

2001

OREGON DEPRECIATION SCHEDULE

For Individuals, Partnerships, Corporations, And Fiduciaries

For Office Use Only

Date Received

• Do not attach this form to your Oregon individual return. Keep it with your records. Complete a new schedule each year.

Name						Social Security No., Business Identification No., or Federal EIN			
Description of property (a)	Date purchased (b)	Date placed in service (c)	Cost or other basis (d)	Oregon depreciation allowed or allowable in earlier years (e)	Method of figuring Oregon depreciation (f)	Oregon life or rate (g)	Oregon depreciation for this year (h)	Federal depreciation for this year (i)	
1. Totals							1	(h)	(i)
2. Difference in depreciation for Oregon. If federal depreciation is greater than Oregon depreciation, the difference is an addition . If Oregon depreciation is greater than federal, the difference is a subtraction							2		

Instructions

Figure your depreciation deduction for each asset. Fill in the information for columns (a) through (i). In column (f), you may use abbreviations for the depreciation method you used, such as "MACRS" for Modified Accelerated Cost Recovery System, or "150% DB" for 150 percent declining balance. Use an appropriate Oregon and federal depreciation method.

Individuals

Enter the difference in depreciation from line 2 of your Oregon Depreciation Schedule on your Oregon individual income tax return. You have an addition if your Oregon depreciation on line 1(h) is **less** than your federal depreciation on line 1(i). You have a subtraction if your Oregon depreciation on line 1(h) is **more** than your federal depreciation on line 1(i).

Fill in the amount from line 2 of this schedule on your return as an "other addition" or "other subtraction." Label the line "Difference in depreciation for Oregon," or "Dif Dep."

Part-year and nonresidents

- **Federal column**—complete an Oregon Depreciation Schedule for **all** assets both inside and outside of Oregon.
- **Oregon column**—complete another Oregon Depreciation Schedule only for property you owned while an Oregon resident, **or** property used to produce Oregon income.

Partnerships, corporations, and fiduciaries

You may also use this form to figure the difference in depreciation you report on your Oregon:

- Partnership Return of Income, Form 65
- Corporation Excise Tax Return, Form 20
- Corporation Income Tax Return, Form 20-I
- S Corporation Tax Return, Form 20-S
- Insurance Excise Tax Return, Form 20-INS
- Fiduciary Income Tax Return, Form 41

Instructions for Oregon Depreciation Schedule

For Individuals, Partnerships, Corporations, and Fiduciaries

Definitions

ACRS. Accelerated Cost Recovery System.

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.

Basis of property. Generally, the cost of the property is its basis. For assets first placed in service outside Oregon, see later section.

Depreciation. This is how 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.

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. Internal Revenue Code (IRC) Section 197 allows certain intangibles to be amortized over 15 years.

MACRS. Modified Accelerated Cost Recovery System.

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.

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.

Real property. This type of property includes land and most 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.

Recovery period. This is the length of time over which an asset is depreciated.

Recovery property. Recovery property is tangible property that can be depreciated. This property must be used in a trade or business or be held for the production of income. Recovery property doesn't include any motion picture film or videotape.

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

Section 179 expense. This allows you to claim some of the cost of certain property as an expense in the year you acquire it, rather than recovering the entire cost over the property's recovery period. Oregon allows the same amount as federal law for the Section 179 expense.

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.

One-time adjustment

Individuals. The 1996 one-time adjustment was available to conform Oregon basis of ACRS assets to federal basis. If you did not make the one-time adjustment, the asset will continue to be depreciated differently for federal than for Oregon and you will continue to make modifications on your Oregon return.

If you elected the 1996 one-time adjustment for ACRS assets, you may carryover any unused subtraction two years. You may amend your 1997 and 1998 returns within the statutory period to claim a refund based on the carryover of the subtraction. Any carryover of the subtraction not fully absorbed in the second carryover year will be lost.

Corporations. The 1996 one-time adjustment was mandatory. No further modifications to depreciation are allowed for ACRS assets.

Assets first placed in service outside Oregon

Did you bring an asset into Oregon after it was first placed in service outside Oregon? If so, use the depreciation method available for the year the asset was first placed in service outside Oregon.

