Corporation Income 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

For tax years beginning on or after July 1, 2005:

- Business income is apportioned to Oregon using a 100 percent sales factor.
- A qualifying taxpayer in the forest products industry is required to use the double-weighted sales factor method as defined in ORS 314.650(2).

Utilities and telecommunications companies may make an election to use the double-weighted sales factor formula as defined in ORS 314.650 (1999 edition).

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

Oregon tie to federal tax law

The 2005 Legislature passed Senate Bill (SB) 31 which will take effect November 4, 2005. SB 31 provides the following:

- A retroactive connection to federal changes made since December 31, 2002, to the definition of federal taxable income, with two exceptions:
  - — No connection to the qualified production activities income (QPAI) deduction. An addition on the Oregon return is required, effective January 1, 2005.
  - — No connection to certain subsidies for prescription drug plans, effective January 1, 2008.
- Taxpayers should file amended returns if they reported a modification on a 2003 or 2004 tax return due to differences between federal and Oregon tax law that have been eliminated by SB 31. No interest is paid on deficiencies or refunds due to amending for the retroactive provisions.
- Effective January 1, 2005, an automatic connection to future changes to the federal definition of taxable income, unless a specific Oregon law provides for different treatment.

Additions

QPAI. If you were allowed a deduction under Internal Revenue Code (IRC) section 199 for federal tax purposes, you have an addition on your Oregon return.

Subtractions

Farm capital gain. The calculation and reporting of the tax on farm liquidation long-term capital gain has changed for 2005. There is no longer a subtraction to be shown on the return. Please see Worksheet FCG-20 (form 150-102-167) for reporting the gain. Also see the instructions for the tax adjustments, Form 20-I, line 18.

Oregon surplus rebate credit. Oregon surplus revenues are refunded when actual revenues exceed the revenue forecast for the biennium by more than 2 percent. The refund is taken as a credit to corporate taxpayers on the return for the second year of the biennium. **Note:** You may elect to donate your rebate credit to the Oregon State School Fund.

Temporary dividends-received deduction. For tax years beginning before January 1, 2007, the dividends-received deduction allowed under IRC section 965 (dividends from controlled foreign corporations) is allowed in determining Oregon taxable income for the same year as the federal deduction is allowed.

Credits

Dependent care credits. The dependent care assistance and information, and referral programs tax credits have been extended from January 1, 2007, to January 1, 2017.

Diesel engine replacement tax credit (notes following ORS 315.356). A credit between $400 and $925 per truck engine purchased is allowed on diesel engines certified by the federal Environmental Protection Agency. Qualifying engines

Contents

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 1120 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.)*

must be purchased in calendar year 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.

Enterprise zones credits. Effective in 2005, a port is eligible to request and apply to the Economic and Community Development Department for an area be designated as an enterprise zone.

Farmworker housing tax credit (notes following ORS 315.164). House Bill 2166 permits a taxpayer eligible to claim a farmworker housing tax credit to transfer the credit to another taxpayer for tax years beginning on or after January 1, 2005.

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.

Lenders credit for affordable housing. For tax years beginning on or after January 1, 2005, total credits attributable for eligible loans for any tax year has increased from $6 million to $11 million. The credit available to lending institutions for loans to finance certified housing projects for low-income households has been extended from January 1, 2010, to January 1, 2020 (ORS 317.097).

Long-term enterprise zone facilities credit. Beginning January 1, 2005, a taxpayer eligible to claim a long-term enterprise zone facilities credit can forgo the credit to use other tax credits in a tax year. The total credit allowed must be equal to or less than the tax credit threshold amount computed in ORS 317.124(7).

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.

Looking ahead to tax years 2006, 2007, 2008

General information

Enterprise zones. Effective January 1, 2006, new legislation provides that the Director of the Economic and Community Development Department may approve the designation of up to 17 areas as rural enterprise zones, and up to 10 areas as urban or rural enterprise zones. An enterprise zone identified as a non-urban zone is referred to as a rural enterprise zone.

Oregon sales (ORS 314.665). Effective for tax years beginning on or after January 1, 2006, if a taxpayer's only activity in Oregon is the storage of goods in a public warehouse prior to shipment and the presence of employees within the state solely for purpose of soliciting sales of the taxpayer's products, then the sale will not be considered to take place in the state of Oregon.

Sale of manufactured dwelling park: Amounts received as a result of the sale of a manufactured dwelling park to a tenants' association, facility purchase association, or tenants' association supported nonprofit organization as described in ORS 90.820; to a community development corporation as described in ORS 458.210; or to a housing authority as defined in ORS 456.005 are exempt from the corporation excise tax. This will take effect for tax years beginning on or after January 1, 2006 and before January 1, 2008.

Additions

Prescription drug plans. If you were allowed a deduction for subsidy payments received for prescription drug plans under IRC section 139A for federal tax purposes, you have an addition on your Oregon return for tax years beginning on or after January 1, 2008.

Subtractions

Dividends-received deduction. For tax years beginning on or after January 1, 2006, the following dividends will not be eligible for the Oregon dividend deduction under ORS 317.267:

- A dividend not treated as a dividend under IRC section 243(d).
- A dividend not treated as a dividend under IRC section 965(c)(3).
- A dividend for which a federal dividend received deduction is not allowed because of IRC section 246(a) or (c).

Credits

Electronic commerce. New legislation expanded the number of zones that may be approved for electronic commerce from four to 10 for applications filed with the Economic and Community Development Department on or after July 1, 2006.

Qualified research activities credits. For tax years beginning on or after January 1, 2006, the maximum amount of the credit that may be taken is increased from $750,000 to $2 million, and may be carried forward up to five years (ORS 317.152, 317.154).

Due to 2003 legislation, the former limit to five high tech areas no longer applies. Any research qualifying for a federal credit qualifies for the Oregon credit if the research is conducted in Oregon.

University venture development fund contribution credit. A credit is allowed for contributions to a university venture development fund when a tax credit certificate has been issued. The maximum credit available is $50,000 and is equal to 60 percent of the certified amount. Eligible contributions may be made on or after January 1, 2006.

