

Oregon 2001

This booklet contains Form 20-S, schedules and instructions. See page 3 for filing requirements.

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

New legislation

Credits. For tax years beginning on or after January 1, 2001, a taxpayer claiming a credit against tax must claim the full amount of any tax credit that is allowed for the tax year, to the extent of the tax liability.

Business energy tax credit. New legislation expanded credit eligibility for employee transit pass contracts to include facilities providing transit passes to students and patrons of medical facilities. Small projects with eligible costs under \$20,000 may claim the business energy tax credit in one year (instead of 5 years). Certain utilities and customers of consumer-owned utilities may now claim the business energy tax credit. Car-share expenses and sustainable building practices are eligible for the tax credit. Changes apply to certifications issued on or after January 1, 2001. For more information, contact the Oregon Office of Energy at 1-800-221-8035 or www.energy.state.or.us.

Dependent care credit. The dependent care assistance tax credit and the information & referral programs tax credit have been extended to January 1, 2007. The dependent care facilities tax credit was not extended and expired December 31, 2001. For more information, contact the Oregon Department of Employment at 1-800-556-6616 or www.emp.state.or.us; or the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

Enterprise zone investment credit. Corporations that own a facility located in certain non-urban enterprise zones may qualify for a tax credit. The facility must be certified by the Oregon Department of Economic and Community Development. For more information, contact the Department of Economic and Community Development at 1-800-233-3306 or www.econ.state.or.us.

Pollution control facility credit. The period for construction of facilities eligible for pollution control tax credits has been extended through December 31, 2007. Applications for certification may be submitted to the Oregon

Department of Environmental Quality through December 31, 2008. For more information, contact the Department of Environmental Quality at 1-800-452-4011 or www.deq.state.or.us.

Like-kind exchanges. Corporations may now defer gains realized in the exchange of like-kind property and involuntary conversions under Internal Revenue Code (IRC) § 1031 or 1033 when Oregon property is converted or exchanged for property located outside Oregon. Oregon will tax the deferred gain on the eventual taxable disposition of replacement property. This new law applies to tax years beginning on or after January 1, 1998. Corporations may amend to defer qualifying gain that was previously reported. Amended returns can be filed for tax years beginning on or after January 1, 1998 or for any tax year that is open for adjustment or amendment.

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Electronic funds transfer (EFT). For payment periods beginning on or after January 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.

For payment periods that began on or after July 1, 2001 and before January 1, 2002, you must make your Oregon estimated tax payment by EFT if you expect your total annual estimated tax liability to exceed \$50,000.

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

To register, call 503-947-2017. An EFT program guide will be mailed to you upon request or you may access the guide on our Web site at www.dor.state.or.us.

If EFT is an undue burden for you, call 503-947-2017 for assistance.

Looking ahead to tax year 2002 . . .

Credits

Advanced telecommunication facilities credit. A tax credit of certified costs for telecommunications facilities will be available for tax years beginning on or after January 1, 2002. Facilities need to apply and become certified by the Oregon Department of Economic and Community Development between January 1, 2002 and December 31, 2005. For more information, contact the Oregon Department of Economic and Community Development at 1-800-233-3306 or www.econ.state.or.us.

Electronic commerce investment credit. For tax years beginning on or after January 1, 2002, a property tax exemption and a nonrefundable income tax credit will be available for a qualified business engaged in electronic commerce in an enterprise zone approved by the Oregon Department of Economic and Community Development. For more information, contact the Oregon Department of Economic and Community Development at 1-800-233-3306 or www.econ.state.or.us.

Employer scholarship tax credit. A tax credit equal to 50 percent of scholarship funds paid by employers in providing scholarships to employees and their dependents will be available for tax years beginning on or after January 1, 2002. For more information, contact the Oregon Student Assistance Commission at 1-800-452-8807, extension 7395, or visit www.osac.state.or.us.

