

Memorandum

To: Board of County Commissioners
From: Jim Johnson, Facilitator
Date: November 22, 2005
Re: Work Session on Income Taxes

This memo is designed to summarize information on four items:

- Part 1 – Information provided by Ron Chastain about a possible corporate income tax.
- Part 2 – Information on the City of Portland Business License Fee and the Multnomah County Business Income Tax.
- Part 3 – Information on Multnomah County's Personal Income Tax
- Part 4 – Information on rates, yields, spreadsheets, and scenarios

Before we move on to the four sections described above, I'd like to summarize the typical methods of taxing business activity. To simplify the discussion, I'll be addressing the "usual" business types: Sole proprietorships; partnerships; and corporations.

State of Oregon

- Personal Income. The program we use every year which taxes wage, salary, and other forms of income. Form 40 is the typical form for State income taxes for individuals and couples (Attachment 1).
- Sole Proprietorships. Income is taxed as personal income, just like wage and salary income, even though your business earns the money. Form 40 is used (Attachment 1).
- Partnerships. Same as above.
- Corporations. Income is taxed under special rules established just for corporations (Attachments 2-5).

Multnomah County.

- Personal Income. The county has established a personal income tax program which is basically 1.25 percent of the net income for county residents. If you want to see what you would pay if you live in Multnomah County, get out your State of Oregon Tax Form 40 and look at line 28. Subtract \$5,000 for a couple and \$2,500 for an individual. Multiply this difference times .0125. That's what you would pay (Attachment 6).
- Sole Proprietorships. Unlike the State of Oregon, Multnomah County taxes the net income of sole proprietorships for their business activity in the county as part of the county's Business

Income Tax program. A business in the county will pay 4.55 percent of net income (including surcharges) for 2005. The business is allowed an owners compensation deduction. (Attachment 7).

- Partnerships. Same as above.
- Corporations. Same as above. (Attachment 8).

As you can see, Multnomah County taxes income from the various forms of business differently than does the State of Oregon. The State taxes Corporation income as a “business” and taxes income from sole proprietorships and partnerships as an “individuals”. A difference from a county perspective is that the Multnomah model imposes a tax on all forms of income derived from business activity within the county, where under the State model, if a partnership or sole proprietorship provides an income stream to an individual who is not a state resident, it may escape being taxed. At the same time, under the Multnomah model, the income stream for sole proprietorships and partnerships beyond the owners’ compensation deduction is subject to two taxes, the personal income tax and the business income tax. This could be avoided by a deduction on the personal income tax for income subject to a business income tax.

There are other exemptions and rules that apply in both the State and in Multnomah County, but I’ve left them out to simplify the explanation.

Part 1 – State of Oregon Model for a Corporate Income Tax

Description of Tax. A county corporate income tax would be a tax imposed on net corporate income earned within the county geographical boundary. A net income tax is applied to business profits, rather than to a broader measure of business activity, such as gross receipts. The state of Oregon taxes corporate net income, while the state of Washington taxes gross receipts. The following description of a business income statement illustrates the difference between a gross receipts tax and a net income tax. The federal government, like Oregon and most states, taxes business net income.

Yield. A 1 percent county tax only on corporate income (not partnerships, not sole proprietorships, etc.) allocated to Lane County would average a little over **\$3 million per year** for the remainder of this decade. Estimates of potential annual revenue are shown on Table B-1 on the next page.

Revenue estimates are based on the estimate that Lane County's share of corporate business in Oregon is approximately 7.8 percent. This in turn is based on sales and payroll data from 2002.

TABLE B-1: ESTIMATED CORPORATE TAX REVENUES (\$MILLIONS)					
	Oregon Adj.	Oregon	Est. State Corp.	Est.	1% Tax
Fiscal	Corporate	Corporate	Tax from Lane.	Lane/	Lane Co.
Year	Revenue	% chg.	at 7.8%	State	on Income
2006-07	232.3	-26.2%	18.1	7.8%	2.75
2007-08	294.5	26.7%	23.0	7.8%	3.48
2008-09	304.3	3.3%	23.7	7.8%	3.60
2009-10	295.4	-2.9%	23.0	7.8%	3.49
2010-11	291.3	-1.4%	22.7	7.8%	3.44
Estimates based on May 2005 Oregon Economic and Revenue Forecast, adjusted for "Kicker" Refunds					

Growth. Growth of revenue from corporations will parallel business activity. From data on Table B-1, the forecasted growth of revenue from a 1-percent county tax is essentially flat from 2003-04 to 2009-10, paralleling the state revenue forecast's cyclical pattern for state corporate tax revenue.

Equity. If non-corporate business income were taxed, as would happen for sole proprietors and partnerships under a personal income tax, then failure to tax corporate income would create inequities among types of business ownership. Similarly, a tax on corporate income with no tax on sole-proprietors and partnerships also would be inequitable. An income tax applied to corporate income is considered more equitable than flat fees or gross receipts taxes, which impose a tax liability whether or not the business is profitable.

Administration. The City of Portland currently administers a number of different kinds of income taxes for itself and for Multnomah County.

An audit process should be used and should require information from state corporate tax returns. A county corporate income tax should adhere to the same income definitions and rules used for determining Oregon taxable income. The county may want to establish an income threshold below which taxpayers need not file returns, because it is not efficient to expend money on administering a tax return that produces an insignificant amount of revenue.

Compliance will be improved if the tax law is consistent with Oregon's tax law, and if someone already auditing tax returns, such as the Oregon Department of Revenue or City of Portland, is responsible for auditing the returns. Multnomah County and Portland can provide good guidance as to the lead-time and enforcement options necessary to enhance compliance.

Part 2 – Multnomah County and the City of Portland as Models for a Tax on Business Income

In Oregon, Multnomah County and the City of Portland have taxes on business income, which apply to corporations, partnerships and sole proprietors. Information on the Portland Business License tax and on the Multnomah County Business Income Tax is available at the following web site: <http://www.portlandonline.com/licenses/index.cfm?c=29555> .

Yield. State personal income tax returns from Lane County for 2003 reported \$242.6 million positive business income from non-corporate businesses such as partnerships, sole proprietorships, and so forth. Business losses were \$29.8 million. If the positive income were subject to a separate business tax of 1 percent, it would produce approximately **\$2.4 million per year**, excluding any allowances or deductions.¹

Below are answers to frequently asked questions about the two taxes taken from the City of Portland web site. First, FAQ's for the City of Portland Business License fee are presented. FAQ's for the Multnomah County tax are provided next.

CITY OF PORTLAND BUSINESS LICENSES - FREQUENTLY ASKED QUESTIONS

Portland's Business License is for revenue purposes for the General Fund. The General Fund finances Police, Fire, some Parks programs, and general government functions. Business License revenue is the second largest source of General Fund revenues, generating over \$46 million dollars during FY 2001-2002.

WHO IS REQUIRED TO OBTAIN A BUSINESS LICENSE? Prior to operating a business in the City of Portland OR Multnomah County you are required to submit one of the following:

- City of Portland Business License Application
- City of Portland Exemption Request form
- Multnomah County ONLY Business Income Tax form

There are certain exemptions to operating a business without a business license. Exempt businesses must also submit a request for exemption. They are:

- Businesses grossing less than \$25,000 per year from all sources before expenses.

