

S Corporation Tax

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

New information

Apportionment (ORS 314.650, 314.280)

For tax years beginning on or after May 1, 2003, business income is apportioned to Oregon by multiplying the income by a multiplier equal to 80 percent of the sales factor plus 10 percent of the property factor plus 10 percent of the payroll factor. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income from business activity using the double-weighted sales factor formula provided in ORS 314.650 (1999 edition). The election may be revoked later. See Oregon Administrative Rule (OAR) 150-314.280(3) for instructions on making the election or revocation.

There are new schedules for computing the Oregon apportionment percentage. See Schedule AP instructions.

New form

Oregon extension payment coupon. If you plan to file an extension, use Form 20-EXT to make a tax payment to Oregon. See our Web site at www.dor.state.or.us/formscorp.html.

New questions on Form 20-S

Question J. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income using double-weighted sales factor formula [OAR 150-314.280(3)].

Question K. Non-apportioning S corporations, enter the amount of Oregon sales, as defined by ORS 314.665.

Form changes

- **Form 20ES personalized coupon.** Oregon will no longer be mailing personalized 20ES coupons. The 20ES estimated payment coupon will be available in your software program, on our Web site, and upon request. To order, see "Taxpayer assistance."
- **Form 37.** The instructions for high-income taxpayers have been revised.
- **Rounding cents to the nearest whole dollar.** Please round all amounts to the nearest whole dollar. You will no longer enter *cents* on your return. Drop amounts less than 50 cents, and increase amounts from 50 to 99 cents to the next dollar.

Credits

For information on credits for corporations, contact the Department of Revenue at 1-800-356-4222 or www.dor.state.or.us/infoc/102-694.pdf.

Subtractions

Long-term capital gains from sale of farm. For information, contact the Oregon Department of Revenue at 1-800-356-4222 or www.dor.state.or.us.

Looking ahead to tax year 2004

Credits

Voluntary removal of riparian land from farm production credit (ORS 315.113). A credit is allowed for 75 percent of the market value of crops foregone when riparian land is voluntarily taken out of farm production in tax years beginning on or after January 1, 2004.

Child Care Division contributions and community agency contributions (ORS 312.213). If you claim the credit for Oregon and you also claimed a deduction on the federal return, you must add the amount of credit claimed to your Oregon taxable income for tax years beginning on or after January 1, 2004.

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

For forms not included in this booklet, go to our Web site at www.dor.state.or.us

Form number	Who must file
Form 20	Every corporation (except S corporations and insurance companies) doing business in Oregon.
Form 20ES	Every corporation that estimates its 2004 tax liability to be \$500 or more.
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-INS	Every insurance company doing business in Oregon.
*Form 20-S	Every S corporation doing business in Oregon or with income from an Oregon source.
Form 37	Every corporation with an underpayment of estimated tax or meeting an exception.
*Schedule AF	Every corporation doing business in Oregon with affiliates.
*Schedule AP	Every corporation apportioning income.
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.)

2003 Filing information

Important information

For processing your return

- Please use blue or black ink to prepare your return. Equipment used to scan documents cannot read certain types and colors of ink, especially gel pens and red ink.
- **Payments.** Please include the following information on your payments:
 - Federal employer identification number (FEIN).
 - Oregon business identification number (BIN). If you do not have a BIN, one will be assigned when your return is filed.
 - The tax year that your payment is for.
 - Type of tax your payment is for: excise or income.
- Attach your payment to the front of your Oregon return.
- **Estimated payments.** Please identify all estimated payments claimed by completing Schedule ES on your return. Include the corporation name and FEIN if a payment was made by an affiliate of the filing corporation.

On the Internet

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

How to assemble your Oregon tax return

Put your tax return in the following order before mailing:

1. Oregon Form 20-S.
2. Schedule AP, Apportionment of Income.
3. Schedule AF, Schedule of Affiliates.
4. Form 37, *Underpayment of Oregon Corporation Estimated Tax*.
5. Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*.
6. Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate*.
7. Federal Extension, Form 7004.
8. Copy of federal tax return and schedules.