Water transit vessel credit. A credit is allowed based on wages paid to a person employed in Oregon to assist in the manufacture of a water transit vessel. The maximum credit available is the lesser of $5,000 or 15 percent of the wages paid. Wages must be paid to a person initially hired on or after January 1, 2006. This credit is available for tax years beginning on or after January 1, 2006, and before January 1, 2013.

Estimated tax

If you expect to owe tax of $500 or more, the corporation is required to make estimated tax payments. Oregon estimated tax laws are not the same as federal estimated tax laws. Use Oregon instructions to determine if you need to make estimated tax payments for 2006.

To make estimated tax payments, include Form 20-V with your payment and mail to: Oregon Department of Revenue, PO Box 14780, Salem OR 97309-0469.

Interest on underpayment of estimated tax

You may owe interest on any *underpayment* of estimated tax. To avoid an interest charge, make estimated tax payments as required. If you have an underpayment, refer to Form 37, *Underpayment of Oregon Estimated Tax.*

2005 Filing information

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 write the following information on your payments:
  — Oregon business identification number (BIN).
  — Federal employer identification number (FEIN).
  — Tax year 2005.
- 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, BIN, 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. **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-I.
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.

Oregon corporation tax law, in general, is tied to the IRC as amended and in effect on December 31, 2004. Exceptions are provided in ORS 314.010, including depreciation and expensing of depreciable assets, which are tied to federal law in effect for the tax year of the return. Please contact us if you have a question about how a change to the IRC in 2002, 2003, or 2004 affects your Oregon return.

Oregon's computation of taxable income for corporations begins with federal taxable income, with modifications required under Oregon tax law.

What form do I use?

Oregon follows the federal entity classification regulations. If an entity is classified or taxed as a corporation for federal income tax purposes, it will be treated as a corporation for Oregon tax purposes.

Form 20-I—Oregon corporation income tax filing requirements

File **Form 20-I,** *Oregon Corporation Income Tax Return,* if your corporation has income from sources within Oregon, but **the income-producing activity does not actually constitute "doing business."**

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

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

Do not use Form 20-I if your corporation **is doing business** in Oregon. Instead, use Form 20, *Oregon Corporation Excise Tax Return.*

There is no minimum tax for corporate income tax filers.

Certain exempt nonprofit corporations and private foundations must file and pay tax on income that is unrelated to the organization's exempt purposes (ORS 317.920). Lobbying expenses are subject to tax under IRC 6033(e). See "Taxpayer assistance" to learn more about *Information for Tax Exempt Organizations*.

Form 20-I is available on our Web site.

Form 20—Oregon corporation excise tax filing requirements

File **Form 20,** *Oregon Corporation Excise Tax Return,* if you are doing business in Oregon.

"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.
- Employees or representatives providing services to customers as the primary business activity, such as accounting or personal service, or services incidental to the sale of tangible or intangible personal property, such as installation of a product or warranty work.

Domestic and foreign **insurance companies** subject to the Oregon excise tax are required to file a Form 20-INS.

Excise tax is a tax for the privilege of doing business in Oregon. It is measured by net income. All interest is included in income, no matter what its source. This includes interest on obligations of the United States, its instrumentalities, and all of the 50 states and their subdivisions.

Excise tax filers are subject to a **minimum tax.**

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

Filing requirements

Consolidated returns (ORS 317.705–317.725). If a corporation is a member of an affiliated group of corporations that filed a consolidated federal return, it must file an Oregon return based on that federal return.

A consolidated Oregon return is required when two or more affiliated corporations are:

- Included in a consolidated federal return;
- Unitary; and
- At least one of the affiliated corporations is doing business in Oregon or has income from Oregon sources.

Unitary business. A unitary business is one that has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by:

- Centralized management or a common executive force.
- Centralized administrative services or functions resulting in economies of scale.
- Flow of goods, capital resources, or services showing functional integration.

Corporations that are not unitary are excluded from the consolidated Oregon return.

Separate returns. Any corporation that files a separate federal return must file a separate Oregon return. Corporations not included in a consolidated federal return must file a separate Oregon return if doing business in Oregon or if the business has income from an Oregon source.

A corporation subject to Oregon taxation must also file a separate Oregon return if it was included in a consolidated federal return, but was not unitary with any of the other affiliates. Oregon taxable income is computed by subtracting the income of the non-unitary affiliates from the taxable income from the consolidated federal return.

Publicly traded partnerships

A "publicly traded partnership" is a partnership treated as a corporation for federal income tax purposes under IRC 7704.

The partners in a publicly traded partnership are not subject to tax on their distributive shares of partnership income. The publicly traded partnership is subject to corporation excise tax if it is doing business in Oregon or corporation income tax if it has income from an Oregon source.

REMICs (ORS 314.260)

A REMIC (Real Estate Mortgage Investment Conduit) must file Form 20-I if it derives prohibited transaction income from Oregon sources or has any resident holders of a residual interest. Income is from an Oregon source if it is derived from tangible property located in Oregon or from intangible property that is used in an Oregon business.

All REMICs required to file must file Form 20-I and attach a complete copy of federal Form 1066. The REMIC must also attach a federal Schedule Q for each residual interest holder for each quarter of the tax year. See the instructions for line 16 if net income is received from prohibited transactions.

Limited Liability Companies (LLC)

An LLC can be taxed as a partnership or a corporation. Oregon follows federal law in determining how an LLC is taxed.

An LLC taxed as a corporation must file an *Oregon Corporation **Excise** Tax Return* (Form 20) if doing business in Oregon or an *Oregon Corporation **Income** Tax Return* (Form 20-I) if not doing business in Oregon but the LLC is receiving income from an Oregon source.

An LLC taxed as a partnership must file an Oregon partnership return (Form 65) if doing business in Oregon, receiving income from an Oregon source, or if it has any Oregon resident members. If the LLC has a corporate member, the member is taxed on its share of the LLC's Oregon income.

If an LLC is part of a corporation's overall business operations and is treated as a partnership, include the corporation's ownership share of LLC property, payroll, and sales in the apportionment percentage calculation on Schedule AP-1. See OAR 150-314.650.

