

S Corporation Tax

This publication is a guide, not a complete statement of Oregon Revised Statutes (ORS) or Oregon Department of Revenue Administrative Rules (OAR). For more information, refer to the laws and rules on our Web site www.oregon.gov/DOR.

New information

Apportionment (ORS 314.650, 314.280)

For tax years beginning on or after May 1, 2003, and before July 1, 2006, business income is apportioned to Oregon using a multiplier equal to 80 percent of the sales factor, plus 10 percent of the property factor, plus 10 percent of the payroll factor.

Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income from business activity using the double-weighted sales factor formula provided in ORS 314.650 (1999 edition). This election may be revoked later. See OAR 150-314.280(3) for instructions on making the election or revocation.

There are new schedules for computing Oregon apportionment percentage. See Schedule AP instructions.

Credits

Voluntary removal of riparian land from farm production credit (ORS 315.113). A credit is allowed for 75 percent of the market value of crops foregone when riparian land is voluntarily taken out of farm production in tax years beginning on or after January 1, 2004.

Child Care Division contributions and community agency contributions (ORS 315.213). If you claim the credit for Oregon and you also claimed a deduction on the federal return, you must add the amount of credit claimed to your Oregon taxable income for tax years beginning on or after January 1, 2004.

New form

Form 20-V, Oregon Corporation Tax Payment Voucher. Use Form 20-V to make income and excise tax payments to Oregon. Form 20-V replaces the previous Form 20-EXT and Form 20ES coupons. The new Form 20-V is available in software programs, on our Web site, and upon request. To order, see "Taxpayer assistance."

Form changes

- **Form 37.** The instructions for high-income taxpayers have been revised.
- **Rounding cents to the nearest whole dollar.** Please round all amounts to the nearest whole dollar. You will no longer enter cents on your return. Drop amounts less than 50 cents, and increase amounts from 50 to 99 cents to the next dollar.

Looking ahead . . .

Credits

Film production development contribution credit (ORS 315.514). A credit is allowed for contributions to the Oregon Production Investment Fund that are certified by the Oregon Film and Video Office. Contributions must be made in tax years beginning on or after January 1, 2005. Credits may be claimed in tax years beginning on or after January 1, 2005.

Diesel engine replacement tax credit (notes following ORS 315.356). A credit taken between \$400 and \$925 per truck engine purchased is allowed on diesel engines certified by the federal Environmental Protection Agency. Qualifying engines must be purchased in calendar years 2004, 2005, 2006, or 2007. Certificates of credit approval may not be issued after December 31, 2007. The credit may be claimed in tax years beginning on or after January 1, 2005.

Mile-based or time-based motor vehicle insurance (notes following ORS 317.122). A \$100 credit is allowed for each vehicle insured under a policy that is at least 70 percent based on a mile-based or time-based rating plan. The credit may not exceed \$300 for each policy. The credit may be claimed in tax years beginning on or after January 1, 2005 and before January 1, 2010.

Farmworker housing tax credit (notes following ORS 315.164). A taxpayer who is eligible to claim a farmworker

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Checklist of forms and schedules (* indicates form is included in this booklet)

For forms not included in this booklet, go to our Web site at www.oregon.gov/DOR

Form number	Who must file
Form 20	Every corporation (except S corporations and insurance companies) doing business in Oregon.
Form 20-I	Every corporation (except S corporations and insurance companies) with income from an Oregon source, but not doing business in Oregon. Every Real Estate Mortgage Investment Conduit (REMIC) required to file.
Form 20-INS	Every insurance company doing business in Oregon.
*Form 20-S	Every S corporation doing business in Oregon or with income from an Oregon source.
*Form 20-V	Every corporation that needs to make a payment.
*Form 37	Every corporation with an underpayment of estimated tax or meeting an exception.
Schedule AF	Every corporation doing business in Oregon with affiliates.
*Schedule AP	Every corporation apportioning income.
Federal Form 1120S or 1120-A**	Every corporation required to file. (**In general, Oregon's computation of corporation taxable income begins with federal taxable income, with certain modifications. See line instructions for modifications.)

housing tax credit may transfer the credit to another taxpayer for tax years beginning on or after January 1, 2005.

Qualified research activities credit (notes following ORS 317.152). The maximum amount of the credit that may be claimed per business is increased from \$500,000 to \$750,000 for tax years beginning on or after January 1, 2006.

Apportionment

For tax years beginning on or after July 1, 2006, and before July 1, 2008, business income is apportioned to Oregon by the total of five percent of the property factor, plus five percent of the payroll factor, plus 90 percent of the sales factor.

A taxpayer in the forest products industry is required to use the double-weighted sales factor formula as provided in ORS 314.650 (Note 1). This applies to all tax years beginning after July 1, 2006.

A utility or telecommunications taxpayer may elect to use the double-weighted sales factor formula as provided in ORS 314.280.

For tax years beginning on or after July 1, 2008, business income is apportioned to Oregon by 100 percent of the sales factor. As previously stated, the election for utility or telecommunications corporations, and the requirement for a forest products industries corporation to use the double-weighted sales factor formula continues to apply.

2004 Filing information

Who must file with Oregon?

S corporations that are **doing business** in Oregon are required to file an *Oregon S corporation Tax Return* (Form 20-S) and pay a \$10 minimum excise tax.

S corporations that have **income from Oregon** but are not doing business in Oregon are required to file an *Oregon S corporation Tax Return* (Form 20-S) and are not subject to a minimum tax.

Important information

For processing your return

- Please use blue or black ink to prepare your return. Equipment used to scan documents cannot read certain types and colors of ink, especially gel pens and red ink.
- **Payments.** Please include the following information on your payments:
 - Federal employer identification number (FEIN).
 - Oregon business identification number (BIN). If you do not have a BIN, one will be assigned when your return is filed.
 - The tax year that your payment is for.
 - Type of tax your payment is for: excise or income.
- Enclose your payment and payment voucher with your Oregon return.
- **Form 20-V payment voucher.** When filing, please include a completed Form 20-V with your tax payment included with your tax return.
- **Estimated payments.** Please identify all estimated payments claimed by completing Schedule ES on your return. Include the corporation name and FEIN if a payment was made by an affiliate of the filing corporation.
- **Oregon business identification number.** Each corporation is identified by a business identification number (BIN) assigned by the department. You have a BIN if you have made payments to the state of Oregon for payroll taxes; workers' compensation; unemployment; or estimated tax for S corporation, excise, or income tax payments. The BIN is located on the upper right corner of the payroll tax payment coupon. **If you do not have a BIN, one will be assigned when your return is received.**

On the Internet

Refer to our Web site, www.oregon.gov/DOR, for helpful information about the Corporation Tax program.

