

Schedule AP

APPORTIONMENT OF INCOME FOR PARTNERSHIPS

2006

Please complete all lines, 1 through 16, even if you do not use all three factors to apportion your income.

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

SCHEDULE AP-1 — APPORTIONMENT INFORMATION

Property factor—Value of real and tangible personal property used in the unitary business (owned, at average value; rented, at capitalized value)

(Do not enter an amount of less than zero)

	(A) Total within Oregon	(B) Total within and without Oregon
<i>Owned property</i> (at original cost; see instructions):		
1. Inventories..... 1		
2. Buildings and other depreciable assets..... 2		
3. Land 3		
4. Other assets (attach description) 4		
5. MINUS: Construction in progress 5		
6. Total of lines 1–5 (add lines 1–4, then subtract line 5) 6		
7. <i>Rented property</i> (capitalize at 8 times the rental paid) 7		
8. Total owned and rented property (add lines 6 and 7) 8		

Payroll factor—Payroll includes wages, salaries, commissions, other compensation to employees, and guaranteed payments (see instructions):

9. Total payroll 9		
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Sales factor—Sales delivered or shipped to Oregon purchasers:

10. Shipped from outside Oregon..... 10	
11. Shipped from inside Oregon..... 11	
<i>Sales shipped from Oregon to:</i>	
12. The United States government 12	
13. Purchasers in a state or country where the corporation is not taxable 13	
14. Other business receipts 14	
15. Total sales and other business receipts (add lines 10–14)..... 15	

Go to worksheets on pages 1 and 2 before completing line 16.

16. Oregon apportionment percentage. See instructions on page 1 to determine the Oregon apportionment percentage..... 16			%
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SCHEDULE AP-2 — TAXABLE INCOME COMPUTATION

1. Net income from business both in Oregon and other states..... 1	
2. Subtract: Net nonbusiness income included in line 1. Attach schedule 2	
3. Subtract: Gains from prior year installment sales included in line 1. Attach schedule 3	
4. Total net income subject to apportionment (line 1 minus line 2 and line 3)..... 4	
5. Oregon apportionment percentage (from Schedule AP-1, line 16)..... 5	X %
6. Income apportioned to Oregon (line 5 times line 4)..... 6	
7. Add: Net nonbusiness income allocated entirely to Oregon. Attach schedule 7	
8. Add: Gain from prior year installment sales apportioned to Oregon. Attach schedule 8	
9. Partnership income subject to Oregon tax. Total of lines 6, 7, and 8..... 9	

SCHEDULE AP INSTRUCTIONS FOR PARTNERSHIPS

SCHEDULE AP-1 – Apportionment formula

For tax years beginning after June 30, 2005, the apportionment formula is based 100 percent on sales. For tax years beginning on or after May 1, 2003, the apportionment formula is 80 percent times the sales factor, plus 10 percent times both the payroll and property factors.

Taxpayers primarily engaged in utilities and telecommunications may elect to use the apportionment formula as provided in Oregon Revised Statute (ORS 314.650) (1999 edition).

For tax years beginning on or after July 1, 2005, qualifying taxpayers in the forest products industry are required to use the alternative apportionment method provided in ORS 314.650.

The numerators of the factors include the Oregon property, payroll, and sales from businesses taxable by Oregon. The denominators of the factors include all amounts from the business (both Oregon source and non-Oregon source).

Note: If you listed additions and subtractions on Form 65, those items are also subject to apportionment.

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 the 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 rent paid. Reduce the annual rental value by nonbusiness subrentals.

Enter business property within Oregon in column A of Schedule AP-1. Enter all owned or rented business property in column B. See ORS 314.655 and administrative rules.

Payroll factor

Guaranteed payments representing compensation for services to a partnership are considered remuneration paid to employees for personal services.

Assign payroll to Oregon if:

- The services are performed entirely inside Oregon; or
- The services are both inside and outside Oregon but those services outside are only incidental; or
- Some of the services are performed in Oregon and (a) the base of operation or control is located in Oregon, or (b) the base of operation or control is not in any state in which the services are performed, and the employee’s residence is in Oregon; or
- The guaranteed payment represents compensation that would have been subject to Oregon unemployment insurance if paid to an employee.