Foreign LLCs are identified as unincorporated associations organized under the laws of a state other than Oregon, or a foreign country. Effective in 2005, Oregon's definition of a foreign LLC no matter when organized, includes an unincorporated association organized under the laws of a federally recognized Indian tribe.

Political organizations

Political organizations (campaign committees, political parties) normally do not pay state or federal taxes. However, income earned from investments is taxable. Examples include interest earned on deposits, dividends from contributed stock, rents or royalties, and gains from the sale of contributed property.

Political organizations that are **incorporated** must file Form 20, *Oregon Corporation **Excise** Tax Return.* **Unincorporated** political organizations with taxable income are treated as corporations and must file Form 20-I, *Oregon Corporation **Income** Tax Return.* Unincorporated political organizations with no taxable income do not have to file an Oregon corporation tax return.

See "Taxpayer assistance" to learn more about *Political Organizations*.

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. See "When you file your return" below.

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

- Fill out federal extension Form 7004 to prepare your Oregon extension to file.
- Write "For Oregon only" at the top of the form.
- Enter the information for question 1, and leave questions 2 through 6 blank.
- **Do not** send the federal Form 7004 to the department before you file your Oregon return. See "When you file your return" below.

If you're making an extension payment

- Please use Form 20-V when paying tax due. Do not use Form 20-V as an extension form (see above).
- Check the "Extension Payment" box on Form 20-V.
- Form 20-V is included with this booklet and is available on our Web site at www.oregon.gov/DOR.
- Make check payable to **"Oregon Department of Revenue."** To ensure proper credit to your account, write the

BIN (if known), FEIN, and tax year of the filer corporation on your check.

- **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

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 Oregon tax return").
- Check the box on your return indicating **"an extension is attached."**
- Enter the amount of tax paid with Form 20-V for extension purposes 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 within two years after the date of the federal report to receive a refund.

Amended returns

If you change taxable 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 form for the tax year you are amending and check the box indicating **"this is an amended return."**

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

Do not amend your Oregon return if you amend the federal return to carry a **net operating loss back** to prior years. Oregon allows corporations to carry net operating losses forward, but not back. See instructions for Schedule AP-2, line 10. **Capital losses** must be carried back three years and then forward five tax years.

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.

An amended return may be filed as a protective claim to extend the statute of limitations for a refund request for a tax year while an issue is being litigated. Check the box indicating "this is an amended return" and write the words "Protective Claim for refund" at the top in blue ink. We will hold your protective claim until you notify us the litigation has been completed.

Note: If a deficiency is assessed against any taxpayer as a result of the retroactive adoption of the federal changes, the department will cancel any penalty or interest pertaining to these changes. If a taxpayer files an amended return showing a refund due based on the retroactive adoption of federal changes, the department will not pay interest.

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 your 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 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.

Form 20-I instructions

Heading

Type or legibly print your corporation's name, address, federal employer identification number (FEIN), and your Oregon business identification number (BIN).

Generally, a consolidated Oregon return is filed in the name of the common parent corporation. If the parent corporation does not have income from Oregon sources, file the return in the name of the member of the group having the greatest presence in Oregon. "Having the greatest presence" means the member that has the largest Oregon property value as determined under ORS 314.655 (see Schedule AP-1, Property Factor). Enter the FEIN and BIN of the corporation named as the filer on the consolidated Oregon return.

Oregon business identification number. Each corporation is identified by a business identification number (BIN) assigned by the department. You may have an assigned BIN if you make payroll tax, workers' compensation tax, unemployment tax, or estimated tax for corporation excise or income tax payments. The BIN is located on the upper right corner of the payroll tax coupon. **If you do not have a BIN, one will be assigned when your return is received.**

If you do not know your BIN, an officer of the corporation may contact us to obtain your assigned BIN.

Form 8886. If you are required to report listed or reportable transactions to the IRS on Form 8886, check the "Form 8886" box. Retain the form with your Oregon tax records. Do not attach a copy of the form to your Oregon return.

State School Fund. Check the "OR School Fund" box if you elect to donate the amount of your state surplus tax credit to the Oregon State School Fund. This fund is used for public education in Oregon. The election is made by checking the box on the return. If you check the box, do not use the credit to calculate your net tax. Any state surplus refund credit that you would have received on your 2005 *Oregon Corporation Excise Tax Return* will be sent directly to the State School Fund. **If you check the box, you cannot change your decision after your original return is filed.**

Questions

Answer questions A through M. Furnish additional information where necessary.

Question E(1). If the answer is YES, attach a list of the corporations included in the consolidated **federal** return.

Question E(2). If the answer is YES, complete **Schedule AF**, Schedule of Affiliates, to list only the corporations included in the consolidated **Oregon** return (see Schedule AF and instructions) that:

- Are "doing business" in Oregon; **or**
- Have income from Oregon sources.

Question E(3). If the answer is YES, attach a list of corporations included in the consolidated federal return that are not included in this Oregon return. List each corporation's name, business identification number (if any), and federal employer identification number.

Question F. 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.

Questions G. If the Oregon corporation is a subsidiary in an affiliated group, or a parent subsidiary controlled group, enter the name and FEIN of the parent corporation. For definition of a subsidiary in an affiliated group or a parent subsidiary controlled group, see IRS Form 1120, Schedule K.

Question L. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income using double-weighted sales factor formula [OAR 150-314.280(3)]. Check the box if making this election.

For tax years beginning on or after July 1, 2005, taxpayers in the forest products industry that own or manage at least 300,000 but not more than 400,000 acres, and process at least 20 percent of the total wood chip supply for papermaking from sawmill residue generated within the state, are required to use the double-weighted sales factor provided in ORS 314.650. Check the box if you fit this requirement.

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

Line instructions

The following instructions are for lines not fully explained on the form.

Line 1. Taxable income from U.S. corporation income tax return. Enter the taxable income actually reported for federal income tax purposes **before** net operating loss or special deductions (federal Form 1120, line 28; or Form 1120-A, line 24).

