Oregon
Corporation Excise/Income Tax 1997

Forms 20 and 20-I with Instructions
Schedules AP and AF with Instructions

General information

This publication is a guide. It isn't a complete statement of Oregon laws or Oregon Department of Revenue rules. For more information, refer to the laws and rules.

New information for 1997

Domestic and foreign insurance companies, subject to the Oregon excise tax, are now required to file a Form 20-INS. For more information or to receive a copy of Form 20-INS and instructions, see "Taxpayer Assistance" on page 16.

With the adoption of Chapter 839, Section 26, Oregon Laws 1997 (Senate Bill 1144), Oregon tax law is now tied to the Internal Revenue Code (IRC) as it is in effect for the taxpayer's tax year. Changes made to the definition of federal taxable income will be effective for Oregon at the same time they are effective for federal purposes.

For 1997 and future years, Oregon's definition of taxable income for corporations will be the same as for federal income tax purposes, except for modifications required under Oregon tax law. **Note:** You may need to amend your 1995 and 1996 returns to reflect Oregon's retroactive tie to federal changes made after April 15, 1995.

The computer, scientific equipment, or research credit due to expire December 31, 1997 has been extended until December 31, 2003.

Oregon recognizes the federal "check the box" regulations for unincorporated organizations.

Filing requirements

Oregon has adopted the federal consolidation laws. **If you filed a consolidated federal return,** corporations that are a part of the unitary group and are included in the consolidated federal return must be included in the consolidated Oregon return. This is true even if these corporations aren't doing business in Oregon and don't have an Oregon source of income. (See the instructions for Schedule AP, page 14.) Corporations that aren't unitary are excluded from the consolidated Oregon return.

A corporation filing a consolidated Oregon return must attach a complete copy of its consolidated federal return and supporting schedules as filed with the IRS.

For more information on Oregon's consolidated return laws, see Oregon Revised Statutes (ORS) 317.705 through 317.715. Also, see Oregon Administrative Rules (OAR) 150-317.705 through 150-317.715.

Unitary business. A unitary business is one that has, directly or indirectly, between members or parts of the enterprise, a sharing or exchange of value shown by:

- Centralized management or a common executive force,
- Centralized administrative services or functions resulting in economies of scale, **and**
- Flow of goods, capital resources, or services showing functional integration.

If you filed a separate federal return, you must file a separate Oregon return.

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General instructions

What form do I use?

Excise tax filing requirements—Form 20

File **Form 20,** Oregon Corporation Excise Tax Return, if you are incorporated under Oregon laws, authorized to do business in Oregon, or doing business in Oregon. **“Doing business”** is defined as having **sales activity** in Oregon **and** one or more of the following:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly carried on.

The definition of doing business also includes providing services to customers as the primary business activity or incidental to the sale of tangible or intangible personal property.

Excise tax is a tax for the privilege of doing business in Oregon. It is measured by net income. All interest is included in income, no matter what its source. This includes interest on obligations of the United States, its instrumentalities, and all of the 50 states and their subdivisions.

Excise tax filers are subject to a **$10 minimum tax.**

Income tax filing requirements—Form 20-I

File **Form 20-I,** Oregon Corporation Income Tax Return, if your corporation derives income from sources within Oregon, but the income-producing activity doesn’t actually constitute “doing business.”

Income is from an Oregon source if it is derived from:

- Tangible or intangible property located in Oregon.
- Any activity carried on in Oregon, whether intrastate, interstate, or foreign commerce.

Don’t file Form 20-I if your corporation is doing business in Oregon. Instead, file Form 20, Oregon Corporation Excise Tax Return.

Income tax filers **are not** subject to a minimum tax.

Certain exempt nonprofit corporations must file and pay tax on income unrelated to the organization’s exempt purposes, ORS 317.920, or lobbying expenses subject to tax under IRC 6033(e). For more information, order the information circular “Information for Tax Exempt Organizations” (150-102-617). See “Taxpayer Assistance” on page 16.

Publicly traded partnerships

A “publicly traded partnership” is a partnership treated as a corporation for federal income tax purposes under IRC 7704.

The partners in a publicly traded partnership are not subject to tax on their distributive shares of partnership income. The publicly traded partnership is subject to corporation income or excise tax if it has income from an Oregon source or is doing business in Oregon.

