

2005 PACKAGE C

CORPORATION, EMERGENCY COMMUNICATIONS, LODGING, AND PETROLEUM PRODUCTS



www.oregon.gov/DOR

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Corporation Excise 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, line 17.

Film production labor rebate subtraction. Beginning in tax year 2005, a subtraction will be allowed for the amount of rebate received as included in federal taxable income, for qualified expenses as certified prior to January 1, 2012, by the Oregon Film and Video Office.

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.

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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 making a payment.
*Form 37.....	Every corporation with an underpayment of estimated tax or meeting an exception.
*Schedule AF	Every corporation doing business in Oregon that has affiliates doing business in Oregon.
*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.)

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 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

Who must file with Oregon?

Corporations that are doing business in Oregon are required to file an *Oregon Corporation Excise Tax Return* (Form 20) and pay an excise tax on income taxable to Oregon.

Important information

Form 20—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:
 - Federal employer identification number (FEIN).
 - Oregon business identification number (BIN), if known (see Form 20 instructions).
 - Tax Year 2005.
- Enclose your payment and payment voucher (Form 20-V) with your Oregon 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.

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.
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.

To mail your Form 20 return

Please attach a complete copy of your federal return to the back of your Oregon return.

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Mail refund returns or no-tax-due returns to:

Refund
PO Box 14777
Salem OR 97309-0960

Oregon corporation tax law generally is tied to IRC as amended and in effect on December 31, 2004. Exceptions are provided in ORS 314.011, including an add-back of the QPAI deduction under IRC section 199 for tax years beginning on or after January 1, 2005, and an add-back of subsidy payments received for prescription drug plans that were excluded from federal taxable income under IRC section 139A for tax years beginning on or after January 1, 2008. Please contact us if you have a question about how a change to IRC, effective after December 31, 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—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.

Generally, if you have an Oregon address you file a **Form 20**.

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 \$10 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.

Form 20-I—Oregon corporation income tax filing requirements

File **Form 20-I**, *Oregon Corporation Income Tax Return*, if your corporation derives 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.

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 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.

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 (see "How to assemble your return").
- 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.

If you're making an extension payment

- Please use Form 20-V when making a tax payment. Do not use Form 20-V as an extension form.
- Check the "2005 Extension" box on Form 20-V.
- Form 20-V is included in this booklet and is available on our Web site at www.oregon.gov/DOR.
- 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

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 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 Form 20, line 14. **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 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 is not doing business in Oregon, 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. See "Taxpayer assistance."

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.

Question 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 must use the double-weighted sales factor formula provided in ORS 314.650(2), for tax years beginning on or after July 1, 2005. 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 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 on your Oregon return (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 agency contributions.** 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 IRC section 1341 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 10 and line 14 [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 either page 2, line 14 (by corporations not required to apportion income); or 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 9. 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 9 to compute the Oregon deduction (ORS 317.267).

Line 10. 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 11. 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.** 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).

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. $\times 0.7 (0.8)$

6. Allowable deduction (line 5 \times line 4) 6. _____

- **Temporary dividends-received deduction.** IRC section 965 dividends from controlled foreign corporations are deductible to the extent deductible for federal tax purposes.

Line 14. Net loss and net capital loss deductions.

- **Net loss deduction.** A net loss is the amount determined under IRC chapter 1, subtitle A, with the modifications specifically prescribed under Oregon law. If taxable only by Oregon, the deduction on line 14 will be the sum of unused net losses for preceding taxable years. 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)].

If taxable both in Oregon and another state, do not complete line 14. Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on Schedule AP-2, line 10.

- **Net capital loss deduction.** For corporations not required to apportion income, use this line to subtract net capital losses carried forward from another year. The deductible loss is limited to net capital gain included in Oregon income. **Attach a schedule showing your computations including the tax year the net capital loss originated.**

For corporations required to apportion income, net capital losses apportioned to Oregon and carried forward from another year are deducted on Schedule AP-2, 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).

Line 15. Oregon taxable income. If you are apportioning income to Oregon and other states, enter the amount from Schedule AP-2, line 11.

Line 16. Excise tax. The tax is 6.6 percent of Oregon taxable income. The minimum tax is \$10. A consolidated return requires just one \$10 minimum tax payment.

Line 17. 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. Attach a schedule showing how you figured the interest.
- **Net long-term capital gain from farm property.** Subtract the amount of adjustment for tax 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*.

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*.

Line 27. Other credits.

- Advanced telecommunications facilities (ORS 315.511).
- 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).
- Claim-of-right credit must be claimed on line 33 (ORS 315.068).
- Contribution of computers for scientific equipment research (ORS 317.151).
- Crop donation (form 150-101-240) (ORS 315.156).
- Diesel engine replacement (notes following ORS 315.356).
- Electronic commerce in designated enterprise zone (ORS 315.507).
- Employee and dependent scholarship program payments (ORS 315.237).
- Farmworker housing (notes following ORS 315.164).
- Film production development contribution (ORS 315.514).
- First break program (ORS 315.259).
- Fish habitat improvement (ORS 315.134).
- Fish screening devices (ORS 315.138).
- Individual development account (ORS 315.271).
- Insurance credits (ORS 317.122, 734.835).
- 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).
- Reclaimed plastics recycling (ORS 315.324).
- Reforestation (ORS 315.104 and 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 31. 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 31 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 33. Estimated tax and pre-payments. Fill in the total estimated tax payments for tax year 2005 from Schedule ES. Include payments made with an extension.

Line 36. 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.

Line 37. 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 *Interest on Tax You Owe Computation*.

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 38. 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, line 32, 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 available on our Web site, www.oregon.gov/DOR.

On line 37, enter interest due for payment of tax after the original return due date. On line 38, enter interest due from underpayment of estimated tax. **Attach Form 37 to your return and check the "Form 37" box.**

Line 40. Total due. Enclose your check or money order with 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 write the following information on your check:

- Oregon business identification number (BIN).
- Federal employer identification number (FEIN).
- "2005 Excise Tax."

Special instructions. Do you owe penalty or interest and have an overpayment on line 35? If your overpayment is less than total penalty and interest, fill in the result of line 39 minus line 35, on line 40.

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 8, enter the total of lines 1 through 7, then carry total to Form 20, line 33.

Line 7. Claim of right credit. A claim of right exists when you are taxed on income and later find you have no right to that income and must repay it. Oregon allows a claim of right credit if your federal tax liability is computed under IRC 1341(a). See OAR 150-315.068 for more information on computing the credit.

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 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)
Forest products industry	ORS 314.650(2)
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)
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 alternative 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, 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 alternative apportionment method provided in ORS 314.650. Check the box on question L on the front of your return if you meet this requirement.

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.

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.

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 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			%

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 deduction. See instructions for Form 20, line 14.

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.

	14. Net loss deduction and net capital loss deduction (attach schedule).....	● 14	
	15. Oregon taxable income (line 13 minus line 14 or amount from Schedule AP-2, line 11).....	● 15	
	16. Excise tax (6.6 percent of line 15) (minimum tax).....	16	
	17. Tax adjustments	● 17	
	18. Total tax (line 16 plus line 17).....	18	
CREDITS	19. Pollution control facility credit.....	● 19	
	20. Lender's credit: Energy conservation.....	● 20	
	21. Lender's credit: Affordable housing.....	● 21	
	22. Lender's credit: Farmworker housing.....	● 22	
	23. Energy conservation facilities.....	● 23	
	24. Farmworker housing project investment credit	● 24	
	25. Dependent care credits (Form 150-102-032).....	● 25	
	26. Qualified research activities credit (Form 150-102-128)	● 26	
	27. Other credits (attach schedule and explanation).....	● 27	
	28. Total credits (add lines 19 through 27)	28	
EXCISE TAX	29. Excise tax after credits (line 18 minus line 28) (not less than the minimum tax)	29	
	30. State surplus refund credit (35.94% of line 29)	30	
	31. Tax adjustment for LIFO benefit recapture	● 31	
	32. Net excise tax (line 29 minus lines 30 and 31) (not less than the minimum tax)	● 32	
	33. 2005 Estimated tax payments from Schedule ES. Include payments made with extension.....	● 33	
	34. Tax Due. Is line 32 more than line 33? If so, line 32 minus line 33.....	Tax Due ● 34	
	35. Overpayment. Is line 32 less than line 33? If so, line 33 minus line 32	Overpayment ● 35	
	36. Penalty due with this return.....	36	
	37. Interest due with this return.....	37	
	38. Interest on underpayment of estimated tax.....	● 38	
	39. Total penalty and interest (add lines 36, 37, and 38)	39	
	40. Total Due (line 34 plus line 39).....	Total Due 40	
	41. Refund available (line 35 minus line 39)	Refund 41	
	42. Amount of refund to be credited to 2006 estimated tax.....	2006 Credit ● 42	
	43. Net Refund (line 41 minus line 42).....	Net Refund 43	

SCHEDULE ES — ESTIMATED TAX PAYMENTS OR OTHER PREPAYMENTS (see instructions)

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 credit (attach computation and explanation)				7
8. Total prepayments (carry to line 33 above)				8

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge.

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 RETURN

Mail refund returns and no tax due returns to: Refund, PO Box 14777, Salem OR 97309-0960	Mail tax-to-pay returns with payment and payment voucher to: Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470
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SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20

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)

(Do not enter an amount of less than zero)

	(A) Total within Oregon	(B) Total within and without Oregon
<i>Owned property</i> (at original cost; see instructions):		
1. Inventories.....		
2. Buildings and other depreciable assets.....		
3. Land.....		
4. Other assets (attach description).....		
5. MINUS: Construction in progress.....		
6. Total of lines 1–5 (add lines 1–4, then subtract line 5).....		
7. <i>Rented property</i> (capitalize at 8 times the rental paid).....		
8. Total owned and rented property (add lines 6 and 7).....		

Payroll factor—Wages, salaries, commissions, other compensation to employees:

9. Compensation of officers.....		
10. Other wages, salaries, and commissions.....		
11. Total wages and salaries (add lines 9 and 10).....		

Sales factor—Sales delivered or shipped to Oregon purchasers:

12. Shipped from outside Oregon.....	
13. Shipped from inside Oregon.....	
<i>Sales shipped from Oregon to:</i>	
14. The United States government.....	
15. Purchasers in a state or country where the corporation is not taxable.....	
16. Other business receipts.....	
17. Total sales and other business receipts (add lines 12–16).....	

Go to worksheets on page 13 before completing line 18.