Additions

Line 2. Certain interest excluded on the federal return. Oregon gross income includes interest on all state and municipal bonds or other interest excluded for federal tax

WORKSHEET FOR COMPUTING DIVIDEND DEDUCTION

1. Dividends included in federal taxable income prior to "special deductions" .... 1. ______
2. Subtract:
   a. Dividends described in IRC 243(d)(1) that are actually interest on deposits .... 2a. ______
   b. Dividends described in IRC 245(c) and 246(d) (from FSCs and DISCs) .... 2b. ______
   c. Dividends from debt financed stock .... 2c. ______
   d. Dividends from corporations included in consolidated Oregon return .... 2d. ______
   e. IRC Section 78 Gross-Up .... 2e. ______
3. Total (add lines 2a through 2e) .... 3. ______
4. Balance subject to 70% (or 80%) deduction (line 1 minus line 3) .... 4. ______
5. Percentage deduction .... 5. × 0.7 (0.8)
6. Allowable deduction (line 5 × line 4) .... 6. ______

purposes. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income (ORS 317.309).

Line 3. Oregon excise tax and other state taxes on or measured by net income. Oregon excise tax may not be deducted on the Oregon return. Taxes of other states or foreign governments on or measured by net income or profits may not be deducted on the Oregon return. If you subtracted these taxes on your federal return, you must add them back on your Oregon return. However, local taxes, such as the Multnomah County Business Income tax, are deductible (ORS 317.314).

Line 4. Income of related FSC or DISC. Net income or loss must be included in the net income of the related U.S. affiliate (ORS 317.283 and 317.286).

Line 5. Other additions. Enter the amount by which any item of gross income is greater under Oregon law than under federal law, or the amount by which any allowable deduction is less under Oregon law than under federal law. See ORS 317.151 through 317.488 and 317.625. Examples:

- **Bone marrow donor expense credit.** Add to federal taxable income the amount of bone marrow donor expense deducted on the federal return if the Oregon credit is claimed (ORS 315.604).
- **Capital construction fund.** Amounts deferred under Section 607 of the Merchant Marine Act of 1936 and IRC 7518 must be added back to income (ORS 317.319).
- **Child Care Division and community agencies contributions credit.** The deduction claimed on the federal return must be added back to federal taxable income on the Oregon return if the Oregon credit is claimed (ORS 315.213).
- **Claim of right income repayment adjustment when credit is claimed.** The deduction under section 1341 of the IRC 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).
- **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)].
- **Deferred gain from out-of-state disposition of property.** See ORS 317.327 regarding the computation of the addition if gain is recognized for federal tax purposes but not taken into account in the computation of Oregon taxable income.
- **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)].
- **Federal bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowable for Oregon.** The bad debt method of financial institutions is tied to the federal method. For taxpayers required to use the specific write-off method, an addition must be made if the amortization of the federal reserve is less than the amortization of the Oregon reserve (ORS 317.310).
- **Gain or loss on the 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).
- **Income from sources outside the United States.** Income not included in federal taxable income under IRC 861 or 864 (ORS 317.625).
- **Individual development accounts credit.** Donations deducted on the federal return must be added back to Oregon income if the credit is claimed [ORS 315.271(2)].
- **Inventory costs.** The costs allocable to inventory are the same as those included in IRC 263A. Differences in depreciation and depletion allocable to inventory result in a modification [ORS 314.287(3)].
- **IRC 631(a) treatment of timber is not recognized by Oregon.** Both beginning and ending inventories must be adjusted for IRC 631(a) gain. For Oregon purposes, there is no taxable event until actual sale (ORS 317.362).
- **Long-term care insurance premiums.** Premiums deducted on the federal return must be added back if the Oregon credit is claimed under ORS 315.610 (ORS 317.322).
- **Losses of non-unitary corporations.** The net losses of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Attach a schedule showing computation of the net loss eliminated. See instructions for line 12 [ORS 317.715(2)].
- **Net federal capital loss deduction.** If the Oregon and federal capital loss deductions are different, add the federal capital loss back to income on this line. The Oregon capital loss will be deducted on Schedule AP-2, line 10 (by corporations required to apportion income) (OAR 150-317.013).
- **Percentage depletion in excess of cost.** Percentage depletion is allowed only on metal mines. All other assets are limited to cost depletion (ORS 317.374).
- **QPAI deduction.** Add to federal taxable income the amount of QPAI deduction per IRC 199 claimed on the federal return.
- **Safe harbor lease agreements.** Oregon does not tie to the federal safe harbor lease provisions. See OAR 150-317.349-(A) and 150-317.349-(B) for details about the adjustments required for Oregon.
- **Unused business credits.** Unused business credits taken as a federal deduction under IRC 196 must be added back to Oregon income (ORS 317.304).

Subtractions

Line 8. Work opportunity credit wages not deducted on the federal return. Enter the amount of wages that were not deducted on the federal return because the work opportunity credit was claimed (ORS 317.303).

Line 10. State of Oregon interest income included on line 2. Interest income from obligations of the state of Oregon is not taxable if the obligation was issued after May 24, 1961.

Line 11. Dividend deduction. A 70 percent deduction is allowed for qualifying dividends regardless of geographic source. An 80 percent deduction is allowed for dividends received from corporations whose stock is owned 20 percent or more. Use the worksheet on page 7 to compute the Oregon deduction (ORS 317.267).

Line 12. Income of non-unitary corporations. Net income of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Net income includes the separate taxable income, as determined under Treasury Regulations adopted for IRC 1502, and any deductions, additions, or items of income, expense, gain, or loss for which consolidated treatment is prescribed. Attach a schedule showing computation of the net income eliminated [ORS 317.715(2)].