General information

Changes to taxable income. Oregon tax law generally is tied to the federal tax law as amended and in effect on December 31, 2002 with exceptions provided in ORS 314.011, including depreciation and expensing of depreciable assets.

Oregon follows the federal provisions and tax treatment for S corporations owning qualified subchapter S subsidiaries (QSSS).

Consolidated returns. S corporations can not 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.

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” means being engaged in any profit-seeking activity in Oregon not protected by Federal Public Law 86-272. A taxpayer having one or more of the following in this state is clearly doing business in Oregon:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly conducted.
- “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 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. You may be subject to Oregon corporation income tax if you have income from an Oregon source.

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. Oregon accepts the S Corp election made for federal purposes.

Shareholder individual income tax 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 with other nonresident shareholders in filing 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 share of modified income from the Federal K-1s multiplied by the S corporation’s apportionment percentage from **Schedule AP-1**, line 6. See ORS 314.734.

An S corporation’s business tax credits can be claimed on the personal income tax return of its shareholders if the same credit is allowable for individuals. The credit is allowable for the tax year of the individual, in which the S corporation’s tax year ends. Each shareholder is allowed their pro rata share of the tax credit subject to any limitations that may apply to the individual shareholder.

Multiple Nonresident Income Tax returns are filed by two or more nonresident shareholders. To be included in the multiple nonresident return, **all** the following conditions must be met:

- The shareholder must be an individual or electing small business trust (ESBT). Shareholders that are estates, trusts (other than ESBTs), partnerships, LLCs, LLPs, or S corporations cannot be included in the multiple nonresident filing; and
- The shareholder must be a full-year nonresident of Oregon; and
- The shareholder must have no other Oregon source income.

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 see “Taxpayer assistance.”

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 Oregon returns:*

Oregon accepts the extension you have for your federal tax return.

*If you need an extension of time to file for **Oregon only**:*

- Attach a copy of Federal extension Form 7004 to your Oregon return when you file.
- Write “For Oregon only” at the top of the form.
- Complete the information for question 1, and leave questions 2 through 6 blank on Form 7004.
- **Do not** send the federal Form 7004 to the department before you file your Oregon return.

If you’re making an extension payment

- Please use Form 20-EXT when paying tax due.
- Form 20-EXT is available on our Web site at www.dor.state.or.us/formscorp.html.
- Make check payable to “**Oregon Department of Revenue.**”
- **Do not** send a copy of your return or federal extension with your payment.

- Mail any tax due on or before the original due date of your return to avoid penalty and interest. **More time to file does not mean more time to pay your tax!**
- Mail your Form 20-EXT to:
Oregon Department of Revenue
PO Box 14780
Salem OR 97309-0469

When you file your return

- Attach a copy of your extension to the **back** of your Oregon return. It should be the last item before the federal corporation return (see “How to assemble your return”).
- 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-S, line 14).

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 do not 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.

Deferred gain

Corporations may 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 Oregon Form 24 to the back of your Oregon return and check the box indicating “**Form 24 is attached**” if **all** of the following apply:

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

Amended returns

If you change taxable 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. Use the tax form for the tax year you are amending and check the box indicating “**this is an amended return.**”

If you filed Form 20-S and later determined you should file Form 20, check the “This is an amended return” box on your amended Form 20.

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

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.

Form 20-S instructions

Heading

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

Oregon business identification number. Each corporation is identified by a business identification number (BIN) assigned by the department. You have a BIN if you have made payments to the state of Oregon for payroll taxes; workers’ compensation; unemployment; or estimated tax for S corporation, excise, or income tax payments. The BIN is located on the upper right corner of the payroll tax payment coupon. **If you do not have a BIN, one will be assigned when your return is received.**

If you do not know your BIN, an officer of the corporation may contact the department. See “Taxpayer assistance.”

Questions

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

Question K. Non-apportioning S-corporations, enter the amount of Oregon sales, as defined by ORS 314.665.

