

Form  
**65**

**OREGON PARTNERSHIP  
RETURN OF INCOME**

**2006**

For calendar year 2006 or fiscal year ending: \_\_\_\_\_

**For Office Use Only**

Date Received

• Please type or print clearly and answer all the questions below. **No payment is due with this return.**

|                     |       |          |                                   |   |   |
|---------------------|-------|----------|-----------------------------------|---|---|
| Name of Partnership |       |          |                                   | Federal Employer Identification Number (FEIN)         |   |
| Street Address      |       |          |                                   | Oregon Business Identification Number (BIN)           |   |
| City                | State | ZIP Code | Date Activities Started In Oregon | <input type="checkbox"/> Check if Form 24 is attached | <input type="checkbox"/> Check if you filed federal Form 8886 |

Check all applicable boxes:  Initial Return  Name Change  Extension Filed  
 Amended Return  Address Change  Partnership has Corporate Partners

Type of Entity:  Partnership  Limited Partnership  Limited Liability Co.  Limited Liability Partnership  Electing Large Partnership

**1. Requirement to file Oregon partnership return.**

|   | Yes                      | No                       |
|---|--------------------------|--------------------------|
| A. Does the partnership have income derived from sources in Oregon? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Does the partnership have Oregon resident partners? .....              | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered **yes** to A or B, you must file an Oregon partnership return. Attach a complete copy of your federal partnership return to **this** return. See question 2 to see if you need to include federal Schedule K-1s.

**2. Attaching copies of partners' federal Schedule K-1s.**

|  |                          |                          |
|--|--------------------------|--------------------------|
| A. Did the partners' profit/loss sharing percentages change during the year? .....                               | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Were the Oregon modifications <b>not</b> divided according to each partner's profit sharing percentage? ..... | <input type="checkbox"/> | <input type="checkbox"/> |

If the partnership had 10 or less partners, attach a copy of each partner's federal K-1.

If you answered yes to A or B, or had more than 10 partners, you **must** attach a summary of partner information. Your summary must include each partner's name, Social Security or federal employer identification number, address, profit/loss sharing percentage, and Oregon modifications.

**3. Prior year return and final return.**

|   |                          |                          |
|---|--------------------------|--------------------------|
| A. Was a 2005 Oregon partnership return filed? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| If <b>no</b> , give the reason: _____   |                          |                          |
| If filed using a different name, give the name it was filed under: _____  |                          |                          |
| B. Is this the final return for the partnership? .....  | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, <b>attach a schedule</b> showing disposition and distribution of all partnership assets and liabilities. Show each asset's adjusted basis, fair market value, sale price, or if distributed, to which partner(s). |                          |                          |

**4. Changes to a prior year partnership return during this tax year.**

|  |                          |                          |
|--|--------------------------|--------------------------|
| A. Did an IRS audit change a prior year return during the 2006 tax year? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Was an amended federal return filed for a prior year? .....                 | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered **yes** to A or B, what tax year(s) were changed? \_\_\_\_\_. Send us a copy of the federal revenue agent's report or the amended return separately from this return if not previously sent.

**5. Business inside and outside of Oregon with out-of-state partners.**

|   |                          |                          |
|---|--------------------------|--------------------------|
| A. Did the partnership have business activity both inside and outside of Oregon during the year? .....    | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Did the partnership have any partners who were not Oregon residents at any time during the year? ..... | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered yes to **both A and B**, use Oregon Schedule AP, Apportionment of Income, to figure your Oregon source income. Attach the schedule to this return. See page 2 of the instructions to order forms.

**6. Oregon tax credits.**

|   |                          |                          |
|---|--------------------------|--------------------------|
| Are any partners eligible for Oregon tax credits based on costs the partnership paid or incurred? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, identify the tax credits: _____   |                          |                          |

**7. Other taxing authorities.**

- |  |                          |                          |
|--|--------------------------|--------------------------|
|  | <b>Yes</b>               | <b>No</b>                |
| A. Do partnership employees perform services in the TriMet Transportation District? .....                        | <input type="checkbox"/> | <input type="checkbox"/> |
| B. Do any partners have self-employment income from the partnership in the TriMet Transportation District? ..... | <input type="checkbox"/> | <input type="checkbox"/> |
| C. Do partnership employees perform services in the Lane Transit District? .....                                 | <input type="checkbox"/> | <input type="checkbox"/> |
| D. Do any partners have self-employment income from the partnership in the Lane Transit District? .....          | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered **yes** to B or D, Form TM or Form LTD must be filed by the individual partners or the partnership may elect to file on the partners' behalf.

**8. Who has the partnership books?**

|   |      |                              |          |
|---|------|------------------------------|----------|
| Name of partner who has the partnership books |      | Telephone Number<br>(      ) |          |
| Street Address                                | City | State                        | ZIP Code |

**SCHEDULE I—Oregon modifications to federal partnership income passed through to partners.** Attach schedules to explain and compute the modifications. Indicate which federal Schedule K-1 line item each modification is for.

