

EXAMPLE FOR FILING A MULTIPLE NONRESIDENT RETURN

XYZ, Inc., a fictitious California S corporation, has a fiscal year end of March 31, 1998. XYZ, Inc.'s Oregon nonresident shareholders elect to file a multiple nonresident return (MNR) by completing a 1998 Form 40N and Schedule MNR.

XYZ, Inc.'s total federal taxable income from Schedule K is \$400,000. Using property, payroll and sales apportionment factors, the Oregon apportionment percentage is determined to be 12.5 percent. Charitable contributions of \$5,000 and other states' income taxes of \$3,000 are not allowable deductions on the Oregon multiple nonresident return and must be added back to determine Oregon modified taxable income.

Oregon's modified taxable income and Oregon source income are computed as follows:

Federal taxable income	\$ 400,000
Add back:	
Charitable contributions	5,000
Other states' income taxes	<u>3,000</u>
Oregon modified taxable income	\$ 408,000
Apportionment percentage, 12.5%	× <u>.1250</u>
Oregon source income	\$ <u>51,000</u>

XYZ, Inc. has four equal shareholders. Shareholders "A" and "B" are full-year Oregon residents. Shareholders "C" and "D" are nonresidents. Neither "C" nor "D" have any other Oregon source income and elect to participate in a multiple nonresident return. "C" is single and "D" is married and files joint with her spouse. Oregon income tax is first computed on each individual participating in the multiple nonresident return and then added together.

Taxpayer "C" — ¼ of \$51,000 = \$12,750	
Compute the tax using Oregon's tax rate	
chart for "single"	\$ 986.00

Taxpayer "D" — ¼ of \$51,000 = \$12,750	
Compute the tax using Oregon's tax rate	
chart for "married filing joint"	\$ <u>824.00</u>
Total Oregon tax for multiple	
nonresident return	\$ <u>1,810.00</u>

Credits allowed on individual returns (e.g. exemption credit or elderly or disabled credit) are not allowed on the multiple nonresident return. However, credits directly attributable to the entity may be claimed.

XYZ, Inc. has \$400,000 of taxable income. Total California tax after credits is \$35,000. California and Oregon mutually tax \$51,000 of XYZ, Inc. income. XYZ, Inc. will compute their Oregon credit for taxes paid to another state using the formula in OAR 150-316.082. The credit for taxes paid to another state is the lesser of the following:

- \$ 1,810 — Oregon tax liability, after all other credits, based on mutually taxed income:
 $((\$51,000 \div \$51,000) \times \$1,810 = \$1,810)$.
- \$ 4,463 — Other states' paid tax liability, after all other credits, based on mutually taxed income:
 $((\$51,000 \div \$400,000) \times \$35,000 = \$4,463)$.
- \$35,000 — Income tax actually paid to the another state,
or
- \$ 1,810 — Oregon income tax liability after all other credits.

Net tax after credits for XYZ, Inc.'s multiple nonresident return is computed as follows:

Oregon income tax	\$ 1,810
Less: Credit for taxes paid to another state	<u>-1,810</u>
Tax liability	\$ <u>0.00</u>