Line instructions

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 III, line 17. To determine the amount to enter on line 1(b), refer to federal Form 1120S **instructions, “Worksheet for line 22a” line 10.** On Oregon Form 20-S, enter the total of lines 1(a) and 1(b) on line 1. **Do not complete these lines unless you have taxable income and tax on federal Form 1120S.**

Line 2. Additions. Enter only additions that apply to taxable income included in line 1. See ORS 317.259 through 317.488. 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.
- **Dependent care credit.** The business expense deducted for providing dependent care assistance, information, or referral services must be reduced by the amount of dependent care credit claimed [ORS 315.204(7)].
- **Contributions of computers or scientific equipment for research to educational organizations credit.** The amount of federal deduction must be added to federal taxable income if the Oregon credit is claimed [ORS 317.151(4)].
- Claim of right income repayment adjustment when credit is claimed. The deduction under section 1341 of the Internal Revenue Code on the federal return must be added back to federal taxable income on the Oregon return if the Oregon credit is claimed (ORS 317.388).

Line 3. Subtractions. Enter only subtractions that apply to income included in line 1. See ORS 317.259 through 317.488. 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.
- The amount of capital gains from sale of farm assets that were included on line 1a or 1b as provided in ORS 317.063. This gain is taxed on line 8.

For Form FCG-20, see "Taxpayer assistance."

Line 7. Minimum tax. Oregon minimum tax is required for excise taxpayers. Income taxpayers do not pay a minimum tax.

Line 10. Credits against tax. Taxpayers must claim the full amount of any tax credit that is allowed for the tax year, to the extent of the tax liability.

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:**

- Advanced telecommunications facilities (ORS 315.511).
- Alternative fuel vehicle fueling stations (ORS 317.115).
- Bone marrow donor expense (ORS 315.604).
- Child Care Division and community agency contributions (ORS 315.213).
- Child development program or student-parent program contributions (ORS 315.234).
- Contribution of computers or scientific equipment for research (ORS 317.151).

- Crop donation (form 150-101-240) (ORS 315.156).
- Dependent care (form 150-102-032) (ORS 315.204, 315.208).
- Electronic commerce in designated enterprise zone (ORS 315.507).
- Emission reducing production technology or process (ORS 315.311).
- Employee and dependent scholarship program payments (ORS 315.237).
- Energy conservation facilities (ORS 315.354).
- Farmworker housing project investment (ORS 315.164, 315.167, 315.169).
- Farmworker housing lenders (ORS 317.147).
- First Break program (ORS 315.259).
- Fish habitat improvement (ORS 315.134).
- Fish screening devices (ORS 315.138).
- Individual development account (ORS 315.271).
- Lenders (ORS 317.097, 317.112, 317.147).
- Long-term enterprise zone facilities (ORS 317.124, 317.125).
- On-farm processing facilities (ORS 315.119).
- Pollution control facilities (ORS 315.304).
- Qualified research activities (form 150-102-128) (ORS 317.152, 317.153, 317.154).
- Reclaimed plastics product (ORS 315.324).
- Reforestation (ORS 315.104, 315.106).
- Youth apprenticeship sponsorship (ORS 315.254).

For more information, see the information circular *Tax Credits for Corporations* (150-102-694). See "Taxpayer assistance" 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 2003 from Schedule ES. Include payments made with an extension.

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

- Mail your payment of tax due after the original due date (even if you have an extension), **or**
- 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 **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 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 the unpaid tax. Interest periods generally begin on the 16th day of the month the return is due. Returns are due on the 15th unless the 15th falls on a Saturday, Sunday, or holiday. Interest is figured daily for periods of less than a month. A month, for example, is May 16 to June 15. Interest rates may change once a calendar year.

To calculate interest due:

- Tax × Annual interest rate × Number of full years.
- Tax × Monthly interest rate × Number of months.
- Tax × Daily interest rate × Number of days.

Interest rates and effective dates:

For periods beginning	Annual	Monthly	Daily
February 1, 2003	7%	0.5833%	0.0192%
January 1, 2004	6%	0.5000%	0.0164%

Interest accrues on any unpaid tax during an extension of time to file.

Include interest for payment of tax after the due date on Form 20-S, line 18.

For more information, see *Computing Interest on Tax You Owe*, www.dor.state.or.us/infoc/800-691.html.

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 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 if net tax on Form 20-S, line 13, is less than \$500 on your 2003 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; **or**
- Show you meet an exception to the payment of interest.

