

2000 Oregon

Forms 20, 20-I, 37, Schedules and Instructions

This booklet contains both Form 20 and Form 20-I.

See page 2 for which form to use.

This publication is a guide, not a complete statement of Oregon laws or Oregon Department of Revenue rules. For more information, refer to the laws and rules on our Web site, www.dor.state.or.us.

New information

Land donation subtraction. Beginning January 1, 2000, a subtraction will be allowed for the fair market value of land donated to a school district, or for the amount of the reduction in sales price of land sold to the school district. The subtraction is limited to 50 percent of Oregon taxable income.

Long-term care insurance credit. Beginning January 1, 2000, a credit will be available for employers who provide long-term care insurance on behalf of their Oregon employees. For business filers, the maximum tax credit is 15 percent of the total amount of long-term care insurance premiums provided by the taxpayer, not to exceed \$500 per employee. Premiums deducted on the federal return must be added back under ORS 317.322 if the Oregon credit is claimed.

Individual Development Accounts credit. For donations made after December 31, 1999, a credit is available for donations to a fiduciary organization for distributions made to individual development accounts. The credit is equal to the lesser of \$25,000 or 25 percent of the donation amount, not to exceed the tax liability. Any unused credit may be carried forward up to three years. Donations deducted on the federal return must be added back if the Oregon credit is claimed under ORS 315.271.

Electronic Funds Transfer. Estimated tax payments are now accepted by Electronic Funds Transfer (EFT). See page 17.

Sales factor. 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.

Important information

For processing your return

- Do not use red ink.
- Payments. Include the following information on your payments:
 - Federal Identification Number (FID#).
 - Business Identification Number (BIN), if known.
 - The tax year that your payment is for.
- Attach any payment to the front of your Oregon return.
- Estimated payments: please identify all estimated payments as claimed on your return by completing the schedule ES on your return.

Tips on the Internet

Refer to our Web site, www.dor.state.or.us, for helpful information about the Corporation Tax Program.

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General Information

How to assemble your Oregon return

Put your return in the following order before mailing:

1. Oregon Form 20 or 20-I.
2. Schedule AP, Apportionment of Income.
3. Schedule AF, Schedule of Affiliates.
4. Form 37, Underpayment of Oregon Corporation Estimated Tax.
5. Federal Extension, Form 7004.
6. Copy of federal return and schedules.

Oregon tax law is 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 are effective for Oregon at the same time they are effective for federal purposes. Oregon's definition of taxable income for corporations begins with federal taxable income, with modifications required under Oregon tax law.

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

What form do I use?

Excise tax filing requirements—Form 20

File **Form 20**, Oregon Corporation Excise Tax Return, if you are 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.

Generally, if you have an Oregon address you file a Form 20.

Domestic and foreign insurance companies subject to the Oregon excise tax are required to file a Form 20-INS.

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**.

Corporations with no business activity in Oregon, even if registered to do business in the state, are not subject to the \$10 minimum tax, and are not required to file an excise tax return.

Checklist of forms and schedules

Form number	Who must file
Form 20	Every corporation (except S corporations and insurance companies) doing business in Oregon.
Form 20-I	Every corporation (except S corporations and insurance companies) with income from an Oregon source, but not doing business 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 from an Oregon source.
Form 20-INS	Every insurance company doing business in Oregon.
Schedule AP	Every corporation apportioning income.
Schedule AF	Every corporation doing business in Oregon with affiliates.
Form 20ES	Every corporation which estimates its 2001 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 computation of corporation taxable income begins with federal taxable income, with certain modifications. See line instructions for modifications.

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 and private foundations must file and pay tax on income unrelated to the organization's exempt purposes (ORS 317.920). Lobbying expenses are subject to tax under IRC 6033(e). For more information, order the information circular *Information for Tax Exempt Organizations* (150-102-617) on page 19, or see "Taxpayer Assistance" on page 20.

General filing requirements

Oregon has adopted the federal consolidation laws. Corporations that are a part of a unitary group and are included in a consolidated federal return must be included in a 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.

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 doing business in Oregon or has income from Oregon sources.

Separate returns. Any corporation that files a separate federal return must file a separate Oregon return. Corporations not included in a consolidated federal return must file a separate Oregon return if doing business in Oregon or if the business has income from an Oregon source.

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

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

Corporations that aren't unitary are excluded from the consolidated Oregon return.

For complete information on Oregon's consolidated return laws, see Oregon Revised Statutes (ORS) 317.705 through 317.725. Also, see Oregon Administrative Rules (OAR) 150-317.705 through 150-317.725.

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.

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 federal Schedule Q for each residual interest holder for each quarter of the tax year. See the instructions for line 16 (page 17) if net income is received from prohibited transactions.