Checklist of forms and schedules

Form number	Who must file
Form 20	Every corporation (except S corporations and insurance companies) doing business in Oregon (or authorized to do so).
Form 20-I	Every corporation (except S corporations and insurance companies) with income-producing activity in Oregon. **Every Real Estate Mortgage Investment Conduit (REMIC) required to file.**
Form 20-S	Every S corporation doing business in Oregon or with income-producing activity in Oregon (or authorized if not protected by P.L. 86-272).
Form 20-INS	Every insurance company doing business in Oregon (or authorized to do so).
Schedule AP	Every corporation apportioning income within or outside of Oregon.
Schedule AF	Every corporation doing business in Oregon (or authorized to do so) with affiliates.
Form 20-ES	Every corporation which estimates its 1998 tax liability to be $500 or more.
Form 37	Every corporation with an underpayment of estimated tax or meeting an exception.
Federal Form 1120 or 1120-A*	Every corporation required to file.

*In general, Oregon’s corporation income will be the same as for federal income tax purposes, except for certain modifications. See line instructions for modifications.

Real Estate Mortgage Investment Conduits (REMIC)

A REMIC must file if it derives income from Oregon sources or has any resident holders of a residual interest. Income is from an Oregon source if it is derived from tangible property located in Oregon or intangible property used in an Oregon business.

All REMICs required to file must file Form 20-I and attach a complete copy of federal Form 1066. The REMIC must also attach a Schedule Q for each residual interest holder for each quarter of the tax year. See the instructions for line 16 (page 14) if net income is received from prohibited transactions.

Political organizations

Political organizations (campaign committees, political parties) normally do not pay state or federal taxes. However, income earned from investments is taxable. Examples include interest earned on deposits, dividends from contributed stock, rents or royalties, and gains from the sale of contributed property.

Political organizations that are incorporated must file Form 20, Oregon Corporation **Excise** Tax return. Unincorporated political organizations with taxable income are treated as corporations and must file Form 20-I, Oregon Corporation **Income** Tax return.

For more information, order the circular "Political Corporations" (150-102-663). See "Taxpayer Assistance" on page 16.

When is my return due?

Returns for the calendar year are due on or before April 15. When the 15th falls on a Saturday, Sunday or legal holiday, the due date will be the next business day. Returns for other tax periods are due on or before the 15th day of the month following the due date of the federal return for the tax year.

Oregon won't charge a late filing penalty if the return is filed by the Oregon due date, including extensions. But interest and a 5 percent late payment penalty are charged if the tax isn't paid by the due date.

Extension of time for filing

If you need more time to file **both** your federal and your Oregon returns:

- Oregon accepts the extension you have for your federal return.
- Attach a copy of your federal extension to your Oregon return and mark the extension box on Form 20 or Form 20-I.
- To avoid penalty and interest, mail any tax due on or before the original due date of your return. Attach the payment to a separate copy of your federal extension.
- Include the amount you paid with your extension on Form 20, line 45 or Form 20-I, line 23, when you file your return.

If you need an extension of time to file for **Oregon only,** send us a federal extension form. Write "For Oregon Only" across the top. Include your payment. Mail the extension request to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960. We'll notify you only if your extension is denied. **More time to file doesn't mean more time to pay your tax!** Even if you have an extension, any tax due is payable on the original due date of the return.

Include a copy of your extension with your return when you file. Attach the extension at the back of the Oregon return and schedules. It should be the last item before the federal corporation return. Check the appropriate box on Form 20 or Form 20-I if you have attached an extension.

Penalty and interest

Penalty. Include a penalty payment if you:

- Mail your tax due after the original due date (even if you have an extension).
- File your excise tax return showing tax due after the due date, including any extension.

Penalty is 5 percent of the unpaid balance of your tax.

If you get an extension, the penalty won't be charged if you:

- Pay at least 90 percent of the tax due on or before the original due date of the return, **and**
- Pay the balance of tax when you file within the extension period, **and**
- Pay any interest due either when the return is filed or within 30 days of billing by the department.

If you **file more than three months** after the original or extended due date, add an additional penalty of 20 percent of the unpaid tax. If you don't file returns for three consecutive years by the due date of the third year's return, including extensions, you must pay a 100 percent penalty on the tax liability for each tax year. Include any penalty due on Form 20, line 48 or Form 20-I, line 26.