18. Oregon apportionment percentage. Enter the amount from the appropriate schedule on page 13.....	18	_____ . _____ %
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SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION

1. Net income from business both in Oregon and other states (from Form 20, line 13).....	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	X _____ %
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, line 15).....	11	

SCHEDULE AF — SCHEDULE OF AFFILIATES for Form 20 (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 _____		•	•

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	a.	b.	c.	d.
27. Interest due (line 25 plus line 26) 27				
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

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

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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 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. $\times 0.7 (0.8)$ _____
6. Allowable deduction (line 5 \times 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-S 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.

Oregon Corporation Income Tax Return <div style="text-align: center; font-size: 2em; font-weight: bold;">2005</div> <div style="text-align: center; font-size: 2em; font-weight: bold;">Form 20-I</div>	For office use only				
			Payment ●		
	Fiscal year beginning ● / /	Fiscal year ending ● / /	1 ●	2 ●	3 ●
Name:		FEIN:	<input type="checkbox"/> Extension <input type="checkbox"/> Form 37 <input type="checkbox"/> Amended <input type="checkbox"/> Form 24 <input type="checkbox"/> FCG-20 <input type="checkbox"/> Federal Form 8886 <input type="checkbox"/> OR School Fund		
Address:		● BIN:			
City:	St:	ZIP code:			
Contact:			<input type="checkbox"/> New name <input type="checkbox"/> New address		
Previous name:			Phone:		
Web address:					
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? <input type="checkbox"/> Yes <input type="checkbox"/> No		● (2) Is this a consolidated Oregon return? <input type="checkbox"/> Yes <input type="checkbox"/> No		● (3) Are corporations included in the consolidated federal return, but not in the Oregon return? <input type="checkbox"/> Yes <input type="checkbox"/> No
● F. Are you a high-income taxpayer? <input type="checkbox"/> Yes <input type="checkbox"/> 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 <input type="checkbox"/> New business, or <input type="checkbox"/> Successor to previous business		Name of previous business	FEIN	BIN
● K. If final return, indicate <input type="checkbox"/> Withdrawn, <input type="checkbox"/> Dissolved, or <input type="checkbox"/> Merged or reorganized		Name of merged or reorganized corporation	FEIN	BIN
L. Utility, telecommunications, or timber companies: see instructions.....				● L <input type="checkbox"/>
M. If you did not complete Schedule AP, fill in the amount of your Oregon sales.....				● M <input style="width: 100px;" type="text"/>

	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	<i>Round all amounts to the nearest whole dollar.</i>
	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	

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:
Refund, PO Box 14777, Salem OR 97309-0960

Mail tax-to-pay returns with payment and payment voucher to:
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

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

(Do not enter an amount of less than zero)

Owned property (at original cost; see instructions):

	(A) Total within Oregon	(B) Total within and without Oregon
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. <i>Rented property</i> (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	
<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.....	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	X %
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 20-1 (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 _____			

37 UNDERPAYMENT OF OREGON CORPORATION ESTIMATED TAX

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

Insurance Excise 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.

General information

Foreign insurers are subject to the retaliatory tax and the excise tax. The **retaliatory** tax is paid to the Insurance Division of the Oregon Department of Consumer and Business Services. The **excise** tax is paid to the Oregon Department of Revenue.

All **foreign and domestic insurance companies**, including home warranty companies (but not title insurers), that are required to file an excise tax return (see filing requirements) must file **Form 20-INS** with the Department of Revenue.

Title insurers file **Form 20** instead of Form 20-INS. Title insurers begin with federal taxable income, make the same additions and subtractions that non-insurance corporations make, and apportion using property, payroll, and sales factors.

Reinsurance premiums. Insurance companies may include (if permitted by the department) or the department may require the inclusion of reinsurance premiums in the insurance sales factor. See insurance sales factor, **Schedule AP** instructions.

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.

Filing requirements

Insurance companies must file an *Oregon Insurance Excise Tax Return* if they are doing business in Oregon. Insurance companies with agents in this state whose only activity is solicitation, or whose only income is premiums from existing policy holders, are doing business in Oregon.

Companies registered with the Insurance Division to do business in Oregon but not actually doing business during the tax year are **not** required to file an Oregon Form 20-INS and are not subject to the minimum tax.

All insurance companies are required to file an insurance excise tax return on a **calendar year basis**.

Oregon Form 20-INS filers are subject to a **\$10 minimum tax**.

Exempt. Surplus lines insurance companies and fraternal benefit societies, if exempt under IRC 501(c)(8), are not subject to the excise tax.

Consolidated returns

Unitary domestic insurance companies (incorporated in Oregon) not controlled by foreign insurers incorporated outside of Oregon must file a consolidated Oregon return if they were included in a consolidated federal return. An inter-insurance and reciprocal exchange and its attorney-in-fact may file a consolidated return. Foreign insurers and domestic insurers controlled by foreign insurers are required to file insurance excise tax returns on a **separate basis**.

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.

Oregon won't charge a **late filing penalty** if the return is filed by the Oregon due date, including extensions. But interest and a 5 percent **late payment penalty** are charged if the tax is not paid in full 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.
- 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.

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If you're filing an extension

- Please use Form 20-V when paying tax due. Do not use Form 20-V as an extension form (see Extension of time for filing).
- Form 20-V is available in this booklet and on our Web site at www.oregon.gov/DOR.
- 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 Form 20-V with payment 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 behind Schedule AP.
- Check the box on your return indicating "**an extension is attached.**"
- Include the amount of tax paid with Form 20-V on your return, **Form 20-INS**, line 34.

Federal and Insurance Division audit changes

If the IRS changes your federal return or the Insurance Division changes your Fire Marshal tax, retaliatory tax, or transitional tax for any tax year and the change affects your computation of Oregon excise tax, you must notify the Oregon Department of Revenue, file an amended Oregon return, and attach a copy of the federal or Insurance Division 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 or state audit report, the Oregon Department of Revenue has two years from the date the department is notified of the change by the IRS or Insurance Division to issue a deficiency notice. You **must** file within two years after the date of the federal or state audit report to receive a refund.

Amended returns

If you amend your federal return or your annual statement and the change affects your computation of Oregon excise tax, you must file an amended Oregon return within 90 days. Attach a copy of the amended federal return to your amended Oregon return and explain the adjustments made. File an amended return using the form for the year of the original return and check the box indicating "**This is an amended return.**"

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

Do not amend your Oregon return if you amend your federal return to carry a **net operating loss back** to prior years. Oregon allows corporations to carry losses forward, but not back. See the instructions for line 20.

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.

Form 20-INS instructions

Heading

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

Oregon business identification number. Each corporation is identified by a 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. See "Taxpayer assistance."

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 K. Furnish additional information where necessary.

Foreign insurers and domestic insurers controlled by foreign insurers are not allowed to file consolidated returns and **should omit questions E and F.**

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

Question E(2). If the answer is **YES**, complete Schedule AF, Schedule of Affiliates, by listing the corporations included in your consolidated **Oregon** return 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 your consolidated federal return that are not included in this Oregon return. List each corporation’s name, Oregon BIN (if any), and FEIN.

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.

Question K. If you are subject to apportionment, Oregon sales is the amount of Oregon total insurance sales entered on Schedule AP-1, line 10, column (A). If you are not subject to apportionment, compute your Oregon sales as if you were subject to apportionment, using Schedule AP-1, lines 7 through 10, column (A). See the instructions for the insurance sales factor.

Line instructions

Life, accident, and health companies will be identified as “Life.” Fire, property, and casualty companies will be identified as “P&C.”

Please round all dollar amounts to the nearest whole dollar.

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

Income

Line 2. Income, expenses, and other items attributable to separate accounts. From page 4, lines 5 and 8.1 of the annual statement for life companies.

Line 5. Underwriting profit derived from wet marine and transportation insurance. From page Supp 6, lines 8 and 9, column 41, of the P&C annual statement.

Additions

Line 8. Federal income taxes. Add the amount of federal income taxes deducted in computing net income from operations. If a net refund of federal tax is shown on the annual statement (due to an excess of refund for a prior year over current year net tax), enter a negative figure.

Life companies— Annual statement, amount included on page 4, line 32, plus the tax on capital gain that was netted out of the amount from the annual statement, included on page 4, line 34.

P&C companies—Use tax on ordinary income from the annual statement, included on page 4, line 19.

Line 9. State income taxes (all jurisdictions). Include only the amount of state income taxes included in the following amounts on the annual statement.

Life companies— Annual statement, included on page 11, exhibit 3, lines 4 and 6.

P&C companies—Annual statement, included on page 11, lines 20.1 and 20.4.

Line 10. Penalty interest on prepayment of loans. Add any amounts not already included in the computation of net income on the annual statement.

Line 11. Realized gains and losses. Add realized gains and losses on sales or exchanges of assets, including non-admitted assets, that were not included in net income from operations. Enter net realized losses as a negative amount.

Line 12. Decreases in certain reserves. These are changes that have not been included in the computation of net income from operations. Add **decreases in mandatory reserves** that the insurer is required to maintain by law or by rules or directives of the director of the Department of Consumer and Business Services, **other than** decreases that (a) are deducted in arriving at the insurer’s net gain from operations, or (b) result from net gains or losses, realized or unrealized, in the value of the insurer’s property and investments.

Life companies— Annual statement, page 4, line 44.

Also add **decreases in reserves for policies and obligations outstanding** before the beginning of the taxable year resulting from changes in the basis and methods of computing such reserves that are justified by accounting and actuarial practices applicable to or accepted by the insurance industry. Such practices are commonly known as “reserve strengthening” or “reserve weakening.”

Life companies— Annual statement, page 4, line 43.

P&C companies—Annual statement, page 4, line 37.

Subtractions

Line 15. Amortization of past service credits. Subtract the amortized portion of contribution for past service credits made to qualified plans and exempt employee trusts. The subtraction is for amounts not deducted in the computation of net gain from operations in the annual statement. There is no explicit item in the annual statement.

P&C and Life companies— See note(s) in the NAIC annual statement about retirement plans.

Line 16. Increases in certain reserves. Subtract increases in reserves described in the instructions for additions on line 12.

Line 17. Depreciation. Subtract, if you so elect for Oregon excise tax purposes, additional or accelerated depreciation on real and personal property that is in excess of the depreciation used in computing net gain from operations. You may elect to use any accelerated depreciation method allowable for federal corporation income tax purposes.

Line 20. Net loss deduction. A net loss is the aggregate amount of Oregon net losses computed on prior years’ excise tax returns that have not been previously deducted.

Oregon does not allow net losses to be carried back. Domestic Oregon insurers may carry net losses occurring in tax years starting on or after January 1, 1987 forward, up to 15 years. Foreign insurers may carry net losses occurring in tax years starting on or after January 1, 1997 forward, up to 15 years.

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).

If you are taxable both in Oregon and another state, do not complete line 20. Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on **Schedule AP-2**, line 8.

