

OREGON DEPRECIATION SCHEDULE

For Individuals, Partnerships, Corporations, and Fiduciaries

For Office Use Only
Date Received

• **Do not** attach this form to your Oregon individual return. Keep it with your records. Complete a new schedule each year.

Name	Social Security No., Business Identification No., or Federal EIN
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Description of property (a)	Date purchased (b)	Date placed in service (c)	Cost or other basis (d)	Oregon depreciation allowed or allowable in earlier years (e)	Method of figuring Oregon depreciation (f)	Oregon life or rate (g)	Oregon depreciation for this year (h)	Federal depreciation for this year (i)	
1. Totals							1	(h)	(i)
2. Difference in depreciation for Oregon. If federal depreciation is greater than Oregon depreciation, the difference is an addition . If Oregon depreciation is greater than federal, the difference is a subtraction ...							2		

Form Instructions

Figure your depreciation deduction for each asset. Fill in the information for columns (a) through (i). In column (f), you may use abbreviations for the depreciation method you used, such as "MACRS" for Modified Accelerated Cost Recovery System, or "150% DB" for 150 percent declining balance.

Use an appropriate Oregon and federal depreciation method.

Individuals

Enter the difference in depreciation from line 2 of your Oregon Depreciation Schedule on your Oregon individual income tax return. You have an addition if your Oregon depreciation on line 1(h) is **less** than your federal depreciation on line 1(i). You have a subtraction if your Oregon depreciation on line 1(h) is **more** than your federal depreciation on line 1(i).

Fill in the amount from line 2 of this schedule on your return as an "other addition" or "other subtraction." Label the line "Difference in depreciation for Oregon," or "Dif Dep."

Part-year and nonresidents

- **Federal column**—Complete an Oregon Depreciation Schedule for **all** assets both inside and outside of Oregon.
- **Oregon column**—Complete another Oregon Depreciation Schedule only for property you owned while an Oregon resident, **or** property used to produce Oregon income.

Partnerships, corporations, and fiduciaries

You may also use this form to figure the difference in depreciation you report on your Oregon:

- Partnership Return of Income, Form 65
- Corporation Excise Tax Return, Form 20
- Corporation Income Tax Return, Form 20-I
- S Corporation Tax Return, Form 20-S
- Insurance Excise Tax Return, Form 20-INS
- Fiduciary Income Tax Return, Form 41

Instructions for Oregon Depreciation Schedule

For Individuals, Partnerships, Corporations, and Fiduciaries

One-time adjustment

The 1996 one-time adjustment for Accelerated Cost Recovery System (ACRS) assets is now available for **individuals**, to conform your Oregon basis of ACRS assets to your federal basis. You may amend your 1996 return within the allowable statutory period either to make or revoke the one-time adjustment. If you don't make the one-time adjustment, the asset would continue to be depreciated differently for federal than for Oregon and you would continue to make modifications on your Oregon return.

The one-time adjustment on your 1996 Oregon return applies only to assets placed in service between January 1, 1981 and January 1, 1985 using different federal and state depreciation methods, periods, or conventions. The adjustment does not affect assets that have a different basis for Oregon purposes than federal purposes due to the federal investment tax credit or for assets that you began depreciating outside of Oregon and later transferred into Oregon.

If you placed an asset in service in 1993 or 1994, you were required to make a one-time adjustment on your 1996 return if: (1) you claimed a different amount of Section 179 expense for Oregon purposes, **and** (2) chose not to amend your 1993 or 1994 return to conform to the federal amount.

If you elect the 1996 one-time adjustment for ACRS assets, you may carry forward any unused subtraction two years. You may amend your 1997 and 1998 returns within the statutory period to claim a refund based on the carryover of the subtraction. Any carry-forward of the subtraction not fully absorbed in the second carryover year will be lost.

Corporations are still required to make the adjustment for these assets on their 1996 return. Exception: you may have a difference in depreciation due to claiming a federal credit which required an adjustment to the federal basis for depreciation. The difference in depreciation will be shown as an "Other subtraction."

Definitions

Amortization. This is an expense similar to depreciation. Amortization allows you to deduct the cost of some intangible property over a certain period of time.