(Note: In license years 1993-1998, businesses grossing less than \$15,000 per year were exempt).

- Insurance agents, agencies and other representatives as such. Note: "Representatives" means persons selling insurance or transacting insurance as a representative or agent of an

¹ Please see Attachments 10-13 for a full summary of different tax rates and yields for options that could be considered by the BCC.

insurance company. Such persons must be licensed and regulated by the State of Oregon Insurance Division. Please be aware that "domestic" insurance companies are not exempt.

- Real estate agents and associate brokers whose only business activity is real estate sales. Independent brokers are not exempt.

- Individuals whose only business activity is ownership of less than 10 residential rental units. Note: An individual is a natural person. Partnerships, corporations and all entities other than individuals may not look to this exemption.

WHAT IS THE FEE? The fee is 2.2% of the net business income. Apportionment may be allowed for business activity performed outside the City. **THE MINIMUM ANNUAL FEE IS \$100.** The minimum fee (\$100) is not refundable once a license has been issued.

WHAT IS THE CITY OF PORTLAND SURCHARGE? A surcharge in addition to the 2.2% fee dedicated to supplementing the funding to public schools with the City of Portland. For the tax year beginning on or after January 1, 2002, the surcharge rate is 1%. For the tax year beginning on or after January 1, 2003, the surcharge rate is .4%

WHAT ARE THE TOTAL FEES IF YOU DO BUSINESS WITHIN THE CITY OF PORTLAND? The current City of Portland business license rate is 2.2% (.022) of the net income after allowable deductions and apportionment, with an annual minimum fee of \$100.00. The current Multnomah County business income tax rate is 1.45% (.0145) of the net income after allowable deductions and apportionment. There is no minimum tax. Business income taxes are due after each tax year end. If you do business in the City of Portland (and then also within Multnomah County), your business activity is taxed at the base rate of 3.65 percent.²

ISN'T THIS BUSINESS LICENSE FEE JUST A BUSINESS TAX? The business license fee replaces all general business taxes in Portland. It is purely a revenue license, with many of the features of a privilege tax. Unlike most city business taxes, Portland's fee is based on net income (after expenses), not on gross receipts. As a license, it must be paid in advance for each year of business.

MULTNOMAH COUNTY BUSINESS INCOME TAX (MCBIT) FREQUENTLY ASKED QUESTIONS

Multnomah County changed from requiring a business license to assessing a business income tax in 1976. Over the years, the tax rate has increased from .6% in 1976 to 1.46% in 1992. The rate was reduced to 1.45% in 1993 when the City and County achieved Code Conformity and Joint Administration of the two separate programs. Revenue generated from the Multnomah County Business Income Tax goes to the County General Fund and is used to finance Libraries, the Sheriff's Office, Community Corrections, Jails, Juvenile Justice, Bridges, Social and Health Services. Business Income Tax revenues were over \$36 million dollars during FY 98-99.

² There are also temporary surcharges in place to help schools (Portland is .4 percent and Multnomah County is .5 percent) so the total rate is now 4.55 percent.

WHO HAS TO PAY MCBIT? Everyone doing business in Multnomah County except as noted below. Prior to operating a business in the City of Portland OR Multnomah County you are required to submit a Multnomah County ONLY Business Income Tax form

There are certain exemptions to operating a business without a business license. They are:

- Businesses grossing less than \$25,000 per year from all sources before expenses (gross receipts). (Note: In tax years 1993-1998, the exemption level was \$15,000.)
- Insurance agents, agencies and other representatives as such. ("Domestic" insurance companies are not exempt.)
- Individuals whose only business activity is ownership of less than 10 residential rental units. Note: An individual is a natural person. Partnerships, corporations and all entities other than individuals may not look to this exemption.

WHEN/HOW DO I PAY THE TAX? Generally, you must file and pay the tax within three and one-half months following the end of your taxable year. However, you may request an extension of up to six months to file your return. This extension is granted when accompanied by an estimated tax payment.

WHAT IS THE TAX? The tax is 1.45% of the net business income. Apportionment may be allowed for business activity performed outside the County. There is no minimum tax. For tax year 1998, there was a one-year increase to the tax for taxpayers who owed more than \$100. This increase was .5% (for a total of 1.95%). This one-year .5% increase was directed to assist schools in Multnomah County.

The form and instructions used to compute taxes owed for Sole Proprietorships (Form SP-2004) is attached.

SUMMARY. All of the three business taxes can be considered taxes on the net income versus the gross receipts of a business, although there are some aspects of gross receipts in the Portland and Multnomah taxes. Portland and Multnomah County tax all business types—C and S corporations, LLCs, partnerships, sole proprietorships, etc., while the State of Oregon model is for corporations only.

Part 3 – Multnomah County Personal Income Tax

From the county's web site: "The Multnomah County personal income tax was created when voters approved Ballot Measure 26-48 in May 2003. It is a three-year measure that raises local funds to prevent further cuts to Multnomah County's public schools and programs that help the County's most vulnerable residents. It is intended to be a temporary, local answer to recent state budget cuts and a poor economy.

The tax is a 1.25 percent levy on the Oregon taxable income of Multnomah County residents reduced by an exemption amount (\$5,000 for joint filers and \$2,500 for single filers). Oregon taxable income includes most income, but Social Security benefits and federal and state retirement income will not be taxed.

The tax provides an estimated \$128 million this year. The bulk of the money (\$89-\$91 million) will be divided equally, on a per-pupil basis to all county public school districts. The remainder will be spent on public safety and programs that serve the elderly, disabled and mentally ill.”

Some frequently asked questions from the county’s web site:

Who has to pay the tax?

All Multnomah County residents with Oregon taxable income, regardless of where the income was earned. For example, a Multnomah County resident who works in Vancouver, WA is subject to the tax. A Vancouver, WA resident who works in Multnomah County is not.

Can I deduct my County tax payment from federal and state taxes?

Yes, if you itemize deductions. However, only the portion of the County tax that you actually pay in 2003 can be deducted from your 2003 federal and state taxes (the same applies for the 2004 and 2005 tax years). An estimated payment coupon can be downloaded and printed from the County’s Website, and is also in the tax forms and instructions booklet.

What if I only lived in Multnomah County for part of the year?

Part-year residents will only be taxed based on the portion of the year they lived in Multnomah County. Part-year residents will only be taxed on the income they earned during the time they lived in Multnomah County. For example, a taxpayer who moved out of Multnomah County on Feb. 1 will owe the tax on roughly one-twelfth of their income.

How much will I owe?

The tax rate is 1.25 percent of Oregon taxable income after deducting an exemption (\$2,500 for single filers or \$5,000 for joint filers). An interactive calculator that allows you to estimate what you will owe is available on the County’s Website:
www.co.multnomah.or.us/tax/tax_calc.asp.