Line 21. Oregon taxable income. If you are apportioning income to Oregon, enter the amount from **Schedule AP-2**, line 9.

Line 22. Excise tax. The tax is 6.6 percent of Oregon taxable income. The minimum tax is \$10. Only one \$10 minimum tax payment is required on a consolidated return of domestic insurers.

Line 23. Tax adjustment for interest on certain installment sales. If you owe interest on deferred tax liabilities with respect to an installment obligation under ORS 314.302, indicate the amount on this line. Attach a schedule showing how you figured the interest.

Credits

Credits against the excise tax **must** be claimed in the following order: other credits, workers' compensation credit, and fire insurance premiums tax credit. These credits are subtracted from the excise tax. The remaining tax is then reduced by the Oregon Life and Health Insurance Guaranty Association (OLHIGA) offset.

Taxpayers must take the full amount of a credit allowed per year. See "Taxpayer assistance" to learn more about *Tax Credits for Corporations*.

Line 25. Other credits. The following credits and others are explained in *Tax Credits for Corporations*.

- Advanced telecommunications facilities (ORS 315.511).
- 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).
- Claim-of-right credit must be claimed on line 33 (ORS 315.068).
- Contribution of computers for scientific equipment research (ORS 317.151).
- Crop donation (form 150-101-240) (ORS 315.156).
- Diesel engine replacement (notes following ORS 315.356).
- Electronic commerce in designated enterprise zone (ORS 315.507).
- Employee and dependent scholarship program payments (ORS 315.237).
- Farmworker housing (notes following ORS 315.164).
- Film production development contribution (ORS 315.514).
- First break program (ORS 315.259).

- Fish habitat improvement (ORS 315.134).
- Fish screening devices (ORS 315.138).
- Individual development account (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).
- Reclaimed plastics recycling (ORS 315.324).
- Reforestation (ORS 315.104 and 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 26. Workers' compensation credit. Insurance companies that write workers' compensation insurance receive a credit against the excise tax. The credit is the lesser of the workers' compensation premium assessment or the excise tax on the profit attributable to the workers' compensation line of business (ORS 317.122). For information on calculating this credit, see the worksheet form *Workers' Compensation Insurance Tax Credit* (150-102-044). See "Taxpayer assistance" to order the form or go to our Web site at www.oregon.gov/DOR.

Line 27. Fire insurance gross premiums tax credit. Insurance companies that write fire insurance premiums receive a credit against the excise tax for the tax paid to the Insurance Division (ORS 317.122). The credit is for the amount of tax paid to the Insurance Division based on fire insurance premiums paid during the tax year. Enter a credit on your 2005 **Form 20-INS** for the amount of tax shown on your 2005 State Fire Marshal tax return, part 1, line 10, filed with the Insurance Division.

Line 30. Guaranty association assessment offset. Credits can be claimed for the assessments paid to the Oregon Life and Health Insurance Guaranty Association (OLHIGA). The assessments can be offset at a rate of 20 percent of the amount paid in each of the five calendar years following the year in which the assessment was paid. See ORS 734.835.

Line 37. Penalties. Include a penalty payment if you:

- Mail your tax due after the original due date (even if you have an extension).
- File your excise 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 38. 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
February 1, 2006	7%	0.5833%	0.0192%
January 1, 2005	5%	0.4167%	0.0137%
January 1, 2004	6%	0.5000%	0.0164%

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

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

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 39. 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 excise tax, line 33, is less than \$500 on your 2005 return. If you have an underpayment, you must file **Form 37, Underpayment of Oregon Corporation Estimated Taxes**. Form 37 and instructions are on our Web site at www.oregon.gov/DOR.

Use **Form 37** to:

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

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

Line 41. Total due. Attach your check or money order to 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. Please include the following information on your check:

- Oregon business identification number (BIN).
- Federal employer identification number (FEIN).
- "2005 Excise Tax."

Special instructions. Do you owe penalty or interest and have an overpayment on line 36? If your overpayment is less than total penalty and interest, fill in the result of line 40 minus line 36, on line 41.

Schedule ES

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. Include any payments made with Form 20-V. Also include any refund applied from your 2004 tax return or an Oregon amended return.

Consolidated return filers. Identify each estimated tax payment made to Oregon by each affiliate. Attach a schedule showing the name, federal employer identification number (FEIN), Oregon business identification number (BIN), date of payment, and the amount paid for correct application of your 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 electronic funds transfer (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

Schedule AP-1—Apportionment formula

Real estate income and interest factor

Real estate income

Life companies— Annual statement, page E-01, schedule A, part 1, column 15 minus column 16, and page E-03, column 15 minus column 16.

P&C companies— Annual statement, pages E-01 and E-03, column 15 minus column 16, and part 3, column 15 minus column 16.

If you have income from a joint venture, partnership, or LLC, include real estate income and interest included on:

Life companies— Annual statement, page 8, exhibit of net investment income, line 8, column 1 of the Net Investment Income schedule.

P&C companies—Annual statement, page 12, exhibit of net investment income, line 8, column 1 of the Underwriting and Investment Exhibit.

Interest

Life companies— Annual statement, page 8, exhibit of net investment income, line 3, column 1.

P&C companies—Annual statement, page 12, exhibit of net investment income, line 3, column 1.

Wage and commission factor

Enter wage and commission amounts from the annual statement.

Insurance sales factor

Use total premiums written including Oregon premiums written.

Life companies— Annual statement, page 62, schedule T, lines 38 and 95. Insurance premiums include life insurance in column 2, annuity considerations in column 3, and accident and health insurance premiums in column 4.

P&C companies—Annual statement, page 104, schedule T, lines 38 and 58, column 2. Finance and service charges are included in the apportionment factor for premiums.

ORS 317.660 provides that the insurance sales factor does not include reinsurance accepted and there is no deduction of reinsurance ceded. If the exclusion of reinsurance premiums results in an apportionment formula that does not fairly represent the extent of the insurance company's activity in Oregon, you may include reinsurance premiums in the insurance sales factor. You **must** request and receive permission from the Oregon Department of Revenue to include these premiums in the insurance factor **before** you file your return. Send your request to the **Oregon Department of Revenue, 955 Center Street NE, Salem OR 97301-2555.**

Line 12. Oregon apportionment percentage. The Oregon apportionment is arrived at by averaging the above three factors.

Schedule AP-2—Computation of taxable income

Line 2. 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 6. Add: Gains from prior year installment sales apportioned to Oregon. Multiply the installment gains subtracted on line 2 by the average percent from the year of the sale.

Schedule AF

Schedule of Affiliates instructions

If you file a consolidated Oregon return per the instructions on page 1 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, Oregon business identification number (if known), federal employer identification number, and date each affiliate became part of, or left, the unitary group during the tax year.

List those affiliates that are 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.

SUBTRACTIONS	15. Amortization of past service credits..... ● 15	
	16. Increases in certain reserves ● 16	
	17. Depreciation in excess of annual statement allowance ● 17	
	18. Total subtractions (add lines 15 through 17) 18	
	19. Income before net loss deduction (line 14 minus line 18) 19	
If income is derived from sources both in Oregon and other states, carry amount on line 19 to Schedule AP-2, line 1. Please complete both Schedules AP-1 and AP-2.		
	20. Net loss deduction (attach schedule)..... ● 20	
	21. Oregon taxable income (line 19 minus line 20 or amount from Schedule AP-2, line 9)..... ● 21	
	22. Excise tax (6.6 percent of line 21) (not less than the minimum tax) 22	
	23. Tax adjustment for interest on certain installment sales..... ● 23	
	24. Total tax (line 22 plus line 23)..... 24	
CREDITS	25. Other credits (attach explanation)..... ● 25	
	26. Workers' Compensation credit ● 26	
	27. Fire insurance gross premiums tax credit ● 27	
	28. Total (add lines 25 through 27)..... 28	
	29. Line 24 minus line 28 (not less than the minimum tax) 29	
	30. OLHIGA (Oregon Life and Health Insurance Guaranty Association) offset ● 30	
	31. Excise tax after credits and offsets (line 29 minus line 30) (not less than the minimum tax) 31	
	32. State surplus refund credit (35.94% of line 31) 32	
	33. Net excise tax (line 31 minus line 32) (not less than \$10)..... ● 33	
	34. Estimated tax payments for tax year 2005 (from Schedule ES below). Include payments made with your extension ... ● 34	
	35. Tax Due. Is line 33 more than line 34? If so, line 33 minus line 34..... Tax Due ● 35	
	36. Overpayment. Is line 33 less than line 34? If so, line 34 minus line 33 Overpayment ● 36	
	37. Penalty due with this return..... 37	
	38. Interest due with this return..... 38	
	39. Interest on underpayment of estimated tax. Attach Form 37 ● 39	
	40. Total penalty and interest (add lines 37 through 39) 40	
	41. Total Due (line 35 plus line 40)..... Total Due 41	
	42. Refund available (line 36 minus line 40) Refund 42	
	43. Amount of refund to be credited to 2006 estimated tax..... 2006 Credit ● 43	
	44. Net Refund (line 42 minus line 43)..... Net Refund 44	

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. Total prepayments (carry to line 34 above)		7

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	

FILE THIS RETURN WITH THE OREGON DEPARTMENT OF REVENUE

Mail refund returns and no tax due returns to: Refund, PO Box 14777, Salem OR 97309-0960	Mail tax-to-pay returns with payment and payment voucher to: Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470
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SCHEDULE AF — SCHEDULE OF AFFILIATES for Form 20-INS (see instructions)

Domestic insurers, inter-insurance, and reciprocal exchanges. Use this schedule to list those affiliates doing business in Oregon that are included in the consolidated return. **(DO NOT INCLUDE** the name shown on the heading of this return.) Use a copy of this schedule to list additional affiliates, if necessary, and attach it directly behind this page.

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		●	●

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

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-S, line 8.

Film production labor rebate subtraction. Beginning in tax year 2005, a subtraction will be allowed for the amount of rebate received as included in federal taxable income, for qualified expenses as certified prior to January 1, 2012, by the Oregon Film and Video Office.

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 deduction allowed under IRC section 965 (dividends from controlled foreign corporations) is allowed in determining Oregon taxable income for the same year 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.

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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 24.....	<i>Oregon Like-Kind Exchanges/Involuntary Conversions.</i>
*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. (** <i>In general, Oregon's computation of corporation taxable income begins with federal taxable income, with certain modifications. See line instructions for modifications.</i>)

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 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 that 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

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

To mail your Form 20-S corporation return

Please attach a complete copy of your federal return to the back of your Oregon return.

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Mail refund returns or no-tax-due returns to:

Refund
PO Box 14777
Salem OR 97309-0960

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, 2004 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 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.
- Employees or representatives providing services to customers as the primary business activity, such as accounting or personnel services, or services incidental to the sale of tangible or intangible personal property, such as installation of a product or warranty work.