Interest. If you don't pay the tax by the due date, interest will be charged on the unpaid tax.

The current interest rate is .8333 percent per month (.0274 percent per day). The interest rate may change once a calendar year.

Interest is figured daily for periods of less than a month. A month, for example, is May 16 to June 15. Here's how to figure daily interest:

Tax × Daily interest rate × Number of days

Interest accrues during an extension of time to file.

Additional interest on deficiencies and delinquencies. Interest will increase by one-third of 1 percent per month (4 percent yearly) on deficiencies or delinquencies if the following occurs:

- You file a return showing taxes due (self-assess a tax liability), or the Department of Revenue has assessed an existing deficiency, **and**
- The assessment isn't paid within 60 days after the notice of assessment is issued.

Interest on underpayment of estimated tax. You have an underpayment if you paid less than 100 percent of the tax due on each estimated tax payment due date. You don't have an underpayment if you owe less than $500 tax on your 1997 return. The tax you owe is the net tax on Form 20, line 44 or Form 20-I, line 22. If you have an underpayment, you must file Oregon Form 37, "Underpayment of Estimated Taxes." **Attach Form 37 to your return.**

Use Form 37 to figure:

- The amount of underpayment of estimated tax.
- The amount of interest you owe on the underpayment.
- Any exception to the payment of interest.

To get Form 37, see "Taxpayer Assistance" on page 16.

On Form 20, line 49 or Form 20-I, line 27, include interest for payment of tax after the original return due date. On Form 20, line 50 or Form 20-I, line 28, include interest due from underpayment of estimated tax. Check the appropriate box on Form 20 or Form 20-I if you have attached Form 37.

Federal audit changes

If the IRS changes your federal net income for any tax year, you must notify the Oregon Department of Revenue. File an amended Oregon return and attach a copy of the federal audit report. Mail this separately from your current year's return to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960. If you don't amend, or send a copy of the federal report, the Oregon Department of Revenue has two years from the date the department is notified of the change by the IRS to issue a deficiency notice. You **must** file within two years after the date of the federal report to receive a refund.

Amended returns

If you change net income by amending your federal return, you must file an amended Oregon return within 90 days. Attach a copy of the amended federal return to the amended Oregon return and explain the adjustments made.

On the line for estimated tax payments, enter the net income or excise tax per the original return. Add or subtract prior tax adjustments to your original return.

Don't amend your Oregon return if you amend the federal return to carry a **net operating loss back** to prior years. Oregon allows corporations to carry losses forward, but not back. See instructions for Form 20, line 14.

Pay all tax and interest due when you file an amended return. You may be charged the 5 percent late payment penalty if you don't pay the tax and interest within 30 days after you receive a notice from the department. Check the appropriate box on Form 20 or Form 20-I if you are filing an amended return.

Form 20 instructions

Heading

Use the mailing label in the name and address space. Correct the name, address, or federal employer identification number, if necessary. If you didn't receive a label, type or print the required information.

Generally, file the consolidated Oregon return in the name of the common parent corporation. If the parent corporation isn't doing business in Oregon, file the return in the name of the member of the group having the greatest presence in Oregon. "Having the greatest presence" means the member which has the largest Oregon property value as determined under ORS 314.655 (see Schedule AP-1, Property Factor).

Business Identification Number. Each corporation is now identified by a business identification number (BIN) assigned by the department. You may have already been assigned a BIN if payroll taxes, workers' compensation, or unemployment payments are made to the State of Oregon. If you do not have a BIN, one will be assigned when your return is received.

Questions

Answer questions A through L. Furnish additional information where necessary.

Question E(1). If the answer is YES, attach a list of the corporations included in the consolidated federal return.

Question E(2). If the answer is YES, attach a list of the corporations included in the consolidated Oregon return that either:

- Are "doing business" in Oregon;
- Have income from Oregon sources; or
- Are otherwise required to register with the Oregon Office of the Secretary of State, Corporation Division.

List each corporation's name, business identification number, federal employer identification number and date affiliate became part of, or left, the unitary group on Schedule AF.

Question E(3). If the answer is YES, attach a list of corporations included in the consolidated federal return but not this Oregon return. List each corporation's name, business identification number (if any), and federal employer identification number.