Part 4 – Rates, Yields, Spreadsheets, and Scenarios

A series of attachments are provided to help clarify the differences between the taxes, the differences between Adjusted Gross and Oregon Taxable or Net Income, and spreadsheets showing the tax rates and yields for various funding scenarios.

Attachments:

1. Oregon Individual Income Tax Return Form 40
2. Oregon Corporation Excise Tax Return Form 20
3. Oregon Corporation Income Tax Return Form 20-1
4. Common questions - Corporate Taxes ODOR web site
5. Corporation Excise and Income Tax - What you need to know (ODOR website)
6. Multnomah County Personal Income Tax Return Form MC TR 2004
7. Combined Portland and Multnomah Tax Return Form for Sole Proprietorship and 1 Member LLC Form SP 2004
8. Combined Report for C-Corporations Form C-2004
9. How Oregon Income Tax is Computed
10. Gross Receipts/Retail Sales Tax Options
11. Lane County Income Tax Options including Personal, Corporate and Business Income
12. Lane County Combination Tax Options based upon Adjusted Gross Income
13. Lane County Combination Tax Options based upon Oregon Taxable Balance
14. Jim Gangle prepared an analysis of Lane County home values so you can see the impact of property tax levels at various levels of Assessed values, Nov. 9, 2005.
15. Lane County, Oregon, 1% Personal Income Tax Scenarios based upon *Adjusted Gross Income* with \$1/1000 Property Tax Relief – this worksheet shows the impact on various income groups on an annual and a monthly basis.
16. Lane County, Oregon, 1% Personal Income Tax Scenarios based upon the *Oregon Taxable Balance* with \$1/1000 Property Tax Relief – this worksheet shows the impact on various income groups on an annual and a monthly basis. **THIS ITEM IS NOT ATTACHED. IT WILL BE HANDED OUT PRIOR TO THE WORKSESSION.**

Form 40 OREGON Individual Income Tax Return FULL-YEAR RESIDENTS ONLY		2004 Fiscal year ending		W For office use only	
Last name		First name and initial		Social Security No. (SSN)	
Spouse's last name if joint return		Spouse's first name and initial if joint return		Spouse's SSN, if joint return	
Current mailing address				Telephone number	
City	State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>	
Filing Status Check only one box 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child				Exemptions 6a Yourself.....Regular <input type="checkbox"/> Severely disabled <input type="checkbox"/> Total 6b Spouse Regular <input type="checkbox"/> Severely disabled <input type="checkbox"/> b 6c All dependents First names c 6d Child(ren) First names d with a disability Total • 6e	
Check all that apply →	7a • You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You attached Schedule WFC	7d <input type="checkbox"/> You filed an Oregon Form 24	7e • <input type="checkbox"/> If there is a kicker refund, you want to donate your kicker to the State School Fund

8 Federal adjusted gross income. Federal Form 1040, line 36; 1040A, line 21;

Round to the nearest dollar

1040EZ, line 4; 1040NR, line 34; or TeleFile Tax Record, line I. See instructions.....

• 8 .00

ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon • 9	.00	
	10 Other additions. Identify • 10	.00	
	11 Total additions. Add lines 9 and 10..... 11	.00	
	12 Income after additions. Add lines 8 and 11 12	.00	

SUBTRACTIONS	13 2004 federal tax liability (\$0-\$4,000; see instructions for the correct amount) • 13	.00	
	14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b • 14	.00	
	15 Oregon income tax refund included in federal income • 15	.00	
	16 Interest from U.S. government, such as Series EE and HH bonds • 16	.00	
	17 Federal pension income (see instructions on page 25) % • 17	.00	
	18 Other subtractions. Identify • 18	.00	
	19 Total subtractions. Add lines 13 through 18 19	.00	
20 Income after subtractions. Line 12 minus line 19 20	.00		

DEDUCTIONS	If you are claiming itemized deductions, fill in lines 21-25. If you are claiming the standard deduction, fill in line 26 only.		
	21 Itemized deductions from Schedule A, line 28 • 21	.00	
	22 Special Oregon medical deduction (age restricted, see instructions, page 28) • 22	.00	
	23 Total Oregon itemized deductions. Add lines 21 and 22 23	.00	
	24 State income tax claimed as an itemized deduction from Schedule A, line 5 • 24	.00	
	25 Net Oregon itemized deductions. Line 23 minus line 24 25	.00	
	OR		
	26 Standard deduction from page 28 • 26	.00	
	27 Total deductions. Line 25 or line 26, whichever is larger 27	.00	
	28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, fill in -0- • 28	.00	

TAX	29 Tax. See pages 21 through 23 for tax tables or charts and enter tax here • 29	.00	
	OR		
	30 Check if tax is from: <input type="checkbox"/> Form FIA-40 or <input type="checkbox"/> Worksheet FCG and enter tax here • 30	.00	
	31 Interest on certain installment sales • 31	.00	
32 Total tax. Add lines 29 and 31 OR add lines 30 and 31OREGON TAX 32	.00		

33 Total tax from front of form, line 32.....		33	.00
CREDITS	34 Exemption credit. Multiply your total exemptions on line 6e by \$151.....	34	.00
	35 Earned income credit. See instructions, page 29.....	35	.00
	36 Retirement income credit. See instructions, page 30.....	36	.00
	37 Child and dependent care credit. See instructions, page 30.....	37	.00
	38 Credit for the elderly or the disabled. See instructions, page 31.....	38	.00
	39 Political contribution credit. See limits, page 31.....	39	.00
	40 Credit for income taxes paid to another state. State: _____ Attach proof •	40	.00
	41 Other credits. Identify.....	41	.00
	42 Total credits. Add lines 34 through 41.....	42	.00
	43 Net income tax. Line 33 minus line 42. If line 42 is more than line 33, fill in -0-.....	43	.00

PAYMENTS, PENALTY, AND INTEREST	44 Oregon income tax withheld. Attach Form(s) W-2 and 1099	44	.00
	45 Estimated tax payments for 2004. Include payments made with your extension	45	.00
	46 Working family child care credit from WFC, line 19..... CREDIT AMOUNT →	46	.00
	Number from WFC, line 5 • 46a <input type="text"/> Amount from WFC, line 17 • 46b <input type="text"/>		.00
	47 Total payments. Add lines 44, 45, and 46.....	47	.00
48 Overpayment. If line 43 is less than line 47, you overpaid. Line 47 minus line 43..... OVERPAYMENT →	48	.00	
49 Tax to pay. If line 43 is more than line 47, you have tax to pay. Line 43 minus line 47..... TAX TO PAY →	49	.00	
50 Penalty and interest for filing or paying late. See instructions, page 33.....	50	.00	
51 Interest on estimated tax underpayment. Attach Form 10 and check box → <input type="checkbox"/>	51	.00	
52 Total penalty and interest due. Add lines 50 and 51.....	52	.00	
53 Amount you owe. Line 49 plus line 52..... AMOUNT YOU OWE →	53	.00	
54 Refund. Is line 48 more than line 52? If so, line 48 minus line 52..... REFUND →	54	.00	
55 Estimated tax. Fill in the part of line 54 you want applied to 2005 estimated tax.....	55	.00	
CHARITABLE CHECKOFFS <i>I want to donate part of my tax refund to the following fund(s)</i>	56 Oregon Nongame Wildlife..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	56	.00
	57 Child Abuse Prevention..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	57	.00
	58 Alzheimer's Disease Research..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	58	.00
	59 Stop Domestic & Sexual Violence..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	59	.00
	60 AIDS/HIV Education and Services..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	60	.00
	61 Other charity. Enter code •..... <input type="checkbox"/> \$1..... <input type="checkbox"/> \$5..... <input type="checkbox"/> \$10..... <input type="checkbox"/> Other \$.....	61	.00
	62 Total. Add lines 55 through 61. Total can't be more than your refund on line 54.....	62	.00
63 NET REFUND. Line 54 minus line 62. This is your net refund..... NET REFUND →	63	.00	

