

10. Credits against tax (attach schedule and explanation).....	● 10	
11. Tax after credits (line 9 minus line 10) (excise tax not less than minimum tax).....	11	
12. State surplus refund credit (0% of line 11).....	12	
13. Tax adjustment for LIFO benefit recapture	● 13	
14. Net tax (line 11, minus line 12 plus line 13) (excise tax not less than minimum tax)	● 14	
15. 2007 estimated tax payments from Schedule ES. Include payments made with extension.....	● 15	
16. Tax due. Is line 14 more than line 15? If so, line 14 minus line 15	Tax due ● 16	
17. Overpayment. Is line 14 less than line 15? If so, line 15 minus line 14	Overpayment ● 17	
18. Penalty due with this return	18	
19. Interest due with this return	19	
20. Interest on underpayment of estimated tax (attach Form 37).....	● 20	
21. Total penalty and interest (add lines 18 through 20)	21	
22. Total due (line 16 plus line 21).....	Total due 22	
23. Refund available (line 17 minus line 21)	Refund 23	
24. Amount of refund to be credited to 2008 estimated tax.....	2008 credit ● 24	
25. Net refund (line 23 minus line 24).....	Net refund 25	

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	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	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 wage reductions.....(K-1 line ____)	7		
	8. Other (attach schedule)	8		
	9. Total Oregon subtractions.....	9		

Schedule ES—Estimated Payments or Other Prepayments

	Name of payer	Payer FEIN	Date of payment	Amount paid
1. Voucher 1			/ /	1
2. Voucher 2			/ /	2
3. Voucher 3			/ /	3
4. Voucher 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 prepayments for this tax year and date paid.....			/ /	6
7. Total prepayments (carry to line 15 above)				7

Under penalties of false swearing, I declare that the information in this return and any attachments is true, correct and complete.

Sign Here	Signature of officer	Signature of preparer other than taxpayer	License number of preparer
	X	X	●
	Date	Date	Telephone number
			()
	Print name of officer	Print name of preparer	
	Title of officer	Address of preparer	

Please attach a complete copy of your federal form 1120S and schedules, including all K-1s

Mail refund returns and no tax due returns to: Refund, PO Box 14777, Salem OR 97309-0960	Mail tax-to-pay returns to: Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470
--	---

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 website, www.oregon.gov/DOR.

New information

General information

Reportable transactions (SB 39). Oregon now has a mandatory reporting requirement for participation in listed or reportable transactions. If you are required to report listed or reportable transactions to the IRS on Form 8886 or if you participated in a real estate investment trust (REIT) or regulated investment company (RIC) as defined in Senate Bill 39 of the 2007 Oregon Legislature, you must check the "Form 8886/REIT/RIC" box.

Schedule AP. *The Apportionment Schedule* (150-102-171) has been removed from the specific tax booklets. It is now a separate form that will work for all corporate and partnership taxpayers.

Learn more about the *Apportionment Schedule* on www.oregon.gov/DOR.

Subtractions

Sale of manufactured dwelling park (Section 7 chapter 826, Oregon Laws 2005). Amounts received as a result of the sale of a manufactured dwelling park to a tenant's association, facility purchase association, or tenant's association supported nonprofit organization as described in ORS 90.820; to a community development corporation as described in ORS 458.210; or to a housing authority as defined in ORS 456.005 are exempt from the corporation excise tax. The effective date of this subtraction has been extended to tax years beginning before January 1, 2014.

Manufactured dwelling park tenant payments (HB 2735). Payments made under ORS 90.505 to 90.840 from a manufactured dwelling park landlord to compensate a tenant for costs incurred due to the closure of the park are exempt from corporate excise tax.

Credits

Biofuel producer credit (Chapter 739, 2007 Oregon Laws). An agricultural producer or collector of biomass will be allowed a credit for biomass that is used in Oregon as biofuel or to produce biofuel. The amount of the credit is determined by the quantity of the biomass multiplied by the appropriate rate set by statute. This credit may be transferred to another taxpayer after notice is given to the Department of Revenue.

Energy conservation credit (ORS 315.354, 315.356). This credit has been expanded to give facilities that use or produce renewable energy resources or is a renewable energy resource equipment manufacturing facility a tax credit equal to 10 percent of the certified cost for five years. There are also new requirements for installations in single-family homes, high-performances homes and homebuilder-installed systems.