Question F. If the box is checked, use a copy of Schedule AF—List of Affiliates to list additional affiliates. Attach the copies directly behind the original Schedule AF.

Question G. A "high-income taxpayer" is one that had federal taxable income, before net operating loss and capital loss carryovers and carrybacks, of $1,000,000 or more in any one of the last three tax years.

Line instructions

The following instructions are for lines not fully explained on the form.

Line 1. Taxable income from U.S. corporation income tax return. Enter the taxable income for federal income tax purposes **before** net operating loss or special deductions.

Additions

Line 2. Certain interest excluded on the federal return. Oregon gross income includes interest on all state and municipal bonds or other interest excluded for federal tax purposes. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income.

Line 3. Oregon, other taxes on or measured by net income. The Oregon excise tax can't be deducted on the Oregon return. Taxes of other states or foreign governments on or measured by net income or profits can't be deducted on the Oregon return. However, local taxes, such as the Multnomah County Business Income Tax, are deductible.

Line 4. Income of related FSC or DISC. The net income or loss of a foreign sales corporation (FSC) or domestic international sales corporation (DISC) must be included in the net income of its related U.S. affiliate.

Line 5. Other additions. Enter the amount by which any item of gross income is greater under Oregon law than under federal law, or the amount by which any allowable deduction is less under Oregon law than under federal law. Examples:

- **Federal depreciation or amortization in excess of Oregon allowance.**
- **Gain or loss on the disposition of depreciable property.** The difference in gain or loss on sale of business assets when the Oregon basis is less than it is for federal purposes. See ORS 317.356.
- **Safe harbor lease agreements.** Oregon did not tie to the provisions of IRC 168(f)(8). See OAR 150-317.349-(A) and 150-317.349-(B) for details about the adjustments required for Oregon.
- **Capital construction fund** amounts deferred under Section 607 of the Merchant Marine Act of 1936 and IRC 7518 must be added back to income.
- **IRC 631(a) treatment of timber isn't recognized by Oregon.** Both beginning and ending inventories must be adjusted for IRC 631(a) gain. For Oregon purposes, there is no taxable event until actual sale.
- **Federal bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowable for Oregon.** The bad debt method of financial institutions is tied to the federal method. For taxpayers required to use the specific write-off method, an addition must be made if the amortization of the federal reserve is less than the amortization of the Oregon reserve. See ORS 317.310.
- **Gains from involuntary conversions and like kind exchanges** can't be deferred if property located or having situs inside Oregon is converted or exchanged for property located or having situs outside of Oregon.

  Such gains can be deferred if property located or having situs outside Oregon is converted or exchanged for property located or having situs inside or outside Oregon. Gains on property located or having situs inside of Oregon can only be deferred if the property is converted or exchanged for property located or having situs inside Oregon. (See OAR 150-314.290.)
- **Net federal capital loss deduction.** If the Oregon and federal capital loss deductions are different, add the federal capital loss back to income on this line. The Oregon capital loss will be deducted on either line 14, page 1 (by corporations not required to apportion income) or line 10, Schedule AP-2 (by corporations required to apportion income).
- **Percentage depletion in excess of cost.** Percentage depletion is allowed only on metal mines. All other assets are limited to cost depletion.
- **Inventory costs.** The costs allocable to inventory are the same as those included in IRC 263A. Differences in depreciation and depletion allocable to inventory result in a modification.
- **Losses of non-unitary corporations.** The net losses of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Attach a schedule showing computation of the net loss eliminated. See instructions for line 10.
- **Unused business credits.** Unused business credits taken as a federal deduction must be added back to Oregon income.

Subtractions

Line 8. Work opportunity credit wages not deducted on the federal return. Enter the amount of wages that weren't deducted on the federal return because the work opportunity credit was claimed.

