

Form 65 Instructions

Which partnerships must file an Oregon partnership return?



- Every partnership having income from sources in Oregon.
- Every partnership having one or more Oregon resident partners.

What must be attached to the Oregon partnership return?

Attach the information in the following order:

- A list of partners, if more than 10 partners at any time during the year.
- An apportionment schedule, if you answered yes to question 5 on Form 65.
- An Oregon Depreciation Schedule (form 150-101-025), if Oregon depreciation is different from federal depreciation.
- If this is the final partnership return, a schedule showing to whom all assets and liabilities were distributed.
- A copy of federal Form 1065, U.S. Partnership Return of Income (pages 1 through 4), and all supporting schedules.
- Federal Schedule K-1s, if the partnership has less than 11 partners during the year.

Filing deadlines and date of connection to federal law

Returns for the 1996 calendar year are due by April 15, 1997. Fiscal year returns are due by the 15th day of the fourth month after the end of the partnership's tax year.

Oregon law is tied to federal partnership law effective April 15, 1995. Oregon has retroactively adopted the new federal laws in the Revenue Reconciliation Act of 1993. The partnership's tax year for Oregon must be the same as for federal. Oregon doesn't have a required payment for partnerships choosing an alternative tax year.

Partnership failure-to-file penalty

A penalty may be assessed if a partnership doesn't file a return or fails to provide information required by the Department of Revenue. The penalty is \$50 per month per partner for each month the return is late or incomplete, up to a maximum of five months. Each partner is personally liable for a portion of the penalty.

Individual income tax returns

The Oregon individual income tax booklet lists filing requirements for partners' individual income tax returns. See page 2 to order full-year resident and part-year/nonresident booklets. A partnership is not subject to tax, but each partner's distributive share of net income (or loss) and separately stated items must be reported on that partner's individual return.

Partners report their share of Oregon modifications on Forms 40, 40N, or 40P. Generally, increases to income go

on the "Other additions" line of the Oregon individual return. Generally, decreases to income go on the "Other subtractions" line of the Oregon individual return. Label the line "Oregon partnership modifications." Separately stated items go on the appropriate line of the Oregon individual return.

Nonresident partners can choose to file an individual nonresident return or join together to file a multiple nonresident tax return. Call (503) 945-8462 to order instructions for filing multiple nonresident returns.

Oregon modifications to federal partnership income

Complete Schedule I to figure Oregon modifications to federal partnership income. Attach schedules if necessary to explain and compute the modifications.

Generally, each partner's share of modifications is figured by using the profit sharing percentage shown on that partner's federal Schedule K-1. Each partner's share of the Oregon modifications must be reported on the partner's Schedule K-1 or equivalent. Show separately, any Oregon modification which could have a special tax effect on a partner's individual return. The modifications may be added to the federal Schedule K-1s and labeled "Oregon modifications."

Gain on voluntary and involuntary conversions. Partnerships may elect for their resident partners to defer the gain on voluntary and involuntary conversions where property voluntarily or involuntarily converted is in Oregon and the property acquired is outside Oregon.

Partnerships must make the election for all consenting resident partners. Attach a statement to Oregon Form 65 stating that the Oregon partners are electing to defer the gain.

To defer the gain to property outside Oregon, the Oregon partners must agree to report the gain if they later become nonresidents. They must also report the gain if they lose their federal deferral.

Nonresident partners must report the gain when the property voluntarily or involuntarily converted is in Oregon and the property acquired is outside Oregon. The basis of the property must be adjusted for those nonresident partners.

Three differences in depreciation.

1. If you are depreciating property you placed in service after December 31, 1980, and before January 1, 1985, you must make a one-time adjustment on your 1996 return to conform to the federal basis.
2. If you claimed a different amount of Sec. 179 expense for Oregon than for federal in 1993 or 1994, you may amend your 1993 or 1994 return to increase your Oregon Sec. 179 expense. If you choose not to amend your 1993 or 1994 return for these depreciation differences, you must claim the difference as part of the one-time adjustment on your 1996 Oregon return.

