of \$300 million. U.S. retailer has total COGS for federal income tax purposes of \$5 billion (which is greater than its labor costs) and an 8% Oregon apportionment factor for corporate income tax purposes. U.S. retailer has identical filing groups for Oregon corporate excise tax and Oregon corporate activity tax purposes.

Because U.S. retailer has exclusions from commercial activity, it must reduce the amount of its COGS eligible for the subtraction under ORS 317A.119 by a corresponding amount. Assuming that the U.S. retailer does not separately track its COGS information with respect to specific inventory sold at retail, the U.S. retailer may reduce its total COGS for the subtraction by a pro-rata amount based on the percentage of receipts excluded from commercial activity under ORS 317A.100(b) or 40%. Under this scenario, the calculation would be:

Reduction in COGS for subtraction:	$\$5 \text{ billion} \times 40\% = \$2 \text{ billion}$
Net COGS eligible for subtraction:	$\$5 \text{ billion} - \$2 \text{ billion} = \$3 \text{ billion}$
35% statutory limitation:	$\$3 \text{ billion} \times 35\% = \$1.05 \text{ billion}$
Apportioned subtraction:	$\$1.05 \text{ billion} \times 8\% = \$84 \text{ million}$
Total subtraction:	\$84 million

Because the taxpayer's overall subtraction is less than \$285 million (95% of \$300 million) no further limitation applies

**Example 3:** Assume the same facts in Example 2 except that the taxpayer's Oregon corporate excise tax group differs from the taxpayer's Oregon CAT filing group because the taxpayer has

two partnerships within its structure. The partnerships' total receipts are \$100 million, each have an additional \$25 million of commercial activity sourced to Oregon, an additional \$75 million of COGS, and when the group's Oregon single sales factor is 9% when recalculated using the Oregon CAT filing group.

The partnerships also have exclusions from commercial activity pursuant to one or more of the exclusions contained in ORS 317A.100(1)(b), which amount to forty percent of their commercial activity. After application of these exclusions, the partnerships have gross non-excludable commercial activity of \$60 million and non-excludable Oregon-sourced commercial activity of \$15 million.

Again, because U.S. retailer has exclusions from commercial activity, it must reduce the amount of its COGS eligible for the subtraction under ORS 317A.119 by a corresponding amount. Assuming that the U.S. retailer does not separately track its COGS information with respect to specific inventory sold at retail, the U.S. retailer may reduce its total COGS for the subtraction by a pro-rata amount based on the percentage of receipts excluded from commercial activity under ORS 317A.100(b) or 40%. Under this scenario, the calculation would be:

Reduction in COGS for subtraction:	$\$5.075 \text{ billion} * 40\% = \$2.03 \text{ billion}$
Net COGS eligible for subtraction:	$\$5.075 \text{ billion} - \$2.03 \text{ billion} = \$3.045 \text{ billion}$
35% statutory limitation:	$\$3.045 \text{ billion} * 35\% = \$1.06575 \text{ billion}$
Apportioned subtraction:	$\$1.06575 \text{ billion} * 9\% = \$95,917,500$
Total subtraction:	$\$95,917,500$

Because the taxpayer's overall subtraction is less than \$229.25 million (95% of \$315 million) no further limitation applies

**Example 4:** U.S. consolidated group with a retail and manufacturing entities and no foreign entities that has \$500 million of Oregon sourced commercial activity and \$6.25 billion of everywhere sales. The group's only exclusion from commercial activity is an intercompany sale of \$2 billion from manufacturer to retailer. The group has \$4 billion of COGS (which is greater than its labor costs) and an 8% Oregon apportionment factor for corporate income tax purposes. The taxpayer's Oregon corporate excise tax group and Oregon CAT filing group are the same.

The manufacturer sells its product to the retailer at the manufacturer's cost. Therefore, there are no costs attributable to the intercompany excludable receipts and, thus, no further reduction is required to be made to group's COGS. Under this scenario, the calculation would be:

35% statutory limitation:	$\$4 \text{ billion} * 35\% = \$1.4 \text{ billion}$
Apportioned subtraction:	$\$1.4 \text{ billion} * 8\% = \$112 \text{ million}$
Total subtraction:	$\$112 \text{ million}$

Because the taxpayer's overall subtraction is less than \$475 million (95% of \$500 million) no further limitation applies