Form 37 is provided with these instructions.

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 the front of your return. Make your check or money order payable to the **“Oregon Department of Revenue.”** Do not send cash or postdated checks. Please use blue or black ink on your check. **Do not use** gel pens or red ink.

Please include the following information on your check:

- Oregon business identification number (BIN).
- Federal employer identification number (FEIN).
- “2003 S Corp Tax.”

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

Modifications passed through to shareholders

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.
- Long-term capital gains from sale of farm.

Each shareholder’s share of additions and subtractions must be reported to the shareholder. These amounts may be added to the federal 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 from Schedule AP.

Schedule ES

Estimated tax payment instructions

Estimated tax paid for the 2003 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 2002 tax return or an Oregon amended return on line 5. Enter payments made with your extension on line 6. On line 7, enter the total amount of line 5 plus line 6. Carry total to Form 20-S, line 14. On line 8, enter last year's net tax.

Electronic funds transfer (EFT). You must make your Oregon estimated tax payments by EFT if you are required to make federal estimated tax payments by EFT. Information is available on the Internet at www.dor.state.or.us/EFT/EFT.html or by calling the EFT Help/Message line at 503-947-2017.

The department may grant a waiver from participation in the EFT program if you would be disadvantaged by the requirement (OAR 150-314.518).

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

Schedule AP

Apportionment instructions

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 314.690) and administrative 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	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 negative amount is not accepted. Enter zero if the factor is less than zero.

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

Schedule AP-1—Apportionment formula

- For tax years starting before May 1, 2003, the apportionment formula is to divide the sum of the property factor plus the payroll factor plus two times the sales factor by four.
- For tax years starting on or after May 1, 2003, the apportionment formula is 10 percent times the property factor plus 10 percent times the payroll factor plus 80 percent times the sales factor.

Taxpayers primarily engaged in utilities and telecommunications may elect to use the apportionment formula method for tax years starting before 1, 2003. Check the box by question L if making this election.

The numerators of the factors must include the Oregon property, payroll, and sales from each of the corporations taxable by Oregon.

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

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 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 must be included in the sales factor.

Line 6. Oregon apportionment 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).

Oregon apportionment percent for tax years beginning on or after May 1, 2003. Multiply the sales percentage by 80 percent. Multiply the property percentage, and the payroll percentage each by 10 percent. Add the three percentages together. This is the Oregon apportionment percent.

Schedules for computing average percent

Oregon apportionment percentage for tax years beginning on or after January 1, 2003 and before May 1, 2003:

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

Oregon apportionment percentage for tax years beginning on or after May 1, 2003:

1. Multiply the property factor percentage from Schedule AP-1, line 1c, column C, by 0.1. 1. _____
2. Multiply the payroll factor percentage from Schedule AP-1, line 2c, column C, by 0.1. 2. _____
3. Multiply the sales factor percentage from Schedule AP-1, line 3d, column C, by 0.8. 3. _____
4. Oregon apportionment percentage. Add lines 1, 2, and 3 (compute percent to four decimal places [for example, 12.34558% should be 12.3456%]). Enter on Schedule AP-1, line 6. 4. _____

Schedule AP-2—Taxable income computation

Business and nonbusiness income. “Business income” is income arising from transactions and activities in the regular course of the taxpayer’s business. It includes income from tangible and intangible property related to the regular business operation.

Examples of business income are:

- Sales of products or services;
- Rents, if property rental is a related business activity;
- Royalties, if the patent, processes, etc., were developed by or used in the business operation;
- Gain or loss on the disposal of business property; and
- Interest income on trade receivables or installment contracts arising out of the business or from the investment of working capital.

“**Nonbusiness income**” means all income other than business income. Rents, royalties, gains or losses, and interest 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 [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. Also add the tax on certain long-term capital gains from the sale of farm property per ORS 317.063 and attach Worksheet FCG-20 to the back of your return.

Line 10. Net loss and net capital 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).

Taxpayer assistance

Printed information (free)

You can access our Web site, order by telephone, or return the form below.



Check individual boxes to order. Complete name and address section. Clip on the dotted line, then mail in the entire list to the address below.