Line 9. Dividend deduction. A 70 percent deduction is allowed for qualifying dividends regardless of geographic source. An 80 percent deduction is allowed for dividends from corporations owned 20 percent or more. The Oregon deduction is computed as follows:

WORKSHEET FOR COMPUTING DIVIDEND DEDUCTION

1. Dividends included in federal taxable income prior to "special deductions"		1. ________
2. Minus:		
a. Dividends described in IRC 243(d)	2a. ________	
b. Dividends described in IRC 245(c) and 246(d) (from FSCs and DISCs)	2b. ________	
c. Other income not treated as dividends under federal law	2c. ________	
d. Dividends from debt financed stock	2d. ________	
e. Dividends from corporations included in consolidated Oregon return	2e. ________	
f. IRC Section 78 Gross-Up	2f. ________	
3. Total (add lines 2a through 2f)		3. ________
4. Balance subject to 70% (or 80%) deduction (line 1 minus line 3)		4. ________
5. Percentage deduction		5. × .7(.8)
6. Allowable deduction (line 5 × line 4)		6. ________

Line 10. Income of non-unitary corporations. The net income of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Net income includes the separate taxable income, as determined under Treasury Regulations adopted for IRC 1502, and any deductions, additions, or items of income, expense, gain, or loss for which consolidated treatment is prescribed. Attach a schedule showing computation of the net income eliminated.

Line 11. Other subtractions. Enter the amount by which any item of gross income is less under Oregon law than under federal law, or the amount by which any allowable deduction is greater under Oregon law than under federal law. Examples:

- **Oregon depreciation or amortization in excess of federal allowance.**
- **Gain or loss on the sale of depreciable property.** The difference in gain or loss on sale of business assets when the Oregon basis is greater than it is for federal purposes. See ORS 317.356.
- **Did you take the federal investment tax credit on certain assets?** If so, your federal basis is less than your Oregon basis. You must refigure gain or loss on disposal of those assets and subtract the difference.
- **IRC Section 78 dividends** (gross-up dividends) must be subtracted from federal taxable income.
- **Dividends from foreign sales corporations and domestic international sales corporations,** the net income of which was included on line 4.
- **Dividends from corporations included in this consolidated Oregon return.**
- **Dividends from debt financed stock** to the extent deductible for federal tax purposes (see IRC 246A).
- **Oregon depletion in excess of federal allowance.**
- **Oregon bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowed on the federal return.** A subtraction is also made if the amortization of the federal reserve is greater than the amortization of the Oregon reserve. See ORS 317.310.
- **Inventory costs.** See instructions under line 5.
- **Research credit deduction.** Subtract the amount of expense not deducted on the federal return because the federal credit was taken.
- **Charitable contribution.** Subtract the amount by which a corporation must reduce its charitable contribution deduction under IRC 170(d)(2)(B).

Line 14. Net loss and net capital loss deductions.

- **Net loss deduction.** A net loss is the amount determined under Chapter 1, subtitle A of the Internal Revenue Code, with the modifications specifically prescribed under Oregon law. If you are taxable only by Oregon, the deduction on line 14 will be the sum of unused net losses for preceding taxable years. Net losses occurring in tax years starting on or after January 1, 1987 can be carried forward up to 15 years. **Oregon doesn't allow net losses to be carried back.**

  For losses and built-in losses occurring before a change in ownership, Oregon is tied to the federal limitations. (See IRC 382, 384, and ORS 317.478.)

Continued on page 13 . . .

. . . continued from page 6

The total net loss deduction on a consolidated Oregon return is the sum of the net losses available to each of the corporations subject to the limitations in OAR 150-317.476(4).

Real estate investment trusts qualified under IRC 856 aren't allowed a deduction for a net loss.

If you are taxable both in Oregon and another state, don't complete line 14. Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on line 10, Schedule AP-2.

- **Net capital loss deduction.** The federal capital loss deduction amount included in line 1 must be added back to Oregon income. Write this amount on line 5 as an "other addition."

  For corporations **not** required to apportion income, use this line to subtract net capital losses carried forward from another year. The deductible loss is limited to net capital gain included in Oregon income.

  For corporations required to apportion income, net capital losses carried forward from another year are deducted on line 10, Schedule AP-2. The deductible loss is limited to net capital gain assigned to Oregon. Attach a schedule showing the computation of the net capital loss deduction.

Line 15. Oregon taxable income. If you are apportioning income to Oregon and other states, enter the amount from line 11, Schedule AP-2.

Line 17. Excise tax. The tax is 6.6 percent of Oregon taxable income. The minimum tax is $10. Only **one** $10 minimum tax payment is required on a consolidated return.

Line 18. Interest on certain installment sales. If you owe interest on deferred tax liabilities with respect to installment obligations under ORS 314.302, enter the amount on line 18. Attach a schedule showing how you figured the interest.