Farm machinery tax credit. For tax years that begin on or after January 1, 2002 and before January 1, 2008, an income or corporate excise tax credit will be available for property taxes paid or incurred on machinery and equipment used by a farm operator in processing activities. For more information, contact the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

Farmworker housing credit. The credit for farmworker housing projects completed after December 31, 2001 may be claimed for up to 10 years. The amount of the credit is increased from 30 percent to 50 percent of eligible costs. The period for claiming the credit is extended from 5 to 10 years. The annual cap on certified project costs is increased from \$3.3 to \$7.5 million. The owner or operator is allowed to transfer up to 80 percent of the credit to project contributors. Nonprofit corporations may sell the lenders credits to other corporate taxpayers. For application and eligibility information, contact Oregon Housing and Community Services, at 503-986-2055 or www.hcs.state.or.us. For information about transferring a portion of the credit, contact the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

Farmworker housing lender's credit. The credit for farmworker housing projects completed after December 31, 2001 is increased from 30 percent to 50 percent of interest income earned. Nonprofit lending institutions may sell or transfer the credit to another corporate taxpayer. For more information, contact the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

Subtractions:

Facilities location subtraction. Starting for tax year 2002, a subtraction will be available for qualified new facilities located in certain regions in Oregon. To qualify, the facilities must be certified by the Economic and Community Development Department. Contact them at 1-800-233-3306 or www.econ.state.or.us.

Capital gains from sale of farm. For sales made in 2002 and later, the tax rate imposed on net long-term capital gain derived from the sale or exchange of property used in farming is reduced to five percent. The sale must result in the termination of the owner's farming activity. Sales to related parties do not qualify for the reduced rate. For more information, contact the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

General information

Changes to taxable income. Oregon tax law generally is tied to the federal tax law that 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 is the same as for federal income tax purposes, except for required modifications found in the Oregon Revised Statutes (ORS). Oregon follows the federal provisions and tax treatment for S corporations owning qualified subchapter S subsidiaries (QSSS).

Consolidated returns. S corporations can't be included in consolidated federal returns. IRC 1361(b) provides that a corporation that is a QSSS is not treated as a separate corporation. All income, deductions, and credits of the QSSS will be treated as belonging to the parent S corporation.

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.

Filing requirements

File **Form 20-S, Oregon S Corporation Tax Return**, if your corporation files federal Form 1120S and meets the excise tax or income tax filing requirements.

Check the appropriate box on Form 20-S to indicate whether this return is an **excise** or an **income** tax return.

Excise tax filing requirements

S corporations doing business in Oregon must file Form 20-S under the **excise** tax provisions in ORS Chapter 317.

"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;
- Providing services to customers as the primary business activity or related to the sale of tangible or intangible personal property.

Excise tax filers with business activity in Oregon 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 a return.

If the S corporation has an **Oregon address**, generally the S corporation will file and pay excise tax.

Income tax filing requirements

S corporations that derive income from sources within Oregon, but whose income producing activity does not actually constitute "doing business" must file Form 20-S under the **income** tax provisions in ORS Chapter 318.

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.

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

When you file your first Oregon S corporation return, attach a copy of your federal S corporation election, federal Form 2553.

Shareholder returns

Shareholders who meet the Oregon filing requirements must file an individual income tax return. Refer to the Oregon full-year resident and the nonresident/part-year resident tax booklets.

Full-year residents file Form 40, part-year residents file Form 40P and nonresidents file Form 40N. Nonresident shareholders may choose to file an individual nonresident tax return or join together to file a multiple nonresident tax return, Form 40N with Schedule MNR.

Resident shareholders are taxed on their pro rata share of S corporation income, loss, and deductions from the federal K-1s. Those amounts are modified by Oregon additions and subtractions.

Nonresident shareholders are taxed on their pro rata share of S corporation income, loss, and deductions from the federal K-1s. Those amounts are modified by Oregon additions and subtractions.

Multiple Nonresident Income Tax return instructions are available to explain:

- Allowed deductions;
- Allowed credits;
- Estimated tax payments;
- Due date;
- Additional information.

Multiple Nonresident Income Tax return instructions with Schedule MNR are available on our Web page or by calling. 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 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.

Do not file your return before the end of your tax year.