How to assemble your Oregon tax return

Put your tax return in the following order before mailing:

1. Oregon Form 20-S.
2. Schedule AP, Apportionment of Income.
3. Schedule AF, Schedule of Affiliates.
4. Form 37, *Underpayment of Oregon Corporation Estimated Tax*.
5. Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*.
6. Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate*.
7. Federal Extension, Form 7004.
8. Copy of federal tax return and schedules.

General information

Changes to taxable income. Oregon tax law generally is tied to the federal tax law as amended and in effect on December 31, 2002 with exceptions provided in ORS 314.011, including depreciation and expensing of depreciable assets.

Oregon follows the federal provisions and tax treatment for S corporations owning qualified subchapter S subsidiaries (QSSS).

Consolidated returns. S corporations cannot be included in consolidated federal returns. IRC 1361(b) provides that a corporation that is a QSSS is not treated as a separate corporation. All income, deductions, and credits of the QSSS will be treated as belonging to the parent S corporation.

Filing requirements

File **Form 20-S**, *Oregon S Corporation Tax Return*, if your corporation files federal Form 1120S and meets the excise tax or income tax filing requirements.

Check the appropriate box on Form 20-S to indicate whether this return is an **excise** or an **income** tax return.

Excise tax filing requirements

S corporations doing business in Oregon must file Form 20-S under the **excise** tax provisions in ORS Chapter 317.

“Doing business” means being engaged in any profit-seeking activity in Oregon not protected by Federal Public Law 86-272. A taxpayer having one or more of the following in this state is clearly doing business in Oregon:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly conducted.
- “Doing business” also includes providing services to customers as the primary business activity or incidental to the sale of tangible or intangible personal property.

Excise tax filers with business activity in Oregon are subject to a **\$10 minimum tax**.

Corporations with **no business activity** in Oregon, even if registered to do business in the state, are **not** subject to the \$10 minimum tax and are not required to file a return. You may be subject to Oregon corporation income tax if you have income from an Oregon source.

If the S corporation has an **Oregon address**, generally the S corporation will file and pay excise tax.

Income tax filing requirements

S corporations that derive income from sources within Oregon, but whose income producing activity does not actually constitute “doing business” must file Form 20-S under the **income** tax provisions in ORS Chapter 318.

Income is from an Oregon source if it is derived from:

- Tangible or intangible property located in Oregon.
- Any activity carried on in Oregon, whether intrastate, interstate, or foreign commerce.

Income tax filers are **not** subject to a minimum tax.

When you file your first Oregon S corporation return, attach a copy of your federal S corporation election, federal Form 2553. Oregon accepts the S Corp election made for federal purposes.

Shareholder individual income tax returns

Shareholders who meet the Oregon filing requirements must file an individual income tax return. Refer to the Oregon full-year resident and the nonresident/part-year resident tax booklets.

Full-year residents file Form 40, part-year residents file Form 40P and nonresidents file Form 40N. Nonresident shareholders may choose to file an individual nonresident tax return or join with other nonresident shareholders in filing a multiple nonresident tax return, Form 40N with Schedule MNR.

Resident shareholders are taxed on their pro rata share of S corporation income, loss, and deductions from the federal K-1s. Those amounts are modified by Oregon additions and subtractions.

Nonresident shareholders are taxed on their share of modified income from the Federal K-1s multiplied by the S corporation’s apportionment percentage from **Schedule AP-1**. See ORS 314.734.

An S corporation’s business tax credits can be claimed on the personal income tax return of its shareholders if the same credit is allowable for individuals. See ORS 314.752 and OAR 150-314.752. The credit is allowable for the tax year of the individual, in which the S corporation’s tax year ends. Each shareholder is allowed their pro rata share of the tax credit subject to any limitations that may apply to the individual shareholder.

Multiple Nonresident Income Tax returns are filed by two or more nonresident shareholders. To be included in the multiple nonresident return, **all** the following conditions must be met:

- The shareholder must be an individual or electing small business trust (ESBT). Shareholders that are estates, trusts (other than ESBTs), partnerships, LLCs, LLPs, or S corporations cannot be included in the multiple nonresident filing; and
- The shareholder must be a full-year nonresident of Oregon; and
- The shareholder must have no other Oregon source income.

Multiple Nonresident Income Tax return instructions are available to explain:

- Allowed deductions;
- Allowed credits;
- Estimated tax payments;
- Due date;
- Additional information.

Multiple Nonresident Income Tax return instructions with Schedule MNR are available on our Web page or see "Taxpayer assistance."

When is my return due?

Returns for the calendar year are due on or before April 15. When the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. Returns for other tax periods are due on or before the 15th day of the month following the due date of the federal return. **Do not file your return before the end of your tax year**

Oregon will not charge a **late filing penalty** if the return is filed by the Oregon due date, including extensions. Interest and a 5 percent **late payment penalty** are charged if the tax is not paid by the due date.

Extension of time for filing

If you need more time to file both your federal and Oregon returns:

Oregon accepts the extension you have for your federal tax return.

If you need an extension of time to file for Oregon only:

- Attach a copy of Federal extension Form 7004 to your Oregon return when you file.
- Write "For Oregon only" at the top of the form.
- Complete the information for question 1, and leave questions 2 through 6 blank on Form 7004.
- **Do not** send the federal Form 7004 to the department before you file your Oregon return.

If you're making an extension payment

- Please use Form 20-V when making a payment.
- Mark the "2004 Extension" box when completing Form 20-V

- Make check payable to "Oregon Department of Revenue."
- **Do not** send a copy of your return or federal extension with your payment.
- Mail any tax due on or before the original due date of your return to avoid penalty and interest. **More time to file does not mean more time to pay your tax!**
- Mail your payment with Form 20-V to:
Oregon Department of Revenue
PO Box 14780
Salem OR 97309-0469
- Form 20-V is included with this booklet and also is available on our Web site at www.oregon.gov/DOR.

When you file your return

- Attach a copy of your extension to the **back** of your Oregon return. It should be the last item before the federal corporation return (see "How to assemble your return").
- Check the box on your return indicating "**an extension is attached.**"
- Enter the amount of tax paid with your extension on Schedule ES, line 6.

Federal audit changes

If the IRS changes your federal net income for any tax year, you must notify the Oregon Department of Revenue. File an amended Oregon return and attach a copy of the federal audit report. Mail this separately from your current year's return to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960. If you do not amend or send a copy of the federal report, the Oregon Department of Revenue has two years from the date the department is notified of the change by the IRS to issue a deficiency notice. You **must** file an amended return within two years after the date of the federal report to receive a refund.

Deferred gain

Corporations may defer, for Oregon tax purposes, all gains realized in the exchange of like-kind property and involuntary conversions under IRC § 1031 or 1033, even though the replacement property is outside Oregon. Oregon will tax the deferred gain when it is included in federal taxable income.