DIRECT DEPOSIT	64 For direct deposit of your refund, see the instructions on page 34.	• Type of Account: <input type="checkbox"/> Checking or <input type="checkbox"/> Savings
• Routing No. <input type="text"/>		• Account No. <input type="text"/>

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge.		<input type="checkbox"/> I authorize the Department of Revenue to contact this preparer about the processing of this return.
Your signature	Date	Signature of preparer other than taxpayer
X		X
Spouse's signature (if filing jointly, BOTH must sign)	Date	Address
X		Telephone No.

Important: Attach a copy of your federal Form 1040, 1040A, 1040EZ, 1040NR, or TeleFile Tax Record.

If you owe, make your check or money order payable to the: Oregon Department of Revenue. Write your daytime telephone number and "2004 Form 40" on your check or money order. Attach your payment, along with the payment voucher on page 11, to this return.	
Mail TAX-TO-PAY returns to Oregon Department of Revenue PO Box 14555 Salem OR 97309-0940	Mail REFUND returns and NO-TAX-DUE returns to REFUND PO Box 14700 Salem OR 97309-0930

Oregon Corporation Excise Tax Return 2004 Form 20		For office use only		
		Date received		Payment
		1	2	3
Fiscal year beginning		Fiscal year ending		
• / / 04		• / /		
NAME: <input type="checkbox"/> NEW NAME • BIN: <input type="checkbox"/> NEW ADDRESS FEIN: ADDRESS: CITY: ST: ZIP: CONTACT: PREVIOUS NAME: WEB ADDRESS: PHONE: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%; text-align: center;"> FOR FUTURE COMPUTER USE </div> <div style="width: 45%; text-align: center;"> FOR COMPUTER USE ONLY </div> </div>				

Complete A through D only if this is your first return or the answer changed during 2004. SEE INSTRUCTIONS FOR MORE INFORMATION.

• A. Incorporated in (state);		• Incorporated on (date)		• B. State of commercial domicile		• C. Date business activity began in Oregon		• D. Business Activity Code	
• E. (1) Was a consolidated federal return filed?			• (2) Is this a consolidated Oregon return?			• (3) Are corporations included in the consolidated federal return, but not in the Oregon return?			
<input type="checkbox"/> Yes <input type="checkbox"/> No			<input type="checkbox"/> Yes <input type="checkbox"/> No			<input type="checkbox"/> Yes <input type="checkbox"/> No			
• F. Are you a high-income taxpayer?		• G. Enter name of parent corporation, if applicable;				• Enter FEIN of parent corporation, if applicable			
<input type="checkbox"/> Yes <input type="checkbox"/> No									
• H. List the tax years for which federal waivers of the statute of limitations are in effect and dates on which waivers expire; if more than four years, see instructions									
• I. 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; if more than four years, see instructions									
• J. If first return, indicate		Name of previous business				FEIN		BIN	
<input type="checkbox"/> New business, or									
<input type="checkbox"/> Successor to prev. existing business									
• K. If final return, indicate		Name of merged or reorganized corporation				FEIN		BIN	
<input type="checkbox"/> Withdrawn, <input type="checkbox"/> Dissolved, or									
<input type="checkbox"/> Merged or reorganized									
L. Check the box if your business is a utility or telecommunications company electing alternative apportionment..... • L <input type="checkbox"/>									
M. If you did not complete Schedule AP, fill in the amount of your Oregon sales • M									

See instructions		1. Taxable income from U.S. corporation income tax return • 1		
ADDITIONS		2. State, municipal, and other interest income excluded in arriving at line 1... • 2		
		3. Oregon excise tax and other state or foreign taxes on or measured by net income or profits • 3		
		4. Income of related FSC or DISC • 4		
		5. Other additions. Attach schedule and explanation • 5		
		6. Total additions (add lines 2 through 5) 6		
		7. Income after additions (line 1 plus line 6) 7		
SUBTRACTIONS		8. Work opportunity credit wages not deducted on federal Form 1120 or 1120-A ... • 8		
		9. Dividend deduction. Attach schedule and explanation • 9		
		10. Income of non-unitary corporations. Attach schedule and explanation ... • 10		
		11. Other subtractions. Attach schedule and explanation • 11		
		12. Total subtractions (add lines 8 through 11) 12		
		13. Income before net loss deduction (line 7 minus line 12) 13		
If income is derived from sources both in Oregon and other states, carry amount from line 13 to Schedule AP-2, line 1.				
		14. Net loss deduction and net capital loss deduction (attach schedule) • 14		
		15. Oregon taxable income (line 13 minus line 14 or amount from Schedule AP-2, line 11) (carry to page 2, line 16) ... • 15		

Round all amounts to the nearest whole dollar.

	16. Oregon taxable income (carried forward from page 1, line 15)	16	
	17. Excise tax (6.6 percent of line 16) (minimum tax—see instructions) ...	17	
	18. Tax adjustments (see instructions)	• 18	
	19. Total tax (line 17 plus line 18)	19	
CREDITS	20. Pollution control facility credit	• 20	
	21. Emission reducing production technology process (ORS 315.311) ...	• 21	
	22. Lender's credit: Energy conservation—Loans after 12-31-81 (Form 150-102-125) ...	• 22	
	23. Lender's credit: Affordable housing—Loans after 12-31-89 (Form 150-102-125) ...	• 23	
	24. Lender's credit: Farmworker housing—Loans after 12-31-89 (Form 150-102-125) ...	• 24	
	25. Energy conservation facilities	• 25	
	26. Farmworker housing project investment credit	• 26	
	27. Dependent care credits (Form 150-102-032)	• 27	
	28. Qualified research activities credit (Form 150-102-128)	• 28	
	29. Other credits. Identify:	• 29	
	30. Total credits (add lines 20 through 29)	30	
EXCISE TAX	31. Excise tax after credits (line 19 minus line 30) (not less than the minimum tax—see instructions)	31	
	32. Tax adjustment for LIFO benefit recapture (see instructions)	32	< >
	33. Net excise tax (line 31 minus line 32) (not less than the minimum tax—see instructions). If the amount is \$500 or more, see the instructions for interest on underpayment of estimated tax	• 33	
	34. 2004 Estimated tax payments from Schedule ES. Include payments made with extension—see instructions ...	• 34	
	35. Tax Due. Is line 33 more than line 34? If so, line 33 minus line 34	Tax Due • 35	
	36. Overpayment. Is line 33 less than line 34? If so, line 34 minus line 33	Overpayment • 36	
	37. Penalty due with this return (see instructions)	37	
	38. Interest due with this return (see instructions)	38	
	39. Interest on underpayment of estimated tax (see instructions). Attach Form 37 ...	• 39	
	40. Total penalty and interest (add lines 37, 38, and 39)	40	
	41. Total Due (line 35 plus line 40)	Total Due 41	
	42. Refund available (line 36 minus line 40)	Refund 42	
	43. Amount of refund to be credited to 2005 estimated tax	2005 Credit • 43	
	44. Net Refund (line 42 minus line 43)	Net Refund 44	

SCHEDULE ES — ESTIMATED TAX PAYMENTS OR OTHER PREPAYMENTS (see instructions)

Voucher	Date of Payment	Amount Paid
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 prepayments for this tax year and date paid ...	6	6
7. Claim of right credit (attach computation and explanation)		7
8. Total prepayments (carry to line 34 above)		8
9. Last year's net excise tax	9	

Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements. 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	Signature of officer X	Signature of preparer other than taxpayer X	License number of preparer
	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 RETURN

Mail refund returns and no tax due returns to:
Refund, PO Box 14777, Salem OR 97309-0960

Mail tax-to-pay returns with payment and payment voucher to:
Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470

SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20 (see instructions)

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

SCHEDULE AP-1 — APPORTIONMENT FORMULA**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)

Owned property (at original cost; see instructions):

	(A) Total within Oregon	(B) Total within and without Oregon	(C) Percent within Oregon (A + B) × 100
1. Inventories 1			
2. Buildings and other depreciable assets 2			
3. Land 3			
4. Other assets (describe) 4			
5. Minus: Construction in progress 5	()	()	
6. Total of lines 1–5 6			
7. <i>Rented property</i> (capitalize at 8 times the rental paid) ... 7			
8. Total owned and rented property 8			%
Payroll factor —Wages, salaries, commissions, and other compensation to employees:			
9. Compensation of officers 9			
10. Other wages, salaries, and commissions 10			
11. Total wages and salaries 11			%
Sales factor —Sales delivered or shipped to Oregon purchasers:			
12. Shipped from outside Oregon 12			
13. Shipped from inside Oregon 13			
Sales shipped from Oregon to:			
14. The United States government 14			
15. Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272) 15			
16. Other business receipts 16			
17. Total sales and other business receipts 17			%
18. Sales factor (same as line 17) 18			%
19. Total percent (add items 8, 11, 17, and 18, within column C) 19			%
20. Oregon apportionment percentage. Enter the amount from the appropriate schedule on page 12 20			%

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

1. Net income from business both in Oregon and other states (from Form 20, line 13) 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 20) 5	× %
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. Total of lines 6, 7, and 8 9	
10. (a) Oregon apportioned net loss from prior years 10a	
(b) Net capital loss from other years [from tax year(s) _____] 10b	
Total loss (line 10a plus line 10b) 10	
11. Oregon taxable income (line 9 minus line 10) (carry to Form 20, line 15) 11	

SCHEDULE AF — SCHEDULE OF AFFILIATES for Form 20 (see instructions)

A Schedule of Affiliates **must** be filed every year with each consolidated tax return. List those affiliates doing business in Oregon, or with Oregon source income, that are part of the unitary group included in this tax return.

Do not include in this list the affiliate shown on the heading of this tax return. You may copy this form if you have more than 12 affiliates to include on this list.

Business Identification Number and Federal Employee Identification Number	Name and Address	If new affiliate during this year, enter date affiliate became part of unitary group	If affiliate ceased to be part of the unitary group during the year, indicate date affiliate left group
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			
BIN _____ FEIN _____			

SUBTRACTIONS	8. Work opportunity tax credit wages not deducted on federal Form 1120 or 1120-A ... • 8		
	9. Interest on U.S. obligations and instrumentalities included in line 1 ... • 9		
	10. State of Oregon interest income included in line 2 • 10		
	11. Dividend deduction. Attach schedule and explanation • 11		
	12. Income of nonunitary corporations. Attach schedule and explanation • 12		
	13. Other subtractions. Attach schedule and explanation • 13		
	14. Total subtractions (add lines 8 through 13) 14		
	15. Net income before apportionment (line 7 minus line 14). Carry amount on line 15 to Schedule AP-2, line 1 ... 15		
	16. Oregon taxable income (from Schedule AP-2, line 11) • 16		
	17. Income tax (6.6 percent of line 16) 17		
	18. Tax adjustments (see instructions) • 18		
	19. Total tax (line 17 plus line 18) 19		
	20. Tax adjustment for LIFO benefit recapture • 20	<	>
	21. Net income tax (line 19 minus line 20). If the amount on line 21 is \$500 or more, see the instructions for interest on underpayment of estimated tax • 21		
	22. 2004 estimated tax payments from Schedule ES. Include payments made with extension • 22		
	23. Tax Due. Is line 21 more than line 22? If so, line 21 minus line 22 Tax Due • 23		
	24. Overpayment. Is line 21 less than line 22? If so, line 22 minus line 21 Overpayment • 24		
	25. Penalty due with this return 25		
	26. Interest due with this return 26		
	27. Interest on underpayment of estimated tax. Attach Form 37 • 27		
	28. Total penalty and interest (add lines 25 through 27) 28		
	29. Total Due (line 23 plus line 28) Total Due 29		
	30. Refund available (line 24 minus line 28) Refund 30		
	31. Amount of refund to be credited to 2005 estimated tax 2005 Credit • 31		
	32. Net Refund (line 30 minus line 31) Net Refund 32		

SCHEDULE ES — ESTIMATED TAX PAYMENTS OR OTHER PREPAYMENTS (see instructions)

Voucher	Date of Payment	Amount Paid
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 prepayments for this tax year and date paid ...	6	6
7. Claim of right tax credit (attach computation and explanation)	7 / /	7
8. Total prepayments (carry to line 22 above)		8
9. Last year's net income tax	9	

Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements. 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	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 1120 OR 1120-A AND SCHEDULES

Mail refund returns and no tax due returns to:
Refund, PO Box 14777, Salem OR 97309-0960

Mail tax-to-pay returns with payment and payment voucher to:
Oregon Department of Revenue, PO Box 14790, Salem OR 97309-0470

SCHEDULE AP — APPORTIONMENT OF INCOME for Form 20-I (see instructions)

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

SCHEDULE AP-1 — APPORTIONMENT FORMULA

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

Owned property (at original cost; see instructions):

1. Inventories 1
2. Buildings and other depreciable assets 2
3. Land 3
4. Other assets (describe) 4
5. Minus: Construction in progress 5
6. Total of lines 1–5 6
7. **Rented property** (capitalize at 8 times the rental paid) ... 7
8. Total owned and rented property 8

Payroll factor—Wages, salaries, commissions, and other compensation to employees:

9. Compensation of officers 9
10. Other wages, salaries, and commissions 10
11. Total wages and salaries 11

Sales factor—Sales delivered or shipped to Oregon purchasers:

12. Shipped from outside Oregon 12
13. Shipped from inside Oregon 13

Sales shipped from Oregon to:

14. The United States government 14
15. Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272) 15
16. Other business receipts 16
17. Total sales and other business receipts 17
18. **Sales factor** (same as line 17) 18

19. **Total percent** (add items 8, 11, 17, and 18, within column C) 19

20. **Oregon apportionment percentage.** Enter the amount from the appropriate schedule on page 10 20

(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. Inventories 1			
2. Buildings and other depreciable assets 2			
3. Land 3			
4. Other assets (describe) 4			
5. Minus: Construction in progress 5	()	()	
6. Total of lines 1–5 6			
7. Rented property (capitalize at 8 times the rental paid) ... 7			
8. Total owned and rented property 8			%
9. Compensation of officers 9			
10. Other wages, salaries, and commissions 10			
11. Total wages and salaries 11			%
12. Shipped from outside Oregon 12			
13. Shipped from inside Oregon 13			
14. The United States government 14			
15. Purchasers in a state or country where the corporation is not taxable (e.g., under Public Law 86-272) 15			
16. Other business receipts 16			
17. Total sales and other business receipts 17			%
18. Sales factor (same as line 17) 18			%
19. Total percent (add items 8, 11, 17, and 18, within column C) 19			%
20. Oregon apportionment percentage. Enter the amount from the appropriate schedule on page 10 20			%

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

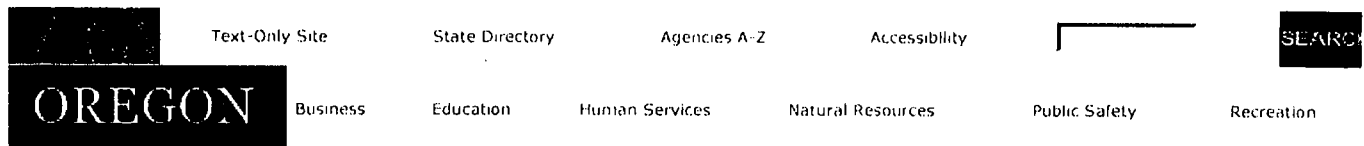
1. Net income from business both in Oregon and other states (from Form 20-I, page 2, line 15) 1	
2. Subtract: Net nonbusiness income included in line 1. Attach schedule 2	
3. Subtract: Gains from prior year installment sales included in line 1. Attach schedule 3	
4. Total net income subject to apportionment (line 1 minus line 2 and line 3) 4	
5. Oregon apportionment percentage (from Schedule AP-1, line 20) 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. Total of lines 6, 7, and 8 9	
10. (a) Oregon apportioned net loss from prior years 10	
(b) Net capital loss from other years [from tax year(s)]	
Total loss (line 10a plus line 10b) 10	
11. Oregon taxable income (line 9 minus line 10) (carry to Form 20-I, page 2, line 16) 11	

SCHEDULE AF — SCHEDULE OF AFFILIATES for Form 20-I (see instructions)

A Schedule of Affiliates **must** be filed every year with each consolidated tax return. List those affiliates doing business in Oregon, or with Oregon source income, that are part of the unitary group included in this tax return.

Do not include in this list the affiliate shown on the heading of this tax return. You may copy this form if you have more than 12 affiliates to include on this list.

Business Identification Number and Federal Employee Identification Number	Name and Address	If new affiliate during this year, enter date affiliate became part of unitary group	If affiliate ceased to be part of the unitary group during the year, indicate date affiliate left group
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•
BIN • _____ FEIN		•	•



Department of Revenue: Business Taxes

[Departments](#) [Divisions](#) [Others](#)

Common Questions

Corporate Taxes

- [What You Need to Know About Corporation Excise and Income Tax](#)
- [Tips to Help Us Process Your Corporation Return](#)

1. **When is our corporate tax return due?**

The 15th day of the month following the federal due date. For most taxpayers, that's the 15th day of the fourth month following the end of your tax year.

2. **What is the corporate tax rate?**

The corporate tax rate is 6.6 percent.

3. **Who must file a corporate excise tax return?**

Any corporation doing business in Oregon. (General Corporation) (Foreign Corporation)

4. **Who must file a corporation income tax return?**

Any corporation with income from Oregon, even if it is not doing business in Oregon.

5. **How do we amend our corporate return? What form do we use?**

Use the same form you originally used for the year you are amending; for example, use [Form 20](#), [Form 20-I](#), etc. Be sure to check the "This is an amended return" box on the front of the return.

6. **What is the statute of limitations for filing an amended return?**

Generally, the statute of limitations is three years from the date the return is filed or the due date of the return, whichever is later. For an amended return claiming a refund, the statute of limitations is two years from the date of any payment being claimed, if that is later than the three-year statute.

If there has been a federal audit, the statute of limitations is two years from the date the department receives notice of a change to your federal return.

If you file an amended return with the IRS and the changes affect Oregon taxable income, you must amend your Oregon return within 90 days of amending your federal return.

7. **How long after an IRS audit may Oregon issue a bill to me?**

Generally, up to two years after Oregon received notice of a change to your federal return.

If you are audited by the IRS and changes that were made to your federal return affect your Oregon return, you should file an amended Oregon return. Otherwise, Oregon may send you a billing notice up to two years from the date the department receives notice of a change to your federal return.

8. **When are corporate estimated tax payments due?**

- 1st: 15th day of the 4th month of the corporation's tax year;
- 2nd: 15th day of the 6th month of the corporation's tax year;
- 3rd: 15th day of the 9th month of the corporation's tax year;
- 4th: 15th day of the 12th month of the corporation's tax year;

Use Form 20ES.

9. **If I have an estimated tax account for the current year, and I amend a return or the department makes an adjustment that creates a tax liability, may I use funds in my estimated tax account to pay my tax liability?**
No. Estimated tax payments cannot be used to pay a tax liability for a prior year, regardless of whether the liability is created by filing an amended return or by adjustment of the return by the department. It is an irrevocable election to have an overpayment of a prior year tax applied to a current year estimated tax account.
10. **If we file as an "S" Corporation with the IRS, how do we file with Oregon?**
Oregon recognizes your federal "S" election. File Form 20-S.
11. **Does Oregon allow the filing of a composite or Multiple Nonresident return for nonresident shareholders of an "S" Corporation?**
Yes. Refer to Oregon Administrative Rule (OAR) 150-314.760. OARs are available under 'Administrative Rules' on our Web site.
12. **We are a limited liability company (LLC). How do we file for Oregon?**
File the same way for Oregon that you did for federal. For example, if you filed a partnership return for federal, then file a partnership return for Oregon (Form 65).
13. **We are a corporate member of a Limited Liability Company (LLC). How do we file for Oregon?**
IF THE LLC IS TAXED AS A PARTNERSHIP AND IS PART OF YOUR UNITARY BUSINESS:

Include your ownership share of the LLC income in your net income subject to apportionment. Include your ownership share of LLC property, payroll, and sales in your apportionment factors. If the LLC has Oregon activity, include its factors in both the numerators and denominators of your factors.

IF THE LLC IS TAXED AS A PARTNERSHIP AND IS NOT PART OF YOUR UNITARY BUSINESS:

Your income from the LLC is nonbusiness income. You must allocate it to this state as provided in ORS 314.625 through ORS 314.645.

IF THE LLC IS TAXED AS A CORPORATION AND IS PART OF YOUR UNITARY BUSINESS:

Include the income of the LLC in net income subject to apportionment. Include the factors of the LLC, as appropriate, in both the numerators and denominators of the apportionment factors.

IF THE LLC IS TAXED AS A CORPORATION AND IS NOT PART OF YOUR UNITARY BUSINESS:

Subtract the income of the LLC from the consolidated net income as income from a nonunitary corporation. If the LLC does business in Oregon or has income from an Oregon source, the LLC will be required to file its own Oregon return and calculate its Oregon tax based on its Oregon activities.
14. **Does Oregon follow federal treatment of LLCs considered "disregarded entities"?**
Yes.
15. **We are starting a nonprofit organization; what do we file with you?**
You do not need to file "articles of incorporation" or other forms with the Department of Revenue. If you only file a federal Form 990 with the IRS, you do not need to file a return with Oregon. If you file a federal Form 990-T (unrelated business income), you must file an Oregon Form 20.
16. **How many years can we carry back or carry forward a net operating loss (NOL)?**
Oregon allows corporate NOLs to be carried forward for up to 15 years. THERE IS NO NET OPERATING LOSS CARRYBACK ALLOWED, however there is a capital loss carryback provision.
17. **What is the interest rate for refunds and deficiencies?**
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. The chart below shows the interest rates and effective dates.

To calculate interest due:
 - Tax x Annual interest rate x number of full years
 - Tax x Monthly interest rate x number of months
 - Tax x Daily interest rate x number of days

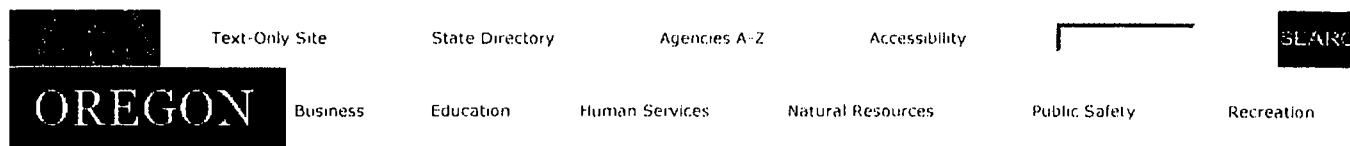
Interest accrues on any unpaid tax during an extension of time to file.
18. **What is the due date of the Oregon return when I have a federal extension?**
Oregon accepts the federal extension to extend the due date for filing your federal and state return. Be sure to attach a

copy of the federal extension to the back of your Oregon return. If you have a 6 month extension of time to file, your federal return is due 6 months after the original federal due date, and your Oregon return is due 6 months after the original Oregon due date. Example: Your federal return is due March 15 with a 6 month extension to September 15. Your Oregon return is due April 15 with a 6 month extension to October 15. The due dates for a fiscal year ending taxpayer apply to the 15th day of the fourth month following the end of your fiscal year.

If you are making an extension payment, please use Form 20-EXT when paying tax due. See tax forms.

Last revised February 1, 2005.

Attachment #5



Department of Revenue: Business Taxes

[Departments](#) [Divisions](#) [Others](#)

Corporation Excise and Income Tax

What You Need to Know

Understanding Corporation Excise and Income Tax

Do I need to file?

Yes. Corporations doing business in Oregon or with income from an Oregon source must file an annual tax return with the Oregon Department of Revenue (DOR).

No. Corporations with **no business activity** in Oregon, even if incorporated in or registered to do business in the state, are **not** required to file a corporation tax return.

What does 'doing business' mean?

"Doing business" means being engaged in any profit-seeking activity in Oregon. 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 (such as accounting or personal services), or incidental to the sale of tangible or intangible personal property (such as installing a product).

What is 'income from an Oregon source'?

If you have tangible or intangible property or other assets being used in Oregon, any income you receive is Oregon-source income and, generally, your company must file an Oregon Corporation Income Tax Return. Public Law 86-272 provides exceptions to this requirement.

What form do I file?

Form 20. A **corporation** acts as a single entity, existing separately from its owners. It continues to exist even though the shareholders change. It is managed by a board of directors. Corporations doing business in Oregon file **Form 20** and pay corporation excise tax. The minimum corporation excise tax is \$10.

Form 20-I. Corporations **not doing business in Oregon**, but with income from one or more Oregon sources, pay income tax and file **Form 20-I**. Income tax filers are not subject to a minimum tax.

Form 20-S. An **S-Corporation** is one that has chosen to pass net income to its shareholders for taxation. This election is made with the Internal Revenue Service. S-Corporations doing business in Oregon file **Form 20-S** and generally pay the minimum \$10 tax. Shareholders must include their share of S-Corporation income or loss on their personal income tax returns.

When is my return due?

Returns for the calendar year are due on or before April 15. Returns for other tax periods are due the 15th day of the month following the due date of your federal corporation return. When the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.

What if I need more time to file?

Oregon honors extensions for filing your federal return. If you have a federal extension, the due date then becomes the 15th day of the month **following** the federal extension's due date. You do not need to send the federal extension until you file your return.

If you need more time to file for Oregon only, answer question 1 on federal form 7004, write "For Oregon Only" at the top, then attach it to your return when you file.

To avoid penalty and interest, mail any tax due with form 20-V or before the original due date of your return. **More time to file does not mean more time to pay your tax.**

Registering with the Secretary of State

Any corporation doing business in Oregon is required to register with the Secretary of State in addition to filing corporate excise tax returns. For more information about registering your business, see www.oregon.gov/SOS.

Estimated payments

Estimated payments are required when your tax liability is expected to be at least \$500 for a tax year.

To make estimated payments, send **Form 20-V** with your payment and check the appropriate boxes.

Estimated payments are due quarterly. Due dates for estimated payments are:

- 15th day of the 4th month of tax year;
- 15th day of the 6th month;
- 15th day of the 9th month;
- 15th day of the 12th month.

You may be required to file by Electronic Fund Transfer (EFT). For more information, visit our Web site at: www.oregon.gov/DOR/ESERV, or call 503-947-2017.

Questions?

For corporation excise and income tax questions, contact us by e-mail or telephone. Most inquiries will be answered within two business days.

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

Please include your e-mail address and telephone number, including area code, in your message. **Warning: e-mail is not secure. Do not include confidential data in your e-mail message.** We will respond to tax law-related questions only. Account-related questions cannot be answered by e-mail. If you have an account-related question or you have received a letter, notice, or bill, please contact us by telephone.

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

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.

150-102-401 (Rev. 1-05)

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Multnomah County Personal Income Tax Return

MC TR 2004

Due Date: April 15, 2005 (Use Form MC ES to request an extension)

Last Name of Taxpayer		First Name and Initial		Social Security Number	
Last Name of Spouse		First Name and Initial		Social Security Number	
Residence Street Address <input type="checkbox"/> Check if new address					
City	State	Zip Code	Daytime Telephone Number		
Mailing Address (if different than residence address) <input type="checkbox"/> Check if new address					
City	State	Zip Code			

⇒ **A) Filing status with Oregon?** (check one box below)

- ☐ Single, Married Filing Separately – enter **\$2,500** on line 2 below
☐ Married Filing Jointly – enter **\$5,000** on line 2 below
☐ Head of Household, Qualifying Widow(er) – enter **\$5,000** on line 2 below

⇒ **B) Individual income tax form filed with Oregon?** (check one box below)

Form 40 ☐ Form 40S ☐ Form 40P ☐ Form 40N ☐

⇒ **C) Check here if this return is an amended return:** ☐

⇒ **D) Check here if this return is being filed after 4/15/05 and an extension was filed:** ☐

Attach W-2 Forms Here if ITAX Withheld

1 Oregon taxable income (see instructions).....	• 1	
2 Income exemption (see instructions; PERS/FERS exemption: <input type="text"/>).....	• 2	
3 Multnomah adjusted income (line 1 minus line 2, but not less than zero).....	• 3	
4 Residency fraction (1.00 if full year County resident -- see instructions).....	• 4	
5 Multnomah taxable income (line 3 X line 4).....	• 5	
6 TAX RATE (1.25%=.0125).....	• 6	.0125
7 Tax (line 5 X TAX RATE).....	• 7	
8 Amounts withheld (from line 19 of your W-2s— ATTACH W-2s).....	• 8	
9 Other prepayments (include quarterly and extension payments).....	• 9	
10 Penalty (\$0 if filed & paid timely; see instructions if filed after 4/15/05).....	• 10	
11 Interest (\$0 if filed & paid timely; see instructions if filed after 4/15/05).....	• 11	
12 BALANCE DUE or (REFUND) (lines 7, 10, and 11 minus lines 8 and 9).....	• 12	

If line 12 is positive, you have a balance due. Make your check payable to "Multnomah County ITAX" and enclose with your return. Write your Social Security number and "2004 ITAX" on your check. **If line 12 is negative**, you have an overpayment. All overpayments will be refunded to the mailing address indicated on your return. **Mail your return and any payment to:** Multnomah County-ITAX, PO Box 279, Portland, OR 97207-0279

The undersigned declares that the information on this return is true. The undersigned preparer is authorized to act as representative of taxpayer(s).

Signature of Taxpayer		Date		Signature of Spouse		Date	
Preparer Name				Signature of Preparer other than Taxpayer			
Preparer Address						Preparer Telephone Number	
Preparer City, State, ZIP							

FOR OFFICIAL USE ONLY - PLEASE DO NOT WRITE IN BOXES BELOW

2	6	4	8					2	6	4	8				
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INSTRUCTIONS FOR FORM MC TR 2004

Line 1, Oregon taxable income

Enter the amount from the following line of your Oregon Individual Income Tax Return on line 1:

If you file **Form 40**, enter the amount on **line 28** of your Form 40 on line 1.

If you file **Form 40S**, enter the amount on **line 12** of your Form 40S on line 1.

If you file **Form 40P**, enter the amount on **line 49** of your Form 40P on line 1.

If you filed **Form 40N**, see detailed instructions on page 12 of the tax booklet.

Line 2, Income exemption and PERS/Federal Retirement Exemption

If your filing status with Oregon is **Single** or **Married Filing Separately**, enter **\$2,500** on line 2.

If your filing status with Oregon is **Married Filing Jointly** or **Head of Household** or **Qualifying Widow(er) with Dependent Child**, enter **\$5,000** on line 2.

PERS and federal retirement benefits are exempt from local income taxation by Oregon and federal law. If you had Oregon taxable benefits for PERS or federal pensions taxed by Oregon please enter this sum in the box provided. If you are exempting your federal benefits, you may only exempt those benefits **taxed** by Oregon. *For additional information on the exemption of federal benefits, please see the detailed instructions on page 14 of the information booklet available at www.multcotax.org. This exemption is in addition to the income exemption.* Be sure to attach a copy of your Form 1099-R which reports your PERS or federal retirement benefits.

Line 3, Multnomah adjusted income

Subtract line 2 from line 1. If the calculated amount is less than zero, enter zero on line 3.

Line 4, Residency fraction

For taxpayers who are residents of Multnomah County for all of 2004, enter **1.00** (one) on line 4. Enter the amount from line 3 onto line 5. If either the taxpayer or the spouse (if filing jointly) is a resident of Multnomah County for less than the full calendar year, use one of the two formulas below to calculate your residency fraction.

Use the following formula if your filing status with Oregon is **Single**, **Married Filing Separately**, **Head of Household** or **Qualifying Widow(er) with Dependent Child**:

Calculate the number of days (out of 366) in 2004 that you were a resident of Multnomah County and divide this number by 365. Enter the calculated amount on line 4.

Use the following formula if your filing status with Oregon is **Married Filing Jointly**:

Calculate the number of days (out of 366) in 2004 that the taxpayer was a resident of Multnomah County. Calculate the number of days (out of 366) in 2004 that the spouse was a resident of Multnomah County. Add together these two calculated amounts and then divide this total by 730. Enter the calculated amount on line 4.

The residency fraction on line 4 should be rounded to two decimal places (.08333 should be rounded to .08).

Line 5, Multnomah taxable income

For taxpayers who are residents of Multnomah County for all of 2004, line 5 will be the same number reported on line 3. Otherwise, multiply line 3 by the number on line 4.

Line 6, TAX RATE

No entry is necessary on line 6. The tax rate for the 2004 tax year is .0125 (1.25%).

Line 7, Tax

Multiply the amount on line 5 by line 6 (.0125) and enter the calculated amount on line 7. In other words, enter 1.25% of line 5.

Line 8, Amounts withheld

Include all amounts withheld by employers. These amounts should be reported on line 19 (Local income tax) of your W-2.

Line 9, Other prepayments

Include all prepayments (paid with Form MC ES 2004 or electronically) made for the 2004 tax year other than amounts reported on line 8. Include extension payments made during 2005 that relate to the 2004 tax return.

Line 10, Penalty

If this return is filed on or before April 15, 2005, line 10 will be zero. If you are filing after April 15, 2005, see detailed instructions on page 13 of the tax booklet.

Line 11, Interest

If this return is filed on or before April 15, 2005, line 11 will be zero. If you are filing after April 15, 2005, see detailed instructions on page 13 of the tax booklet.

Line 12, BALANCE DUE or (REFUND)

Add lines 7, 10, and 11. Then subtract lines 8 and 9 from this total. If the calculated amount is greater than zero, you have a balance due. If the calculated amount is less than or equal to zero, no balance is due. File your return and any overpayment will be refunded.

Signature(s): Be sure to sign and date your return. If you are filing a joint return, both spouses must sign.