Oregon will not charge a **late filing penalty** if the return is filed by the Oregon due date, including extensions. Interest and a 5 percent **late payment penalty** are charged if the tax is not 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.
- Please note on your federal extension form, the name, address, federal identification number (FID), and Oregon business identification number (BIN) of the corporation filing the Oregon corporation return so that any payments made with the extension will be correctly applied.
- Attach a copy of your federal extension to the back of your Oregon return and mark the “**an extension is attached**” box on Form 20-S.
- 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 does not mean more time to pay your tax.**
- Use blue or black ink.
- Include your payment.
- Mail the extension request to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960.

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 and enter Oregon amounts.

We will notify you **only** if your extension is denied.

- **More time to file does not mean more time to pay your tax!**
- Even if you have an extension, any tax due is payable on or before the original due date of the return.
- **Do not send a copy of Form 20-S with your extension request.**

When you file your return:

- Include a copy of your extension with your return.
- Put the extension at the back of the Oregon return and schedules. It should be the last item before the federal corporation return.
- Check the box on Form 20-S indicating “**an extension is attached.**”
- Include the amount you paid with your extension on Form 20-S, line 14.

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 from your original return. Add or subtract prior tax adjustments to your original return.

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.

Deferred gain

Corporations may now defer, for Oregon tax purposes, all gains realized in the exchange of like-kind property and involuntary conversions under IRC § 1031 or 1033, even though the replacement property is outside Oregon. Oregon will tax the deferred gain when it is included in federal taxable income.

Attach a copy of your federal Form 8824 to the back of your Oregon return and check the box indicating “**Form 8824 is attached**” if **all** of the following apply:

- The corporation reported deferred gain on a federal Form 8824;
- All or part of the property given up was located in Oregon; and
- All or part of the acquired property was located outside of Oregon.

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 an amended return within two years after the date of the federal report to receive a refund.

Checklist of forms and schedules (* indicates form is included in this booklet)

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. 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.
*Schedule AP	Every corporation apportioning income both within and outside of Oregon.
Form 20-INS	Every insurance company doing business in Oregon.
Form 20ES	Every corporation that estimates its 2002 tax liability to be \$500 or more.
Form 37	Every corporation with an underpayment of estimated tax or meeting an exception.
Federal Form 1120S**	Every S 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 exceptions.

Form 20-S instructions

Heading

Type or legibly print your corporation's name, address, federal employer identification number (FID), and Oregon business identification number (BIN).

Business identification number. Each corporation is identified by a business identification number (BIN) assigned by the department. You already may have been assigned a BIN if you have made payments to the state of Oregon for payroll taxes, workers' compensation, or unemployment. 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 J. Furnish additional information where necessary.

Tax computation for S corporations with federal taxable income or LIFO benefit recapture

Line 1. Income taxed on federal Form 1120S. On line 1(a), enter the amount from Form 1120S, Schedule D, Part IV, line 28. On line 1(b), enter the amount from Form 1120S, Schedule D, Part III, line 19. To determine the amount to enter on line 1(c), refer to the instructions for Form 1120S. A worksheet is contained in the 1120S instructions for line 22a. Enter the amount from line 10 of that worksheet on line 1(c). On Oregon Form 20S, enter the total of lines 1(a), (b), and (c) on line 1.

Line 2. Additions. Enter only additions that apply to taxable income included in line 1. See ORS 317.259 through 317.485. Examples of additions that apply to S corporation income are:

- State, municipal, or other interest income excluded from federal taxable income. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income. Income tax filers should not include interest on State of Oregon obligations.
- Oregon excise tax and other state or foreign taxes on or measured by net income or profits.
- The difference in gain or loss on sale of business assets when the Oregon basis is less than it is for federal purposes.

Line 3. Subtractions. Enter only subtractions that apply to income included in line 1. See ORS 317.259 through 317.485. Examples of subtractions for S corporations are:

- Interest on obligations of the United States and its instrumentalities included in line 1. **This applies to income tax filers only.**
- The difference in gain or loss on sale of assets when the Oregon basis is greater than it is for federal purposes.