Limited Liability Companies (LLC)

An LLC can be taxed as a partnership or a corporation. Oregon follows federal law in determining how an LLC is to be taxed.

An LLC taxed as a corporation must file an Oregon corporation excise tax return (Form 20) if doing business in Oregon or a corporation income tax return (Form 20-I) if not doing business in Oregon but receiving income from an Oregon source.

An LLC taxed as a partnership must file an Oregon partnership return (Form 65) if doing business in Oregon or having income from an Oregon source, or has any Oregon resident members. If the LLC has a corporate member, the member is taxable on their share of the LLC's Oregon income.

If an LLC is part of a corporation's overall business operations and is treated as a partnership, include the corporation's ownership share of LLC property, payroll and sales in the apportionment percentage calculation on Schedule AP-1. See OAR 150-314.650.

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 Organizations* (150-102-663) on page 19, or see “Taxpayer Assistance” on page 20.

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 is 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. **Do not file a return before the end of your 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 Oregon returns:	If you need an extension of time to file for Oregon only:
Oregon accepts the extension you have for your federal return.	<ul style="list-style-type: none"> • Send us a federal extension form. • Write “For Oregon Only” across the top. • Enter Oregon amounts only.

After completing the extension:

- Include your payment.
- Do not use red ink.
- Note on the federal extension form the name, address, business identification number (BIN) if known, and federal ID number of the corporation filing the Oregon return so that any payments made with the extension will be correctly applied.
- Do not send a copy of your return with your extension request.
- To avoid penalty and interest, mail any tax due with your extension, on or before the original due date of your return. **More time to file doesn't mean more time to pay your tax!**
- Mail your extension request to:
 - Oregon Department of Revenue
 - PO Box 14777
 - Salem OR 97309-0960

We'll notify you only if your extension is denied.

When you file your return

- Do attach a copy of your extension to the **back** of your Oregon return when you file. It should be the last item before the federal corporation return (see “How to assemble your Oregon return,” page 2).
- Check the box on your return indicating “an extension is attached.”
- Enter the amount of tax paid with your extension on your return, Form 20 line 34, or Form 20-I, line 22.

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 your amended federal return to your amended Oregon return and explain the adjustments made. File an amended return using the appropriate form for the year of the original return and check the box indicating **“this is an amended return.”**

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, on page 15.

Pay all tax and interest due when you file an amended return or within 30 days after receiving a billing notice from the department. Otherwise, you may be charged a 5 percent late payment penalty.

A protective claim may be filed as an amended return to extend the statute of limitation for a refund request for a designated tax year while an issue is being litigated. Check the box indicating “this is an amended return” and write the words “Protective Claim for refund” at the top in blue ink. We will hold your protective claim until the litigation has been completed.

Form 20 instructions

Heading

Type or legibly print your corporation's name, address, and federal employer identification number.

Generally, a consolidated Oregon return is to be filed 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 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. The BIN is located on the upper right corner of the payment (OTC) coupon. 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, complete Schedule AF, Schedule of Affiliates, to list only the corporations included in the consolidated **Oregon** return (see Schedule AF and instructions) that:

- Are "doing business" in Oregon; or
- Have income from Oregon sources.

List on Schedule AF each corporation's name and address, business identification number (if known), federal employer identification number and date the affiliate became part of, or left, the unitary group if this occurred during the return year being reported.

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 and you are filing a consolidated return, 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, not including the current year.

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 (Form 1120, line 28, or Form 1120-A, line 24).

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 excise tax and other taxes on or measured by net income. 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. 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:

- **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 federal safe harbor lease provisions. 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 page 1, line 14 (by corporations not required to apportion income) or Schedule AP-2, line 10 (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 under IRC 196 must be added back to Oregon income.
- **Long-term Care Insurance Premiums credit.** Premiums deducted on the federal return must be added back if the Oregon credit is claimed under ORS 317.322.
- **Individual Development Accounts credit.** Donations deducted on the federal return must be added back to Oregon income if the credit is claimed.

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 received from corporations whose stock is owned 20 percent or more. Use the worksheet below to compute the Oregon deduction.

Line 10. Income of non-unitary corporations. 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

Continued on page 15 . . .

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.	_____

Front of Form 20, 150-102-020

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Back of Form 20, 150-102-020

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Page 1 of 4, Form 20-I, 150-102-023

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Page 2 of 4, Form 20-I, 150-102-023

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Page 3 of 4 (Schedule AP), Form 20-I, 150-102-023

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Page 4 of 4 (Schedule AF), Form 20-I, 150-102-023

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Front of Form 37, 150-102-037

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

Back of Form 37, 150-102-037

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formscorp.html>

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:

- **Gain or loss on the sale of depreciable property.** The difference in gain or loss on the 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).
- **Land donation or bargain sale of land** to educational institutions. See notes following ORS 317.485.
- **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).
- **Depreciation differences.** If Oregon basis is higher than federal basis for an asset due to claiming a federal tax credit, subtract the excess of Oregon depreciation over federal depreciation.

