



Instructions for Oregon Depreciation Schedule

For Individuals, Partnerships, Corporations, and Fiduciaries



New information

Effective for tax year 1996 only: You are required to make a one-time adjustment on your 1996 tax return. The adjustment conforms the Oregon basis of assets to the federal basis in certain cases. The adjustment applies to assets that have a different basis because Oregon law did not conform to federal law regarding depreciation of these assets:

1. Assets placed in service in 1993 or 1994, if you claimed a different amount of Sec. 179 expense for Oregon purposes, but chose not to amend your 1993 or 1994 return to conform to the federal amount.
2. Assets placed in service between January 1, 1981 and January 1, 1985 using different federal and state depreciation methods, periods, or conventions.

No Oregon modifications due to these above depreciation differences may be claimed on subsequent returns.

In 1995, Oregon law was amended retroactively to reflect changes made to federal law. Changes relating to amortization, depreciation, and IRC Sec. 179 expense are:

- Amortization of intangibles. Federal law requires that certain intangibles be amortized over 15 years. You must file any amended Oregon returns necessary to reflect federal amortization.
- Nonresidential real property. For property placed in service on or after May 13, 1993, federal law required you to use a depreciable life of 39 years. If you used a life of 31.5 years for Oregon depreciation, you must amend your returns to conform the Oregon depreciation to a life of 39 years.
- Section 179 expense. For tax years beginning on or after January 1, 1993, federal law allowed a maximum expense of \$17,500. Oregon adopted this same maximum amount retroactively to 1993. You may choose to amend your 1993 and 1994 returns to conform to the federal amount, or make an adjustment on your 1996 tax return.

Tax words

Depreciation. This is the way you deduct the cost of the property over its useful life. Property you depreciate must have a useful life of more than one year. Depreciation starts when the property is first made available for use (placed in service). You can't depreciate the cost of land.

Amortization. This is an expense similar to depreciation. Amortization allows you to deduct the cost of some intangible property over a certain period of time.

Sec. 179 expense. This allows you to expense some of the cost of certain property in the year you acquire it, rather than recovering the entire cost over the property's recovery period.

Basis of property. Generally, the cost of the property is its basis. Did you first place assets in service outside Oregon and later bring them into Oregon? If so, the basis for figuring depreciation is the same basis you would use to figure the gain or loss on the sale of that property.

Assets first placed in service outside Oregon. Did you bring assets into Oregon on or after January 1, 1985? Were they first placed in service outside Oregon on or after January 1, 1985? Assets placed in service in tax years beginning on or between January 1, 1985, and December 31, 1986, are depreciated using the Accelerated Cost Recovery System (ACRS). Assets placed in service on or after January 1, 1987, are depreciated using the Modified Accelerated Cost Recovery System (MACRS).

Did you first place assets in service outside Oregon after December 31, 1980, but before January 1, 1985? If so, the basis for depreciation will be the lower of federal unadjusted basis or fair market value. The federal unadjusted basis is the original cost before any adjustments. Adjustments include: reductions for investment tax credits, depletion, amortization, or amounts expensed under Internal Revenue Code (IRC) Section 179. The asset's fair market value and useful life are figured when the asset is brought into Oregon. However, if you are subject to the apportionment rules, basis is computed using original cost and 1980 federal depreciation methods.

Did you first place assets in service outside Oregon before January 1, 1981? If so, your Oregon basis will be the same as your federal basis.

Useful life. This is the number of years you can reasonably expect to use the property in your trade or business, or hold the property to produce income for you.

Salvage value. This is the amount you expect the property to be worth at the end of its useful life (see above). Salvage value is figured when you acquire the property.

Real property. This type of property includes land and generally any buildings or improvements on the land. Land can't be depreciated, but buildings and most improvements can. Apartment complexes and office buildings are examples of depreciable real property.

Personal property. Property which isn't real property is generally personal property. Machinery, equipment, tools, and vehicles are examples of business personal property which can be depreciated.

Intangible property. This is personal property that has a value but cannot be seen or touched. Examples of intangibles include goodwill, franchises, patents and trademarks. IRC Section 197 allows certain intangibles to be amortized over 15 years.

Nonresidential real property. This is property held for the production of income or property used in a trade or business. This is IRC Section 1250 real property that is not (1) residential rental property, or (2) property with a class life of less than 27.5 years. See "New Information" on page 1 for changes that may require you to amend your 1993 or 1994 tax returns.

Assets placed in service on or after January 1, 1993

MACRS is effective for assets placed in service on or after January 1, 1993. The method and life will be the same as you used on the federal return. If you elect to expense the cost of qualifying assets under IRC Sec. 179, the election and amount is also effective for Oregon purposes. See "New Information" on page 1 for 1995 law changes which may allow you to amend your 1993 and 1994 returns, or make an adjustment on your 1996 tax return.

Assets placed in service on or after January 1, 1987 and before January 1, 1993

MACRS is effective for assets placed in service on or after January 1, 1987. For assets placed in service in tax years beginning on or between January 1, 1987 and December 31, 1992, Oregon and federal law will allow you a Section 179 expense of up to \$10,000 of the cost of qualifying assets.

The regular federal investment credit was repealed for property placed in service after 1985. The credit is still available for limited types of property and expenditures. If you have taken this credit, you will have a higher basis for Oregon. This is because your Oregon basis isn't reduced by the federal credit.

Oregon also follows the federal special election to recover the cost of assets placed in service after July 31, 1986, and before January 1, 1987, using the MACRS rules.

Assets placed in service on or after January 1, 1981, and before January 1, 1987

These assets are no longer depreciated differently for federal and Oregon purposes. Use the same method and years of useful life for Oregon that you use for federal tax purposes.

Luxury car limit and record-keeping requirements

Oregon law follows current federal law regarding the luxury car depreciation limits and record-keeping requirements. For assets placed in service on or after January 1, 1985, there is no difference for Oregon. No adjustment to your Oregon return is required.

For corporations—Asset Depreciation Range (ADR) depreciation or amortization in excess of or less than Oregon allowance

The election to use ADR for Oregon applies only to assets placed in service in tax years beginning on or after October 4, 1977, and before January 1, 1985. If you are still using ADR depreciation for assets placed in service in tax years beginning before October 4, 1977 for federal purposes, you have an Oregon adjustment.

Do you need help?

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

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

For touchtone phones, our telephone voice response system has recorded tax information about many of your Oregon tax questions. You can also order tax forms. This service is available 24 hours a day.

Once you're in the system, push:

- 1— For personal income tax refund information (beginning March 1).
- 2— To order current year or amended forms.
(Some federal forms available.)
- 6— For other information.
- 0— For assistance from a representative.

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

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

Habla Español?

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

A message line is available all year for those who need assistance in Spanish. The number in Salem is (503) 945-8618.

To get forms

Income tax booklets are available at post offices and some banks and libraries. Or write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Our Internet address is: <http://www.dor.state.or.us>

The offices below provide forms and answer questions. Don't send your return to these addresses.

Salem*	Portland**
Revenue Building	Federal Building Lobby
First floor, Room 135	1220 SW Third Ave.
955 Center St. NE	Portland Oregon
Salem OR 97310	

* 7:45 A.M.–5 P.M. Monday–Friday, except holidays.

** We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays, January 2–April 15 only.

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