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

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 still be subject to Oregon corporation income tax if you have income from an Oregon source.

Income tax 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.

There is no minimum tax for a corporate *income* tax filer.

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 forms and instructions.

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 income 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 site 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. See "When you file your return" below.

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. Do not use Form 20-V as an extension form.
- Check the "2005 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.

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.

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 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.

Form 20-S instructions

Heading

Enter all information as requested.

Type of tax. Do you pay an *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 starting 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.

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 has changed from last year’s return as filed, please check the “New address” box.

Contact person. Enter the name of a contact person 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:

- An **extension** is attached.
- **Form 37** is attached.
- This is an **amended return**.
- **Form 24** is attached.
- Worksheet **FCG-20** is attached.
- **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

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. Final returns: A final tax return is required when a corporation has ceased to exist, withdrawn from doing business in Oregon, dissolved, merged, or reorganized. Check the box and provide requested information.

Question J. 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 for tax years beginning on or after July 1, 2005. Check the box if you fit this requirement.

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." 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:

- **Claim of right income repayment adjustment** when credit is claimed. The deduction under IRC section 1341 of 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)].
- **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)].
- **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).
- **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.
- **QPAI deduction.** Add to federal taxable income the amount of QPAI deduction per IRC 199 claimed on the federal return.

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:

- **Film production labor rebate.** The amount of rebate received and included on the federal return is allowed as a subtraction on the Oregon return.
- **Interest on obligations** of the United States and its instrumentalities included in line 1. **This applies to income tax filers only.**
- **Temporary dividends-received deduction.** Dividends from controlled foreign corporations are deductible to the extent deductible for federal tax purposes per IRC 965.
- **The difference in gain or loss on sale of assets** when the Oregon basis is greater than it is for federal purposes.

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

Line 8. Tax adjustments. Enter the net amount of both adjustments on this line:

- **Interest on certain installment sales.** Interest you owe on deferred tax liabilities with respect to installment obligations under ORS 314.302. Attach a schedule showing how you figured the interest.
- **Net long-term capital gain from farm property.** Subtract the amount of adjustment for tax 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 10. Credits against tax. Taxpayers must take the full amount of credit allowed per 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).
- Diesel engine replacement (notes following ORS 315.356).
- 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).
- Film production development contribution (ORS 315.514).
- 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).
- 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, 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).

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

Line 13. 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 (ORS 314.750).

Line 15. Estimated tax payments and other prepayments. Fill in the total estimated tax payments for tax year 2005 from Schedule ES. Include payments made with an extension.

Line 18. 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 19. 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.

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 20. 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 14, is less than \$500 on your 2005 return.

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

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.

Line 22. 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).
- "2005 S Corp Tax."

Line 23. Refund to be applied to the next year's estimated tax.

Special instructions. Do you owe penalty or interest and have an overpayment on line 17? If your overpayment is less than the total penalty and interest, fill in the result of line 21 minus line 17, on line 22.

Schedule SM instructions

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 instructions

Estimated tax payment instructions

Estimated tax paid for the 2005 tax year. List all estimated tax payments made prior to 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 total of line 1 through 6, then carry total to Form 20-S, line 15. 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 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.

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 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 J on page 1 of Form 20-S 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			%

Schedule AP-1—Apportionment formula

Check the box on question J on the front of your return if one of the following applies:

- Utilities and telecommunications companies may elect to use the alternative apportionment method provided in ORS 314.650 (1999 edition).
- Qualifying forest products industry taxpayers for tax years beginning on or after July 1, 2005, *must* use the double-weighted sales factor method provided in ORS 314.650(2) (2005 edition).

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.

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 sub-rentals.

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 deduction.

- Oregon net loss carried over from a year the corporation was a C corporation is allowed as a deduction.
- Income from built-in gains may be offset by net loss deductions [ORS 314.740(4)].

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.

10. Credits against tax (attach schedule and explanation)	● 10	
11. Tax after credits (line 9 minus line 10) (excise tax not less than minimum tax)	11	
12. State surplus refund credit (35.94% of line 11)	12	
13. Tax adjustment for LIFO benefit recapture	● 13	
14. Net tax (line 11, minus line 12 plus line 13) (excise tax not less than minimum tax)	● 14	
15. 2005 estimated tax payments from Schedule ES. Include payments made with extension	● 15	
16. Tax Due. Is line 14 more than line 15? If so, line 14 minus line 15	Tax Due ● 16	
17. Overpayment. Is line 14 less than line 15? If so, line 15 minus line 14	Overpayment ● 17	
18. Penalty due with this return	18	
19. Interest due with this return	19	
20. Interest on underpayment of estimated tax (attach Form 37)	● 20	
21. Total penalty and interest (add lines 18 through 20)	21	
22. Total Due (line 16 plus line 21)	Total Due 22	
23. Refund available (line 17 minus line 21)	Refund 23	
24. Amount of refund to be credited to 2006 estimated tax	2006 Credit ● 24	
25. Net Refund (line 23 minus line 24)	Net Refund 25	

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 prepayments for this tax year and date paid ...	6 / /	6
7. Total prepayments (carry to line 15 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 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 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

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)

(Do not enter an amount of less than zero)

	(A) Total within Oregon	(B) Total within and without Oregon
<i>Owned property</i> (at original cost; see instructions):		
1. Inventories.....		
2. Buildings and other depreciable assets.....		
3. Land.....		
4. Other assets (attach description).....		
5. MINUS: Construction in progress.....		
6. Total of lines 1–5 (add lines 1–4, then subtract line 5).....		
7. <i>Rented property</i> (capitalize at 8 times the rental paid).....		
8. Total owned and rented property (add lines 6 and 7).....		

Payroll factor—Wages, salaries, commissions, other compensation to employees:

9. Compensation of officers.....		
10. Other wages, salaries, and commissions.....		
11. Total wages and salaries (add lines 9 and 10).....		

Sales factor—Sales delivered or shipped to Oregon purchasers:

12. Shipped from outside Oregon.....	
13. Shipped from inside Oregon.....	
<i>Sales shipped from Oregon to:</i>	
14. The United States government.....	
15. Purchasers in a state or country where the corporation is not taxable.....	
16. Other business receipts.....	
17. Total sales and other business receipts (add lines 12–16).....	

Go to worksheets on page 10 before completing line 18.

18. Oregon apportionment percentage. Enter the amount from the appropriate schedule on page 10.....	18	_____ . _____ %
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SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION

1. Net income from business both in Oregon and other states (from Form 20-S, 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 18).....	5	X _____ %
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-S, line 6).....	11	

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.

	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..... 10				
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.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Actual income × Factor = Annualized income				
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

Estimated Corporation Excise or 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.

What is estimated tax?

Estimated tax is the amount of tax you **expect** to owe when you file your 2006 Oregon corporation excise or income tax return.

Who must pay estimated tax?

You must make estimated tax payments if you expect to owe net tax after credits of \$500 or more. The same requirement applies if you are an S corporation paying tax on income from built-in gains, certain capital gains, and excess passive investment income.

If you fail to make estimated tax payments as required, you may be subject to interest on any underpayment of estimated tax.

If your business is closed, you are no longer doing business in Oregon, or you have filed a final Oregon tax return, then you are no longer required to make estimated tax payments. Please contact us to close your account. See "Taxpayer assistance."

Payment options

Estimated tax payments may be made by electronic funds transfer or by mailing a check.

By electronic funds transfer (EFT). The department accepts corporation estimated tax payments by EFT. EFT reduces both the time and expense of processing payments and enhances accuracy.

You must make your Oregon estimated tax payments by EFT if you are required to make your federal estimated tax payments by EFT. If you pay by EFT, **do not** send Form 20-V.

EFT payments for corporation estimated taxes must be made using Revenue's EFT program. This program allows payments to be initiated via 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. See Oregon Administrative Rule (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.

By mail. Mail each payment with a Form 20-V voucher.

Payment due dates

Estimated tax payments are paid quarterly, as follows:

Calendar-year filers: April 17, June 15, September 15, and December 15.

Fiscal-year filers: The 15th day of the 4th, 6th, 9th, and 12th months of your fiscal year.

Private foundation: The first quarterly payment for a private foundation is due on or before the 15th day of the 5th month of the tax year.

If the due date falls on a Saturday, Sunday, or legal holiday, use the next regular business day.

Short-year taxpayers. If your return is filed for a period of less than 12 months, estimated payments are due as follows:

- **If the period covered is less than four months,** only one payment is required. It is equal to 100 percent of the estimated tax and is paid on or before the due date of the tax return, not including extensions.
- **If the period covered is four months or longer but less than six months,** two payments are required. One-half of the estimated tax is due on the 15th day of the fourth month. The balance is paid on or before the due date of the tax return, not including extensions.
- **If the period covered is six months or longer but less than nine months,** three payments are required. One-third of the estimated tax is due on the 15th day of the fourth month and the 15th day of the sixth month. The balance is paid on or before the due date of the tax return, not including extensions.
- **If the period covered is nine months or longer but less than twelve months,** four payments are required. One-fourth of the estimated tax is due on the 15th day of the fourth month, the 15th day of the sixth month, and the 15th day of the ninth month. The balance is paid on or before the due date of the tax return, not including extensions.

Consolidated filers. If you are required to file a consolidated Oregon corporation excise or income tax return, you must make estimated tax payments on a consolidated basis. Only one minimum tax payment is required for the consolidated group. See OAR 150-314.505(2).

Apportionment

If some of your business activity is outside of Oregon, you would apportion your income accordingly.

Oregon standard apportionment method: For tax years beginning before July 1, 2005, all 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.

For tax years beginning on or after July 1, 2005, business income is apportioned to Oregon by 100 percent of the sales factor.

Insurers: The determination of Oregon taxable income shall be arrived at by apportionment based upon an averaging of the following three factors: insurance sales factor, wage and commission factor, and real estate income and interest factor. See ORS 317.660.

Alternative apportionment method:

For utilities and telecommunications—Taxpayers primarily engaged in utilities and telecommunications may elect to use the apportionment formula provided in ORS 314.650 (1999 edition). Business income will be apportioned to Oregon by multiplying income by a fraction. The numerator of the fraction is the property percentage, plus the payroll percentage, plus two times the sales percentage. The denominator is four. The denominator is reduced by the number of factors with a zero denominator.

For example, if the sales percentage denominator is zero, the sum of the factors is divided by two.

For forest product industries—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 alternative method.

Interest on underpayment of estimated tax

Oregon charges interest when estimated tax payments received on or before the due date are less than the amount due. If your tax liability when you file your return is \$500 or more, you may be subject to underpayment interest. If you owe more than \$500, use Form 37 to figure your underpayment amount and interest due. Interest is also charged on late payments from the due date to the date paid.