Attach a copy of Oregon Form 24 to the back of your Oregon return and check the box indicating "**Form 24 is attached**" if **all** of the following apply:

- The corporation reported deferred gain on a federal Form 8824;
- All or part of the property exchanged or given up was located in Oregon; and
- All or part of the acquired property was located outside of Oregon.

See OAR 150-314.650 and 150-314.665(5) regarding apportionment of deferred gain.

Amended returns

If you change taxable net income by amending your federal return, you **must** file an amended Oregon return within 90 days. Attach a copy of your amended federal return to your amended Oregon return and explain the adjustments made. Use the tax form for the tax year you are amending and check the box indicating **“this is an amended return.”**

If you filed Form 20-S and later determined you should file Form 20, check the **“This is an amended return”** box on your amended Form 20.

On the line for estimated tax payments, enter the net excise or income tax from your original return. Add or subtract prior tax adjustments to your original return tax amount.

Pay all tax and interest due when you file an amended return or within 30 days after receiving a billing notice from the department. Otherwise, you may be charged a 5 percent late payment penalty.

Form 20-S instructions

Heading

Type or legibly print all information as requested.

Type of tax. Do you pay and excise tax or income tax to Oregon? One box must be checked:

- Excise tax if you do business in Oregon.
- Income tax if you have taxable income from Oregon.

Fiscal year. Fill in the beginning and ending dates of your fiscal year. These dates are required for processing your tax return.

Name. Enter the complete legal name of the S corporation. If this is a new corporation or the name has changed from the last filed return, please check the **“New name”** box.

BIN. Your Oregon business identification number is required unless this is your first return filed. A number will be assigned to you when you file your first return.

If you do not know your BIN, an officer of the corporation may contact the department. See **“Taxpayer assistance.”**

FEIN. Your federal employer identification number is required. A FEIN is issued by the IRS. If you do not have a FEIN, you must apply to the IRS for one.

Address. Provide the complete address of the S corporation. If the address is new or have changed from last year’s return as filed, please check the **“New address”** box.

Contact person. Fill in the name of a contact person as required for the S corporation.

Web address. Please provide your address as found on the Internet for your business.

Telephone number. A telephone number for the corporation or the contact person is required.

Check the appropriate box as it applies to your return if you have any of the following:

- Extension.
- Form 37.
- Amended return.
- Form 24.
- FCG-20.

Questions

Please answer all questions and provide additional information where necessary for processing your return.

First time filers are required to answer questions A through K.

Question G. If this is the corporation’s first return, check the box and provide all information as requested.

Question H. If this is the corporation’s final return, check the box and provide all information as requested. A final return is required to be filed when a corporation has ceased to exist.

Question K. Non-apportioning S corporations, enter the amount of Oregon sales, as defined by ORS 314.665.

Line instructions

Tax computation for S corporations with federal taxable income or LIFO benefit recapture

Line 1. Income taxed on federal Form 1120S. On line 1(a), enter the amount from Form 1120S, Schedule D, Part III, line 16. To determine the amount to enter on line 1(b), refer to federal Form 1120S instructions, **“Worksheet for line 22a”**
line 10. On Oregon Form 20-S, enter the total of lines 1(a) and 1(b) on line 1. **Do not complete these lines unless you have taxable income and tax on federal Form 1120S.**

Line 2. Additions. Enter only additions that apply to taxable income included in line 1. See ORS 317.259 through 317.488. Examples of additions that apply to S corporation income are:

- **Interest income.** State, municipal, or other interest income excluded from federal taxable income. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income. Income tax filers should not include interest on State of Oregon obligations.
- **Oregon excise tax** and other state or foreign taxes on or measured by net income or profits.
- **Gain or loss on disposition of depreciable property** The difference in gain or loss on sale of business assets when the Oregon basis is less than it is for federal purposes (ORS 317.356).
- **Dependent care credit.** The business expense deducted for providing dependent care assistance, information, or referral services must be reduced by the amount of dependent care credit claimed [ORS 315.204(7)].
- **Contributions of computers or scientific equipment for research to educational organizations credit.** The amount

of federal deduction must be added to federal taxable income if the Oregon credit is claimed [ORS 317.151(4)].

- **Claim of right income repayment adjustment** when credit is claimed. The deduction under section 1341 of the Internal Revenue Code on the federal return must be added back to federal taxable income on the Oregon return if the Oregon credit is claimed (ORS 317.388).

Line 3. Subtractions. Enter only subtractions that apply to income included in line 1. See ORS 317.259 through 317.488. Examples of subtractions for S corporations are:

- **Interest on obligations** of the United States and its instrumentalities included in line 1. **This applies to income tax filers only.**
- **The difference in gain or loss on sale of assets** when the Oregon basis is greater than it is for federal purposes.
- **Farm capital gain taxed at special rate.** Gains from the sale of farm assets that were included on line 1a or 1b as provided in ORS 317.063. This gain is taxed on line 8. For Form FCG-20, see "Taxpayer assistance."

Line 7. Tax. Oregon minimum tax is required for excise taxpayers. Income taxpayers do not pay a minimum tax.

Line 8. Tax adjustments:

- **Interest on certain installment sales.** If you owe interest on deferred tax liabilities with respect to installment obligations under ORS 314.302, enter the amount on line 8. Attach a schedule showing how you figured the interest.
- **Net long-term capital gain.** Add the amount of tax on net long-term capital gain from farm property (ORS 317.063) from line 5 of Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate*.

Line 10. Credits against tax. Taxpayers must claim the full amount of any tax credit that is allowed for the tax year, to the extent of the tax liability (ORS 314.078).

Only credits carried forward from C corporation years are allowed to offset the tax on built-in gains [ORS 314.740(5)(b)]. No credits are allowed to offset the tax on excess net passive income. Attach a list of credits claimed and the required credit form listed below. **Credits with a carryover provision are:**

- Alternative fuel vehicle fueling stations (ORS 317.115).
- Bone marrow donor expense (ORS 315.604).
- Child Care Division and community agency contributions (ORS 315.213).
- Contribution of computers or scientific equipment for research (ORS 317.151).
- Crop donation (form 150-101-240) (ORS 315.156).
- Dependent care (form 150-102-032) (ORS 315.204).
- Electronic commerce in designated enterprise zone (ORS 315.507).
- Emission reducing production technology or process (ORS 315.311).
- Employee and dependent scholarship program payments (ORS 315.237).
- Energy conservation facilities (ORS 315.354, 315.356, 469.185).