Line 13. Other subtractions. Enter the amount by which any item of gross income is less under Oregon law than under federal law or the amount by which any allowable deduction is greater under Oregon law than under federal law. See ORS 317.151 through 317.488 and 317.625. Examples:

- **Charitable contribution.** Subtract the amount by which a corporation must reduce its charitable contribution deduction under IRC 170(d)(2)(B) (ORS 317.307).
- **Deferred gain from out-of-state disposition of property.** See ORS 317.327 regarding the computation of the subtraction if loss is recognized for federal tax purposes but not taken into account in the computation of Oregon taxable income.
- **Depreciation differences.** If Oregon basis is higher than federal basis for an asset due to claiming a federal tax credit, subtract the excess of Oregon depreciation over federal depreciation [OAR 150-317.368(1)].
- **Dividends from debt financed stock** to the extent deductible for federal tax purposes (see IRC 246A) [ORS 317.267(2)].
- **Dividends from foreign sales corporations and domestic international sales corporations,** the net income of which was included on line 4 (ORS 317.283 and 317.286).
- **Dividends from other corporations in this consolidated Oregon return.** Subtract 100 percent from federal taxable income [ORS 317.267(1)].
- **Federal credits.** Subtract the amount of expense not deducted on the federal return attributable to claiming any other federal credit taken (ORS 317.303).
- **Federal investment tax credit on certain assets.** If you take a federal tax credit on certain assets, and your federal basis is less than your Oregon basis, you must refigure the gain or loss on disposal of those assets and subtract the difference (ORS 317.356).
- **Film production labor rebate.** Subtract the amount received as a labor rebate and included in federal taxable income in determining your Oregon taxable income.
- **Gain or loss on the sale of depreciable property.** The difference in gain or loss on the sale of business assets when the Oregon basis is greater than it is for federal purposes (ORS 317.356).
- **Inventory costs.** See instructions under line 5.
- **IRC Section 78 dividends** (gross-up dividends) must be subtracted in full from federal taxable income (ORS 317.273).
- **Land donation or bargain sale of land** to educational institutions. Enter the fair market value of land donated or the amount of the reduction in sales price of land sold to a school district. The subtraction is limited to 50 percent of Oregon taxable income (ORS 317.488).
- **Losses from outside the United States.** Losses not included in federal taxable income under IRC 861 to 864 (ORS 317.625).
- **Oregon bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowed on the federal return.** A subtraction is also made if the amortization of the federal reserve is greater than the amortization of the Oregon reserve (ORS 317.310).
- **Oregon depletion in excess of federal allowance** (ORS 317.374).
- **Small city business development exemption.** (ORS 317.391). Subtract income attributable to qualified new facilities sited in certain locations in Oregon. To qualify, facilities must be certified by the Department of Economic and Community Development (ORS 317.391).
- **Temporary dividends-received deduction.** IRC section 965 dividends from controlled foreign corporations are deductible to the extent deductible for federal tax purposes.

Line 16. Oregon taxable income. If you are apportioning income to Oregon and other states, enter the amount from Schedule AP-2, line 11. **REMICs:** Enter the amount of net income from prohibited transactions from federal Form 1066, Schedule J.

Line 17. Income tax. The tax is 6.6 percent of Oregon taxable income.

Line 18. Tax adjustments. Enter the **net** amount of both adjustments on this line:

- **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 18. Attach a schedule showing how you figured the interest.
- **Net long-term capital gain from farm property.** Subtract the amount of tax adjustment on net long-term capital gain from farm property (ORS 317.063) from line 9 of Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Adjustment.*

Line 19. Credits. Taxpayers must take the full amount of a credit allowed per year (ORS 314.078).

See "Taxpayer assistance" to learn more about *Tax Credits for Corporations*.

- Advanced telecommunications facilities (ORS 315.511).
- Bone marrow donor expense (ORS 315.604).
- Child Care Division and community agency contributions (ORS 315.213).
- Claim-of-right credit must be claimed on line 23 (ORS 315.068).
- Crop donation (form 150-101-240) (ORS 315.156).
- Dependent care assistance (form 150-102-032) (ORS 315.204).
- Dependent care facilities (form 150-102-032) (ORS 315.208).
- Dependent care information and referral (form 150-102-032) (ORS 315.204).
- Diesel engine replacement tax (notes following ORS 315.356).
- Electronic commerce in designated enterprise zone (ORS 315.507).
- Emission-reducing production technology process (ORS 315.311).
- Employee and dependent scholarship program payments (ORS 315.237).
- Energy conservation facilities (ORS 315.354, 315.356).
- Film production development contribution (ORS 315.514).
- First Break program (ORS 315.259).
- Fish habitat improvement (ORS 315.134).
- Individual development accounts (ORS 315.271).
- Long-term care insurance premiums (ORS 315.610).
- Long-term enterprise zone facilities (ORS 317.124, 317.125).
- Mile-based or time-based motor vehicle insurance (notes following ORS 317.122).
- On-farm processing facilities (ORS 315.119).
- Pollution control facilities (ORS 315.304).
- Qualified research activities (form 150-102-128) (ORS 317.152–154).
- Reforestation (ORS 315.104, 315.106).
- Reservation enterprise zone (ORS 285C.309).
- Trust for Cultural Development Account (ORS 315.675).
- Voluntary removal of riparian land from farm production (ORS 315.113).
- Youth apprenticeship sponsorship (ORS 315.254).

Line 22. Tax adjustment for LIFO benefit recapture. This amount is a subtraction. Oregon has adopted the provisions of IRC 1363(d) for S corporations. **LIFO benefits are included in taxable income for the last year of the C corporation under these provisions.** On a separate schedule, compute the difference between tax (after credits and any surplus refund) on income per the return and income without the recapture of LIFO benefits. Multiply this difference by 75 percent and enter the result on line 22 as a subtraction. Attach the computation schedule to the Oregon return.

On the tax adjustment line of each of the first three returns of the new S corporation, add one-third of the tax that was deferred from the last year of the C corporation (ORS 314.750).

Line 24. Estimated tax payments. Fill in the total estimated tax payments for tax year 2005 from Schedule ES. Include payments made with an extension.

Line 27. 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 income 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.

Line 28. 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, 2006	7%	0.5833%	0.0192%
January 1, 2005	5%	0.4167%	0.0137%

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

See "Taxpayer assistance" to learn more about *Computing Interest on Tax You Owe.*

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 29. Interest on 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-I, line 23, is less than $500 on your 2005 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 also available as a separate download at www.oregon.gov/DOR.

On line 28, enter interest for payment of tax after the original return due date. On line 29, enter interest due from underpayment of estimated tax. **Attach Form 37 to your return and check the "Form 37 is attached" box.**

Line 31. 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. **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).
- "2005 Income Tax."

Special instructions. Do you owe penalty or interest and have an overpayment on line 26? If your overpayment is less than total penalty and interest, fill in the result of line 30 minus line 26, on line 31.