Diesel engine replacement credit (notes following ORS 315.356). There are new requirements to qualify for this credit, the engine emissions must be 0.01 grams per brake horsepower-hour or less of particulate matter. The maximum amount of credits that may be certified is \$500,000 or less per calendar year. Qualifying purchases may be made through 2011.

Film production development contribution credit (ORS 315.514). The total amount of credits that may be certified by the Oregon Film and Video Office has increased to \$5 million per fiscal year. The credit must be first claimed in a tax year beginning before January 1, 2012.

Lender's credit: Affordable housing (ORS 317.097). A change to include loans to finance construction, development, acquisition or rehabilitation of housing consisting of a manufactured dwelling park or a preservation project. Increase the amount of credits that may be certified to not exceed \$13 million for all outstanding loans for any fiscal year.

Contents

Form 20-S.....	1
New information	3
Looking ahead	3
Checklist of forms and schedules	4
Filing information	4
Filing requirements.....	5
Excise tax filing requirements	5
Income tax filing requirements	5
Extensions	6
Form 20-S instructions	7
Schedule SM instructions	10
Schedule ES instructions	10
Schedule SM.....	10
Schedule ES.....	10
Taxpayer assistance.....	10

Checklist of forms and schedules

Number	Who must file
Form 20.....	Every corporation (except S corporations and insurance companies) doing business in Oregon.
Form 20-I.....	Every corporation (except S corporations and insurance companies) with income from an Oregon source, but not doing business in Oregon. Every Real Estate Mortgage Investment Conduit (REMIC) is 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 20-V.....	Every corporation that needs to make a payment.
Form 24.....	Oregon Like-Kind Exchanges/Involuntary Conversions.
Form 37.....	Every corporation with an underpayment of estimated tax or meeting an exception.
Schedule AF.....	Every corporation doing business in Oregon or that has Oregon source income with affiliates.
Schedule AP.....	Every corporation apportioning income.
**Federal Form 1120S...	Every corporation is required to file.

*Indicates form is included in this publication.

**In general, Oregon's computation of corporation taxable income begins with federal taxable income, with certain modifications. See line instructions for modifications.

Looking ahead

Credits

Diesel engine repower and retrofit credit (HB 3201). A credit is available for 25 percent of the certified cost for repower and 50 percent of the certified cost for retrofit. Certification will be done by The Environmental Quality Commission who will also establish, by rule, standards to qualify for the credit. This credit may be transferred to another taxpayer when notice is given to the Department of Revenue. This credit will be available in tax years beginning on or after January 1, 2008.

Filing information

Who must file with Oregon?

S corporations that are **doing business** in Oregon are required to file an *Oregon S Corporation Tax Return* (Form 20-S) and pay a \$10 minimum excise tax.

S corporations that have **income from Oregon**, but are not doing business in Oregon are required to file an *Oregon S Corporation Tax Return* (Form 20-S) and are not subject to a minimum tax.

Important information

For processing your return

- **Payments.** Please write the following information on your payments:
 - Oregon business identification number (BIN).
 - Federal employer identification number (FEIN).
 - Tax year 2007.

- Enclose your payment and payment voucher (Form 20-V) with your Oregon return. Do not staple your payment or your voucher to the tax return.
- **Estimated payments.** Please identify all estimated payments claimed on your return by completing Schedule ES. Include the corporation name and FEIN if a payment was made by an affiliate of the filing corporation.
- **Oregon business identification number.** Each corporation is identified by a 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. **If you do not have a BIN, one will be assigned when your return is received.**

Estimated tax

If you expect to owe tax of \$500 or more, the corporation is required to make estimated tax payments. Oregon estimated tax laws are not the same as federal estimated tax laws. Use Oregon instructions to determine if you need to make estimated tax payments for 2008.

To make estimated tax payments, include Form 20-V with your payment and mail to:

Oregon Department of Revenue
PO Box 14780
Salem OR 97309-0469.

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 at www.oregon.gov/DOR or by calling the EFT help/message line at 503-947-2017.

Interest on underpayment of estimated tax

You may owe interest on any **underpayment** of estimated tax. To avoid an interest charge, make estimated tax payments as required. If you have an underpayment, refer to Form 37, *Underpayment of Oregon Estimated Tax*.