- Farmworker housing project investment (ORS 315.164, 315.167, 315.169).
- First Break program (ORS 315.259).
- Fish habitat improvement (ORS 315.134).
- Fish screening devices (ORS 315.138).
- Individual development account (ORS 315.271).
- Lenders loans for affordable housing (ORS 317.097, 317.112).
- Long-term enterprise zone facilities (ORS 317.124, 317.125).
- On-farm processing facilities (ORS 315.119).
- Pollution control facilities (ORS 315.304).
- Qualified research activities (form 150-102-128) (ORS 317.152, 317.153, 317.154).
- Reclaimed plastics recycling (ORS 315.324).
- Reforestation (ORS 315.104, 315.106).
- Voluntary removal of riparian land from farm production (ORS 315.113).
- Youth apprenticeship sponsorship (ORS 315.254).

For more information, see the information circular *Tax Credits for Corporations* (150-102-694). See "Taxpayer assistance" to order the circular or go to our Web site at www.oregon.gov/DOR.

Line 12. Tax adjustment for LIFO benefit recapture. Make this adjustment in the first three years after a C corporation becomes an S corporation. Add one-third of the tax that was deferred on the final C corporation return.

Line 14. Estimated tax payments and other prepayments. Fill in the total estimated tax payments for tax year 2004 from Schedule ES. Include payments made with an extension.

Line 17. Penalty. Include a penalty payment if you:

- Mail your payment of tax due after the original due date (even if you have an extension), **or**
- File your tax return showing tax due after the due date, including any extension.

Penalty is 5 percent of the unpaid balance of your tax.

If you **file more than three months** after the original or extended due date, add an additional penalty of 20 percent of the unpaid tax. If you do not file returns for three consecutive years by the due date of the third year's return, including extensions, you must pay a 100 percent penalty on the tax liability for each tax year.

Include any penalty due on Form 20-S, line 17.

Line 18. Interest. If you do not pay the tax by the due date, interest will be charged on the unpaid tax. Interest periods generally begin on the 16th day of the month the return is due. Returns are due on the 15th unless the 15th falls on a Saturday, Sunday, or holiday. Interest is figured daily for periods of less than a month. A month, for example, is May 16 to June 15. Interest rates may change once a calendar year.

To calculate interest due:

- Tax × Annual interest rate × Number of full years.
- Tax × Monthly interest rate × Number of months.
- Tax × Daily interest rate × Number of days.

Interest rates and effective dates:

For periods beginning	Annual	Monthly	Daily
January 1, 2004	6%	0.5000%	0.0164%
January 1, 2005	5%	0.4167%	0.0137%

Interest accrues on any unpaid tax during an extension of time to file.

Include interest for payment of tax after the due date on Form 20-S, line 18.

For more information, see *Computing Interest on Tax You Owe*, www.oregon.gov/DOR.

Additional interest on deficiencies and delinquencies Interest will increase by one-third of 1 percent per month (4 percent yearly) on deficiencies or delinquencies if the following occurs:

- You file a return showing tax due, or the Department of Revenue has assessed an existing deficiency, **and**
- The assessment is not paid within 60 days after the notice of assessment is issued, **and**
- You have not filed a timely appeal.

Line 19. Interest on underpayment of estimated tax. Enter interest due from underpayment of estimated tax. You have an underpayment if you paid less than 100 percent of the tax due on each estimated tax payment due date. Interest on underpayment will not be imposed if net tax on Form 20-S, line 13, is less than \$500 on your 2004 return.

If you have an underpayment, you must file Form 37, *Underpayment of Oregon Corporation Estimated Tax*.

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax;
- Compute the amount of interest you owe on the underpayment; **or**
- Show you meet an exception to the payment of interest.

Form 37 is provided with these instructions and is available on our Web site at www.oregon.gov/DOR.

Attach Form 37 to your return and check the "Form 37 is attached" box.

Line 21. Total due. Enclose your check (or money order) and payment voucher with your return. Make your check or money order payable to the "**Oregon Department of Revenue**." Do not send cash or postdated checks. Please use blue or black ink on your check. **Do not use** gel pens or red ink.

Please include the following information on your check:

- Oregon business identification number (BIN).
- Federal employer identification number (FEIN).
- "2004 S corp Tax."

Special instructions. Do you owe penalty or interest and have an overpayment on line 16? If your overpayment is less than the total penalty and interest, fill in the result of line 20 minus line 16, on line 21.

Schedule SM

Modifications passed through to shareholders

Line 1. Interest on government bonds of other states. Enter interest the corporation received from states and local governments **other than Oregon and its municipalities**. Example: Include interest from state of Washington bonds or San Francisco city bonds, but omit interest from Oregon government bonds.

Line 2. Gain or loss on the sale of depreciable property Enter the difference in gain or loss on the sale of business assets when the Oregon basis is less than it is for federal purposes. See ORS 316.716.

Line 3. Other additions. See ORS 316.680–316.848. Examples of other additions are:

- **Gain from involuntary conversion.** The S corporation shall make the election to defer gain from the involuntary conversion of property owned by it.
- **Depletion in excess of basis.**
- **High yield discount obligation interest.**

Line 5. Interest from U.S. government. Enter the amount of interest received from the U.S. government, its instrumentalities, and organizations that invest in U.S. government securities.

Line 6. Gain or loss on the sale of depreciable property Enter the difference in gain or loss on the sale of business assets when the Oregon basis is greater than it is for federal purposes. See ORS 316.716.

Line 7. Work opportunity credit wage reductions. Were salaries and wages on federal Form 1120S reduced for the work opportunity tax credit? Enter the amount of reduction here.

Line 8. Other subtractions. See ORS 316.680 through 316.848 and ORS 314.734(4) and (5). You may subtract the Oregon corporation tax paid on built-in gains reported on line 1 of the return. Examples of other subtractions are:

- Local government bond interest.
- Like-kind exchanges.
- High yield discount obligation dividends.
- Sale of public utility dividend reinvestment plan stock.
- Depreciation of basis differences due to claiming a federal tax credit.
- Long-term capital gains from sale of farm.

Each shareholder's share of additions and subtractions must be reported to the shareholder. These amounts may be added to the federal K-1s and labeled "Oregon additions" and "Oregon subtractions." Nonresident shareholders must report their ownership percentage of modifications, multiplied by the S corporation's Oregon apportionment percentage from Schedule AP.

Schedule ES

Estimated tax payment instructions

Estimated tax paid for the 2004 tax year. Fill in the total estimated tax payments made before filing your Oregon return on lines 1 through 4. Enter any refund applied from your 2003 tax return or an Oregon amended return on line 5. Enter payments made with your extension on line 6. On line 7, enter the total amount of line 5 plus line 6. Carry total to Form 20-S, line 14. On line 8, enter last year's net tax.