**ADDITIONS—Items not included** in federal partnership income which are taxable to Oregon.

|   |   |  |  |
|---|---|--|--|
| 1. Interest on government bonds of other states..... (K-1 line ___)                       | 1 |  |  |
| 2. Gain on property transactions not deferred for Oregon..... (K-1 line ___)              | 2 |  |  |
| 3. Depreciation, see instructions on page 2 for more information..... (K-1 line ___)      | 3 |  |  |
| 4. Recognition of previously deferred capital gain.....                                   | 4 |  |  |
| 5. Depletion in excess of property basis.....   | 5 |  |  |
| 6. Gain or loss on sale of assets when Oregon basis is different from federal basis ..... | 6 |  |  |
| 7. Other additions. Identify.....   | 7 |  |  |

**SUBTRACTIONS—Items included** in federal partnership income which are **not taxable** to Oregon.

|  |    |  |  |
|--|----|--|--|
| 8. U.S. government interest..... (K-1 line ___)  | 8  |  |  |
| 9. Gain on property transactions already taxed by Oregon.....                              | 9  |  |  |
| 10. Depreciation, see instructions on page 2 for more information..... (K-1 line ___)      | 10 |  |  |
| 11. Work opportunity credit..... (K-1 line ___)  | 11 |  |  |
| 12. Gain or loss on sale of assets when Oregon basis is different from federal basis ..... | 12 |  |  |
| 13. Other subtractions. Identify.....  | 13 |  |  |

**Note:** Generally, a partner's share of each Oregon modification is figured by using the partner's profit/loss sharing percentage. A partner's share of each modification must be reported to the partner on federal Schedule K-1 or an equivalent form.

**— Attach a copy of your 2006 federal Partnership return —**

|   |   |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
|---|---|---|----------|-------------------------|--|------|-------------|-------------------------|--|---------------|---------------|----------------|----------------|-------------------|-------------------|--|
| Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge. |   | <input type="checkbox"/> I <b>authorize</b> the Department of Revenue to contact this preparer about the processing of this return. |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| <b>SIGN HERE</b>  | <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;"><b>X</b></td> <td style="width: 50%;"><b>X</b></td> </tr> <tr> <td>_____<br/>Your signature</td> <td>_____<br/>Signature of preparer other than taxpayer</td> </tr> <tr> <td style="text-align: right;">Date</td> <td style="text-align: right;">License No.</td> </tr> <tr> <td colspan="2">_____<br/>Street Address</td> </tr> <tr> <td>_____<br/>City</td> <td>_____<br/>City</td> </tr> <tr> <td>_____<br/>State</td> <td>_____<br/>State</td> </tr> <tr> <td>_____<br/>ZIP Code</td> <td>_____<br/>ZIP Code</td> </tr> </table> | <b>X</b>  | <b>X</b> | _____<br>Your signature | _____<br>Signature of preparer other than taxpayer | Date | License No. | _____<br>Street Address |  | _____<br>City | _____<br>City | _____<br>State | _____<br>State | _____<br>ZIP Code | _____<br>ZIP Code |  |
| <b>X</b>  | <b>X</b>  |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| _____<br>Your signature   | _____<br>Signature of preparer other than taxpayer  |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| Date  | License No.   |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| _____<br>Street Address   |   |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| _____<br>City   | _____<br>City   |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| _____<br>State  | _____<br>State  |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |
| _____<br>ZIP Code   | _____<br>ZIP Code   |   |          |                         |  |      |             |                         |  |               |               |                |                |                   |                   |  |

Detach instructions before mailing

**Tear off the instructions,** attach federal Form 1065 and required schedules, and file the return on or before the 15th day of the fourth month after the close of the partnership's tax year.

Mail to:  
**Oregon Department of Revenue**  
**PO Box 14260**  
**Salem OR 97309-5060**

### Which partnerships must file an Oregon partnership return?

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

### What must be attached to the Oregon partnership return?

Attach information in the following order:

- A copy of federal Form 1065, U.S. Partnership Return of Income, or Form 1065-B, U.S. Return of Income for Electing Large Partnerships. Include all pages and supporting schedules (for example, Schedule M-3).
- Schedule AP, Apportionment of Income, (form 150-101-171) if you answered yes to questions 5A and 5B on Form 65.
- An Oregon Depreciation Schedule (form 150-101-025), if Oregon depreciation differs from federal depreciation.
- If this is the final partnership return, a schedule showing to whom all assets and liabilities were distributed, and each asset's adjusted basis and fair market value, sales price, or if distributed, to which partners.
- Federal Schedule K-1s, if less than 11 partners during the year. If you answered yes to questions 2A or 2B on Form 65, or you had more than 10 partners at any time during the year, attach a summary of partner information. If there are more than 50 partners, you may attach a statement that the K-1s are available upon request.
- Form 24, Oregon Like-Kind Exchanges/Involuntary Conversions if you had a 1031 exchange investing in out of state property.