Line 10. Credits against tax. Only credits carried forward from C corporation years are allowed to offset the tax on built-in gains [ORS 314.740(5)(b)]. No credits are allowed to offset the tax on excess net passive income. Attach a schedule and the required credit form listed below. Credits with a carryover provision are:

- Alternative fuel vehicle fueling station credit (ORS 317.115).
- Bone marrow donation program credit (ORS 315.604).
- Business energy credit (ORS 315.354).
- Child development credit (ORS 315.234).
- Claim of right credit (ORS 315.068).
- Computer, scientific equipment or research credit (ORS 317.151).
- Crop gleaning credit (form 150-101-240) (ORS 315.156).
- Dependent care credit (form 150-102-032) (ORS 315.204, 315.208).
- Enterprise zone investment (ORS 285B.689).
- Farmworker housing project investment credit (ORS 315.164).
- First Break program credit (ORS 315.259).
- Fish screening devices credit (ORS 315.138).
- Individual development account credit (ORS 315.271).
- Long-term care insurance premiums credit (ORS 315.610).
- Pollution control facility credit (form 150-102-029) (ORS 315.304).
- Pollution prevention credit (ORS 315.311).
- Reclaimed plastics product credit (ORS 315.324).
- Reforestation credit (ORS 315.104, 315.106).
- Research credit (form 150-102-128) (ORS 317.152, 317.153, 317.154).

For more information, see the information circular *Tax Credits for Corporations* (150-102-694). See page 15 to order the circular or go to our Web site at www.dor.state.or.us.

Line 12. Tax adjustment for LIFO benefit recapture. Make this adjustment in the first three years after a C corporation becomes an S corporation. Add one-third of the tax that was deferred on the last C corporation return.

Line 14. Estimated tax payments and other prepayments. Fill in the total estimated tax payments for tax year 2001 from Schedule ES. Include payments made with an extension.

Line 17. Penalty. Include a penalty payment if you:

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

Continued on page 11...

Form 20-S, page 1 of 3, 150-102-025

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formscorp.html>

Form 20-S, page 2 of 3, 150-102-025

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

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

Form 20-S, page 3 of 3 (Schedule AP), 150-102-025

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

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

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The penalty is 5 percent of the unpaid balance of your tax.

If you get an extension, the penalty will not 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, you must pay an additional penalty of 20 percent of the unpaid tax. If you do not 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-S, line 17.

Line 18. Interest. If you do not pay the tax by the due date, interest will be charged on any unpaid tax.

The interest rate is 10 percent annually, or 0.8333 percent per month (0.0274 percent per day) for interest periods beginning before February 1, 2002. The rate in effect for interest periods beginning on or after February 1, 2002, is 8 percent annually, or 0.6667 percent per month (0.0219 percent per day). The interest rate may change once a calendar year.

An interest period is each full month starting with the day after the due date of the original return. For example, April 16 through May 15 is one full month.

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 if the tax is not paid in full by the original 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 assessed tax is not paid within 60 days after the notice of assessment is issued, **and**
- You have not filed a timely appeal.

Line 19. 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 will not be imposed, however, if tax on Form 20-S, line 13, is less than \$500 on your 2001 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.

To get Form 37, see our Web site at www.dor.state.or.us, or use the order form on page 15, or see "Taxpayer Assistance" on page 16.

On Form 20-S, line 18, include interest for payment of tax after the original return due date. On Form 20-S, line 19, include interest due from underpayment of estimated tax. **Attach Form 37 to your return and check the "Form 37 is attached" box.**

Line 21. 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 Oregon business identification number, federal identification number, and 2001 on your check. Do not send cash or postdated checks. Please use blue or black ink on your check.

Special instructions. Do you owe penalty or interest and have an overpayment on line 16? If your overpayment is less than the total penalty and interest, fill in the result of line 20 minus line 16, on line 21.

Schedule SM instructions

Line 1. Interest on government bonds of other states.

Enter interest the corporation received from states and local governments **other than Oregon and its municipalities**. Example: Include interest from state of Washington bonds or San Francisco city bonds, but omit interest from Oregon government bonds.

Line 2. Gain or loss on the sale of depreciable property.