Forms and instructions	
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<input type="checkbox"/> <i>Dependent Care Credits for Employers</i>	150-102-032
<input type="checkbox"/> <i>Form 20ES, Estimated Corporation Excise or Income Tax</i>	150-102-022
<input type="checkbox"/> <i>Form 20-EXT, Corporation Extension Payment Coupon</i>	150-102-165
<input type="checkbox"/> <i>Form 24, Like-Kind Exchanges/Involuntary Conversions</i>	150-800-734
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<input type="checkbox"/> <i>Qualified Research Activities Credit</i>	150-102-128
<input type="checkbox"/> <i>Worksheet FCG-20, Farm Liquidation Long-Term Capital Gain Tax Rate</i>	150-102-167
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<input type="checkbox"/> <i>Information for Tax Exempt Organizations</i>	150-102-617
<input type="checkbox"/> <i>Limited Liability Companies, Limited Liability Partnerships</i>	150-101-613
<input type="checkbox"/> <i>Political Organizations</i>	150-102-663
<input type="checkbox"/> <i>Tax Credits for Corporations</i>	150-102-694
<input type="checkbox"/> <i>What To Do if You are Audited</i>	150-101-607
<input type="checkbox"/> <i>What You Need to Know About Corporation Excise and Income Tax</i>	150-102-401
<input type="checkbox"/> <i>Your Rights as an Oregon Taxpayer</i>	150-800-406
List of other printed information:	
<input type="checkbox"/> <i>Form and Publication Order</i>	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 Code _____	

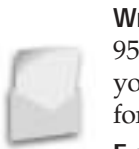
Internet

www.dor.state.or.us



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

Correspondence



Write to: Oregon Department of Revenue, 955 Center St NE, Salem OR 97301-2555. Include your BIN or FEIN and a daytime telephone number for faster service.

E-mail: corp.help.dor@state.or.us

Telephone

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

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

- Hear recorded tax information.
- Order tax forms.



For help from Tax Services, call one of the numbers above:
Monday, Tuesday, Thursday, Friday 7:30 a.m.–5:10 p.m.
Wednesday 10:00 a.m.–5:10 p.m.
April 1–April 15, Monday–Friday 7:00 a.m.–9:00 p.m.
April 3 and April 10, Saturday 9:00 a.m.–5:00 p.m.
Wait times may vary. Closed on holidays.

TTY (hearing or speech impaired; machine only): 503-945-8617 (Salem) or 1-800-886-7204 (toll-free within Oregon).

Americans with Disabilities Act (ADA). This information is available in alternative formats. Call 503-378-4988 (Salem) or 1-800-356-4222 (toll-free within Oregon).

Asistencia en español. Llame al 503-945-8618 en Salem o llame gratis al 1-800-356-4222 en Oregon.

Form **20-S** OREGON S CORPORATION TAX RETURN **2003**

Excise Tax (200)
 Income Tax (202) } Check one

or Fiscal Year Mo / Day / Year
 ● Beginning: / / 03 ● Ending: / /

For office use only
 Date received _____
 Payment _____
 1 2 3

If you filed a return in 2002, indicate if you had a:
 Name change
 Address change

Name _____ Federal employer identification number (FEIN) _____
 Oregon business identification number (BIN) _____
 Mailing address _____
 An extension is attached
 Form 37 is attached
 This is an amended return
 Form 24 is attached
 Worksheet FCG-20 is attached
 City _____ State _____ ZIP Code _____ Internet or e-mail address _____
 Contact person _____ Telephone number () _____

Complete A through D only if this is your first return or the answer changed during 2003.

● A. Incorporated in _____ (state), on _____ (date)
 ● B. State of commercial domicile _____
 ● C. Date business activity began in Oregon _____
 ● D. Business Activity Code from federal return _____
 ● E. List the tax years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire:

 ● F. List the tax years for which your federal taxable income was changed by an IRS audit or by an amended federal return filed during this tax year: _____
 Send a copy of the IRS report or the amended return under separate cover, if not furnished previously.