Electronic funds transfer (EFT). You must make your Oregon estimated tax payments by EFT if you are required to make federal estimated tax payments by EFT. Information is available on the Internet at www.oregon.gov/DOR or by calling the EFT Help/Message line at 503-947-2017.

The department may grant a waiver from participation in the EFT program if you would be disadvantaged by the requirement (OAR 150-314.518).

Voluntary participation. If you do not meet the federal requirements for mandatory participation in the EFT program, you may participate on a voluntary basis.

Schedule AP

Apportionment instructions

Apportionment is dividing business income between the states by use of a formula. **Allocation** is the assignment of specific nonbusiness income to a state. A corporation having unitary business activities both inside and outside Oregon must use the apportionment and allocation methods provided under the Uniform Division of Income for Tax Purposes Act (ORS 314.605 through 314.690) and administrative rules, under ORS 314.280.

The following businesses use modified or different apportionment factors as provided in the following Oregon Administrative Rules (OARs) and laws:

Airlines	OAR 150-314.280-(I)
Financial corporations.....	OAR 150-314.280-(N)
Health care service contractors.....	OAR 150-314.280-(E)
Insurance companies.....	ORS 317.660
Interstate broadcasters	ORS 314.682-314.686 OAR 150-314.684 (4) OAR 150-314.686
Interstate river transportation companies.....	OAR 150-314.280-(L)
Long-term construction contractors...	OAR 150-314.615-(F)
Movie and television production companies.....	OAR 150-314.615-(H)
Railroads	OAR 150-314.280-(H)
Sea transportation companies.....	OAR 150-314.280-(K)
Title insurance companies	OAR 150-314.280-(E)
Trucking companies	OAR 150-314.280-(J)

Oregon income is the total of the corporation's apportioned and allocated income assigned to Oregon.

Schedule AP must be completed by each corporation carrying on a unitary business both inside and outside Oregon. If another method of assigning income is proposed, Schedule AP must still be completed.

A negative amount is not accepted. Enter zero if the factor is less than zero.

Qualified subchapter S subsidiaries (QSSS). Include property, payroll and sales of a QSSS in the parent corporation's factors for apportionment.

Schedule AP-1—Apportionment formula

For tax years starting on or after May 1, 2003, the apportionment formula is 10 percent of the property factor, plus 10 percent of the payroll factor, plus 80 percent of the sales factor. See instructions for line 6.

Taxpayers primarily engaged in utilities and telecommunications may elect to use the apportionment formula method provided in ORS 314.650 (1999 edition). Check the box on question J if making this election.

A negative amount in any of the apportionment factors is not accepted. Enter zero if the factor is less than zero.

When computing the property, payroll, and sales factor percentages, as well as the Oregon apportionment or alternative apportionment, round the percentage to four decimal places. For example, 12.34558 percent should be 12.3456 percent.

Property factor. (1) Value owned property at original cost. Show the average value during the taxable year of real and tangible personal property used in the business. This is the average of property values at the beginning and end of the tax period. An average of the monthly values may be required if a more reasonable value results.

(2) Value rented property at eight times the annual rental value. Reduce the annual rental value by nonbusiness subrentals.

Enter all owned or rented business property in Column B of Schedule AP-1. Enter business property within Oregon in Column A. See ORS 314.655 and administrative rules.

Payroll factor. Assign payroll to Oregon if:

- The services are performed entirely inside Oregon; **or**
- The services are performed both inside and outside Oregon but those services performed outside are only incidental; **or**
- Some of the services are performed in Oregon and (a) the base of operation or control is located in Oregon, or (b) the base of operation or control is not in any state in which the services are performed and the employee's residence is in Oregon.

See ORS 314.660 and administrative rules.

Sales factor. Assign sales to Oregon if:

- The property is shipped or delivered to a purchaser in Oregon other than the United States Government; **or**
- The property is shipped from a warehouse or other place of storage in Oregon and (a) the purchaser is the United States Government, or (b) the corporation is not taxable in the state of the purchaser. See ORS 314.665(3) for exception.

See ORS 314.620 and Public Law 86-272 to determine if a corporation is taxable in another state.

Charges for services are Oregon sales to the extent the services are performed in Oregon. See ORS 314.665 and administrative rules.

Gross receipts from the sale, exchange, or redemption of intangible assets cannot be included in the sales factor if not derived from your primary business activity.

The net gains from sales, exchanges, or redemption of intangible assets that are not derived from your primary business activity are included in the sales factor if the gains are business income.

Schedules for computing Oregon apportionment percentage

Oregon standard apportionment method. Business income is apportioned to Oregon by multiplying the income by a multiplier equal to 80 percent of the sales factor, plus 10 percent of the property factor, plus 10 percent of the payroll factor. See ORS 314.650.

Oregon standard apportionment percentage:

1. Multiply the property factor percentage from Schedule AP-1, line 8, column C, by 0.1. 1. _____
2. Multiply the payroll factor percentage from Schedule AP-1, line 11, column C, by 0.1. 2. _____
3. Multiply the sales factor percentage from Schedule AP-1, line 18, column C, by 0.8. 3. _____
4. Oregon apportionment percentage. 4. _____
Add lines 1, 2, and 3. Enter on Schedule AP-1, line 20.

Alternative apportionment method for utility or telecommunications corporations. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion business income using the double-weighted sales factor provided in ORS 314.650 (1999 edition).

Check the box for question J on page 1 of Form 20-S if making this election.

Alternative apportionment percentage:

1. Total percent from line 19, Schedule AP-1. 1. _____
2. Enter the number of factors on lines 8, 11, 17, and 18 of Schedule AP-1 with a positive total in column B. 2. _____
3. Oregon apportionment percentage. 3. _____
Divide line 1 by line 2. Enter on Schedule AP-1, line 20.

Schedule AP-2—Taxable income computation

Business and nonbusiness income. “Business income” is income arising from transactions and activities in the regular course of the taxpayer’s business. It includes income from tangible and intangible property related to the regular business operation.

Examples of business income are:

- Sales of products or services;
- Rents, if property rental is a related business activity;
- Royalties, if the patent, processes, etc., were developed by or used in the business operation;
- Gain or loss on the disposal of business property; and
- Interest income on trade receivables or installment contracts arising out of the business or from the investment of working capital.

“Nonbusiness income” means all income other than business income. Rents, royalties, gains or losses, and interest also can be nonbusiness income if they arise from investments not related to the taxpayer’s business. Nonbusiness income is allocated to a particular state based upon the source of the income. Gain or loss from the sale of a partnership interest may be allocable to Oregon [ORS 314.635(4)]. **A schedule of nonbusiness income must be attached to the return.** The amounts allocable to Oregon must be added to Oregon’s apportioned income. See ORS 314.610 and administrative rules.

