

EXAMPLE FOR FILING A MULTIPLE NONRESIDENT RETURN

XYZ, Inc., a fictitious California S corporation, has a fiscal year end of March 31, 2000. XYZ, Inc.'s Oregon nonresident shareholders elect to file a multiple nonresident return (MNR) by completing a 2000 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	3,000
Oregon modified taxable income	\$408,000
Apportionment percentage, 12.5%	× .1250
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"	\$977.00

Taxpayer "D" — ¼ of \$51,000 = \$12,750	
Compute the tax using Oregon's tax rate chart for "married filing joint"	<u>\$806.00</u>
Total Oregon tax for multiple nonresident return	<u>\$1,783.00</u>

Credits allowed on individual returns (e.g. exemption credit or elderly or disabled credit) are not allowed on the multiple nonresident return. However, the credit for income taxes paid to another state is allowed and credits directly attributable to the entity may be claimed on the multiple nonresident return. Credit for income taxes paid to another state will first be computed for each individual participating in the multiple nonresident return and then added together.

Taxpayers "C" and "D" are both California residents. California and Oregon will both tax "C" and "D's" Oregon sourced income. "C" and "D" are entitled to the credit for income taxes paid to another state on their nonresident Oregon returns. Using the instructions provided in OAR 150-316.082(2) each taxpayer's credit is:

Taxpayer "C"	\$977.00
Taxpayer "D"	<u>\$547.00</u>
Total credit for income taxes paid to another state	<u>\$1,524.00</u>

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

Oregon income tax	\$1,783.00
Less: Credit for income taxes paid to another state	<u>(1,524.00)</u>
Tax liability	<u>\$259.00</u>