Line 43. Adjustment for LIFO benefit recapture. This amount is a subtraction. Enclose it in brackets < >.

Oregon has adopted the provisions of IRC 1363(d) for S corporation elections made after December 17, 1987. **LIFO benefits are included in the taxable income for the last year of the C corporation under these provisions.** Compute on a separate schedule the difference between tax (after credits and any surplus refund) on income per the return and income without the recapture of LIFO benefits. Multiply this difference by 75 percent and enter the result on line 43 as a subtraction. Attach the computation schedule to the Oregon return.

On the tax adjustment line of each of the first three returns of the new S corporation, add one-third of the tax that was deferred from the last year of the C corporation.

Line 52. Total due. Attach a check or money order to your return. Make your check or money order payable to **"Oregon Department of Revenue."** Write your business identification number and 1997 on your check. Don't send cash or postdated checks.

Special instructions. Do you owe penalty and/or interest and have an overpayment on line 47? If your overpayment is less than total penalty and interest, fill in the result of line 51 minus line 47.

Form 20-I instructions

Heading

Use the mailing label in the name and address space. Correct the name, address, or federal employer identification number, if necessary. If you didn't receive a label, type or print the required information.

Generally, file the consolidated Oregon return in the name of the common parent corporation. If the parent corporation doesn't have Oregon source income, file the return in the name of the member of the group having the greatest presence in Oregon. "Having the greatest presence" means the member which has the largest Oregon property value as determined under ORS 314.655 (see Schedule AP-1, Property Factor).

Business Identification Number. Each corporation is now identified by a business identification number (BIN) assigned by the department. You may have already been assigned a BIN if payroll taxes, workers' compensation, or unemployment payments are made to the State of Oregon. If you do not have a BIN, one will be assigned when your return is received.

Questions

Answer questions A through L. Furnish additional information where necessary. See Form 20 instructions for Questions E through G.

Line instructions

The following instructions are for lines not fully explained on the form or in the instructions for Form 20, pages 4 through 13.

Line 10. State of Oregon interest income included on line 2. Interest on obligations of the State of Oregon isn't taxable if the obligation was issued after May 24, 1961.

Line 11. Dividend deduction. See instructions for Form 20, line 9, on page 5.

Line 12. Income of non-unitary corporations. See instructions for Form 20, line 10, on page 6.

Line 13. Other subtractions. See instructions for Form 20, line 11, on page 6.

Line 16. Oregon taxable income. Enter the amount from line 11, Schedule AP-2. **REMICs:** Enter the amount of net income from prohibited transactions from Section II, federal Form 1066.

Line 30. Total due. Attach a check or money order to your return. Make your check or money order payable to **"Oregon Department of Revenue."** Write your business identification number and 1997 on your check. Don't send cash or postdated checks.

Special instructions. Do you owe penalty and/or interest and have an overpayment on line 25? If your overpayment is less than total penalty and interest, fill in the result of line 29 minus line 25.

Schedule AP instructions

Consolidated Returns. If a corporation is a member of an affiliated group of corporations that filed a consolidated federal return, it must file an Oregon return based on that federal return.

A consolidated Oregon return is required when two or more affiliated corporations are:

- Included in a consolidated federal return;
- Unitary; **and**
- At least one of the affiliated corporations is authorized or is doing business in Oregon or has income from Oregon sources.

For more information on Oregon's consolidated return requirements, see Oregon Revised Statutes (ORS) 317.705 through 317.715 and the rules thereunder.

Corporations not included in a consolidated federal return must file a separate Oregon return if doing business or registered to do business in Oregon.

Apportionment and Allocation. Apportionment is dividing business income between the states by use of a formula. Allocation is the assignment of specific nonbusiness income to a state. A corporation having unitary business activities both inside and outside Oregon must use the apportionment and allocation methods provided under the Uniform Division of Income for Tax Purposes Act (ORS 314.605 through 314.670), ORS 314.680 through 314.690, and the rules under ORS 314.280.