Schedule ES instructions

Estimated tax payment instructions

Estimated tax paid for the 2005 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 2004 tax return or an Oregon amended return on line 5. Enter payments made with your extension on line 6. On line 7, enter the amount of tax credit computed for claim of right. On line 8, enter the total of lines 1 through 7, then carry total to Form 20-I, line 24.

Consolidated return filers. If estimated payments were made under a different name, attach a schedule showing the name, federal identification number, Oregon business identification number (BIN), date of payment, and the amount paid, for correct application of estimated payments.

Electronic funds transfer (EFT). You must make your Oregon estimated tax payments by EFT if you are required to make your federal estimated tax payments by EFT.

Payments for corporation estimated taxes may be made using Revenue's EFT program. This program allows payments to be initiated via a touch-tone telephone, a secure Internet site, or through your financial institution.

A business is required to have an authorization agreement filed with the department before they start initiating EFT payments. Information and authorization agreements are 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 instructions

Apportionment instructions

Apportionment and allocation. Apportionment is dividing business income among 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 the 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)
Forest products industry	ORS 314.650(2)
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)
Publishing companies	OAR 150-314.670-(A)
Railroads	OAR 150-314.280-(H)
Sea transportation companies	OAR 150-314.280-(K)
Title insurance companies incorporated in Oregon	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 still must be completed. A full explanation of the other method must be made.

Schedule AP-1—Apportionment formula

Taxpayers primarily engaged in utilities and telecommunications may elect to use the alternate apportionment method provided in ORS 314.650 (1999 edition). Check the box on question L on the front of your return if making this election. For tax years beginning on or after July 1, 2005, qualifying forest products industry taxpayers must use the double-weighted sales factor formula provided in ORS 314.650(2) (2005 edition). These taxpayers must also check the box on question L.

The denominators of the property, payroll, and sales factors include only amounts from corporations that are included in the consolidated federal return **and** are part of the unitary group. The numerators of the factors must include the Oregon property, payroll, and sales from each of the corporations taxable by Oregon.

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

SCHEDULES FOR COMPUTING OREGON APPORTIONMENT PERCENTAGE

These schedules are for corporations having business activities both inside and outside of Oregon. If the corporation's business activities are all within Oregon, do not use this form.

Oregon standard apportionment method for tax years beginning before July 1, 2005

For tax years beginning on or after January 1, 2005, and before July 1, 2005, use the Oregon standard apportionment percentage schedule below. 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.

	(A)	(B)	(C) = (A ÷ B) X 100	(D)	(E)
1. Total owned and rented property (Schedule AP-1, line 8) ... 1				X 0.1	%
2. Total wages and salaries (Schedule AP-1, line 11) 2				X 0.1	%
3. Total sales and other receipts (Schedule AP-1, line 17)..... 3				X 0.8	%
4. **Oregon apportionment percentage** (add lines E1, E2, and E3; enter on Schedule AP-1, line 18) 4					%

Oregon standard apportionment method for tax years beginning on or after July 1, 2005

For tax years beginning after July 1, 2005, use the Oregon standard apportionment schedule below. Business income is apportioned to Oregon by multiplying the income by a multiplier equal to Oregon sales and other receipts as determined by Schedule AP-1, divided by total sales and other receipts from the federal return. See ORS 314.650.

	(A)	(B)	(C) = (A ÷ B) X 100
1. Total sales and other receipts (Schedule AP-1, line 17)........ 1			
2. **Oregon apportionment percentage** (enter on Schedule AP-1, line 18) 2			%

***Alternative apportionment method** (double-weighted sales factor formula) for utility or telecommunication corporations and qualified forest products taxpayers*

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

Qualifying forest products industry taxpayers must apportion business income using the double-weighted sales factor formula provided in ORS 314.650(2) (2005 edition) for tax years beginning on or after July 1, 2005.

Check the box for question L on page 1 of Form 20-I if making this election. All others use the appropriate Oregon standard apportionment schedule above.

	(A)	(B)	(C) = (A ÷ B) X 100
1. Total owned and rented property (Schedule AP-1, line 8)........ 1			%
2. Total wages and salaries (Schedule AP-1, line 11) 2			%
3. Total sales and other receipts (Schedule AP-1, line 17)........ 3			%
4. Total sales and other receipts (same as line 3 above) 4			%
5. Total percent (add lines C1–C4 above)........ 5			%
6. Number of factors with a positive number in column B 6			
7. **Alternative apportionment percentage** (divide line 5 by line 6; enter on Schedule AP-1, line 18)........ 7			%

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 both inside and outside Oregon but those services 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 gain 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.

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.

Line 10. Net loss and net capital loss deductions.

- **Net loss deduction.** A net loss is the amount determined under Chapter 1, subtitle A of the Internal Revenue Code, with the modifications specifically prescribed under Oregon law. Net losses occurring in tax years starting on or after January 1, 1987, can be carried forward up to 15 years. **Oregon does not allow net losses to be carried back.**

  For losses and built-in losses occurring before a change in ownership, Oregon is tied to the federal limitations (IRC 382 and 384; ORS 317.476 and 317.478.)

  The total net loss deduction on a consolidated Oregon return is the sum of the net losses available to each of the corporations subject to the limitations in OAR 150-317.476(4).

  Real estate investment trusts if qualified under IRC 856 are not allowed a deduction for a net loss [ORS 317.476(5)].

  Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on line 10.

- **Net capital loss deduction.** Net capital losses carried forward from another year are deducted on line 10. The deductible loss is limited to net capital gain assigned to Oregon. Attach a schedule showing the computation of the net capital loss deduction (OAR 150-317.013).

Schedule AF instructions

Schedule of Affiliates instructions

If you file a consolidated Oregon return and have more than one affiliate doing business in Oregon or with Oregon source income, you **must** complete Schedule AF and submit it with your Oregon return.

List on Schedule AF each corporation's name and address, business identification number, federal employer identification number, and date the affiliate became part of, or left, the unitary group if this occurred during the tax year being reported.

List those affiliates doing business in Oregon, or with Oregon source income, that are included in the Oregon consolidated return.

If you need more room, please make copies of the form as needed.