The Oregon basis for depreciation is generally the lower of the federal unadjusted basis or the 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 IRC Section 179. The fair market value is figured when the asset is brought into Oregon.

For assets placed in service before 1985, the useful life is based on Oregon law in effect at the time the asset was originally placed in service and is determined when the asset is brought into Oregon. For assets placed in service after 1984, the useful life is the remaining original recovery period.

Example. Jeff has owned a business in Caldwell, ID since 1984 when he placed in service a building purchased for \$50,000. For federal purposes, the building qualified for ACRS depreciation as 18-year real property. On June 1, 1998 Jeff bought a light truck for \$12,000. For federal, the truck qualified as 5-year property depreciated under MACRS. On January 1, 2001 Jeff moved to Ontario, Oregon. Since Jeff "brought" his business assets into Oregon, he had to figure his Oregon basis in order to depreciate the assets for Oregon.

	<u>Building</u>	<u>Truck</u>
Cost (federal unadjusted basis)	\$50,000	\$12,000
Fair Market Value (as of 1/1/01)	\$95,000	\$8,000

The Oregon basis of the building is \$50,000. Oregon did not adopt ACRS for assets first placed in service before January 1, 1985, so Jeff used an allowable method using federal laws in effect as of December 31, 1980. Jeff elected to depreciate the building using the straight-line method over a useful life of 18 years for Oregon purposes.

The Oregon basis of the truck is \$8,000. Oregon adopted MACRS for assets first placed in service after December 31, 1986, so Jeff used MACRS for Oregon and began depreciating for the remainder of its original recovery period (2 years, 5 months).

The basis of an asset subject to apportionment rules when brought into Oregon is figured as if it had always been subject to Oregon tax. The original unadjusted basis is reduced by depreciation allowable in previous years, using a method acceptable to Oregon for the year the asset is placed in service. This adjusted basis is depreciated over the remaining useful life using the same allowable method.

Example. A California partnership started operation by purchasing a Los Angeles building on January 1, 1984 for \$100,000. For federal purposes, the partnership depreciated the building under ACRS as 15-year property. The partnership began doing business in Oregon on July 1, 1986. Oregon did not allow ACRS in 1984, so the partnership elected to depreciate the building using the straight-line method over a 20-year life. Since the partnership is subject to the apportionment rules, the basis of the building for Oregon is as if the building was depreciated for Oregon using the straight-line method from the date of purchase.

Cost	\$100,000
1984 straight-line depreciation	(5,000)
1985 straight-line depreciation	(5,000)
1986 depreciation through June 30 ...	(2,500) (12,500)
Oregon basis as of July 1	\$ 87,500

For Oregon purposes, the building is depreciated using an Oregon basis of \$87,500 and the straight-line method over the remaining life.

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.

Assets placed in service on or after January 1, 1987

MACRS is effective for assets placed in service on or after January 1, 1987. 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 Section 179, the election and amount is also effective for Oregon purposes.

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 because your Oregon basis isn't reduced by the federal credit. The difference in depreciation for Oregon will be shown as an "Other subtraction."

Assets placed in service on or after January 1, 1985, and before January 1, 1987

ACRS can be used for recovery property placed in service in tax years beginning on or between January 1, 1985, and December 31, 1986. Your Oregon depreciation for Section 179 election to expense the cost of assets will generally be the same as the federal amount. Assets used for the production of income but not used in a trade or business don't qualify for the Section 179 expense. The maximum Section 179 expense is \$5,000 for all property.

Assets placed in service on or after January 1, 1981, and before January 1, 1985

If you claimed the one-time depreciation adjustment on your 1996 Oregon return, you will no longer have Oregon modifications for depreciation differences for these assets. You generally will use the same method and recovery period for Oregon that you use for federal purposes. If you did not elect the one-time depreciation adjustment on your 1996 Oregon return, you may use any method allowed under 1980 federal tax law.

Passive activity losses. You may have had a depreciation difference for assets used in a passive activity that were not affected by the 1996 one-time adjustment. For example, assets transferred into Oregon or assets for which you claimed a federal tax credit may continue to have a difference in depreciation. Report your passive activity loss for Oregon using an "Other addition" or "Other subtraction" on your Oregon return. Label it "Passive activity loss," or "PAL." (Refer to federal Form 8582 and instructions for the definition of passive activity.)