3. If you placed nonresidential real property in service in 1993 or 1994 with a recovery period of 31.5 years for Oregon, and 39 years for federal, you must amend your 1993 and/or 1994 Oregon return(s) to conform your Oregon depreciation. The 1996 one-time adjustment does not apply to depreciation of nonresidential real property.

Deferral of reinvested gain. Beginning with tax year 1996, you may defer gain on the sale of certain business assets if you reinvest in qualifying business assets within six months. If the partnership elects to defer gain by making the required reinvestment, the qualifying gain should be reported as an Oregon modification on the partner's schedule K-1. Attach a copy of the completed form, "Oregon Deferral of Reinvested Gain" (150-101-153), to the partnership return. Also provide a copy of the form to each partner to attach to the individual Oregon income tax return. See below for the number to call for more information. Partners should refer to the instructions for individual filers (Oregon Form 40, 40P and 40N) for more information on how to report the deferred gain.

Credits

Partners may qualify for the following tax credits on their individual income tax returns even though the costs were paid by the partnership.

- Child development.
- Political contributions.
- Donating crops to a gleaning cooperative.
- Pollution control facilities.
- Business energy.
- Reforestation.
- Fish habitat improvement.
- Investment in reclaimed plastic projects.
- Dependent care assistance.
- Health insurance for small business employers.
- Farmworker housing.
- Fish screening.
- Youth apprenticeship.
- Bone marrow donation program.
- Pollution prevention.

Tri-County Metropolitan Transportation District (Tri-Met) and Lane Transit District tax

If your employees perform services in either Tri-Met (parts of Clackamas, Multnomah, and Washington counties) or the Lane Transit District (Lane County), you must file a Combined Employer's Registration Report. Wages for services within the districts are subject to these taxes. To order forms, see information below.

Tri-Met and Lane Transit District self-employment taxes

Self-employment earnings of taxpayers doing business or providing services within the Tri-Met and Lane Transit districts are subject to this tax. A partnership may elect to file and pay the transit district self-employment tax on behalf

of all the individual partners. Use the partnership's net self-employment earnings (including partners' guaranteed payments) to figure the tax.

Any 1996 Tri-Met or Lane Transit District self-employment tax (Form TM or Form LTD) filed by a calendar year partnership is due by April 15, 1997. Fiscal year partnerships must file Form TM or Form LTD by April 15 of the year following the calendar year in which the fiscal year ends.

District boundary information

Tri-Met boundaries	(503) 239-6466
Lane Transit District boundaries	(503) 945-8091

Federal Privacy Act information

The request for Social Security numbers is made by authority of Section 405, Title 42, of the United States Code. You are required to give us this information. It is used to establish the identity of the partners. Except as specifically allowed by law, all information contained in your tax return is confidential and cannot be disclosed by the department. Any violation is a class C felony.

Mail this return to:

Oregon Department of Revenue
PO Box 14260
Salem OR 97309-5060

Telephone numbers

Salem	(503) 378-4988
Toll-free within Oregon	1-800-356-4222

The toll-free number is only available January through April.

Representatives are available 7:30 A.M.–5:10 P.M. Monday–Friday, except Wednesday when the hours are 9 A.M.–5:00 P.M. Closed on holidays. From April 1 – April 15, representatives are available from 7 A.M.–7 P.M., Monday–Friday.

TTY (hearing or speech impaired only): These numbers are answered by machine only and are not for voice use. The year-round toll-free number within Oregon is 1-800-886-7204. In Salem, the number is (503) 945-8617.

Habla Español? Las personas que necesitan asistencia en Español pueden dejar un mensaje. El número disponible todo el Año en Salem es (503) 945-8618.

To order forms and instructions

Write to: Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Our Internet address is: <http://www.dor.state.or.us>

In compliance with the Americans with Disabilities Act (ADA), this information is available in alternative formats upon request by calling (503) 378-4988.