The interest rate in effect for interest periods beginning on or after January 1, 2006 is 7 percent annually, or 0.5833 percent per month (0.0192 percent per day).

Note: Interest on underpayment of estimated tax is not charged if tax on the prior year's return was \$10 or less. However, this provision does not apply to a high-income taxpayer. 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 years, not including the current year.

Exceptions to interest charged for underpayment of estimated tax

Interest on underpayment is not charged on payments made on or before the due dates when you meet one of the following exceptions:

- Each payment is equal to at least 25 percent of the tax for the tax year.
- Each payment is equal to at least 25 percent of the tax on last year's return. The prior year's return must cover a 12-month period and must show a tax liability. **A high-income taxpayer may use this exception only for the first installment payment**, and any reduction to the first installment payment due to this exception must be added to the second installment payment. See OAR 150-314.525(5).
- Each payment is equal to at least 25 percent of the tax after credits on annualized taxable income. 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 (IRC), 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.
- Each payment is equal to at least 25 percent of the amount obtained by applying IRC section 6655(e)(3) to Oregon taxable income. This is the seasonal income exception.

If you meet one of the exceptions, please complete and attach Form 37 (*Underpayment of Oregon Corporation Estimated Tax*) to your return and check box on the face of the return. Form 37 is available on our Web site or see "Taxpayer assistance." For more information, see OAR 150-314.505-(A) through 150-314.525(2)-(B).

Taxpayer assistance

General tax information www.oregon.gov/DOR
Salem 503-378-4988
Toll-free from Oregon prefix 1-800-356-4222
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.

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 within Oregon 1-800-886-7204

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

Oregon estimated tax worksheet

Use this worksheet to calculate your 2006 estimated tax. (Keep for your records—do not file with payment.)

1. Oregon net income expected in 2006 1 _____
2. Tax on Oregon net income (multiply line 1 by 6.6 percent) 2 _____
3. Subtractions
 - a. 2005 overpayment applied to 2006 tax* 3a _____
 - b. Tax credits expected for 2006 3b _____
4. Total subtractions (line 3a plus line 3b) 4 _____
5. Net tax (line 2 minus line 4) 5 _____

If the amount on line 5 is less than \$500, **stop**. You don't have to make estimated tax payments. See instructions, "What is estimated tax?" **Caution: If your final tax liability when you file your return is \$500 or more, you may be subject to underpayment interest.** See instructions, "Interest on underpayment of estimated tax."

6. Amount of each payment (Divide line 5 by the number of payments you need to make. This is usually 4.) 6 _____

*The amount is either your 2005 refund credited to 2006 per your return or as adjusted by the department when we processed your return.

If you change the amount of your estimate during the tax year, use the Amended Estimated Tax Worksheet below. Enter the amount of the revised payment on the next voucher due. See OAR 150-314.515.

Amended estimated tax worksheet

1. Amended estimated tax 1 _____
2. Payment and credits already applied to your 2006 estimated tax 2 _____
3. Underpaid balance (line 1 minus line 2) 3 _____
4. Amount of each remaining payment (divide line 3 by the number of remaining payments). Enter here and on the next voucher due 4 _____

Tax Credits for Corporations



November 2005

www.oregon.gov/DOR

Note: Taxpayers must take the full amount of a credit allowed per year (ORS 314.078).