Line 3. Subtract: Gains from prior year installment sales included in line 1. OAR 150-314.615-(G) requires that installment gains be apportioned to Oregon using the average percent from the year of the sale rather than the year payment is received.

Line 8. Add: Gains from prior year installment sales apportioned to Oregon. Multiply the installment gains subtracted on line 3 by the average percent from the year of the sale. Also add the tax on certain long-term capital gains from the sale of farm property per ORS 317.063 and attach Worksheet FCG-20 to the back of your return.

Line 10. Net loss and net capital loss deduction (for S corporations only). Only the Oregon net loss carried over from a year in which the corporation was a C corporation shall be allowed as a deduction. Only income from built-in gains may be offset by net loss deductions. See ORS 314.740(4).

Taxpayer assistance

Printed information (free)

Most forms and publications are available on our Web site. You can also order by telephone or return the form below.

Check individual boxes to order. Complete name and address section. Clip on the dotted line, then mail in the entire list to the address below.

Forms and instructions

- Dependent Care Credits for Employers*..... 150-102-032
- Donated Crops Tax Credit*..... 150-101-240
- Form 20-V, Corporation Tax Payment Coupon*..... 150-102-172
- Form 24, Like-Kind Exchanges/Involuntary Conversions* 150-800-734
- Long-Term Enterprise Zone Facilities*..... 150-102-043
- Tax Information Authorization and Power of Attorney for Representation* 150-800-005
- Qualified Research Activities Credit*..... 150-102-128
- Worksheet FCG-20, Farm Liquidation Long-Term Capital Gain Tax Rate*..... 150-102-167

Information circulars and brochures

- Audits: What to Do if You Are Audited*..... 150-101-607
- Information for Tax-Exempt Organizations*..... 150-102-617
- Limited Liability Companies, Limited Liability Partnerships* 150-101-613
- Political Organizations* 150-102-663
- Tax Credits for Corporations*..... 150-102-694
- What You Need to Know About Corporation Excise and Income Tax*..... 150-102-401
- Your Rights as an Oregon Taxpayer*..... 150-800-406

List of other printed information:

- Form and Publication Order*..... 150-800-390

**Send to: Forms, Oregon Department of Revenue
PO Box 14999, Salem OR 97309-0990**

Please print

Name _____

Address _____

City _____

State _____ ZIP Code _____

Internet

www.oregon.gov/DOR



The Department of Revenue Web site is a quick and easy way to download forms and publications, get up-to-the-minute tax information, and learn about electronic filing.

Correspondence



Write to: Oregon Department of Revenue, 955 Center St NE, Salem OR 97301-2555. Include your BIN or FEIN and a daytime telephone number for faster service.

E-mail: corp.help.dor@state.or.us

Telephone

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

If you have a touch-tone telephone, call our 24-hour voice response system at one of the numbers above to:

- Hear recorded tax information.
- Order tax forms.



For help from Tax Services, call one of the numbers above:

Monday, Tuesday, Thursday, Friday..... 7:30 a.m.–5:10 p.m.

Wednesday..... 10:00 a.m.–5:10 p.m.

April 1–April 15, Monday–Friday..... 7:00 a.m.–9:00 p.m.

Wait times may vary. Closed on holidays.

TTY (hearing or speech impaired; machine only): 503-945-8617 (Salem) or 1-800-886-7204 (toll-free within Oregon).

Americans with Disabilities Act (ADA). This information is available in alternative formats. Call 503-378-4988 (Salem) or 1-800-356-4222 (toll-free within Oregon).

Asistencia en español. Llame al 503-945-8618 en Salem o llame gratis al 1-800-356-4222 en Oregon.

**Oregon
S Corporation
Tax Return**

2004 Form 20-S

For office use only

Date received	Payment
•	•
1	2
•	•
3	
•	•

- Excise Tax
- Income Tax

Fiscal year beginning	Fiscal year ending
• / /	• / /

NAME 1: NEW NAME • BIN: _____

NAME 2: NEW ADDRESS FEIN: _____

ADDRESS 1: _____ • EXTENSION

ADDRESS 2: _____ • FORM 37

CITY: _____ ST: _____ ZIP: _____ • AMENDED

CONTACT: _____ • FORM 24

PREVIOUS NAME: _____ • FCG-20

WEB ADDRESS: _____ PHONE: _____

<p>FOR FUTURE COMPUTER USE</p>	<p>FOR COMPUTER USE ONLY</p>
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Complete A through D only if this is your first return or the answer changed during 2004. SEE INSTRUCTIONS FOR MORE INFORMATION.

• A. Incorporated in (state);	• Incorporated on (date)	• B. State of commercial domicile	• C. Date business activity began in Oregon	• D. Business Activity Code
• E. List the tax years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire; if more than four years, see instructions				
• F. List the tax years for which your federal taxable income was changed by an IRS audit or by an amended federal return filed during this tax year; if more than four years, see instructions				
• G. If first return, indicate	Name of previous business			
<input type="checkbox"/> New business, or				
<input type="checkbox"/> Successor to previously existing business	FEIN	BIN		
• H. If final return, indicate	Name of merged or reorganized corporation			
<input type="checkbox"/> Withdrawn,				
<input type="checkbox"/> Dissolved, or	FEIN	BIN		
<input type="checkbox"/> Merged or reorganized				
I. Enter the amount from federal Form 1120S, line 21	• I			
J. Check the box if your business is a utility or telecommunications company electing alternative apportionment	• J	<input type="checkbox"/>		
K. If you did not complete Schedule AP, fill in the amount of your Oregon sales	• K			

See instructions. S Corporations without federal taxable income, start on line 7. Round all amounts to the nearest whole dollar.

1. Income taxed on federal Form 1120S from:		
(a) Built-in gains	<input type="text"/>	
(b) Excess net passive income	<input type="text"/>	Total • 1 <input type="text"/>
2. Additions (see instructions)		• 2 <input type="text"/>
3. Subtractions (see instructions)		• 3 <input type="text"/>
4. S corporation income before net loss deduction (line 1 plus line 2, minus line 3)		• 4 <input type="text"/>
If income is derived from sources both in Oregon and other states, see instructions on page 8.		
5. Net loss from prior years as C corporation. Attach schedule (deductible from built-in gain income only)		• 5 <input type="text"/>
6. Oregon taxable income (line 4 minus line 5 or amount from Schedule AP-2, line 11)		• 6 <input type="text"/>
7. Tax (6.6 percent of line 6) (excise tax returns, see instructions for minimum tax)		• 7 <input type="text"/>
8. Tax adjustment for interest on certain installment sales and tax on certain capital gains from sale of farm assets (see instructions)		• 8 <input type="text"/>
9. Total tax (line 7 plus line 8)		• 9 <input type="text"/>