● G. First return, indicate: New business, or
 Successor to previously existing business.
 Enter name, FEIN, and BIN of previous business:
 Name: _____
 FEIN: _____ BIN: _____

● H. Final return, indicate: Withdrawn,
 Dissolved, or
 Merged or reorganized.
 Enter name, FEIN, and BIN of merged or reorganized corporation:
 Name: _____
 FEIN: _____ BIN: _____

● I. Enter the amount from federal Form 1120S, line 21:
 \$ _____

● J. Utility or telecommunications company electing alternative apportionment (see instructions).

● K. If you did not complete Schedule AP, fill in the amount of your Oregon sales: \$ _____

—S CORPORATIONS WITHOUT FEDERAL TAXABLE INCOME—start on line 7.
 —S corporations with federal income from **built-in gains, capital gains, or net passive investment income**—start on line 1.
 —S corporations with federal taxable income or LIFO benefit recapture—see instructions.

Attach payment here **Round all amounts to the nearest whole dollar**

1. Income taxed on federal Form 1120S from:
 (a) Built-in gains _____,
 (b) Excess net passive income _____ Total 1 _____
 2. Additions (see instructions) 2 _____
 3. Subtractions (see instructions) 3 _____
 4. S corporation income before net loss deduction (line 1 plus line 2, minus line 3) 4 _____

If income is derived from sources both in Oregon and other states, carry amount on line 4 to line 1, Schedule AP-2, and skip line 5 below.

5. Net loss from prior years as C corporation. **Attach schedule** (deductible from built-in gain income only) 5 _____
 6. Oregon taxable income (line 4 minus line 5 or amount from Schedule AP-2, line 11) 6 _____
 7. Tax (6.6 percent of line 6) (excise tax returns, **see instructions for minimum tax**) 7 _____
 8. Tax adjustment for interest on certain installment sales and tax on certain capital gains from sale of farm assets (see instructions) 8 _____
 9. Total tax (line 7 plus line 8) 9 _____
 10. Credits against tax (**attach schedule**) (see instructions) 10 _____
 11. Tax after credits (line 9 minus line 10) (**excise tax not less than minimum tax**) 11 _____
 12. Tax adjustment for LIFO benefit recapture (see instructions) 12 _____
 13. Net tax* (line 11 plus line 12) (**excise tax not less than minimum tax**) 13 _____

14. 2003 estimated tax payments from Schedule ES. Include payments made with extension (see instructions) ...	14	
15. Tax Due. Is line 13 more than line 14? If so, line 13 minus line 14	15	Tax Due
16. Overpayment. Is line 13 less than line 14? If so, line 14 minus line 13	16	Overpayment
17. Penalty due with this return (see instructions)	17	
18. Interest due with this return (see instructions)	18	
19. Interest on underpayment of estimated tax. Attach Form 37	19	
20. Total penalty and interest (add lines 17 through 19)	20	
21. Total due (line 15 plus line 20) (see instructions)	21	Total Due
22. Refund available (line 16 minus line 20)	22	Refund
23. Amount of refund to be credited to 2004 estimated tax	23	2004 Credit
24. Net Refund (line 22 minus line 23)	24	Net Refund

PLEASE ATTACH A COMPLETE COPY OF YOUR FEDERAL FORM 1120S AND SCHEDULES, INCLUDING ALL K-1s

SCHEDULE SM — OREGON MODIFICATIONS PASSED THROUGH TO SHAREHOLDERS (see instructions)

Federal taxable income passed through to the shareholders is adjusted to the extent that items of income, loss, or deduction of the shareholder are required to be adjusted under the provisions of Oregon Revised Statutes, Chapters 314 and 316. Indicate which federal Schedule K-1 line item each modification is for.