Check the box if you were required to file federal Form 8886 with the IRS to disclose information about an Abusive Tax Avoidance Transaction (ATAT) in which you participated.

### Filing deadlines

Returns for the 2006 calendar year are due by April 16, 2007. Fiscal year returns are due by the 15th day of the fourth month after the end of the partnership's tax year.

### Connection to federal law

Oregon is tied to the federal definition of taxable income. Oregon will automatically adopt future federal changes to taxable income. 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.

Oregon recognizes the federal "check the box" regulations for unincorporated organizations. Also, Oregon treats the electing large partnership the same as federal.

### Partnership failure-to-file penalty

A penalty may be assessed if a partnership doesn't file a return or fails to provide information to the Department of Revenue as required by law. 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

A partnership generally 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 income tax return.

Partners report their share of Oregon modifications on their Oregon Forms 40, 40N, or 40P. Increases to income go on the "Other additions" line of the Oregon individual return. Decreases to income go on the "Other subtractions" line. Label the line "OPM" (Oregon Partnership Modifications).

Nonresident partners can choose to file an individual nonresident return, Form 40N, or join together to file an Oregon composite tax return, Form OC. The Oregon individual income tax booklet lists filing requirements for partners' individual income tax returns. Visit our Web site to download tax forms and instructions, or to order, see page 2.

Oregon has new Oregon partnership withholding requirements for partners. See page 2.

### Guaranteed payments

Guaranteed payments are treated as distributive shares of partnership income. For nonresident partners income attributable to Oregon sources is determined by applying the allocation and apportionment provisions to each nonresident's entire distributive share including guaranteed payments.

### Oregon modifications to federal partnership income

Complete Schedule I (on the back of Form 65) 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.

**Gain on voluntary and involuntary conversions.** Oregon allows partnerships to elect for their partners to defer the gain on voluntary and involuntary conversions the same as for federal purposes.

Partnerships must make the election for all consenting partners. Attach Form 24, *Oregon Like-kind Exchanges/Involuntary Conversion*, 150-800-734, to your Oregon Partnership Return, Form 65 and check the box on the front of Form 65.

## Credits

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

- Advanced telecommunications facilities.
- Business energy.
- Child care fund contribution.
- Crop donation.
- Diesel engine replacement.
- Dependent care assistance.
- Electronic commerce zone investment.
- Employer scholarship.
- Farmworker housing.
- Film production development contribution.
- First Break Program.
- Fish screening devices.
- Individual Development Accounts.
- Long-term care insurance premiums.
- On-farm processing machinery and equipment.
- Oregon Cultural Trust.
- Political contributions.
- Pollution control facilities.
- Reforestation of underproductive forestlands.
- Reservation enterprise zone.

## TriMet and Lane Transit District self-employment taxes

Self-employment earnings of taxpayers doing business or providing services within the TriMet and/or Lane Transit districts are subject to these taxes. A partnership may elect to file and pay the transit district self-employment tax on behalf of any or all the individual partners. Use the partnership's net self-employment earnings (including partners' guaranteed payments) to figure the tax.

Any 2006 TriMet or Lane Transit District self-employment tax return (Form TM or Form LTD) filed by a calendar year partnership is due by April 16, 2007. 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

TriMet boundaries ..... 503-962-6466  
Lane Transit District boundaries ..... 541-682-6100

## 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. Unless allowed by law, all information 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

## New withholding requirement for partnerships

For tax years beginning on or after January 1, 2006, a partnership with one or more nonresident partners that have no other Oregon source income is required to withhold tax unless the partner makes an election to join in the filing of a composite return or sends the department a signed Oregon affidavit for a nonresident owner in a pass-through entity. The partnership must withhold 9 percent of the partners' share of distributive income for partners who will file personal income tax returns, 6.6 percent for partners that are corporations. The partnership must send quarterly payments, on Form 40-ESV, for each partner who will file a personal income tax return, or on Form 20-V for partners who will file corporate returns. Each payment voucher must include the partner's name and identification number. For additional information or to download forms, visit our Web site, or see taxpayer assistance below.

## Taxpayer assistance

**Tax information and forms** ..... [www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
Salem ..... 503-378-4988  
Toll-free from an Oregon prefix ..... 1-800-356-4222

### Asistencia en español:

Salem ..... 503-945-8618  
Gratis de prefijo de Oregon ..... 1-800-356-4222

### TTY (hearing or speech impaired; machine only):

Salem ..... 503-945-8617  
Toll-free from an Oregon prefix ..... 1-800-886-7204

**Americans with Disabilities Act (ADA):** Call one of the help numbers for information in alternative formats.