Suspended losses. If you elected to align your Oregon basis with your federal basis, your 1996 one-time adjustment increased (or decreased) your Oregon suspended loss carryover by that amount. A one-time depreciation adjustment should not have been claimed.

Asset Depreciation Range (ADR)

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. Corporations still using ADR depreciation for assets placed in service in tax years beginning before October 4, 1977 for federal purposes, have an Oregon adjustment.

Taxpayer assistance

Internet

www.dor.state.or.us



The Department of Revenue Web site is a quick and easy way to download forms and information circulars, get up-to-the-minute tax information, and learn about electronic filing.

Printed information (free)

Income tax booklets are available at many post offices, banks, and libraries. **Or write to:** Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Use the order form below to order other printed tax information.



(Check individual boxes to order. Clip on the dotted line, then mail in the entire list with your return address. Most of these forms and circulars are also available on the Internet.)

- Amended Form 40X and instructions 150-101-046
- Computing Interest on Tax You Owe 150-800-691
- Credit for Income Taxes Paid to Another State 150-101-646
- Depreciation schedule 150-101-025
- Elderly Rental Assistance booklet 150-545-002
- Estimated Tax circular 150-101-648
- Estimated Tax coupons 150-101-026-2
- Estimated Tax instructions 150-101-026
- Home Care of a Person Age 60 or Older 150-101-653
- Interest and Dividends on U.S. Bonds and Notes 150-101-615
- Interstate Transportation Wages 150-101-601
- Limit on Itemized Deductions 150-101-611
- Long-Term Care Insurance Premiums Credit 150-101-622
- Married Persons Filing Separate Returns 150-101-656
- Military Personnel Filing Information 150-101-657
- Oregon Income Tax Withholding:
Some Special Cases 150-206-643
- Political Contributions 150-101-662
- Record Keeping Requirements 150-101-608
- Residential Energy Tax Credit 150-101-641
- Retirement Income 150-101-673
- Senior Citizen's Property Tax Deferral 150-490-675
- Underpayment of Oregon Estimated Tax (Form 10) .. 150-101-031
- What To Do if You are Audited 150-101-607
- Your Rights as an Oregon Taxpayer 150-800-406
- List of other printed information:
Forms/Publications Request 150-800-390

**Send to: Forms, Oregon Department of Revenue
PO Box 14999, Salem OR 97309-0990**

Please print

Your name _____

Address _____

City _____

Telephone

Salem 503-378-4988

Toll-free within Oregon 1-800-356-4222

If you have a touch-tone telephone call our 24-hour voice response system at one of the numbers above to:

- Hear recorded tax information
- Order tax forms.
- Check on the status of your 2001 personal income tax refund (beginning February 1).



Call one of the numbers above for help from a representative during the following hours:

Monday, Tuesday, Thursday, Friday 7:30 A.M.–5:10 P.M.
 Wednesday 10:00 A.M.–5:10 P.M.
Closed on holidays.
 April 1–April 15, Monday–Friday 7:00 A.M.–7:00 P.M.
Wait times may be 20 minutes or more.

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

¿Habla español? Línea de mensaje. 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.

Correspondence



Write us at 955 Center St NE, Salem OR 97301-2555. Include your Social Security number and a daytime telephone number for faster service.

Field offices

Forms and assistance are available at these offices. **Don't send your return to these addresses.**

Bend 951 SW Simpson Dr, Suite 100

Eugene 1600 Valley River Dr, Suite 310

Medford 24 West 6th St

Newport 119 NE 4th St, Suite 4

North Bend ... 3030 Broadway

Pendleton 700 SE Emigrant Ave, Suite 310

Portland 800 NE Oregon St, Suite 505

Portland* Federal Building Lobby, 1220 SW Third Ave

Salem Revenue Building, 955 Center St NE, Room 135

Salem 4275 Commercial St SE, Suite 180

Tualatin 6405 SW Rosewood St, Suite A



*January 2–April 15: Walk-in help is available from 9:00 A.M.–4:00 P.M., Monday–Friday, except holidays.

American with Disabilities Act (ADA)

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