Staple
payment
here

10. Credits against tax (attach schedule) (see instructions)	• 10	
11. Tax after credits (line 9 minus line 10) (excise tax not less than minimum tax)	11	
12. Tax adjustment for LIFO benefit recapture (see instructions)	• 12	
13. Net tax (line 11 plus line 12) (excise tax not less than minimum tax). If the amount is \$500 or more, see the instructions for interest on underpayment of estimated tax	• 13	
14. 2004 estimated tax payments from Schedule ES. Include payments made with extension (see instructions) ...	• 14	
15. Tax Due . Is line 13 more than line 14? If so, line 13 minus line 14	Tax Due • 15	
16. Overpayment . Is line 13 less than line 14? If so, line 14 minus line 13	Overpayment • 16	
17. Penalty due with this return (see instructions)	17	
18. Interest due with this return (see instructions)	18	
19. Interest on underpayment of estimated tax. Attach Form 37	• 19	
20. Total penalty and interest (add lines 17 through 19)	20	
21. Total Due (line 15 plus line 20) (see instructions)	Total Due 21	
22. Refund available (line 16 minus line 20)	Refund 22	
23. Amount of refund to be credited to 2005 estimated tax	2005 Credit • 23	
24. Net Refund (line 22 minus line 23)	Net Refund 24	

SCHEDULE SM — OREGON MODIFICATIONS PASSED THROUGH TO SHAREHOLDERS (see instructions)

Federal taxable income passed through to the shareholders is adjusted to the extent that items of income, loss, or deduction of the shareholder are required to be adjusted under the provisions of Oregon Revised Statutes, Chapters 314 and 316. Indicate which federal Schedule K-1 line item each modification is for.

ADDITIONS	1. Interest on government bonds of other states	(K-1 line _____)	1	
	2. Gain or loss on the sale of depreciable property ...	(K-1 line _____)	2	
	3. Other (attach schedule)		3	
	4. Total Oregon additions		4	
SUBTRACTIONS	5. Interest from U.S. government, such as Series EE and HH bonds ...	(K-1 line _____)	5	
	6. Gain or loss on the sale of depreciable property ...	(K-1 line _____)	6	
	7. Work opportunity credit wage reductions	(K-1 line _____)	7	
	8. Other (attach schedule)		8	
	9. Total Oregon subtractions		9	

SCHEDULE ES — ESTIMATED PAYMENTS OR OTHER PREPAYMENTS

Voucher	Date of Payment	Amount Paid
1. Voucher 1	1 / /	1
2. Voucher 2	2 / /	2
3. Voucher 3	3 / /	3
4. Voucher 4	4 / /	4
5. Overpayment of last year's tax elected as a credit against this year's tax		5
6. Payments made with extension or other payments for this tax year and date paid	6 / /	6
7. Total (carry to line 14 above)		7
8. Last year's net tax	8	

Under penalties of 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 taxpayer this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE	Signature of officer	Signature of preparer other than taxpayer	License number of preparer
	X	X	
	Date	Date	Telephone number ()
	Print name of officer	Print name of preparer	
	Title of officer	Address of preparer	

PLEASE ATTACH A COMPLETE COPY OF YOUR FEDERAL FORM 1120S AND SCHEDULES, INCLUDING ALL K-1s

Mail refund returns and no tax due returns to:
Refund, PO Box 14777, Salem OR 97309-0960

Mail tax-to-pay returns to:
Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470

SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20-S (see instructions)

Describe the nature and location(s) of your Oregon business activities. _____

SCHEDULE AP-1 — APPORTIONMENT FORMULA

Property factor—Value of real and tangible personal property used in the unitary business (owned, at average value; rented, at capitalized value):

Owned property (at original cost; see instructions):

- 1. Inventories 1
- 2. Buildings and other depreciable assets 2
- 3. Land 3
- 4. Other assets (describe) 4
- 5. Minus: Construction in progress 5
- 6. Total of lines 1–5 6
- 7. *Rented property* (capitalize at 8 times the rental paid) ... 7
- 8. Total owned and rented property 8

(Do not enter an amount of less than zero)

	(A) Total within Oregon	(B) Total within and without Oregon	(C) Percent within Oregon (A ÷ B) × 100	
1. Inventories 1				
2. Buildings and other depreciable assets 2				
3. Land 3				
4. Other assets (describe) 4				
5. Minus: Construction in progress 5	()	()		
6. Total of lines 1–5 6				
7. <i>Rented property</i> (capitalize at 8 times the rental paid) ... 7				
8. Total owned and rented property 8			%	
Payroll factor —Wages, salaries, commissions, and other compensation to employees:				
9. Compensation of officers 9				
10. Other wages, salaries, and commissions 10				
11. Total wages and salaries 11				%
Sales factor —Sales delivered or shipped to Oregon purchasers:				
12. Shipped from outside Oregon 12				
13. Shipped from inside Oregon 13				
<i>Sales shipped from Oregon to:</i>				
14. The United States government 14				
15. Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272) 15				
16. Other business receipts 16				
17. Total sales and other business receipts 17			%	
18. Sales factor (same as line 17) 18			%	
19. Total percent (add items 8, 11, 17, and 18, within column C) 19			%	
20. Oregon apportionment percentage. Enter the amount from the appropriate schedule on page 9 20			% _ . _ _ _ _	

SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION (see instructions)

1. Net income from business both in Oregon and other states (from page 1, line 4) 1		
2. Subtract: Net nonbusiness income included in line 1. Attach schedule 2		
3. Subtract: Gains from prior year installment sales included in line 1. Attach schedule 3		
4. Total net income subject to apportionment (line 1 minus line 2 and line 3) 4		
5. Oregon apportionment percentage (from Schedule AP-1, line 20) 5	×	%
6. Income apportioned to Oregon (line 5 times line 4) 6		
7. Add: Net nonbusiness income allocated entirely to Oregon. Attach schedule 7		
8. Add: Gains from prior year installment sales apportioned to Oregon. Attach schedule 8		
9. Total of lines 6, 7, and 8 9		
10. (a) Oregon apportioned net loss from prior years (b) Net capital loss from other years [from tax year(s) _____]		
Total loss (line 10a plus line 10b) 10		
11. Oregon taxable income (line 9 minus line 10) (carry to page 1, line 6) 11		

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Name of Corporation as Shown on your Oregon Corporate Return	Oregon Business Identification Number	Federal Employer Identification Number
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Current and Prior Year Information

1. Net Excise or Income tax (from Form 20, Form 20-I, Form 20-S, or Form 20-INS)	1	
2. Prior year's tax liability (high income taxpayers, see instructions)	2	

PART I — Underpayment. To figure your underpayment, fill in lines 3 through 9.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
3. Divide the amount on line 1 by the number of payments required for the year (usually 4). Fill in the result for the quarters you owed estimated tax ...				
4. Estimated tax paid this year for each quarter				
5. Refund from last year applied to each quarter				
6. Overpayment from line 8 from previous quarter				
7. Total tax paid (add lines 4, 5, and 6)				
8. Overpayment. If line 7 is more than line 3, enter difference here (do not use exceptions)				
9. Amount of underpayment for each quarter. Lesser of lines 10, 11, 12, or 13; less line 7 (whichever is applicable) (only use amounts greater than zero)				

Do not enter zero on lines 12 or 13 unless you have computed Exception 3, line 12 (use worksheet below) or Exception 4, line 13 (see instructions) and calculated a loss for the quarter.