Enter the difference in gain or loss on the sale of business assets when the Oregon basis is less than it is for federal purposes. See ORS 316.716.

Line 3. Other additions. See ORS 316.680–316.848. Examples of other additions are:

- **Gain from involuntary conversion.** The S corporation shall make the election to defer gain from the involuntary conversion of property owned by it.
- **Depletion in excess of basis.**
- **High yield discount obligation interest.**

Line 5. Interest from U.S. government. Enter the amount of interest received from the U.S. government, its instrumentalities, and organizations that invest in U.S. government securities.

Line 6. Gain or loss on the sale of depreciable property. Enter 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 316.716.

Line 7. Work opportunity credit wages. Were salaries and wages on federal Form 1120S reduced for the work opportunity tax credit? Enter the amount of reduction here.

Line 8. Other subtractions. See ORS 316.680 through 316.848 and ORS 314.734(4) and (5). You may subtract the Oregon corporation tax paid on built-in gains reported on line 1. Examples of other subtractions are:

- Local government bond interest.
- Like-kind exchanges.
- High yield discount obligation dividends.
- Sale of public utility dividend reinvestment plan stock.
- Depreciation of basis differences due to claiming a federal tax credit.

Each shareholder's share of additions and subtractions must be reported to the shareholder. These amounts may be added to the K-1s and labeled "Oregon additions" and "Oregon subtractions." Nonresident shareholders must report their ownership percentage of modifications, multiplied by the S corporation's Oregon apportionment percentage.

Schedule AP instructions

Qualified subchapter S subsidiaries (QSSS). Include property, payroll and sales of a QSSS in the parent corporation's factors for apportionment.

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 314.690) and administrative rules.

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	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.

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

Schedule AP-1— Apportionment formula

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 non-business 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 administrative rules.

Payroll factor. Assign payroll to Oregon if:

- The services are performed entirely inside Oregon; **or**
- The services are performed both inside and outside Oregon but those services performed 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 administrative rules.

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 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. 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—Computation of taxable income

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 also 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. 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 administrative rules.

Line 3. Subtract: 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 (for S corporations only). Only the Oregon net loss carried over from a year in which the corporation was a C corporation shall be allowed as a deduction. Only income from built-in gains may be offset by net loss deductions. See ORS 314.740(4).

Printed information order form



Printed information (free) State forms & publications 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 at www.dor.state.or.us.

- Authorization to Represent Taxpayer and/or Disclose Information* 150-800-005
- Estimated Tax coupons 150-102-022-2
and instructions 150-102-022
- Form 37, *Underpayment of Oregon Corporation Estimated Tax* 150-102-037
- Information for Tax Exempt Organizations* 150-102-617
- Lender's Credit* 150-102-125
- Limited Liability Companies, Limited Liability Partnerships* 150-101-613
- Multiple Nonresident Return instructions with Schedule MNR* 150-101-154

- 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:
Form and Publication Order 150-800-390

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

Please print
Your name _____
Address _____
City _____
State _____ ZIP _____

Taxpayer assistance

Telephone

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

If you have a touch-tone telephone, call our 24-hour voice response system at one of the numbers above to hear recorded tax information and order tax forms.

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



Monday, Tuesday, Thursday, Friday 7:30 a.m.–5:10 p.m.
Wednesday 10:00 a.m.–5:10 p.m.
Closed on holidays.

April 1–April 15, Monday–Friday 7:00 a.m.–7:00 p.m.
Wait times may be 20 minutes or more.

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

¿Habla español? Línea de mensaje. Las personas que necesitan asistencia en español pueden dejar un mensaje. El número disponible todo el año en Salem es 503-945-8618.

A message line is available all year for those who need assistance in Spanish. The number in Salem is 503-945-8618.

Internet

www.dor.state.or.us



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

Correspondence



Use the Salem address at the top of this page. Include your FID or BIN and a daytime telephone number for faster service.

Americans with Disabilities Act (ADA)

In compliance with ADA, this information is available in alternative formats upon request. The toll-free number within Oregon is 1-800-356-4222. In Salem, call 503-378-4988.

To get forms

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