ADDITIONS (see instructions)

1. Interest on government bonds of other states	(K-1 line _____)	1	
2. Gain or loss on the sale of depreciable property	(K-1 line _____)	2	
3. Other (attach schedule)		3	
4. Total Oregon additions		4	

SUBTRACTIONS (see instructions)

5. Interest from U.S. government, such as Series EE and HH bonds	(K-1 line _____)	5	
6. Gain or loss on the sale of depreciable property	(K-1 line _____)	6	
7. Work opportunity credit	(K-1 line _____)	7	
8. Other (attach schedule)		8	
9. Total Oregon subtractions		9	

SCHEDULE ES — ESTIMATED PAYMENTS OR OTHER PREPAYMENTS

Voucher	Date of Payment			Amount Paid
	Month	Day	Year	
1. Voucher 1	1			1
2. Voucher 2	2			2
3. Voucher 3	3			3
4. Voucher 4	4			4
5. Overpayment of last year's tax elected as a credit against this year's tax				5
6. Payments made with extension or other payments for this tax year (date paid ____/____/____)				6
7. Total (carry to line 14 above)				7
8. Last year's net tax		8		

Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE	X	Signature of officer	Date	X	Signature of preparer other than taxpayer
		Print name			Print name
		Title			Address

<p>Mail refund returns and no tax due returns to: Refund, PO Box 14777, Salem OR 97309-0960</p>	<p>Mail tax-to-pay returns to: Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470</p>
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SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20-S (see instructions)

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

SCHEDULE AP-1 — APPORTIONMENT FORMULA

(Do not enter an amount of less than zero)

	(A) Total Within Oregon	(B) Total Within and Without Oregon	(C) Percent Within Oregon (A ÷ B) × 100
1. Property Factor —Value of real and tangible personal property used in the unitary business (owned, at average value; rented, at capitalized value):			
a. Owned property (at original cost; see instructions)			
Inventories			
Buildings and other depreciable assets			
Land			
Other assets (describe) _____			
Minus: Construction in progress	()	()	
Total of section a			
b. Rented property (capitalize at 8 times the rental paid) ...			
c. Total owned and rented property	●	●	%
<i>(not less than zero)</i>			
2. Payroll Factor —Wages, salaries, commissions, and other compensation to employees:			
a. Compensation of officers			
b. Other wages, salaries, and commissions			
c. Total wages and salaries	●	●	%
<i>(not less than zero)</i>			
3. Sales Factor			
a. Sales delivered or shipped to Oregon purchasers:			
(1) Shipped from outside Oregon			
(2) Shipped from inside Oregon			
b. Sales shipped from Oregon to:			
(1) The United States government	●		
(2) Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272)	●		
c. Other business receipts	●		
d. Total sales and other business receipts	●	●	%
4. Sales factor (same as line 3d)	4		%
5. Total percent (add items 1c, 2c, 3d, and 4, within column C)			5 %
6. Oregon apportionment percentage. For tax years beginning on or after 1/1/03 and before 5/1/03, enter the amount from line 3 of the appropriate schedule on page 9. For tax years beginning on or after 5/1/03, enter the amount from line 4 of the appropriate schedule on page 9			6 <input style="width:100px;" type="text"/> %

SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION (See instructions)

1. Net income from business both in Oregon and other states (from page 1, line 4)	1	<input style="width:100%;" type="text"/>
2. Subtract: Net nonbusiness income included in line 1. Attach schedule	2	● <input style="width:100%;" type="text"/>
3. Subtract: Gains from prior year installment sales included in line 1. Attach schedule	3	● <input style="width:100%;" type="text"/>
4. Total net income subject to apportionment (line 1 minus line 2 and line 3)	4	<input style="width:100%;" type="text"/>
5. Oregon apportionment percentage (from Schedule AP-1, line 6)	5	× <input style="width:100%;" type="text"/> %
6. Income apportioned to Oregon (line 5 times line 4)	6	<input style="width:100%;" type="text"/>
7. Add: Net nonbusiness income allocated entirely to Oregon. Attach schedule	7	● <input style="width:100%;" type="text"/>
8. Add: Gain from prior year installment sales apportioned to Oregon. Attach schedule	8	● <input style="width:100%;" type="text"/>
9. Total of lines 6, 7, and 8	9	<input style="width:100%;" type="text"/>
10. Minus: (a) Oregon apportioned net loss from prior years \$ _____,	10	● <input style="width:100%;" type="text"/>
and (b) net capital loss from other years \$ _____, from tax year _____.		
11. Oregon taxable income (line 9 minus line 10) (carry to page 1, line 6)	11	<input style="width:100%;" type="text"/>