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. Form 37, *Underpayment of Oregon Corporation Estimated Tax*.
4. Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*.
5. Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate*.
6. Other Oregon statements.
7. Oregon credit forms and notice of credit transfers.
8. Federal Extension, Form 7004.
9. Copy of federal tax return and schedules.

Mail returns with tax due to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Mail returns with refunds or no tax due to:

Refund
PO Box 14777
Salem OR 97309-0960

Oregon tie to federal tax law

There is a retroactive connection to federal changes made since December 31, 2006, to the definition of federal taxable income, with two exceptions:

- No connection to the qualified production activities income (QPAI) deduction. An addition on the Oregon return is required, effective January 1, 2005.
- No connection to certain subsidies for prescription drug plans, effective January 1, 2008.

Effective January 1, 2005, an automatic connection to future changes to the federal definition of taxable income applies in Oregon, unless a specific Oregon law provides for different treatment.

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

Consolidated returns. S corporations cannot 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.

Excise tax 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.
- Employees or representatives providing services to customers as the primary business activity, such as accounting or personnel services, or services incidental to the sale of tangible or intangible personal property, such as installation of a product or warranty work.
- An economic presence through which the taxpayer regularly takes advantage of Oregon’s economy to produce income.

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

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 still be subject to Oregon corporation income tax if you have income from an Oregon source.

Income tax 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.

There is no minimum tax for a corporate **income tax** filer.

When you file your first Oregon S corporation return, attach a copy of your federal S corporation election, federal Form 2553. Oregon accepts the election made for federal purposes.

Shareholder tax returns

Shareholders who meet Oregon filing requirements must file an Oregon tax return. Refer to the appropriate Oregon tax returns and instructions, based on what type (individual, corporation, trust, or estate) of taxpayer the shareholder is, and for an explanation of those requirements.

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**. See ORS 314.734.

Each individual shareholder of an S corporation may claim their pro rata share of the corporation's business tax credits. See ORS 314.752 and OAR 150-314.752. The credit is allowable for the tax year of the individual in which the S corporation's tax year ends.

A pass-through entity is required to file a Form OC, *Oregon Composite Return*, if one or more nonresident owners elect to be included in such return. A nonresident owner is an individual who is not a resident of Oregon, a business entity that has a commercial domicile outside of Oregon, a nonresident trust or a qualified funeral trust.

For more information refer to the Oregon Composite Return instructions available on our website.

Withholding requirement

An S corporation with one or more nonresident owners who have no other Oregon source income is required to withhold tax on the owner's distributive share of S corporation income. The requirement is waived if the owner makes an election to join in the filing of a composite return, sends the department a signed *Oregon Affidavit for a Nonresident Owner in a Pass-through Entity*, or meets another exception listed in Oregon Administrative Rule 150-314.775.

The S corporation must withhold 9 percent of the owner's share of distributive income for owners who will file personal income tax returns, and 6.6 percent for owners who file corporate excise or income tax returns. The S corporation must send an annual payment on Form 40-ESV for each individual owner or on Form 20-V for each corporate owner. Each payment voucher must include the owner's name and tax identification number, and identify the quarter in which the payment is being made. The payment must be made on or before the date the S corporation is required to issue Schedule K-1 to its shareholders.

An S corporation with 50 or more non-electing owners may send one check and one payment voucher for each type of owner. This payment should be accompanied by a schedule identifying each shareholder and the amount of withholding attributable to them.

When is my return due?

Returns for the calendar year are due on or before April 15. Returns for other tax periods are due on or before the 15th day of the month following the due date of the federal return. When the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next business day. **Do not file your return before the end of your tax year.**

Interest and a 5 percent **late payment penalty** are charged if the tax is not paid by the due date.

If you have an extension, the late payment 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 the tax when you file within the extension period; **and**
- Pay any interest due either when the return is filed or within 30 days of the department's billing.

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**:

- Use federal extension Form 7004, complete the header information and answer question 4, leave the rest of the form blank.
- Write "For Oregon only" at the top of the form.
- **Do not** send the federal Form 7004 to the department before you file your Oregon return.

Making an extension payment

- Please use Form 20-V when making a payment. Do not use Form 20-V as an extension form.
- Check the "Extension" box on Form 20-V.
- Form 20-V is available at www.oregon.gov/DOR.
- Make check payable to "**Oregon Department of Revenue.**" To ensure proper credit to your account, write the BIN (if known), FEIN, and tax year of the filer corporation on your check.
- **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 payment with Form 20-V 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 Oregon tax return”).
- Check the “Extension” box on your return.
- Enter the amount of tax paid with your extension on Schedule ES, line 6.