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.)

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 Schedule AP-2, line 10.

- **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. **Attach a schedule showing your computations including the tax year the net capital loss originated.**

For corporations required to apportion income, net capital losses carried forward from another year are deducted on Schedule AP-2, line 10. 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 Schedule AP-2, line 11.

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. Tax adjustment for 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 29. Other credits.

- Alternative fuel vehicle fueling station credit.
- Bone marrow donation program credit.
- Business energy credit.
- Child development credit.

- Computer, scientific equipment, or research credit.
- Crop gleaning credit (form 150-101-240).
- Enterprise zone investment credit.
- Farmworker housing project investment credit.
- First Break program credit.
- Fish screening devices credit.
- Individual Development Accounts credit.
- Long-term Care Insurance Premiums credit.
- Reclaimed plastics product credit.
- Reforestation credit.

Line 32. Tax adjustment for LIFO benefit recapture.

This amount is a subtraction. Oregon has adopted the provisions of IRC 1363(d) for S corporations. **LIFO benefits are included in 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 32 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 34. Estimated tax payments and claim of right credit.

Fill in the total estimated tax payments for tax year 2000 from Schedule ES. Include payments made with an extension. Also include any claim of right credit allowed. A claim of right exists when you are taxed on income and later find you have no right to that income and must repay it. Oregon allows a claim of right credit if your federal tax liability is computed under IRC 1341(a)(5). Call or write for more information. See Taxpayer Assistance on page 20.

Line 37. 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 37 or Form 20-I, line 25.

Line 38. 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 10 percent annually, or .8333 percent per month (.0274 percent per day), effective January 2001. 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:

$$\text{Tax} \times \text{Daily interest rate} \times \text{Number of days}$$

Interest accrues during an extension of time to file if the tax is not paid in full by the due date.

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 tax due, 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.

Line 39. 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. Interest on underpayment won't be imposed, however, if net tax on Form 20, line 33 or Form 20-I, line 21, is less than \$500 on your 2000 return. If you have an underpayment, you must file Form 37, "Underpayment of Oregon Corporation Estimated Tax."

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax.
- Compute the amount of interest you owe on the underpayment.
- Show you meet an exception to the payment of interest.

Form 37 is provided with these instructions, or see page 19 to order.

On Form 20, line 38 or Form 20-I, line 26, include interest for payment of tax after the original return due date. On Form 20, line 39 or Form 20-I, line 27, include interest due from underpayment of estimated tax. **Attach Form 37 to your return and check the "Form 37 is attached" box.**

Line 41. 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 (if known), federal identification number, and "2000" on your check. Please do not use red ink. Don't send cash or postdated checks.

Special instructions. Do you owe penalty and/or interest and have an overpayment on line 36? If your overpayment is less than total penalty and interest, fill in the result of line 40 minus line 36, on line 41.

Form 20-I instructions

Heading

Type or legibly print your corporation's name, address, and federal employer identification number.

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 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. The BIN is located on the upper right corner of the payment (OTC) coupon. 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. For Questions E through G, see Form 20 instructions.

Line instructions

The following instructions are for lines not fully explained on the form or in the instructions for Form 20, pages 5 through 16.

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 6.

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 15.

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 federal Form 1066, Schedule J.

Line 18. Tax adjustment for interest on certain installment sales. See instructions for Form 20, line 18, on page 15.

Line 20. Tax adjustment for LIFO benefit recapture. See instructions for Form 20, line 32, on page 16.

Line 22. Estimated tax payments and claim of right credit. See instructions for Form 20, line 34, on page 16.

Lines 25, 26, and 27. Penalty, interest, and interest on underpayment of estimated tax. See instructions for Form 20, lines 37, 38 and 39 on page 16.

Line 29. 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 (if known), federal identification number, and "2000" 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 24? If your overpayment is less than total penalty and interest, fill in the result of line 28 minus line 24, on line 29.

Schedule ES instructions

Estimated tax paid for the 2000 tax year. Fill in the total estimated tax payments made before filing your Oregon return on lines 1 through 4. Enter any refund applied from your 1999 tax return or an Oregon amended return on line 5. Enter payments made with your extension on line 6. On line 7 enter the amount of tax credit computed for claim of right. On line 8 enter the total of lines 1 through 7, then carry total to Form 20, line 34 or Form 20-I, line 22.

Consolidated return filers. If estimated payments were made under a different name, attach a schedule showing the name, federal identification number, Oregon business identification number (BIN), date of payment and the amount paid, for correct application of estimated payments.