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Advanced Telecommunication Facilities	ORS 315.511	For tax years beginning on or after Jan. 1, 2002, for facilities certified before December 31, 2005.	No.	Yes, 150-102-047, Department of Revenue.	Certification issued by Economic and Community Development Department, 503-986-0123. www.oregon.gov/ECDD
<i>Description of Credit</i>	20 percent of certified cost of advanced telecommunications facilities.				
Alternative Fuel Vehicle Fueling Stations	ORS 317.115	For contractor who constructs a fueling station as defined in ORS 469.160, placed in service on or after Jan. 1, 1998.	Yes, 5 years.	No.	A verification form signed by contractor and owner, purchaser, or tenant.
<i>Description of Credit</i>	25 percent of cost of the fueling station, but not more than \$750.				
Bone Marrow Donor Expense (For carry-forward purposes only.)	ORS 315.604	For tax years beginning on or after Jan. 1, 1991, and prior to Jan. 1, 2002.	Yes, 5 years.	No.	Employer must retain details for audit verification.
<i>Description of Credit</i>	25 percent of employer's expense incurred during the year for employees who donate bone marrow.				
Child Care Division and Community Agency Contributions	ORS 315.213	For tax years beginning on or after Jan. 1, 2002, and before Jan. 1, 2009.	Yes, 4 years.	No.	Certificate issued by Child Care Division, 503-947-1418, or 1-800-556-6616, www.oregon.gov/EMPLOY
<i>Description of Credit</i>	The credit is allowed for certified contributions made to the Child Care Division of the Employment Department for the purpose of promoting child care. If credit is claimed, there may be an addition on the Oregon return. For tax years beginning before January 1, 2004, contributions to selected community agencies qualify for the credit.				
Claim of Right	ORS 315.068	For tax years beginning on or after Jan. 1, 1998.	No, the credit is refundable.	No.	Taxpayer must retain details for audit verification.
<i>Description of Credit</i>	The difference between the actual Oregon tax for the year the claim of right income was included in federal income and the Oregon tax if such income had not been included in federal income. See IRC 1341(a)(1) and (2).				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Contribution of Computers or Scientific Equipment for Research	ORS 317.151	For contributions made in tax years beginning on or after Jan. 1, 1986, and prior to Jan. 1, 2010.	Yes, 5 years for credits earned in tax years beginning on or after Jan. 1, 1993.	No.	Donor must retain details for audit verification.
<i>Description of Credit</i>	Computers, scientific equipment, maintenance agreements, or money for scientific research donated to Oregon institutions of higher education or post-secondary schools. Beginning Jan. 1, 1998, qualified institutions include pre-kindergarten through grade 12. 10 percent of fair market value of qualified charitable contributions.				
Crop Donation	ORS 315.156	For tax years beginning on or after Jan. 1, 1986.	Yes, 3 years.	Yes, 150-101-240, Department of Revenue.	Donor must retain details for audit verification.
<i>Description of Credit</i>	Crop gleaning permitted by growers. 10 percent of wholesale market price of crop donated.				
Dependent Care • Assistance	ORS 315.204	For tax years beginning on or after Jan. 1, 1988, and prior to Jan. 1, 2017.	Yes, 5 years.	Yes, 150-102-032, Department of Revenue.	Certificate issued by Child Care Division, 503-947-1418 or 1-800-556-6616, www.oregon.gov/EMPLOY
<i>Description of Credit</i>	Dependent care assistance for employees. 50 percent of cost but not more than \$2,500 per employee.				
• Information and Referral	ORS 315.204	For tax years beginning on or after Jan. 1, 1988, and prior to Jan. 1, 2017.	Yes, 5 years.	Yes, 150-102-032, Department of Revenue.	Certificate issued by Child Care Division, 503-947-1418 or 1-800-556-6616, www.oregon.gov/EMPLOY
<i>Description of Credit</i>	Information and referral services to help employees obtain dependent care assistance. 50 percent of cost.				
Dependent Care Facilities (For carry forward purposes only)	ORS 315.208	The first year of the credit begins on or after Jan. 1, 1988 and prior to Jan. 1, 2002.	Yes, 5 years.	No.	Certificate issued by Child Care Division, 503-947-1418, or 1-800-556-6616. www.oregon.gov/EMPLOY
<i>Description of Credit</i>	The amount of the credit is the lesser of: \$2,500 multiplied by the number of full-time employees, or 50 percent of cost, or \$100,000. One-tenth of the credit is allowable each year for 10 years, as long as the facility is in operation.				
Diesel Engine Replacement	Notes following ORS 315.356	Tax years beginning on or after Jan. 1, 2005	Yes, 4 years.	No.	Certification issued by the Federal Environmental Protection Agency.
<i>Description of Credit</i>	The amount of the credit varies from \$400 to \$925 per qualifying engine depending on the number of trucks owned by the taxpayer prior to the purchase. Qualifying purchases may be made in years 2004 through 2007. A taxpayer may not claim a credit of more than \$80,000 for purchases made in any one year. Certificates of credit approval may not be issued after December 31, 2007.				
Emission Reducing Production Technology or Process. (Pollution Prevention) (For carry forward purposes only)	ORS 315.311. Refer to ORS 468A.098.	For tax years beginning on or after Jan. 1, 1996. For facilities built before Jan. 1, 2000.	Yes, 3 years.	No.	Certificates issued by Department of Environmental Quality, 503-229-6878. www.oregon.gov/DEQ
<i>Description of Credit</i>	For the installation of a certified pollution-eliminating production technology or process. The maximum credit allowed in any one tax year shall be the lesser of the tax liability of the taxpayer or one-tenth of the cost. Certification of a project is for five years.				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Employee and Dependent Scholarship Program Payments	ORS 315.237	For tax years beginning on or after Jan. 1, 2002.	Yes, 5 years.	No.	Certified by Student Assistance Commission, 1-800-452-8807, ext. 7395, www.oregon.gov/OSAC
<i>Description of Credit</i>	The credit may be claimed by an employer with at least 4 full-time employees. The credit equals 50 percent of scholarships funded but cannot exceed \$50,000.				
Energy Conservation Facilities	ORS 315.354, 315.356 and 469.185	For tax years beginning on or after Jan. 1, 1980.	Yes, 8 years.	No.	Certificate issued by Office of Energy, toll-free 1-800-221-8035, www.oregon.gov/ENERGY
<i>Description of Credit</i>	Facility used to process or use renewable energy resources. "Facility" includes alternative fuel fleet vehicles, telecommuting equipment, and refueling stations. Beginning Jan. 1, 1998, "facility" includes employer-provided transit passes. Beginning January 1, 2001, eligibility is expanded to include facilities providing transit passes to students and patrons of medical facilities, certain utilities, and consumer-owned utilities. The credit allowed is based upon the certified cost of the facility. The first and second year is 10 percent. The third, fourth, and fifth year is 5 percent of the certified cost during the period the facility is certified.				
Enterprise Zone Credits • Electronic Commerce in Designated Enterprise Zone	ORS 315.507	For tax years beginning on or after Jan. 1, 2002.	Yes, 5 years.	No.	Local enterprise zone authorization and qualification. Contact Economic and Community Development, 503-986-0123. www.oregon.gov/ECDD
<i>Description of Credit</i>	Available to qualified businesses engaged in e-commerce in an approved enterprise zone. The credit is equal to 25 percent of the investment in electronic commerce operations, limited to the lesser of \$2 million or the tax liability.				
• Long-Term Enterprise Zone Facilities	ORS 317.124, 317.125	For a five- to 15-year period; for tax years beginning on or after Jan. 1, 1998, and within three years of date placed in service. For facilities certified on or before Dec. 31, 2006.	Yes, 5 years	Yes, 150-102-043, Department of Revenue.	Taxpayer must receive written approval from the governor and retain details for audit verification. Contact Economic and Community Development, 503-986-0123, www.oregon.gov/ECDD
<i>Description of Credit</i>	Constructing or operating a facility certified in a nonurban enterprise zone eligible for long-term exemption from property taxes. Corp excise tax credit of 62.5 percent of payroll, employee benefit costs, and all other employee costs of the facility. Only available against the C corporation tax liability in excess of \$1 million, or lesser amount applicable to counties with population under various thresholds and meeting specified criteria. Beginning Jan. 1, 2005, a taxpayer eligible for the credit is allowed to take other eligible credits if this credit does not offset the tax liability on the return.				
• Reservation Enterprise Zone	ORS 285C.309	For tax years beginning on or after Jan. 1, 2002.	No.	Yes, 150-102-046, Department of Revenue.	Economic and Community Development, 503-986-0123, www.oregon.gov/ECDD
<i>Description of Credit</i>	The credit is allowed to eligible businesses operating a new business facility in a reservation enterprise zone. The credit is equal to the tribal property tax imposed on a new business facility that is paid or incurred by the business during the tax year, or the amount of tribal tax paid or incurred by the business during the tax year, if the business has not previously conducted business operations within the reservation enterprise zone. "Tribal tax" includes, but is not limited to, an income or excise tax, an ad valorem property tax, a gross receipts tax, or a sales and use tax.				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Farmworker Housing Project Investment	ORS 315.163-172	For projects started and completed in tax years beginning on or after Jan. 1, 1990. Refer to the ORS regarding credits for tax years before 2002.	Yes, 9 years.	Yes, 150-101-163, annual certification required for projects completed after Dec. 31, 1995.	Certified by Oregon Housing and Community Services, 503-986-2148, www.oregon.gov/OHCS
<i>Description of Credit</i>	Construction or rehabilitation of farmworker housing in Oregon. Fifty percent of costs for projects completed in tax years after 2001; no more than 20 percent of that in any one year over a 10-year period. On or after Jan. 1, 2005 eligible taxpayers may transfer all or any portion of their credit to another taxpayer. Refer to notes following ORS 315.164–House Bill 2166.				
Film Production Development Contributions	Notes following ORS 315.514	Tax years beginning on or after Jan. 1, 2005 for tax credit certifications issued on or after July 1, 2005.	Yes, 3 years.	No.	Certification issued by the Oregon Film and Video Office, 503-229-5832, www.oregonfilm.org
<i>Description of Credit</i>	A credit is allowed for contributions to the Oregon Production Investment Fund that is certified by the Oregon Film and Video Office. The amount of the tax credit shall equal the amount certified for credit by the Oregon Film and Video Office, except that a contribution must equal at least 90 percent of the tax credit.				
First Break Program	ORS 315.259	For qualified youth hired in tax years beginning on or after Jan. 1, 1998, and before Jan. 1, 2005.	Yes, 5 years.	No.	Employer must retain a copy of the certificate issued by a designated community-based organization.
<i>Description of Credit</i>	Hiring of qualified youth age 14–23, as defined by the Employment Department. Lesser of \$1,000, the amount that has not been taken by a qualified youth’s previous employer, or 50 percent of the wages paid to the youth during the relevant time period.				
Fish Habitat Improvement (For carry forward purposes only)	ORS 315.134	Beginning on or after Jan. 1, 1988. Credit must be claimed for the year in which final certification is granted.	Yes, 5 years.	No.	
<i>Description of Credit</i>	The credit is 25 percent of the amount certified.				
Fish Screening Devices	ORS 315.138	For final certifications in tax years beginning on or after Jan. 1, 1990.	Yes, 5 years.	No.	Certificate issued by Department of Fish and Wildlife, 503-947-6229, www.oregon.gov/ODFW
<i>Description of Credit</i>	Installations of fish screening devices, bypass devices, or fishways. 50 percent of installation costs, not to exceed \$5,000 per device.				
Individual Development Accounts	ORS 315.271	For donations made on or after Oct. 23, 2000, to fiduciary organization approved by Oregon Housing and Community Services.	Yes, 3 years.	No.	Lender must retain detail for audit verification.
<i>Description of Credit</i>	Lesser of \$25,000 or 25 percent of the donated amount for donations made before January 1, 2002. Lesser of \$75,000 or 75 percent of the donated amount for donations made on or after January 1, 2002.				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Insurance: Available to Insurance Companies					
• Workers' Compensation Tax	ORS 317.122	All insurance credits can be claimed by both foreign and domestic insurance companies in tax years beginning on or after Jan. 1, 1997.	No.	Yes, 150-102-044, Department of Revenue.	Companies must retain details for audit verification.
<i>Description of Credit</i>	Lesser of the premium assessment to fund operations of the Oregon Insurance Division or the excise tax on the profit attributable to the workers' compensation line of business.				
• Fire Insurance Gross Premiums Tax	ORS 317.122		No.	No.	Companies must retain details for audit verification.
<i>Description of Credit</i>	Tax paid to the Insurance Division for Fire Marshal tax.				
• Guaranty Association Assessments: OLHIGA	ORS 734.835		No.	No.	Companies must retain details for audit verification.
<i>Description of Credit</i>	A credit for 20 percent of the amount paid in each of the five calendar years following the year in which the assessment is paid to the Oregon Life and Health Insurance Guaranty Association (OLHIGA).				
Lenders: Available to Commercial Lending Institutions					
• Lending Institution Loans for affordable Housing	ORS 317.097	For loans made on or after Jan. 1, 1990, and before Jan. 1, 2020.	Yes, 5 years.	Yes, 150-102-125, Department of Revenue.	File annual statement with Oregon Housing and Community Services, 503-986-2036, www.oregon.gov/OHCS
<i>Description of Credit</i>	Loans to finance certified housing projects for low-income households. For tax years beginning on or after Jan. 1, 2005, total credits attributable for eligible loans for any tax year has increased from \$6 million to \$11 million.				
• Energy Conservation Loans	ORS 317.112	For loans made on or after Jan. 1, 1982.	Yes, 15 years for loans made after Sept. 28, 1991.	Yes, 150-102-125, Department of Revenue.	Lender must retain details for audit verification.
<i>Description of Credit</i>	Loans to improve space heating efficiency for oil- and wood-heated residences.				
• Farmworker Housing Loans	ORS 317.147	For loans made on or after Jan. 1, 1990. For farmworker housing projects completed on or after Jan. 1, 2002. Nonprofit lenders with no tax liability may sell the credit to other taxpayers. See OAR 150-317.147 for more information.	No.	Yes, 150-102-125, Department of Revenue.	Lender must retain details for audit verification.
<i>Description of Credit</i>	Loans for construction or rehabilitation of farmworker housing in Oregon. The credit is equal to 30 percent if the loan was made in tax years beginning on or after January 1, 1996, and the farmworker housing project was completed before January 1, 2002. The credit is equal to 50 percent if the loan was made in tax years beginning before January 1, 1996, or if the farmworker housing project was completed on or after January 1, 2002. Claimed over the term of the loan or 10 years, whichever is shorter.				
Long-Term Care Insurance	ORS 315.610	Tax years beginning on or after Jan. 1, 2000.	No.	No.	Taxpayer must retain details for audit verification.
<i>Description of Credit</i>	Lesser of 15 percent of premiums paid or incurred during the tax year, or \$500 multiplied by the number of Oregon employees covered. For policies issued on or after Jan. 1, 2000.				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Motor Vehicle Insurance (Mile-based or time-based)	Notes following ORS. 317.122	Tax years beginning on or after Jan. 1, 2005 and before Jan. 1, 2010.	No.	No.	Obtain a verified statement from the policy holder.
<i>Description of Credit</i>	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 of the tax liability.				
On-Farm Processing Facilities	ORS 315.119	For tax years beginning on or after Jan. 1, 2002, and before Jan. 1, 2008.	Yes, 5 years.	No.	Contact Department of Revenue at 503-378-4988 or within Oregon at 1-800-356-4222, www.oregon.gov/DOR
<i>Description of Credit</i>	The amount of credit is the lesser of: the effective property tax rate multiplied by the adjusted basis of the qualified machinery and equipment; or \$30,000.				
Plastics Recycling (For carry-forward purposes only.)	ORS 315.324	For investments made on or after Jan. 1, 1986, and prior to Jan. 1, 2002.	Yes, 5 years.	No.	Certificate issued by Department of Environmental Quality, 503-229-6878. www.oregon.gov/DEQ
<i>Description of Credit</i>	The credit is allowed beginning in the tax year the investment received final certification. The taxpayer claiming the credit must have been recycling, collecting, transporting, processing, or manufacturing a reclaimed plastic product during the tax year for which the credit is claimed. The maximum credit allowed in any one year shall be the lesser of the tax liability or 10 percent of the certified cost of the taxpayer's investment.				
Pollution Control Facilities	ORS 315.304	For construction completed before Jan. 1, 2007.	Yes, generally 3 years. Up to 3 additional years if certain conditions are met.	Yes, see www.oregon.gov/DEQ	Certificate issued by Department of Environmental Quality, 503-229-6878, www.oregon.gov/DEQ
<i>Description of Credit</i>	For the prevention, control or reduction of air, water, or noise pollution, nonpoint source pollution; solid or hazardous waste; recycling; or disposal of used oil. Tax credit certification issued by DEQ for qualified taxpayers. The maximum total credit allowable shall not exceed one-half of the certified cost of facility multiplied by the certified percentage allocable to pollution control.				
Qualified Research Activities	ORS 317.152, 317.153, and 317.154	For tax years beginning on or after Jan. 1, 1989, and before Jan. 1, 2012.	Yes, 5 years.	Yes, 150-102-128, Department of Revenue.	Companies must retain details for audit verification.
<i>Description of Credit</i>	Five percent of increase in qualified research expenses and basic research payments (IRS Sec. 41), or 5 percent of qualified research expenses that exceed 10 percent of Oregon sales. Maximum credit of \$500,000. Limited to research activities in Oregon.				
Reforestation (For carry-forward purposes only.)	ORS 315.104 and 315.106	For preliminary certification issued on or after Dec. 31, 2011.	Yes, 3 years.	No.	Certificate issued by Department of Forestry, 503-945-7368, www.oregon.gov/ODF
<i>Description of Credit</i>	The credit shall be allowed in an amount equal to 50 percent of reforestation project costs actually paid or incurred to reforest under underproductive Oregon forestlands.				
Trust for Cultural Development Account Contributions	ORS 315.675	For donations made on or after Dec. 1, 2002, in tax years beginning on or after Jan. 1, 2002, and before Jan. 1, 2013.	No.	No.	Proof of contribution must be provided if requested by Department of Revenue.
<i>Description of Credit</i>	Credit is 100 percent of contributions to the account that are matched by an equal contribution to an Oregon cultural organization. Limited to \$500 per individual taxpayer, \$2,500 for corporations.				