Taxpayer assistance

www.oregon.gov/DOR

- Download forms and publications.
- Get up-to-date tax information.
- E-mail: **corp.help.dor@state.or.us.**

This e-mail address is not secure and confidentiality cannot be ensured. General tax and policy questions only.

Telephone

Salem 503-378-4988
Toll-free from Oregon prefix 1-800-356-4222

Call one of the numbers above to hear recorded tax information or order tax forms.

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

Monday, Tuesday, Thursday, Friday .... 7:30 a.m.–5:10 p.m.
Wednesday .... 10:00 a.m.–5:10 p.m.

April 3–April 17, Monday–Friday .... 7:00 a.m.–8:00 p.m.
Saturday, April 15 .... 9:00 a.m.–4:00 p.m.

Wait times may vary. Closed on holidays.

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 Oregon prefix 1-800-886-7204

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

Correspondence

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

Clear Form

Oregon Corporation Income Tax Return

•2005 Form •20-I

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

For office use only	
•	Payment •
1 •	2 •	3 •

Name:

Address:

City: St: ZIP code:

Contact:

Previous name:

Web address:

FEIN:

•BIN:

☐ New name

☐ New address

Phone:

•☐ Extension
•☐ Form 37
•☐ Amended
•☐ Form 24
•☐ FCG-20
•☐ Federal Form 8886
•☐ OR School Fund

FOR FUTURE COMPUTER USE ONLY

FOR COMPUTER USE ONLY

Use **Form 20-I** when the corporation derives income from sources within Oregon, but the income-producing activity does not actually constitute “doing business” (see instructions on page 3).

Complete A through D only if this is your first return or the answer changed during 2005.

• A. Incorporated in (state);	• Incorporated on (date)	• B. State of commercial domicile	• C. Date business activity began in Oregon	• D. Business Activity Code
• E. (1) Was a consolidated federal return filed? ☐ Yes ☐ No	• (2) Is this a consolidated Oregon return? ☐ Yes ☐ No	• (3) Are corporations included in the consolidated federal return, but not in the Oregon return? ☐ Yes ☐ No		
• F. Are you a high-income taxpayer? ☐ Yes ☐ No	• G. Enter name of parent corporation, if applicable;	• Enter FEIN of parent corporation, if applicable		
• H. List the tax years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire				
• I. 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				
• J. If **first** return, indicate ☐ New business, or ☐ Successor to previous business	Name of previous business	FEIN	BIN	
• K. If **final** return, indicate ☐ Withdrawn, ☐ Dissolved, or ☐ Merged or reorganized	Name of merged or reorganized corporation	FEIN	BIN	

L. Utility, telecommunications, or timber companies: see instructions..• L ☐

M. If you did not complete Schedule AP, fill in the amount of your Oregon sales..• M

1. Taxable income from U.S. corporation income tax return, Form 1120 (line 28) or 1120-A (line 24).... • 1

ADDITIONS

2. State, municipal, and other interest income not included in line 1 .....• 2
3. Oregon excise tax and other state or foreign taxes on or measured by net income or profits ....• 3
4. Income of related FSC or DISC ....• 4
5. Other additions (attach schedule and explanation).........................• 5
6. Total additions (add lines 2 through 5) 6
7. Income after additions (line 1 plus line 6)... 7

Round all amounts to the nearest whole dollar.

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SUBTRACTIONS

8. Work opportunity tax credit wages not deducted on federal Form 1120 or 1120-A ...● 8		
9. Interest on U.S. obligations and instrumentalities included in line 1 ...● 9		
10. State of Oregon interest income included in line 2 ● 10		
11. Dividend deduction (attach schedule and explanation) ● 11		
12. Income of nonunitary corporations (attach schedule and explanation) ... ● 12		
13. Other subtractions (attach schedule and explanation) ● 13		
14. Total subtractions (add lines 8 through 13) 14		
15. Net income before apportionment (line 7 minus line 14). Carry amount on line 15 to Schedule AP-2, line 1 15		
16. Oregon taxable income (from Schedule AP-2, line 11) ● 16		
17. Income tax (6.6 percent of line 16) 17		
18. Tax adjustments ● 18		
19. Other credits (attach schedule and explanation) ● 19		
20. Total tax (line 17 plus line 18, minus line 19) 20		
21. State surplus refund credit (35.94% of line 20) 21		
22. Tax adjustment for LIFO benefit recapture ● 22		
23. Net income tax (line 20 minus lines 21 and 22) ● 23		
24. 2005 estimated tax payments from Schedule ES. Include payments made with extension ● 24		
25. **Tax Due.** Is line 23 more than line 24? If so, line 23 minus line 24 **Tax Due** ● 25		
26. **Overpayment.** Is line 23 less than line 24? If so, line 24 minus line 23 **Overpayment** ● 26		
27. Penalty due with this return 27		
28. Interest due with this return 28		
29. Interest on underpayment of estimated tax ● 29		
30. Total penalty and interest (add lines 27 through 29) 30		
31. **Total Due** (line 25 plus line 30) **Total Due** 31		
32. **Refund** available (line 26 minus line 30) **Refund** 32		
33. Amount of refund to be credited to 2006 estimated tax **2006 Credit** ● 33		
34. **Net Refund** (line 32 minus line 33) **Net Refund** 34		

SCHEDULE ES — ESTIMATED TAX 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 prepayments for this tax year and date paid ...	6 / /	6
7. Claim of right tax credit (attach computation and explanation)	7 / /	7
8. Total prepayments (carry to line 24 above)		8
9. Last year's net income tax	9	

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

SIGN HERE			
	Signature of officer X	Signature of preparer other than taxpayer X	License number of preparer ●
	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 1120 OR 1120-A AND SCHEDULES

Mail refund returns and no tax due returns to:	**Mail tax-to-pay returns with payment and payment voucher to:**
Refund, PO Box 14777, Salem OR 97309-0960	Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470

SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20-I

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

SCHEDULE AP-1 — APPORTIONMENT FORMULA

(Do not enter an amount of less than zero)

		(A) Total within Oregon	(B) Total within and without Oregon
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 (attach description)	4		
5. MINUS: Construction in progress	5		
6. Total of lines 1–5 (add lines 1–4, then subtract line 5)	6		
7. *Rented property* (capitalize at 8 times the rental paid)	7		
8. **Total** owned and rented property (add lines 6 and 7)	8	●	●
Payroll factor—*Wages, salaries, commissions, other compensation to employees:*			
9. Compensation of officers	9		
10. Other wages, salaries, and commissions	10		
11. **Total** wages and salaries (add lines 9 and 10)	11	●	●
Sales factor—*Sales delivered or shipped to Oregon purchasers:*			
12. Shipped from outside Oregon	12		
13. Shipped from inside Oregon	13		
Sales shipped from Oregon to:			
14. The United States government	14	●	
15. Purchasers in a state or country where the corporation is not taxable	15	●	
16. Other business receipts	16		
17. **Total** sales and other business receipts (add lines 12–16)	17	●	●

Go to worksheets on page 12 before completing line 18.

