

SCHEDULE AP — APPORTIONMENT OF INCOME FOR PARTNERSHIPS

Describe the nature and location(s) of your Oregon business activities _____

SCHEDULE AP-1 — APPORTIONMENT FORMULA

(Do not enter an amount of less than zero)

	(A) Total Within Oregon	(B) Total Within and Without Oregon	(C) Percent Within Oregon (A ÷ B) × 100
1. Property Factor —Value of real and tangible personal property used in the business (owned, at average value; rented, at capitalized value):			
a. Owned property (at original cost; see instructions)			
Inventories			
Buildings and other depreciable assets			
Land			
Other assets (describe) _____			
Minus: Construction in progress	()	()	
Total of section a			
b. Rented property (capitalize at 8 times the rental paid) ...			
c. Total owned and rented property			
	●	●	%
2. Payroll Factor —Wages, salaries, commissions, and other compensation to employees:			
<i>(not less than zero)</i>			
a. Compensation of employees			
b. Guaranteed payments (see instructions)			
c. Total wages, salaries, guaranteed payments			
	●	●	%
3. Sales Factor			
<i>(not less than zero)</i>			
a. Sales delivered or shipped to Oregon purchasers:			
(1) Shipped from outside Oregon			
(2) Shipped from inside Oregon			
b. Sales shipped from Oregon to:			
(1) The United States government	●		
(2) Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272)	●		
c. Other business receipts			
d. Total sales and other business receipts			
	●	●	%
4. Sales factor (same as line 3d)			
			%
5. Total percent (add items 1c, 2c, 3d, and 4, within column C)			
			%
6. Oregon apportionment percent. See instructions on page 1 to determine the Oregon apportionment percent			
			● _____ %

SCHEDULE AP-2 — COMPUTATION OF TAXABLE INCOME (see instructions)

1. Net income from business both in Oregon and other states	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 6)	5	× %
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. Partnership income subject to Oregon tax. Total of lines 6, 7, and 8	9	

SCHEDULE AP INSTRUCTIONS FOR PARTNERSHIPS

SCHEDULE AP-1 — Apportionment formula

For tax years starting before May 1, 2003, the apportionment formula is based on the property factor, the payroll factor, plus a double weighted sales factor. For tax years beginning on or after May 1, 2003, the apportionment factor is 80 percent times the sales factor, plus 10 percent times both the payroll and property factors. See the line 6 instructions. Taxpayers primarily engaged in utilities and telecommunications may elect to use the apportionment factor in effect prior to May 1, 2003.

The numerators of the factors include the Oregon property, payroll, and sales from businesses taxable by Oregon. The denominators of the factors include all amounts from the business (both Oregon source and non-Oregon source).

Note: If you listed additions and subtractions on Form 65, those items are also subject to apportionment.

A negative amount is not accepted. Enter zero if the factor is less than zero.

Line 1. Property factor. (1) Value owned property at original cost. Show the average value during the taxable year of the 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 non-business subrentals.

Enter business property within Oregon in column A. Enter all owned or rented business property in column B of Schedule AP-1. See Oregon Revised Statute (ORS) 314.655 and administrative rules.

Line 2. Payroll factor. Guaranteed payments representing compensation for services to a partnership are considered remuneration paid to employees for personal services

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; or
- The guaranteed payment represents compensation that would have been subject to Oregon unemployment insurance if paid to an employee.

See ORS 314.660 and administrative rules.

Line 3. 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 business is not taxable in the state of the purchaser. See ORS 314.665(3) for exceptions.

See ORS 314.620 and Public Law 86-272 to determine if a partnership 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.

Line 6. Oregon apportionment percentage.

For tax years beginning on or after January 1, 2003 and before May 1, 2003: To calculate your apportionment percent, from Schedule AP-1, add the property factor percentage (1c), the payroll factor percentage (2c), the sales factor percentage (3d), and the sales factor percentage (4). Divide that sum by the number of factors that had a positive number in the denominator. Examples: If you had no payroll anywhere, your payroll factor would have a zero denominator and the sum of the factors would be divided by three. If no payroll anywhere and no property anywhere, divide by two. If all of the factors had a number in the denominator, divide by four. Use this worksheet:

1. Total percent from line 5, Schedule AP-1. 1. _____
2. Enter the number of factors on lines 1c, 2c, 3d, and 4 of Schedule AP-1 with a positive total in column B. 2. _____
3. Divide line 1 by line 2 and round to four decimal places (ex: 12.34558% should be 12.3456%). Enter on Schedule AP-1, line 6. 3. _____

For tax years beginning on or after May 1, 2003: To calculate your apportionment percentage, from Schedule AP-1, multiply the sales percentage on line 3d by 80 percent, the property percentage on line 1c by 10 percent, and the payroll percentage on line 2c by

10 percent. Add the three percentages together. Use this worksheet:

1. Multiply the property factor from Schedule AP-1, line 1c, column C, by 0.10. 1. _____
2. Multiply the payroll factor from Schedule AP-1, line 2c, column C, by 0.10. 2. _____
3. Multiply the sales factor from Schedule AP-1, line 3d column C, by .80. 3. _____
4. Add lines 1, 2, and 3 and round to four decimal places (ex: 34.21224% should be 34.2122%). Enter on Schedule AP-1, line 6. 4. _____

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 operations;
- 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 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 1. Add the income (loss) from the federal Schedule K, lines 1 through 7. Enter the result on line 1. Note: Guaranteed payments paid to a nonresident partner of a partnership that has business activity in Oregon are treated as a distributive share of partnership income, Oregon Administrative Rule (OAR) 150-316.124(2). Guaranteed payments are subject to the allocation and apportionment provisions of ORS 314.605 to 314.675.

Line 2. Subtract the net nonbusiness income included in line 1. Attach a schedule listing the source and amount on the nonbusiness income.

Line 3. Subtract gains from prior year installment sales included in line 1. OAR 150-314.615-G requires the apportionment of installment sales using the same apportionment factor that was used in the year of sale. Attach a schedule listing the installment sales gain. See instructions for line 8.

Line 7. Add all of the nonbusiness income that is allocated entirely to Oregon. Attach a schedule listing the source and amount of the nonbusiness income allocated to Oregon.

Line 8. Multiply the installment gains subtracted on line 3 by the apportionment factor used in the year of the sale. Enter the result. Attach a schedule showing the apportionment factor used in the year of the sale.