Type of Credit	Oregon Law	Date Credit Available	Excess Credit Carried Forward?	Tax Form Available?	Verification Required
Voluntary Removal of Riparian Land from Farm Production	ORS 315.113	Tax years beginning on or after Jan. 1, 2004.	Yes, 5 years.	No.	Taxpayer must retain details for audit verification.
<i>Description of Credit</i>	Credit is 75 percent of the market value of crops foregone.				
Youth Apprenticeship Sponsorship	ORS 315.254	For tax years beginning on or after Jan. 1, 1991.	Yes, 2 years.	No.	Employer must retain details for audit verification.
<i>Description of Credit</i>	The amount of the credit is equal to the wages paid to a participating student by the sponsoring employer during the first year of employment, not to exceed \$2,500. The taxpayer who sponsors students must have begun participating in the youth apprenticeship program prior to November 4, 1993.				
Looking Ahead to Tax Year:					
<p>2006:</p> <p>Qualified Research Activities For tax years beginning on or after January 1, 2006, the maximum amount of the credit that may be taken is increased from \$500,000 to \$2 million, and may be carried forward up to 5 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.</p> <p>Enterprise Zones Credits. Effective on January 1, 2006, new legislation provides that the Director of the Economic and Community Development Department may approve the designation of 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.</p> <p>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.</p> <p>University Venture Development Fund Contribution. A credit is allowed for contributions to a university venture development fund when a tax credit certificate has been issued. The credit available is equal to 60 percent of the certified amount with a \$50,000 maximum. Eligible contributions may be made on or after January 1, 2006.</p> <p>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 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.</p>					



WORKSHEET FCG-20

Farm Liquidation Long-Term Capital Gain Tax Adjustment (ORS 317.063)

Name of Taxpayer (as shown on return)	Business Identification Number (BIN)	Federal Employer Identification Number (FEIN)	Tax Year
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Calculation of tax adjustments from sale of qualified farm assets

1. Oregon taxable income from Form 20, line 15; Form 20-I, line 16; or Form 20-S, line 6
(if zero or less, do not continue) 1. _____
2. Farm net long-term capital gain (NLTCG) (from line 11 below if all income is not from Oregon) 2. _____
3. Modified taxable income (subtract line 2 from line 1, but not less than zero)..... 3. _____
4. Oregon tax on the amount on line 3 (line 3 multiplied by 6.6 percent) 4. _____
5. Enter the smaller of line 1 or line 2 above. 5. _____
6. Multiply line 5 by 5 percent. 6. _____
7. Add line 4 and line 6 7. _____
8. Multiply line 1 by 6.6 percent 8. _____
9. Subtract line 7 from line 8, if line 7 is less than line 8 (if line 7 is greater than line 8, do not continue).
Enter this amount on Form 20, line 17; Form 20-I, line 18; or Form 20-S, line 8 as a **negative** number. 9. _____

Calculation of qualified farm gain

1. Total NLTCG from business from federal Form 1120, Schedule D, line 11 (reduced by any NLTCG
from non-unitary affiliates included in the federal consolidated return) 1. _____
2. 100 percent if all business is done in Oregon or Oregon apportionment percentage from
Schedule AP-1, line 18 2. _____
3. Oregon NLTCG from business activity (line 1 multiplied by line 2) 3. _____
4. NLTCG from non-business activity included in Schedule AP-2, line 7 4. _____
5. Total Oregon NLTCG (line 3 plus line 4) 5. _____
6. Total farm NLTCG from business activity included on federal Form 1120, Schedule D, line 11
(reduced by any NLTCG from non-unitary affiliates included in the federal consolidated return) 6. _____
7. 100 percent if all business is done in Oregon or Oregon apportionment percentage from
Schedule AP-1, line 18 7. _____
8. Oregon farm NLTCG from business activity (line 6 multiplied by line 7) 8. _____
9. Farm NLTCG from non-business activity included in Schedule AP-2, line 7 9. _____
10. Total Oregon farm NLTCG (line 8 plus line 9) 10. _____
11. Farm NLTCG (lesser of line 5 or line 10) 11. _____

Please mark the "FCG-20" box on the front of your return and attach the worksheet to your return

INSTRUCTIONS FOR WORKSHEET FCG-20

To reduce your tax on the qualified gain, complete the worksheet, check the box on the front of Form 20, 20-I, or 20-S, and include with your return. You do **not** need to complete the form if your net long-term capital gain in zero or a loss, or if you do not have taxable Oregon income.

Beginning in 2002, a reduced tax rate is available if you sold or exchanged capital assets used in farming. The sale or exchange must represent a substantially complete termination of your farming business.

You may not claim the special tax rate on a sale or exchange to a subsidiary/affiliate in the unitary group, as defined under Internal Revenue Code Section 267(b). Ownership of a farm dwelling or farm homesite is not considered to be ownership of property employed in the trade or business of farming.

Farming activity does not include the growing and harvesting of marketable species of trees, other than the growing and harvesting of cultured Christmas trees or certain hardwood timber.

Partnerships or S corporations. The sale of ownership interest in a farming corporation, partnership, or other entity qualifies for the special tax rate. The taxpayer must have had at least a 10 percent ownership interest in the entity before the sale or exchange.

Farming activities include:

- Raising, harvesting, and selling crops.
- Feeding, breeding, managing, or selling livestock, poultry, fur-bearing animals, or honeybees, or the produce thereof.

- Dairying and selling dairy products.
- Stabling or training of horses, including providing riding lessons, training clinics, and schooling shows.
- Propagating, cultivating, maintaining, or harvesting aquatic species, birds, and other animals.
- Any other agricultural, horticultural, or animal husbandry activity.
- On-site construction and maintenance of equipment and facilities used in farming activities.
- Preparation, storage, or disposal of products or by-products raised for human or animal use on land employed in farming activities.
- Growing and harvesting cultured Christmas trees or certain hardwood timber.

Taxpayer assistance

General tax information www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from Oregon prefix 1-800-356-4222
 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.

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.



REGISTRATION FOR OREGON EMERGENCY COMMUNICATIONS TAX

FOR REVENUE USE ONLY
Date Received
Business Identification Number (BIN)

Business Name	Federal Employer Identification Number (FEIN)
---------------	---

Physical Address of Business	City	State	ZIP Code	County
------------------------------	------	-------	----------	--------

Mailing Address (if different from above)	City	State	ZIP Code	Business Telephone Number ()
---	------	-------	----------	-------------------------------------

Location of Business Records (if different from above)	City	State	ZIP Code	Fax Number ()
--	------	-------	----------	----------------------

Type of Organization

Individual
 Partnership
 Corporation
 Other _____

Names of Owner, Partner, or Corporation Officers

Name	Street Address	City, State, ZIP Code	Social Security Number

Contact Person	Telephone Number ()
----------------	----------------------------

Nature of Business

Telecommunications Utility
 Cellular Telephone Company
 Other _____

At registration, I elect to pay the tax based on the following method (you cannot change this method unless you first obtain permission from the Oregon Department of Revenue):

- Amount of tax collected during the quarter.
 Net amount of tax billed during the quarter (gross amount billed less adjustments).

This information will be used primarily by the Oregon Department of Revenue for identification and compliance purposes in the administration of the Emergency Communications Tax Program.

I declare under the penalties for false swearing [ORS 305.990(4)] that I have examined this document and to the best of my knowledge it is true, correct, and complete.

Signature X	Title	Date
-----------------------	-------	------

150-603-002 (Rev. 11-05)

Mail to: **EMERGENCY COMMUNICATIONS TAX
 OREGON DEPARTMENT OF REVENUE
 PO BOX 14110
 SALEM OR 97309-0910**



STATE OF OREGON LODGING TAX REGISTRATION

FOR OFFICE USE ONLY
Date Received
BIN

• Print or type all information.

Business Name (including DBAs)				Federal Employer Identification Number (FEIN)	
Business Location Address	City	State	ZIP Code	County	
Mailing Address	City	State	ZIP Code	Business Telephone Number ()	
Location of Business Records (if different from above)	City	State	ZIP Code	Records Telephone Number ()	
Contact Person	Telephone Number ()	Web Address		Business Start Date	

Has a previous owner ever registered for or paid Oregon state lodging tax for this facility? If yes, list previous owner: _____
Previous Owner's Name and Address (if applicable)

Type of Organization	Type of Accommodation (please check all that apply)
<input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Government	<i>If you are responsible for multiple vacation rental properties, you must provide a listing of each property and its physical address (see page 2)</i> <input type="checkbox"/> Hotel—Number of units: _____ <input type="checkbox"/> Vacation Home—Number of units: _____ <input type="checkbox"/> Motel—Number of units: _____ <input type="checkbox"/> RV Site—Number of units: _____ <input type="checkbox"/> Bed & Breakfast—Number of units: _____ <input type="checkbox"/> Campground—Number of units: _____ <input type="checkbox"/> Cabin or Cottage—Number of units: _____ <input type="checkbox"/> Other: _____ —Number of units: _____ <input type="checkbox"/> Condo or Townhome—Number of units: _____

Names of Owners, Partners, or Corporation Officers. Please print clearly (use additional sheets if necessary):

Name	Street Address	City, State, ZIP Code	Social Security Number

FEDERAL PRIVACY ACT INFORMATION

Under the general authority of Oregon Administrative Rule (OAR) 150-305.100, the Social Security numbers of all company officers or owners must be included in this registration. This information will be used primarily by the Oregon Department of Revenue for identification and compliance purposes in the administration of the State of Oregon lodging tax.

DECLARATION

I declare under the penalties for false swearing [Oregon Revised Statute (ORS) 305.990(4)] that I have examined this document and to the best of my knowledge it is true, correct, and complete.