PART II — Exceptions to Paying Interest. Exception amounts on lines 11, 12, and 13 cannot be used to calculate an overpayment on line 8.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<input type="checkbox"/> Check box if last year's tax due was \$10 and you are not a "high-income taxpayer" (see instructions).	25% of line 1	25% of line 1	25% of line 1	25% of line 1
10. Exception 1—Current year's tax due				
11. Exception 2—Prior year's tax (high-income taxpayers may use this exception for the first quarter only) (see instructions)	25% of line 2	25% of line 2	25% of line 2	25% of line 2
12. Exception 3—Net annualized tax (from line 20)	25% of line 20	25% of line 20	25% of line 20	25% of line 20
13. Exception 4—Recurring seasonal income (see instructions)				

You will NOT be subject to interest on underpayment of estimated tax if your tax payment (line 7, quarters 1 through 4) equals or exceeds the amounts for one of the exceptions (lines 10, 11, 12, and 13; quarters 1 through 4) for the same payment period.

Exception 3 Worksheet — To figure your annualized income, use the formula and chart below.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Actual income × Factor = Annualized income				
14. Ending date of annualization period (see instructions)				
15. Actual income through date on line 14 less net losses carried forward from prior tax years				
16. Annualization factors based on selected annualized period (see instructions)				
17. Annualized income (line 16 × line 15)				
18. Annualized tax (0.066 × line 17)				
19. Less tax credits available at end of quarter				
20. Net annualized tax (use to figure line 12)				

Part III — Interest on Underpayments. (See instructions below.)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
21. Amount of underpayment for each quarter. If you met an exception, enter -0-. If not, enter amount from Part I, line 9 21				
22a. Date estimated payment was due 22a				
22b. Date underpayment amount was paid or the due date of the return, whichever is earlier 22b				
23. Number of full months between dates on line 22a and 22b 23				
24. Number of days in a partial month between dates on line 22a and 22b 24				
25. Number of full months on line 23 × monthly interest rates × line 21 25				
26. Number of days on line 24 × daily interest rates × line 21 26				
27. Interest due (line 25 plus line 26) 27	a.	b.	c.	d.
28. Total interest due (add line 27, columns a, b, c, and d) 28				

Enter the amount from line 28 above on the “interest on underpayment of estimated tax” line of Form 20, Form 20-I, Form 20-S, or Form 20-INS. Attach this form to your return and check the appropriate box at the top of your return to indicate “Form 37 is attached.”

FORM 37 INSTRUCTIONS

If your tax on the prior year’s return was not over \$10, interest on any underpayment will not be imposed. (This exception does not apply to high-income taxpayers.) High-income taxpayers may use Exception 2 for their first quarter only (see below).

A “**high-income taxpayer**” is one that had federal taxable income, before net operating loss and capital loss carryovers and carrybacks, of \$1,000,000 or more in any one of the last three tax years, not including the current year.

Line 11—Exception 2. You qualify to use this exception if the prior year’s return (1) covers a period of 12 months and (2) shows a liability.

You meet this exception if the current year’s tax you paid (Part I, line 7) is equal to or more than the amount of net income tax reported on your prior year’s tax return. Each quarterly installment must be paid on or before its due date. If you are not a high income taxpayer and paid estimated tax during the first quarter equal to or greater than the net tax for the prior tax year, you qualify for exception two for the entire year and owe no interest on underpayment of estimated tax.

High income taxpayer. This exception only applies to the **first** installment payment of a high income taxpayer. If you meet this exception, any reduction to the first installment payment due to this exception **must** be added to the second installment payment.

The reduction amount is the lower of the actual underpayment on line 9 in the first quarter column, or the difference between the amount on line 11 and the next lowest exception amount in the first installment column. Add the reduction from the first quarter to the amount on line 3 and the lowest amount on line 10, 12, or 13 in the column for the second quarter.

Line 13—Exception 4. This applies to taxpayers with recurring seasonal income. The taxpayer must pay, by each installment due date, an amount equal to 100 percent of the amount by applying Section 6655(e)(3)(C) of the Internal Revenue Code (IRC) to Oregon taxable income. For information about computing seasonal income, definitions, and special rules, see IRC 6655(e). Attach a schedule of your computation.

Line 14—Annualization periods. If you did not elect to use the optional annualization periods for federal purposes allowable under section 6655(e)(2)(C) of the Internal Revenue Code, you must use the standard Oregon annualization periods provided in ORS 314.525(2)(c)(A). If you elected to use the optional annualization periods for federal purposes, you must use the same annualization periods for Oregon.

Months in Annualization Periods

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Standard Oregon Periods	3	3 or 5	6 or 8	9 or 11
Federal Option #1	2	4	7	10
Federal Option #2	3	5	8	11

Line 16—Annualization factors. The annualization factor is based on the number of months in the annualization period.

Annualization Factor

Number of Months	2	3	4	5	6	7	8	9	10	11
Annualization Factor	6	4	3	2.4	2	1.714	1.5	1.333	1.2	1.091

Lines 23 and 24—How to figure the number of months and days. Interest periods generally begin on the 16th day of the month the return is due. Interest is figured daily for periods of less than one month. Example:

September 16 to February 15 = 5 months
February 16 to March 9 = 22 days

Lines 25 and 26—How to figure interest. Interest is computed on the underpayment amount from Part III, line 21. Interest rates may change once a calendar year. The chart below shows the interest rates and effective dates.

Interest Rates			
For Periods Beginning	Annual	Monthly	Daily
January 1, 1999	9%	0.7500%	0.0247%
January 1, 2001	10%	0.8333%	0.0274%
February 1, 2002	8%	0.6667%	0.0219%
February 1, 2003	7%	0.5833%	0.0192%
January 1, 2004	6%	0.5000%	0.0164%
January 1, 2005	5%	0.4167%	0.0137%

Attach this form to your return if you owe interest or meet an exception and check the box at the top of your return by Form 37