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.

Amended returns

If you change taxable 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 form for the tax year you are amending and check the “**Amended**” box.

If you filed Form 20-S and later determined you should file Form 20, check the “Amended” box on 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.

Do not amend your Oregon return if you amend the federal return to carry a **net operating loss back** to prior years. Oregon allows corporations to carry net operating losses forward, but not back. See instructions for Form 20, line 14. **Capital losses** must be carried back three years and then forward five tax years.

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.

Note: If a deficiency is assessed against any taxpayer as a result of the retroactive adoption of the federal law changes, the department will cancel any penalty or interest pertaining to these changes. If a taxpayer files an amended return showing

a refund due based on the retroactive adoption of federal law changes, the department will not pay interest.

Deferred gain

Corporations may defer, for Oregon tax purposes, all gains realized in the exchange of like-kind property and involuntary conversions under IRC section 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 your return and check the “**Form 24**” box 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.

See OAR 150-314.650 and 150-314.665(5) regarding apportionment of deferred gain.

Form 20-S instructions

Heading

Enter all information as requested.

Type of tax. Do you pay an **excise tax** or **income tax** to Oregon? One box must be checked:

- Excise tax if you do business in Oregon.
- Income tax if you have taxable income from Oregon.

Oregon business identification number. Your Oregon business identification number is required unless this is your first return filed. A number will be assigned to you when you file your first return

Form 8886/REIT/ RIC. Oregon now has mandatory reporting requirement for participation in listed or reportable transactions. If you are required to report listed or reportable transactions to the IRS on Form 8886 or you participated in a real estate investment trust (REIT) or regulated investment company (RIC) as defined in Senate Bill 39 of the 2007 Oregon Legislature, you must check the “Form 8886/REIT/ RIC” box. Retain Form 8886 with your Oregon tax records. Do not attach a copy of the form to your Oregon return.

State School Fund. Not applicable for tax year 2007.

Questions

Question G. If this is the corporation’s first return, check the box and provide all information as requested. If the corporation is a successor to a previously existing business in Oregon, check the box and provide all information as requested. You would only check one of the boxes.

Question H. Final returns: A final tax return is required when a corporation has ceased to exist, withdrawn from doing business in Oregon, dissolved, merged, or reorganized. Check the box and provide requested information.

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)]. Check the box if making this election.

Taxpayers in the forest products industry that own or manage at least 300,000, but not more than 400,000 acres, and process at least 20 percent of the total wood chip supply for papermaking from sawmill residue generated within the state, must use the double-weighted sales factor provided in ORS 314.650. Check the box if you fit this requirement.

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. S corporations without federal taxable income, start on line 7.

Line 1. Income taxed on federal Form 1120S. On line 1(a), enter the amount from Form 1120S, Schedule D, Part III, line 16. To determine the amount to enter on line 1(b), refer to federal Form 1120S instructions, “Worksheet for line 22a.” 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.**

Additions

Line 2. 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:

- **Claim of right income repayment adjustment** when credit is claimed. The deduction under IRC section 1341 of the federal return must be added back to federal taxable income on the Oregon return if the Oregon credit is claimed (ORS 317.388).
- **Gain or loss on disposition of depreciable property.** The difference in gain or loss on sale of business assets when the Oregon basis is less than it is for federal purposes (ORS 317.356).
- **Interest income.** 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.
- **QPAI deduction.** Add to federal taxable income the amount of QPAI deduction per IRC 199 claimed on the federal return.

Subtractions

Line 3. 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:

- **Film production labor rebate.** The amount of rebate received and included on the federal return is allowed as a subtraction on the Oregon return.
- **Interest on obligations** of the United States and its instrumentalities included in line 1. **This applies to income tax filers only.**
- **Temporary dividends-received deduction.** Dividends from controlled foreign corporations are deductible to the extent deductible for federal tax purposes per IRC 965.
- **The difference in gain or loss on sale of assets** when the Oregon basis is greater than it is for federal purposes.

Line 7. Tax. Oregon minimum tax of \$10 is required for excise taxpayers. Income taxpayers do not pay a minimum tax.