Signature X	Date
PRINT Name Signed Above	Telephone Number ()

Multiple Vacation Rental Properties Listings

BIN: _____

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

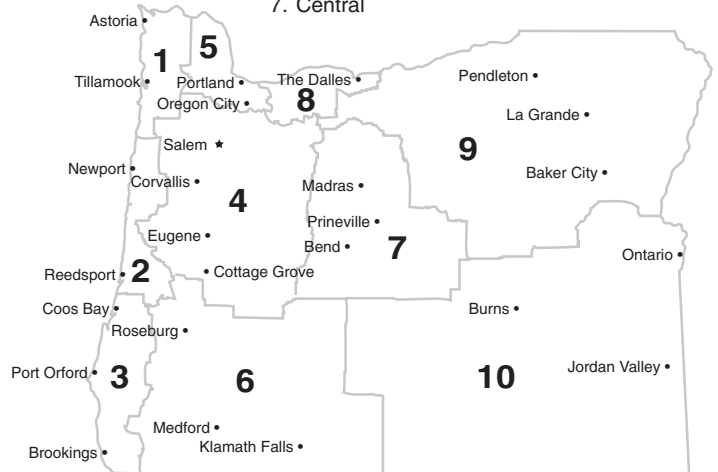
Name of Facility: _____
(if applicable)

Physical Address: _____

Region (circle): 1 2 3 4 5 6 7 8 9 10

OREGON'S TEN REGIONS

- | | | |
|------------------|----------------------|---------------------|
| 1. North Coast | 4. Willamette Valley | 8. Mt. Hood / Gorge |
| 2. Central Coast | 5. Portland Metro | 9. Northeastern |
| 3. South Coast | 6. Southern | 10. Southeastern |
| | 7. Central | |



State of Oregon

Lodging Tax Program



www.oregon.gov/DOR

ATTENTION LODGING PROVIDERS

Lodging Tax change effective January 1, 2006

The 2005 Oregon Legislature passed into law House Bill 2197, which changes the existing Oregon State Lodging Tax (ORS Chapter 320). The definition of "transient lodging" and the list of those who must pay has been expanded.

As of January 1, 2006, Oregon's Lodging Tax will be charged to anyone who stays in a "dwelling unit used for temporary overnight human occupancy" for business, pleasure, or recreational purposes.

Those who must collect Oregon Lodging Tax from overnight lodgers:

2004 - 2005

Hotels
Motels
Bed & Breakfast Facilities
RV Spaces in RV Parks
Resorts
Inns
Cabins
Condominiums
Duplexes
Short-Term Rental Apts.

2006 - forward

Everything listed under 2004-05 PLUS

Vacation Rental Houses
Tent Spaces and Yurts

AND

Any other dwelling, unit, or portion of a dwelling or unit used for temporary human occupancy.

If you provide lodging and are not enrolled in Oregon's State Lodging Tax program, we need to hear from you. If you are already enrolled, you must list all property by region when you complete your first quarter personalized tax forms.

Here are the new requirements for registering and filing for Oregon State Lodging Tax beginning January 1, 2006:

- If you are a transient lodging property owner with a **single** property, you must register with the Department of Revenue. We will assign you a unique Oregon Business Identification Number (BIN) for your property. Each quarter, you must submit a tax return and any tax collected for that property with the appropriate BIN.

- **Multiple** owners of a **single** property used for transient lodging can submit their taxes one of two ways:

- Each property owner registers with the Department of Revenue. We will assign each owner a BIN. For the period each owner rents the property, they must collect the tax, file a return, and pay the quarterly tax.

OR

- The owners may elect **one person** to act as their agent. We will assign a single BIN for the jointly owned property. The elected person must collect **all** the tax, file a tax return, and submit the tax each quarter with a list of all owners. Please include mailing address and telephone number for each owner.

- Transient lodging **property owners** or **property management companies** with **multiple** properties must register with the Department of Revenue and list each property by **region (please see map on back)**. A separate registration is required for each region in which you own property. You will receive a separate BIN for each region. You must collect the tax, file a return, and submit the tax quarterly for **each region**.

- If all properties are in **one region**, only one registration and BIN is required. You will file only one tax return for each quarter. Anyone reporting for multiple properties in a single region **must** attach a current list of each property and the physical address with each quarterly lodging tax return.

Even if you have a quarter when no tax is collected, you are still required to file a quarterly return verifying a tax of "zero" for the period.

Thank you for your cooperation. Please call if you have any questions about the Oregon Lodging Tax Program.

Doneva Miletta
Business Division
Program Coordinator
Lodging Tax Program
503-945-8123

Linda Rodgers
Business Division
Program Coordinator
Lodging Tax Program
503-945-8356

For more information about Oregon’s Lodging Tax, or to download the Lodging Tax Registration form (150-604-001), visit www.oregon.gov/DOR/BUS.

Join the Department of Revenue’s State Lodging Tax e-mail listserve to receive electronic lodging tax updates.

Subscribe at: webhost.osl.state.or.us/mailman/listinfo/statelodgingtax.

Taxpayer assistance

General tax information www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from Oregon prefix..... 1-800-356-4222

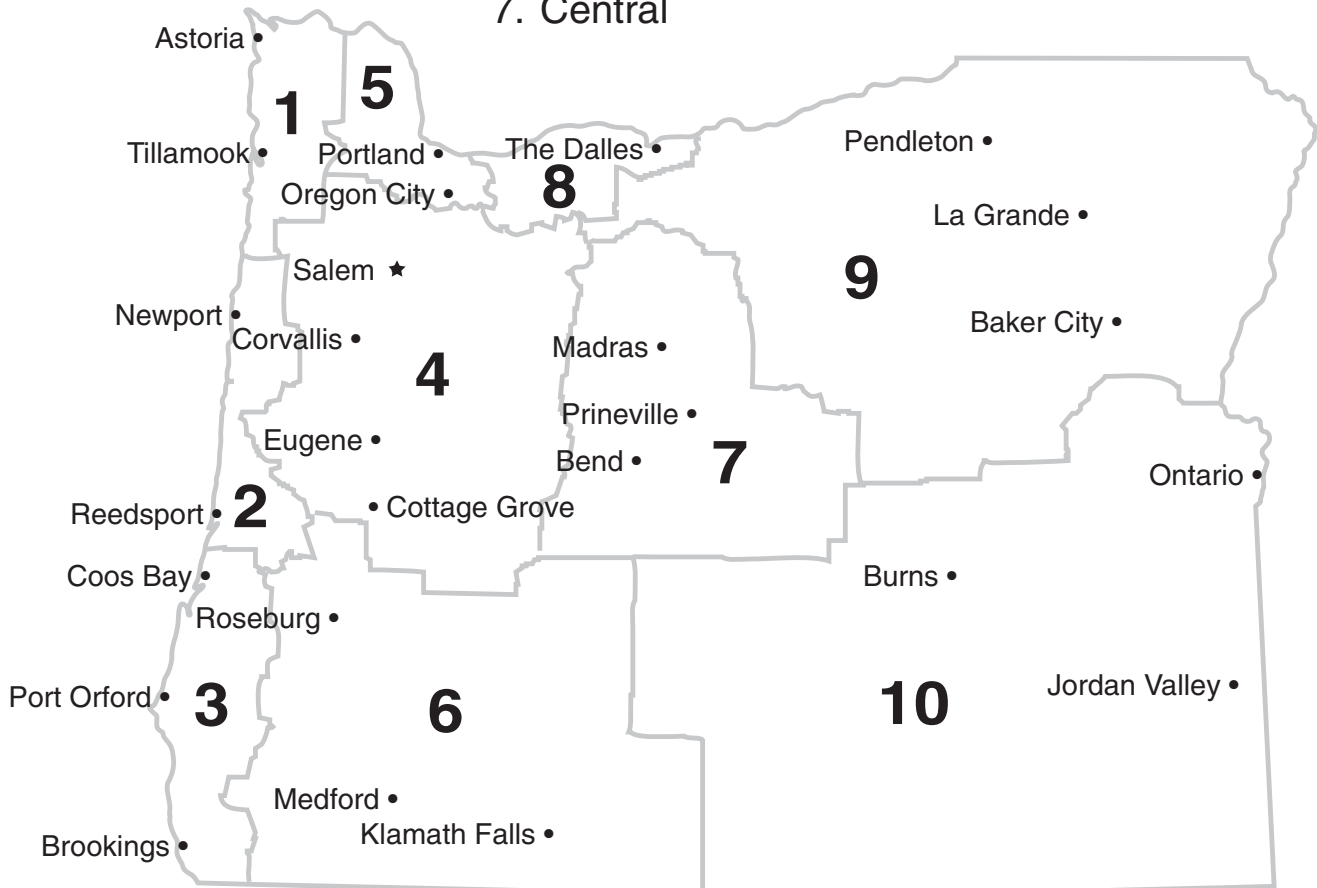
Asistencia en español:
 Salem 503-945-8618
 Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem 503-945-8617
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Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

OREGON’S TEN REGIONS

- | | | |
|------------------|----------------------|---------------------|
| 1. North Coast | 4. Willamette Valley | 8. Mt. Hood / Gorge |
| 2. Central Coast | 5. Portland Metro | 9. Northeastern |
| 3. South Coast | 6. Southern | 10. Southeastern |
| | 7. Central | |





PETROLEUM PRODUCTS REGISTRATION

(ORS 465.104)

FOR OFFICE USE ONLY	
Date Received	
Business Identification Number	

• Print or type all information.

Business Name (including dba)			Federal Employer Identification Number (FEIN)	
Business Address—Street (Bulk Facility Location)	City	State	ZIP Code	County
Mailing Address—Street	City	State	ZIP Code	Business Telephone Number ()
Location of Business Records (if different from above)	City	State	ZIP Code	Records Telephone Number ()
Contact Person		Telephone Number		Date Business Started

Type of Petroleum Products Association

Bulk Facility
 Importer
 Bulk Facility / Seller
 Seller

If you are a Bulk Facility only (not a seller), list your customers in the spaces provided. Use back of form if needed.

1 _____	4 _____
2 _____	5 _____
3 _____	6 _____

Type of Organization

Sole Proprietorship
 Partnership
 Corporation
 LLC
 Other _____

Names of Owners, Partners, or Corporation Officers. Please print clearly:

Name	Street Address	City, State, ZIP Code	Social Security Number

Approximate number of petroleum loads **withdrawn** per quarter _____

Approximate number of petroleum loads **imported** per quarter _____

FEDERAL PRIVACY ACT INFORMATION

Under the general authority of Oregon Administrative Rule (OAR) 150-305.100, the Social Security numbers of all company officers or owners of dealerships must be included in this registration. This information will be used primarily by the Oregon Department of Revenue for identification and compliance purposes in the administration of programs related to hazardous materials. Oregon law permits disclosure of such information to governmental units outside Oregon.

DECLARATION

I declare under the penalties for false swearing [ORS 305.990(4)] that I have examined this document and to the best of my knowledge it is true, correct, and complete.

Signature	Date
X	
PRINT Name Signed Above	Telephone Number ()
Title	

Mail completed registration to: **OREGON DEPARTMENT OF REVENUE**
PO BOX 14110
SALEM OR 97309-0910