Electronic funds transfer. The department accepts corporation estimated tax payments by electronic funds transfer (EFT). EFT reduces both the time and expense of processing payments and enhances accuracy. The following chart outlines when EFT becomes mandatory for your business.

If your Oregon estimated corporation tax period begins—		And your annual estimated corporation tax payments will exceed—	You must make your Oregon estimated tax payments using EFT beginning—
On or After	But Before		
7/1/2000	7/1/2001	\$200,000	July 1, 2000
7/1/2001	7/1/2002	\$50,000	July 1, 2001
Beginning July 1, 2002, you must make your Oregon estimated tax payments by EFT if you are required to make your federal estimated tax payments by EFT.			

Voluntary participation. If you don't meet the dollar amounts for mandatory participation in the EFT program, you may participate on a voluntary basis.

The dollar amounts shown in the chart are also mandated for combined payroll taxpayers. However, the beginning dates for corporation estimated tax payments occur one year later than those for combined payroll tax payments.

We will mail EFT Program Guides to taxpayers we believe will exceed the \$50,000 requirement for the mandatory participation that begins July 1, 2001. If you exceed the threshold or want to participate on a voluntary basis, call 503-947-2017 to register.

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 doing business in Oregon or has income from Oregon sources.

For more information on Oregon's consolidated return laws, see Oregon Revised Statutes (ORS) 317.705 through 317.725. Also, see Oregon Administrative Rules (OAR) 150-317.705 through 150-317.725.

Corporations not included in a consolidated federal return must file a separate Oregon return if doing business in Oregon or if the business has income from an Oregon source.

Apportionment and Allocation. Apportionment is dividing business income between the states by use of a formula. Allocation is the assignment of specific non-business 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:

Airlines	OAR 150-314.280-(I)
Financial corporations	OAR 150-314.280-(N)
Health care service contractors	OAR 150-314.280-(E)
Insurance companies	ORS 317.660
Interstate broadcasters	ORS 314.682–314.686
	OAR 150-314.684(4)
	OAR 150-314.686
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)
Railroads	OAR 150-314.280-(H)
Sea transportation companies	OAR 150-314.280-(K)
Title insurance companies	
incorporated in Oregon	OAR 150-314.280-(E)
Trucking companies	OAR 150-314.280-(J)

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 must still be completed. A full explanation of the other method must be made.

Schedule AP-1

The denominators of the property, payroll, and sales factors include amounts only from corporations that are included in the consolidated federal return **and** are 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.

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. If the resulting gains are business income, the net gains attributable to these sales shall be included in the sales factor.

Line 6. Average percent. Divide the sum of the property percentage, the payroll percentage, and two times the sales percentage by 4 if you had all of these factors. Reduce the denominator of 4 by the number of factors with a zero denominator. Example: If you had no payroll anywhere, your payroll percentage would have a zero denominator and the sum of the factors would be divided by 3 (if no sales anywhere, 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 non-business 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 Form 20, line 14, on page 15.

Schedule AF instructions

If you file a consolidated Oregon return and have more than one affiliate doing business in Oregon, or with Oregon source income, you **must** complete Schedule AF and submit it with your Oregon return.

List those affiliates that are doing business in Oregon, or with Oregon source income that are included in the Oregon consolidated return.

If you need more room, please make copies of the form as needed.

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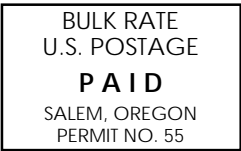
- Authorization to Represent Taxpayer and/or Disclose Information 150-800-005
- Dependent Care Credit 150-102-032
- Form 20ES, Estimated Tax coupons ... 150-102-022-2 and instructions 150-102-022
- Form 37, Underpayment of Estimated Taxes 150-102-037
- Information for Tax Exempt Organizations 150-102-617
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- Limited Liability Companies, Limited Liability Partnerships 150-102-613

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- 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

Please print

Your name _____
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Taxpayer assistance

Do you need help?

Phone: Salem **503-378-4988**
Toll-free within Oregon **1-800-356-4222**

For touch-tone phones, our telephone voice response system has recorded tax information about many of your Oregon tax questions. You also may order tax forms. This service is available 24 hours a day.

Representatives are available:

Monday–Friday 7:30 A.M.–5:10 P.M.*
*Except Wednesday 9 A.M.–5:10 P.M.
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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.

Correspondence. Use the Salem address under “To get forms.” Include your business identification number (if known) and a daytime telephone number. Including both will allow us to help you faster.

¿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.

To get forms

Internet **www.dor.state.or.us**

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

Forms and assistance are available at the office below. **Don't send your return to this address.**

Salem*
Revenue Building
First floor, Room 135
955 Center St NE
Salem OR 97301-2555

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

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