Line 8. Tax adjustments. Enter the **net** amount of both adjustments on this line:

- **Interest on certain installment sales.** Interest you owe on deferred tax liabilities with respect to installment obligations under ORS 314.302. Attach a schedule showing how you figured the interest.
- **Net long-term capital gain from farm property.** Subtract the amount of adjustment for tax on net long-term capital gain from farm property (ORS 317.063) from line 9 of Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Adjustment*.

Credits

Line 10. Taxpayers must take the full amount of credit allowed per year, to the extent of the tax liability (ORS 314.078).

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 list of credits claimed and the required credit form listed below. **Credits with a carryover provision are:**

- Alternative fuel vehicle fueling stations (ORS 317.115).
- Biofuel producer (Chapter 739, 2007 Oregon Laws).
- Bone marrow donor expense (ORS 315.604).
- Child Care Division and community agency contributions (ORS 315.213).
- 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).
- Diesel engine replacement (notes following ORS 315.356).
- 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, 315.356, 469.185).
- Farmworker housing project investment (ORS 315.164, 315.167, 315.169).
- Film production development contribution (ORS 315.514).
- 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 loans for affordable housing (ORS 317.097, 317.112).
- Long-term enterprise zone facilities (ORS 317.124, 317.125).
- Mile-based or time-based motor vehicle insurance (notes following ORS 317.122).
- 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 recycling (ORS 315.324).
- Reforestation (ORS 315.104, 315.106).
- University venture fund credit (ORS 315.521).
- Voluntary removal of riparian land from farm production (ORS 315.113).
- Water transit vessel credit (ORS 315.517).

See www.oregon.gov/DOR/BUS/docs/102-694-9.pdf to learn more about Tax Credits for Corporations.

Line 12. State surplus refund credit. Not applicable for tax year 2007.

Line 13. 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 final C corporation return (ORS 314.750).

Line 15. Estimated tax payments and other prepayments. Fill in the total estimated tax payments for tax year 2007 from Schedule ES. Include payments made with an extension.

Line 18. 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 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 have an extension, the late payment 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 the tax when you file within the extension period; **and**
- Pay any interest due either when the return is filed or within 30 days of the department's billing.

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.

Line 19. 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
January 1, 2007	9%	0.75%	0.0247%
January 1, 2008	9%	0.75%	0.0247%

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

For more information, see *Computing Interest on Tax You Owe*, www.oregon.gov/DOR.

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 20. Interest on underpayment of estimated tax. Enter interest due from 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 14 is less than \$500 on your 2007 return.

If you have an underpayment, you must file Form 37, *Underpayment of Oregon Corporation Estimated Tax* with your return.

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 available at www.oregon.gov/DOR.

Line 22. Total due. Enclose your check (or money order) and payment voucher with 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:

- Federal employer identification number (FEIN).
- Oregon business identification number (BIN).
- "Tax year 2007."

Special instructions. Do you owe penalty or interest and have an overpayment on line 17? If your overpayment is less than the total penalty and interest, fill in the result of line 21 minus line 17, on line 22.

Schedule SM instructions

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 wage reductions. 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 of the return. 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 instructions

Estimated tax payment instructions

Estimated tax paid for the 2007 tax year. List all estimated tax payments made prior to filing your Oregon return on lines 1 through 4. Enter any refund applied from your 2006 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 of line 1 through 6, then carry total to Form 20-S, line 15. List name and FEIN of payer only if different from corporation filing this return.

Taxpayer assistance

www.oregon.gov/DOR

- Download forms and publications.
- Get up-to-date tax information.
- E-mail: corp.help.dor@state.or.us.

This e-mail address is not secure and confidentiality cannot be ensured. General tax and policy questions only.

Telephone

Salem area or outside Oregon 503-378-4988
Toll-free from Oregon prefix 1-800-356-4222

Monday through Friday 7:30 a.m.–5:00 p.m.
Closed Thursdays from 9:00 a.m.–11:00 a.m. Closed on holidays.

Extended hours during tax season (wait times may vary):
April 1–April 15, Monday–Friday 7:00 a.m.–7:00 p.m.
Saturday, April 12 9:00 a.m.–3:00 p.m.

Asistencia en español:

En Salem o fuera de Oregon 503-378-4988
Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem 503-945-8617
Toll-free from Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Correspondence

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