18. **Oregon apportionment percentage.** Enter the amount from the appropriate schedule on page 12 .... 18 ● _ _ _ . _ _ _ _ %

SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION

1. Net income from business both in Oregon and other states (from Form 20-I, line 15)		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 18)		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: Gain 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 Form 20-I, line 16)		11	

SCHEDULE AF — SCHEDULE OF AFFILIATES for Form 20-I (see instructions)

A Schedule of Affiliates **must** be filed every year with each consolidated tax return. List those affiliates doing business in Oregon, or with Oregon source income, that are part of the unitary group included in this tax return.

Do not include in this list the affiliate shown on the heading of this tax return. You may copy this form if you have more than 12 affiliates to include on this list.

Business Identification Number and Federal Employee Identification Number	Name and Address	If new affiliate during this year, enter date affiliate became part of unitary group	If affiliate ceased to be part of the unitary group during the year, indicate date affiliate left group
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			
BIN FEIN			

Attach additional schedules if needed.

Clear Form

FORM **37** **UNDERPAYMENT OF OREGON CORPORATION ESTIMATED TAX**

Tax Year:

Name of Corporation as Shown on your Oregon Corporate Return	Oregon Business Identification Number	Federal Employer Identification Number

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 ... 3				
4. Estimated tax paid this year for each quarter ... 4				
5. Refund from last year applied to this year's tax ... 5				
6. Overpayment from line 8 from previous quarter ... 6				
7. Total tax paid (add lines 4, 5, and 6) ... 7				
8. Overpayment. If line 7 is more than line 3, enter difference here (do not use exceptions) ... 8				
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) 9				

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.

☐ Check box if last year's tax due was $10 **and** you are not a "high-income taxpayer" (see instructions).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
10. Exception 1—Current year's tax due ... 10	25% of line 1	25% of line 1	25% of line 1	25% of line 1
11. Exception 2—Prior year's tax (high-income taxpayers may use this exception for the first quarter only) (see instructions) ... 11	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) ... 12	25% of line 20	25% of line 20	25% of line 20	25% of line 20
13. Exception 4—Recurring seasonal income (see instructions) ... 13				

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.

Actual income × Factor = Annualized income

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

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.

Low income taxpayer. If you 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 (difference between line 3 and line 7) 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. 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 27 and 28—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, 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%
January 1, 2006	7%	0.5833%	0.0192%

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

FORM
20-V OREGON CORPORATION TAX PAYMENT VOUCHER INSTRUCTIONS

Use this form to send the following payments:

- Tax due when you file your 2005 return. Check the "Return" box and fill in the tax year.
- Tax due by the 2005 return due date, if you are filing your return on **extension.** Check the "Extension Payment" box.
- 2006 **Estimated tax payments** for any quarterly due date. Check the "Estimated" box. Fill in the beginning and ending dates of your tax year (if you use a fiscal year), and the quarter for which the payment is intended.
- Tax due with an **amended return** for any tax year. Check the "Amended Return" box and fill in the tax year.
- Tax due with an **original return** for a prior year's tax. Check the "Prior Year Return" box and fill in the tax year.

Do not use this voucher if you are sending your payment electronically (EFT).

Helpful tips:

- **Tax Year:** Check the box for calendar OR fiscal year. If you are a fiscal year filer, fill in the beginning and ending dates of your tax year. Use the tax year in which your fiscal year began.
- **BIN:** Fill in the BIN (Oregon business identification number) if known. If this is your first filing with the department, leave blank and a BIN will be assigned.
- **FEIN:** Fill in your FEIN (federal employer identification number).
- Include the voucher with your check in the same envelope. If you are making a payment and filing your return at the same time, put the voucher, check, and tax return in the same envelope to ensure faster processing.

Make your check payable to: Oregon Department of Revenue. To ensure proper credit to your account, write the filer's name, BIN or FEIN, and tax year (quarter if applicable) on your check.

Mailing information:

Please send estimated and extension payments to: Oregon Department of Revenue
PO Box 14780
Salem OR 97309-0469

Please send all other payments to: Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

This voucher is not an extension to file. Oregon accepts the extension you filed for your federal tax. If you only need an extension for Oregon, fill out the federal extension form and write "Oregon only" at the top. Do not send a copy now. Include the extension when you file your return, and check the extension box.

☑ Did you know that you can print additional vouchers at www.oregon.gov/DOR?

Always include the completed voucher with your check

OREGON CORPORATION TAX PAYMENT VOUCHER

150-102-172 (Rev. 12-05) Web

FORM **20-V** (200)

Department of Revenue Use Only

- **Tax Year** (check only one):
  - ☐ Calendar Year: ________
  - ☐ Fiscal Year— Begins: ________
  - Ends: ________
- **Payment Type** (check only one):
  - ☐ Return—Tax Year: ________
  - ☐ Extension Payment—Tax Year: ________
  - ☐ Estimated—Tax Year: ________ Quarter: _____
  - ☐ Amended Return—Tax Year: ________
  - ☐ Prior Year Return—Tax Year: ________

Clear Form

- BIN: ____________________

FEIN: ____________________

Enter Payment Amount

$ ________ .0 0

Name of Filer on Return: ____________________

Filer Address: ____________________

City: ____________ State: ______ Zip Code: ____________

☐ First time filer
☐ New name or address