Basis of property. Generally, the **cost** of the property is its basis. Did you first place assets in service outside Oregon and later bring them into Oregon? If so, the basis for figuring depreciation is the same basis you would use to figure the gain or loss on the sale of that property.

Depreciation. This is how you deduct the cost of the property over its useful life. Property you depreciate must have a useful life of more than one year. Depreciation starts when the property is first made available for use (placed in service). You can't depreciate the cost of land.

Intangible property. This is personal property that has a value but cannot be seen or touched. Examples of intangibles include goodwill, franchises, patents, and trademarks. Internal Revenue Code (IRC) Section 197 allows certain intangibles to be amortized over 15 years.

Nonresidential real property. This is property held for the production of income or property used in a trade or business. This is IRC Section 1250 real property that is not (1) residential rental property, or (2) property with a class life of less than 27.5 years. For property placed in service after May 12, 1993, federal law requires you to use a depreciable life of 39 years. If you used a life of 31.5 years for Oregon depreciation, you must amend your returns to conform the Oregon depreciation to a life of 39 years.

Personal property. Property which isn't real property is generally personal property. Machinery, equipment, tools, and vehicles are examples of business personal property which can be depreciated.

Real property. This type of property includes land and most buildings or improvements on the land. Land can't be depreciated, but buildings and most improvements can. Apartment complexes and office buildings are examples of depreciable real property.

Recovery period. The length of time over which an asset is depreciated.

Salvage value. This is the amount you expect the property to be worth at the end of its useful life (see below). Salvage value is figured when you acquire the property.

Section 179 expense. This allows you to claim some of the cost of certain property as an expense in the year you acquire it, rather than recovering the entire cost over the property's recovery period. Oregon allows the same amount as federal law for the Section 179 expense (see page 3 for Section 179 limits). If you claimed a different amount in 1993 or 1994, you should have amended those years or made a one-time adjustment on your 1996 return.

Useful life. This is the number of years you can reasonably expect to use the property in your trade or business, or hold the property to produce income for you.

Assets first placed in service outside Oregon

Did you bring assets into Oregon **on or after** January 1, 1985? Were they first placed in service outside Oregon **on or after** January 1, 1985? Assets placed in service in tax years beginning on or after January 1, 1985, and before December 31, 1986, are depreciated using the ACRS. Assets placed in service on or after January 1, 1987, are depreciated using the Modified Accelerated Cost Recovery System (MACRS).

Did you first place assets in service outside Oregon **after** December 31, 1980, but **before** January 1, 1985? If so, the basis for depreciation will be the lower of federal unadjusted basis

or fair market value. The federal unadjusted basis is the original cost before any adjustments. Adjustments include: reductions for investment tax credits, depletion, amortization, or amounts expensed under IRC Section 179. The asset's fair market value and useful life are figured when the asset is brought into Oregon. However, if you are subject to the apportionment rules, basis is computed using original cost and 1980 federal depreciation methods.

Did you first place assets in service outside Oregon **before** January 1, 1981? If so, your Oregon basis will be the same as your federal basis.

Assets placed in service on or after January 1, 1987

MACRS is effective for assets placed in service on or after January 1, 1987. The method and life will be the same as you used on the federal return. If you elect to expense the cost of qualifying assets under IRC Section 179, the election and amount is also effective for Oregon purposes.

Section 179 expense deductions for federal and state are:

<u>Tax Year</u>	<u>Maximum Section 179 Expense Deduction</u>
1987 – 1992	\$10,000
1993 – 1996	\$17,500
1997	\$18,000
1998	\$18,500
1999	\$19,000

The regular federal investment credit was repealed for property placed in service after 1985. The credit is still available for limited types of property and expenditures. If you have taken this credit, you will have a higher basis for Oregon because your Oregon basis isn't reduced by the federal credit. The difference in depreciation for Oregon will be shown as an "Other subtraction."