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 business is not taxable in the state of the purchaser. See ORS 314.665(3) for exceptions.

See ORS 314.620 and Public Law 86-272 to determine if a partnership 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 are not included in the sales factor unless derived from your primary business activity.

However, the net gain from sales, exchanges, or redemption of intangible assets that are not derived from your primary business activity are included in the sales factor if the gains are business income.

Computing Oregon apportionment percentage

The worksheets on pages 1 and 2 are for partnerships having business activities both inside and outside of Oregon. Use worksheet 1 to compute your Oregon apportionment percentage using the standard apportionment method. Use worksheet 2 to compute your Oregon apportionment

Worksheet 1—Oregon standard apportionment method

Business income is apportioned to Oregon by multiplying the income by a multiplier equal to Oregon sales and other receipts as determined by Schedule AP-1, divided by total sales and other receipts from the federal return. See ORS 314.650.

	(A)	(B)	
1. Total sales and other receipts (Schedule AP-1, line 15).....	1		
2. Oregon apportionment percentage [(A ÷ B) X 100] (enter on Schedule AP-1, line 16).....	2		%

Worksheet 2—Alternative apportionment method

(Double-weighted sales factor formula) for utility or telecommunication partnerships and qualified forest products taxpayers

Taxpayers primarily engaged in utilities or telecommunications **may elect** to apportion business income using the double-weighted sales factor provided in ORS 314.650 (1999 edition).

Qualifying forest products industry taxpayers **must** apportion business income using the double-weighted sales factor formula provided in ORS 314.650(2) (2005 edition) for tax years beginning on or after July 1, 2005.

All others use the appropriate Oregon standard apportionment schedule above.

	(A)	(B)	(C) = (A ÷ B) X 100
1. Total owned and rented property (Schedule AP-1, line 8)	1		%
2. Total wages and salaries (Schedule AP-1, line 9)	2		%
3. Total sales and other receipts (Schedule AP-1, line 15).....	3		%
4. Total sales and other receipts (same as line 3 above).....	4		%
5. Total percent (add lines 1C–4C above)	5		%
6. Number of factors with a positive number in column B.....	6		
7. Alternative apportionment percentage (divide line 5 by line 6; enter on Schedule AP-1, line 16).....	7		%

percentage using the alternative apportionment method. If the partnership’s business activities are all within Oregon, do not use Schedule AP.

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 operations;
- 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 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 1. Add the income (loss) from the federal Schedule K, lines 1 through 11. Enter the result on line 1. Note: Guaranteed payments paid to a nonresident partner of a partnership that has business activity in Oregon are treated as a distributive

share of partnership income, Oregon Administrative Rule (OAR) 150-316.124(2). Guaranteed payments are subject to the allocation and apportionment provisions of ORS 314.605 to 314.675.

Line 2. Subtract the net nonbusiness income included in line 1. Attach a schedule listing the source and amount on the nonbusiness income.

Line 3. Subtract gains from prior year installment sales included in line 1. OAR 150-314.615-G requires the apportionment of installment sales using the same apportionment factor that was used in the year of sale. Attach a schedule listing the installment sales gain. See instructions for line 8.

Line 7. Add all of the nonbusiness income that is allocated entirely to Oregon. Attach a schedule listing the source and amount of the nonbusiness income allocated to Oregon.

Line 8. Multiply the installment gains subtracted on line 3 by the apportionment factor used in the year of the sale. Enter the result. Attach a schedule showing the apportionment factor used in the year of the sale.

Taxpayer assistance

General tax information..... www.oregon.gov/DOR
 Salem 503-378-4988
 Toll-free from an Oregon prefix..... 1-800-356-4222

Asistencia en español:
 Salem 503-945-8618
 Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem 503-945-8617
 Toll-free from an Oregon prefix..... 1-800-886-7204

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