The following businesses use modified or different apportionment factors as provided in the following Oregon Administrative Rules (OARs) and laws:

Insurance companies	ORS 317.660
Title insurance companies incorporated in Oregon	OAR 150-314.280-(E)
Health care service contractors	OAR 150-314.280-(E)
Financial corporations	OAR 150-314.280-(N)
Railroads	OAR 150-314.280-(H)
Airlines	OAR 150-314.280-(I)
Trucking companies	OAR 150-314.280-(J)
Sea transportation companies	OAR 150-314.280-(K)
Interstate river transportation companies	OAR 150-314.280-(L)
Long term construction contractors	OAR 150-314.615-(F)
Movie and television production companies	OAR 150-314.615-(H)
Interstate broadcasters	ORS 314.682 OAR 150-314.684 (4) OAR 150-314.686

Oregon income is the total of the corporation's apportioned and allocated income assigned to Oregon.

Schedule AP must be completed by each corporation carrying on a unitary business both inside and outside Oregon. If another method of assigning income is proposed, Schedule AP still must be completed. A full explanation of the other method must be made.

Schedule AP-1

The denominators of the property, payroll, and sales factors shall include amounts only from corporations included in the consolidated federal return **and** part of the unitary group. The numerators of the factors must include the Oregon property, payroll, and sales from each of the corporations taxable by Oregon.

Property Factor

(1) Value owned property at original cost. Show the average value during the taxable year of 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 nonbusiness subrentals.

Enter all owned or rented business property in Column B of Schedule AP-1. Enter business property within Oregon in Column A. See ORS 314.655 and the rules thereunder.

Payroll Factor

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.

See ORS 314.660 and the rules thereunder.

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 corporation is not taxable in the state of the purchaser. See ORS 314.665(3) for exception.

See ORS 314.620 and Public Law 86-272 to determine if a corporation 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 the rules thereunder.

Line 6. Average percent. Divide the sum of the property factor, the payroll factor, and two times the sales factor by 4 if the corporation had all of these factors. Reduce the denominator of 4 by the number of factors with a zero denominator. Example: If a unitary group of corporations had no payroll anywhere, the payroll factor would have a zero denominator and the sum of the factors would be divided by 3 (if no sales, divide by 2).

Schedule AP-2

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 operation;
- Gain or loss on the disposal of business property;
- 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 also 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. See 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 the rules thereunder.

Line 3. Minus: Gains from prior year installment sales included in line 1. OAR 150-314.615-(G) requires that installment gains be apportioned to Oregon using the average percent from the year of the sale rather than the year payment is received.

Line 8. Add: Gains from prior year installment sales apportioned to Oregon. Multiply the installment gains subtracted on line 3 by the average percent from the year of the sale.

Line 10. Net loss deduction. See instructions for line 14, Form 20, on page 6.

Schedule AF instructions

Use this schedule to list those affiliates doing business in Oregon that are part of the unitary group. If you have more than 13 affiliates, please make as many copies of this form as necessary and attach them directly behind Schedule AF—List of Affiliates.

Printed information (free) State forms only

Check individual boxes to order. Clip on the dotted line, then mail in the entire list with your return address. These forms and circulars are also available on the Internet. Our Internet address is: http://www.dor.state.or.us

- ☐ Additional Tax Credits for Corporations 150-102-699
- ☐ Authorization to Represent Taxpayer and/or Disclose Information 150-800-005
- ☐ Estimated Tax coupons .... 150-102-022-2 and instructions 150-102-022
- ☐ Information for Tax Exempt Organizations 150-102-617
- ☐ Lender's Credit 150-102-125
- ☐ Limited Liability Companies, Limited Liability Partnerships 150-102-613
- ☐ Political Organizations 150-102-663
- ☐ Pollution Control Facility Credit 150-102-029
- ☐ Research Credit 150-102-128
- ☐ Tax Credits for Corporations 150-102-694
- ☐ 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

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Taxpayer assistance

Do you need help?

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

The toll-free number is 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.

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

To get forms write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Some forms are also available on our website. Our Internet address is: http://www.dor.state.or.us

The office below provides forms and will answer questions. **Don't send your return to this address.**

Salem*

Revenue Building
First floor, Room 135
955 Center St. NE
Salem OR 97310

*Office hours: 7:45 A.M.– 5 P.M. Monday–Friday. Closed on holidays.

Correspondence. Use the Salem address above. Include your business identification number and a daytime telephone number. Including both will allow us to help you faster.

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

150-102-021 (Rev. 8-97)