Assets placed in service on or after January 1, 1985, and before January 1, 1987

Did you place assets in service in tax years beginning on or between January 1, 1985, and December 31, 1986? Use the ACRS in effect on December 31, 1984. Your Oregon depreciation for Section 179 election to expense the cost of assets will generally be the same as the federal amount. Assets used for the production of income but not used in a trade or business don't qualify for the Section 179 expense. The maximum Section 179 expense is \$5,000 for all property.

ACRS can be used for recovery property placed in service in tax years beginning on or between January 1, 1985, and December 31, 1986. Recovery property is tangible property that can be depreciated. This property must be used in a trade or business or be held for the production of income. Recovery property doesn't include any motion picture film or videotape.

Assets placed in service on or after January 1, 1981, and before January 1, 1985

If you claimed the one-time depreciation adjustment on your 1996 Oregon return, you will no longer have Oregon modifications for depreciation differences for these assets. You gen-

erally will use the same method and recovery period for Oregon that you use for federal purposes.

If you did not elect the one-time depreciation adjustment on your 1996 Oregon return, you may use any method allowed under 1980 federal tax law. The most common depreciation methods are explained below.

Straight-line. You may use the straight-line method for any depreciable property. Do not depreciate beyond the asset's useful life. Do not depreciate below the asset's salvage value.

Declining balance. You may use the declining balance method only for the types of property shown below.

<u>Qualifying Property</u>	<u>Qualifying Percentage</u>
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Real property

- New residential rental property 200%
- Other new real property 150%
- Used residential property, 125%
20 or more years of useful life

Personal property

(with three or more years of useful life)

- New tangible personal property 200%
- Used tangible personal property 150%

Don't subtract salvage value from your cost or other basis. The total depreciation taken in earlier years plus the current year's depreciation can't exceed a reasonable salvage value.

Did you sell or trade the property during the tax year? Then you may take only a portion of a partial year's depreciation. Figure your depreciation based on the number of months you had the property.

Passive activity losses

You may have had a depreciation difference for assets used in a passive activity that were not affected by the 1996 one-time adjustment. For example, assets transferred into Oregon or assets for which you claimed a federal tax credit may continue to have a difference in depreciation. Report your passive activity loss for Oregon using an "Other addition" or "Other subtraction" on your Oregon return. Label it "Passive activity loss," or "PAL." (Refer to federal Form 8582 and instructions for the definition of passive activity.)

Suspended losses

If you elected to align your Oregon basis with your federal basis, your 1996 one-time adjustment increased (or decreased) your Oregon suspended loss carryover by that amount. A one-time depreciation adjustment should not have been claimed.

For corporations—Asset Depreciation Range (ADR) depreciation or amortization in excess of or less than Oregon allowance

The election to use ADR for Oregon applies only to assets placed in service in tax years beginning **on or after** October 4, 1977, and **before** January 1, 1985. If you are still using ADR depreciation for federal purposes, for assets placed in service in tax years beginning before October 4, 1977 for federal purposes, you have an Oregon adjustment.

Taxpayer assistance

Do you need help?

Telephone: 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.

Once you're in the system, push:

- 1** For current year personal income tax refund information (beginning March 1).
- 2** **To order current year forms and instructions or amended forms.** (Some federal forms available.)
- 6** For other information.
- 0** For assistance from a representative:

Monday–Friday*	7:30 A.M.–5:10 P.M.
*Except Wednesday	9 A.M.–5:10 P.M.
April 3–April 17, Monday–Friday	7 A.M.–7 P.M.
Closed on holidays	

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.

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

¿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.

Correspondence. Use the Salem address below. Include your Social Security number and a daytime telephone number for faster service.

To get forms Internet: www.dor.state.or.us

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

Forms and assistance are available at these offices. **Don't send your return to these addresses.**

- Bend**—2330 NE Division, Suite 9
- Eugene**—2350 Oakmont Way #105
- Medford**—24 West 6th St
- Portland**—800 NE Oregon St, 5th floor
- Portland***—Federal Building Lobby
1220 SW Third Ave
- Salem**—Revenue Building, First floor, Room 135
955 Center St NE
- Salem**—4275 Commercial St SE
Building 2, Suite 180
- Wilsonville**—9450 SW Commerce Circle

* January 3–April 17: We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays.