

Introduction

Purpose of form

For tax years beginning on or after January 1, 2006, a pass-through entity (PTE) with distributive income from Oregon sources must withhold tax from its nonresident owners who do not elect to join in a composite filing. The PTE withholds and remits tax using the payment voucher in these instructions. Nonresident withholding is a prepayment of Oregon income and excise tax for nonresident owners of pass-through entities.

Definitions

Throughout these instructions, the following terms are used:

“**BIN**” is Oregon business identification number **not** your Oregon registry number. If you do not know your Oregon BIN, leave the space on the form blank.

“**Distributive income**” is generally the net taxable income or loss of a PTE. See page 2 for a complete definition.

“**Electing owner**” is an owner who chooses to join in the filing of a composite return.

“**FEIN**” is federal employer identification number.

“**Nonelecting owner**” is an owner who chooses not to join in the filing of a composite return and is subject to withholding on their distributive share of the income from the PTE.

“**Owner**” is a partner of a partnership or limited liability partnership (LLP), shareholder of an S corporation, member of a limited liability company (LLC), or beneficiary of a trust.

“**Pass-through entity (PTE)**” is a partnership, S corporation, LLP, LLC, or certain trusts.

Questions and answers

What is pass-through entity withholding?

Pass-through entity withholding is a prepayment of Oregon income or excise tax for nonresident owners of pass-through entities similar to estimated tax payments. Nonresident owners are C corporations who have no commercial domicile in Oregon and individual owners who are not residents of Oregon under Oregon Revised Statute (ORS) 316.027.

Is this the same as the withholding sent in for employees?

No. What you refer to is called payroll withholding. This is withholding for owners in pass-through entities, not employees. They are not the same.

What forms do PTEs use to report withholding?

The PTE uses Form OR-19 and Form TPV to report withholding.

How do PTEs report withholding information to the Oregon Department of Revenue?

PTEs withhold and remit the tax on any distributive income from Oregon sources using Form TPV. Tax must be remitted by the quarterly due dates for estimated payments. See page 3.

Do I need to obtain a separate tax identification number, such as a BIN, to report this new withholding, or can I use my existing number?

You do not need to obtain a separate tax identification number to report the PTE withholding. You report the withholding using the name and tax identification number of the owner, not the pass-through entity making the payment.

How do PTEs report withholding information to their owners?

PTEs report the tax paid on behalf of the nonresident owner using Form OR-19 and Form TPV. See page 4.

Where should payments be sent?

Mail tax payments to:

Oregon Department of Revenue
PO Box 14950
Salem OR 97309-0950

Is interest charged on late payments of withholding?

Yes. Interest is charged beginning the day after the due date of the payment.

Does withholding exempt a nonresident owner from filing an Oregon return?

No. Nonresident owners are still required to file the Oregon personal income tax return, or corporate income tax or excise tax return, whichever is applicable.

If the nonresident owner signs an affidavit to be exempt from withholding, does that relieve them of the requirement to file an Oregon return?

No. Nonresident owners are still required to file tax returns. If the taxpayer does not file required returns after completing the Oregon affidavit, the department will proceed with filing enforcement and appropriate failure-to-file and pay penalties plus interest will be assessed.

If withholding is more than the nonresident owner's tax liability, can the nonresident owner receive an early refund?

No. There is no way to file for an early refund.

Is withholding required on beneficiaries of trusts or estates?

Withholding is required if the trust is a grantor trust. A grantor trust is not recognized for tax purposes because the grantor retains substantial control. Withholding is not required on beneficiaries of an estate. An estate is not considered a pass-through entity for this purpose only.

Are PTEs required to withhold on a nonresident owner if that owner is itself a PTE?

A pass-through entity that owns an interest in another pass-through entity (upper-tier entity) is not allowed to join in the composite filing. Thus, withholding is not required if the owner of the PTE is another PTE such as an LLC, LLP, partnership, S corporation, estate, or trust. If the owner is another PTE, the upper-tiered PTE is required to withhold tax on behalf of its individual and C corporation owners.

Example: The owners of Partnership A are: Partnership B, one LLC, one S corporation, three individuals, and two C corporations. Partnership A (the lower-tiered entity) is required to withhold for the three individuals and two C corporations only. Partnership A is not required to withhold tax on behalf of the upper-tiered PTEs (Partnership B, the LLC, or the S corporation). Each of those upper-tiered PTEs is required to have its owners elect to join in a composite filing or that entity is required to withhold and remit based on the ownership of that tier.

Do I need to have a payroll withholding account with the department?

No. You do not need a withholding account for this purpose. Withholding accounts are for regular payroll purposes only and involve withholding for employees. They are not the same.

Withholding requirements

A PTE is required to withhold tax and remit the tax to the department on behalf of the nonelecting owner unless the owner:

- Joins in the filing of a composite return;
- Has Oregon-source distributive income from the PTE that is less than \$1,000 for the PTE's tax year;
- Has made estimated tax payments the prior tax year based on the owner's share of Oregon-source distributive income from the PTE and continues to make estimated tax payments for the current tax year;
- Files the Oregon affidavit; or
- Is a publicly traded partnership within the meaning of Internal Revenue Code (IRC) 7704(b).

Withholding is not required if the owner is another PTE such as an LLC, LLP, partnership, S corporation, estate, or trust. However, withholding is required on grantor trusts (revocable trusts) if the grantor is not an Oregon resident. A grantor trust is a trust where the grantor retains substantial control and is deemed to remain the owner. As a result, grantor trusts are not recognized for tax purposes. If the grantor is a nonresident of Oregon, the PTE must withhold following rules for individual taxpayers.

If the PTE expects the total Oregon-source distributive income of a nonresident owner will exceed \$1,000 during the calendar year, the PTE should begin withholding as of the first quarter that includes Oregon-source income. Withholding is required on the entire nonresident owner's share of Oregon-source income, not just the amount exceeding \$1,000.

Withholding is a tax payment by the PTE. It's not dependent on whether the PTE makes any distributions to its owners. A PTE with distributive income that did not pay any money to its owners will still pay Oregon withholding for its nonresident owners. A PTE with no distributive income that pays a distribution from capital or retained earnings, will not pay Oregon withholding for its nonresident owners.

Oregon-source distributive income

For withholding purposes, distributive income is the net amount of income, gain, deduction, or loss of a pass-through entity for the tax year. It includes items directly related to the PTE that are considered in determining the federal taxable income of the nonresident owner. It also includes modifications provided in ORS Chapter 316 and other Oregon laws that directly relate to the PTE. Oregon-source distributive income does not include return of capital, income sourced in another state, or other distributions not taxable by Oregon. Oregon-source distributive income is the portion of the entity's modified distributive income that is derived from or connected with Oregon sources.

Apportionable income

PTEs with business activity both inside and outside Oregon during the year calculate Oregon-source distributive income for nonresident owners by completing Schedule AP, *Apportionment of Income for Corporations and Partnerships*. When completing Schedule AP-2, include all PTE distributive income on line 1 and fill out the rest of the schedule using amounts from the entire PTE. Skip line 10. Line 11 will be the Oregon-source distributive income for the PTE. Multiply line 11 by the ownership percentage of each nonresident owner to get their share of Oregon-source distributive income. Enter this amount in box 2 of Part C, Form OR-19.

If the PTE has business activity only in Oregon, multiply the distributive income of the PTE by the ownership percentage of the nonresident owner. You don't need to use Schedule AP if the PTE has only Oregon-source income.

Guaranteed payments

Guaranteed payments are treated as a business income component of the PTE's distributive income and attributed directly to the owner receiving the payment. See Oregon Administrative Rule (OAR) 150-316.124(2).

Deductions

Individual tax deduction

Deductions normally allowed to individuals (itemized deductions or the standard deduction) are not allowed. Oregon net taxable income of the PTE means the federal net income of the PTE as defined by the laws of the United States modified by ORS Chapter 316. Examples of the modifications allowed in ORS Chapter 316 that relate to the PTE's income include adjustments for depreciation, depletion, gain or loss difference on the sale of depreciable property, U.S. government inter-

est, and any modification for federal targeted jobs tax credit. Modifications do not include the federal tax subtraction, itemized deductions, and the Oregon standard deduction.

Self-employment tax deduction

Each PTE must calculate the self-employment tax deduction for each electing member that is subject to self-employment tax. The self-employment tax deduction that is attributable to the Oregon-source distributive income is subtracted from the Oregon-source distributive income to determine the amount upon which withholding is based.

Credits

Credits normally allowed on owners' tax returns, such as the exemption credit, are not taken into account for this purpose.

Tax payment instructions (withholding)

The PTE is required to make tax payments (withholding) on behalf of all owners who do not elect to join in a composite filing unless the nonelecting owner meets one of the exceptions listed on page 1. Calculate the amount of tax to be withheld and remitted to the department as follows:

- **Individuals:** For owners subject to individual income tax, remit 9 percent of the nonelecting owner's share of Oregon-source distributive income.
- **C corporations:** For owners subject to corporate income or excise tax, remit 6.6 percent of the nonelecting owner's share of Oregon-source distributive income.

Payments must be made in the nonelecting owner's name as it will be shown on their individual or corporate income or excise tax return. The tax payment must be accompanied by Form TPV for each taxpayer. On the voucher, identify the date the payment is being made and the type of taxpayer (whether individual or corporate).

Tax payments on behalf of 50 or more nonelecting owners

If a PTE has 50 or more nonelecting owners, the PTE may choose to file a schedule listing all nonelecting owners instead of filing an individual payment voucher for each nonelecting owner. The PTE should complete a schedule that contains the following information in a font size of 8 or larger:

- For the PTE that is filing the report, provide:
 - Name of PTE, address, FEIN/BIN, and the PTE's year end; and
- For **each** nonelecting owner, provide:
 - Name, address, SSN/FEIN/BIN, subject income, total withholding, and identify type of entity (individual, corporation, or trust). If ownership is joint, provide this information for both spouses. Also, identify the date the payment was made on the schedule.

Send the tax payment for all owners with one Form TPV along with the completed schedule. Enter "See statement" in the name field of the payment voucher, not the PTE's name. Do not mark the type of taxpayer on the payment voucher. Instead, identify the type of taxpayer on the separate statement.

Due dates for tax payments

Tax withheld for the Oregon-source distributive income of nonelecting owners must be remitted by the due date for estimated payments for the quarter in which the distribution is made.

For calendar year taxpayers, the due dates are:

- April 15, 2009 (1st quarter).
- June 15, 2009 (2nd quarter).
- September 15, 2009 (3rd quarter).
- January 15, 2010 (or December 15, 2009 for corporate calendar year filers) (4th quarter).

For fiscal-year filers, the due dates are the 15th day of the fourth, sixth, ninth, and 12th months of the tax year.

Use Form TPV to remit the payments. On each voucher, mark the date each payment was made. If a schedule of 50 or more owners is filed, identify the dates the payments were made for each taxpayer directly on the schedule, not the payment voucher.

Form OR-19

Year-end tax payment summary

The PTE must provide each nonelecting owner with a statement that shows the payments made on the nonelecting owner's behalf. The statement is required to be provided to the nonelecting owner on or before the due date of the federal Schedule K-1 or the PTE's informational return, whichever is later. The statement must clearly show the tax year in which the distributive income is earned, the date(s) the payments were made, and to which tax year the payments apply.

Instructions for Oregon affidavit

The PTE must withhold tax from the nonelecting owner's Oregon-source distributive income if the nonelecting owner does not meet an exception or file the Oregon affidavit. To be exempt from the withholding requirement, the nonelecting owner must file an Oregon affidavit with the department as soon as it is known that the owner will receive Oregon-source distributive income from the PTE. The nonelecting owner must provide a copy of the completed affidavit to the PTE so the PTE will not withhold tax from the Oregon-source distributive income.

The nonelecting owner must file the affidavit before the end of the first quarter in which the PTE has Oregon-source distributive income, otherwise the PTE must withhold even if the nonelecting owner later files the Oregon affidavit. The

affidavit is valid until it is replaced by a subsequent filing due to change in the ownership of the PTE or any other change of information relating to the nonelecting owner.

Revoking an affidavit

To revoke a previously filed affidavit, send a copy of the original affidavit with the revocation section completed to the department and the PTE.

Instructions for Forms OR-19 and TPV

Use Form OR-19 and Form TPV to remit Oregon tax withheld from Oregon-source distributive income of nonresident owners in pass through entities. Complete Part A of Form OR-19, identifying the entity that withheld the tax and the nonresident owner's personal information. Complete parts B and C, and provide a copy of Form OR-19 to nonresident owners for their records. The PTE keeps the original Form OR-19. Do not send a copy of Form OR-19 to the department unless requested to do so. Use Form TPV to remit the amount

reported to the taxpayer on Form OR-19. Complete Form OR-19 each time withholding is required and remitted.

The amount of tax remitted will be credited to the Oregon income tax account of the taxpayer as an estimated payment. The taxpayer must claim the payment as an estimated tax payment on the Oregon income tax return. For this reason it is important that a separate form is completed for each taxpayer who will be required to file an Oregon income tax return and that the correct Social Security number (for individuals) or Oregon business identification number (for other business entities) is listed on each form.

Send the remittance for the tax withheld to the Oregon Department of Revenue, PO Box 14950, Salem, OR 97309-0950. Write the taxpayer's name on the check and either the Oregon account number or the last four digits of the taxpayer's Social Security number.

Note: Be sure to complete the fields for "tax year" and "date" on the voucher. Also, check the box that indicates this withholding payment is from a pass-through entity.

Report of Nonresident Owner Tax Withheld

Tax Year

□ □ □ □

Tax year end date of partnership, S corporation, LLC, or LLP: _____

PART A—Entity information				PART B—Nonresident owner information			
Name of partnership, S corporation, LLC, or LLP				Name			
Federal employer identification number (FEIN)				Social Security number (SSN) or FEIN of owner			
Street address				Street address			
City	State	ZIP code		City	State	ZIP code	
Type of pass-through entity <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> LLC <input type="checkbox"/> LLP <input type="checkbox"/> Other: _____				Type of taxpayer <input type="checkbox"/> Individual <input type="checkbox"/> C corporation		Taxpayer tax year end	
PART C—Nonresident owner's Oregon taxable income and withholding (see instructions)							
(1) Percent of ownership in Part A entity		(2) Nonresident owner's share of Oregon-source distributive income			(3) Total Oregon tax withheld		

TAXPAYER'S COPY

Payment of withholding tax

Claim as **Nonresident Withholding** on the Oregon tax return

Tax year: □ □ □ □	Date paid: _____	Payment Amount \$
Taxpayer name		SSN or business identification number (BIN)
Spouse's/RDP's name (if applicable)		Spouse's/RDP's SSN or FEIN
Current mailing address	City	State ZIP code

150-101-182 (Rev. 12-07)

▲ Keep the above portion with your records. Do not mail it to the department. ▲

▼ Detach Here

Detach Here ▼

For Tax Year □ □ □ □	PAYMENT OF TAX WITHHELD FOR NONRESIDENTS	FORM TPV 150-101-180 (Rev. 10-08)	Department of Revenue Use Only
or Fiscal Year Ending _____	Withholding from (check one):		
Taxpayer <input type="checkbox"/> Individual (100) <input type="checkbox"/> Estate (101)	<input type="checkbox"/> Pass-through entity		
is: <input type="checkbox"/> Corporate excise (200) <input type="checkbox"/> Trust (102)	<input type="checkbox"/> Real property conveyance		
<input type="checkbox"/> Corporate income (202)			
Taxpayer name	SSN/BIN/FEIN	Enter Payment Amount \$ □ □ □ □ □ □ □ □ . 0 0	
Spouse's/RDP's name (if applicable)	Secondary tax I.D. number		
Current mailing address	City	State	ZIP code

Oregon Affidavit for a Nonresident Owner in a Pass-Through Entity

Beginning with tax year: _____

For office use only
Date received

Nonresident owner information

Name of nonresident owner			Social Security no. or federal employer identification no. (FEIN)
Street or mailing address			Oregon business identification no. (BIN) (if applicable)
City	State	ZIP code	Telephone number ()
Ownership percentage %	Estimated Oregon-source distributive income each year \$		

Pass-through entity information

Name of pass-through entity (PTE)			FEIN
Street or mailing address			BIN
City	State	ZIP code	Telephone number ()

This form must be filed every time any of the nonresident owner or pass-through entity information entered above changes.

Agreement to file

I agree to timely file all required Oregon income or excise tax return(s) and to make timely payments of all taxes imposed by the state of Oregon with respect to my share of the Oregon income of the pass-through entity named above. I understand that I am subject to the jurisdiction of the state of Oregon for purposes of the collection of unpaid income tax, together with related penalties and interest.

Signature

Taxpayer's or authorized agent's signature	Date
X	

Revocation of this affidavit

By signing below, I declare that:

- I am an Oregon resident;
- I am subject to withholding on the income from the above-listed PTE;
- I am no longer an owner in the above-listed PTE; or
- I am joining in the filing of an Oregon Composite Return.

Signature

Taxpayer's or authorized agent's signature	Date
X	

Mail to:
**Oregon Department of Revenue
PTAC Compliance
955 Center St NE
Salem OR 97301-2555**

Have questions? Need help?

Internet

www.oregon.gov/DOR

- Download forms, instructions, and publications.
- Get up-to-date tax information.
- Check the status of your personal income tax refund at www.oregonrefund.com.
- También en español.

Telephone

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

- Check the status of your personal income tax refund.
- Order forms, instructions, and publications.
- Hear recorded information.
- Speak with a representative:

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

Extended hours during tax season; wait times may vary:

April 8–April 15, Monday–Friday 7 a.m.–7 p.m.
April 11, Saturday 9 a.m.–3 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 area or outside Oregon 503-945-8617
Toll-free from an Oregon prefix..... 1-800-886-7204

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

E-mail or write

questions.dor@state.or.us

- Español: preguntas.dor@state.or.us.
- These e-mail addresses are not secure. Do not send any personal information. General questions only.

Oregon Department of Revenue
955 Center St NE, Salem OR 97301-2555

- Include your daytime telephone number.
- Include your Social Security number (SSN) or individual taxpayer identification number (ITIN).

Printed forms or publications:

Forms, Oregon Department of Revenue
PO Box 14999, Salem OR 97309-0990

In person

Find office hours and telephone numbers at www.oregon.gov/DOR/district-office.shtml. Don't send your tax forms to these addresses.

Bend 951 SW Simpson Ave, Suite 100
Eugene 1600 Valley River Dr, Suite 310
Gresham..... 1550 NW Eastman Parkway, Suite 220
Lake Oswego ... 6405 SW Rosewood St, Suite A
Medford 3613 Aviation Way, Suite 102
Newport 119 NE 4th St, Suite 4
North Bend..... 3030 N Broadway St
Pendleton..... 700 SE Emigrant Ave, Suite 310
Portland 800 NE Oregon St, Suite 505
Salem..... 955 Center St NE, Room 135
Salem..... 4275 Commercial St SE, Suite 180