# Inheritance Tax

This publication is a guide, not a complete statement, of Oregon Revised Statutes (ORS) and Oregon Department of Revenue Administrative Rules (OAR).

## New information

### Natural resource credit

The 2008 Oregon Legislature met in a special session and passed House Bill (HB) 3618, which provides a credit for natural resource property or commercial fishing business property, if transferred to a qualifying relative. This law became effective May 23, 2008, and retroactively applies to deaths on or after January 1, 2007. HB 3618 amends ORS 118.140. The Oregon Schedule NRC must be filed with Form IT-1 to claim the credit.

### Oregon Registered Domestic Partner

The 2007 Oregon Legislature passed HB 2007. Throughout these instructions you may replace "surviving spouse" with surviving Oregon Registered Domestic Partner. On Form IT-1, page 2, part 4, check the box for Domestic Partner. If the estate completes a federal Form 706, attach it to the Oregon Form IT-1 even though federal law does not recognize the Oregon Registered Domestic Partnership. You may prepare and attach "Oregon only" schedules for deductions or elections allowed for surviving spouses. See note following ORS 106.990.

### Oregon Special Marital Property (OSMP)

Use our new Schedule OSMP, located on our website, for this election.

To refer to the bills or laws, visit the Oregon State Legislature website at www.leg.state.or.us/bills_laws.

## Overview

### Purpose of Form IT-1

The executor of a decedent's estate uses *Oregon Inheritance Tax Return* (Form IT-1) to figure the estate tax imposed by ORS Chapter 118. This tax is levied on the entire taxable estate, not just on the share received by a particular beneficiary. If the estate has assets outside of Oregon, you will prorate the tax on part 2, line 16.

**Please note:**

- Section references are to the Internal Revenue Code as it existed on December 31, 2000.
- Schedule references, unless otherwise noted, are to the schedules included in the federal Form 706, *U.S. Estate Tax Return.*

### Filing requirements

An *Oregon Inheritance Tax Return* (Form IT-1) must be filed for dates of death on or after January 1, 2006, if the value of the gross estate is $1,000,000 or more. If the estate has assets that are taxable in another state, we apportion the tax, on part 2, line 16.

**Important.** If you have filed with the IRS, attach Form 706, schedules, and supporting documents and check the appropriate box.

If you have no filing requirement with the IRS, you must complete Form IT-1 and attach the schedules from the federal Form 706. Oregon requires the same forms, schedules, and supporting information (such as photocopy of death certificate, Form 712, will, trust, appraisals, etc.) that would have been required if the estate had filed a federal return.

There are special filing requirements for Oregon Registered Domestic Partners. Throughout these instructions you may replace "surviving spouse" with surviving Oregon Registered Domestic Partner. On Form IT-1, page 2, part 4, check the box for Domestic Partner.

Prepare the federal Form 706 according to federal law, which does not recognize the Oregon Registered Domestic Partnership. Attach it to the Oregon Form IT-1 prepared with the same deductions or elections allowed a surviving spouse. Oregon-only schedules may be prepared and attached.

If the estate of the Oregon Registered Domestic Partner has no federal filing requirement, prepare and attach only the necessary Form 706 schedules as though the decedent was married at the time of death.

### Separate elections

You may claim a separate election (such as alternate valuation or the marital deduction) for Oregon purposes. If you make a separate Oregon election, you must attach a schedule to explain the figures you used and check the separate election box on Form IT-1. To refer to OAR 150-118.010(7), the rule allowing separate elections, you may visit the Secretary of State website at www.oregon.gov/SOS.

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## Gross estate

The gross estate of the decedent is the true cash value of all real and personal property, tangible or intangible, as of the date of death, wherever situated.

## Executor

According to ORS 118.005, the definition of "executor" is the executor, administrator, personal representative, fiduciary, or custodian of property of the decedent. For probate estates, the personal representative appointed or approved by the court has the duty to file the return. For non-probate estates, any person having actual or constructive possession of the property of the decedent is responsible for filing the return.

If two or more persons are liable for filing a return, they should all join together in filing one complete return. However, if they are unable to join in making one complete return, each is required to file a return disclosing all the information the person has in the case, including the name of every person holding an interest in the property and a full description of the property. If the appointed, qualified, and acting executor is unable to make a complete return, then every person holding an interest in the property must, on notice from the department, make a return regarding that interest.

## When to file return

You must file Form IT-1 within nine months after the date of the decedent's death, unless you request an extension of time to file.

## Payment

The tax payment is due within nine months after the date of the decedent's death, unless you have requested an extension of time for payment or an installment payment agreement.

If the tax paid with the return is different from the balance due as shown on the return, explain the difference in an attached statement. If the IRS has granted an extension of time to pay, attach a copy of Form 4768 to Form IT-1, and check the extension of time to pay box on Form IT-1.

To assist us in posting your payment to the proper account, use Form IT-V, *Oregon Inheritance Tax Payment Voucher*. Do not send Form IT-V without a payment. Form IT-V is available on our website at www.oregon.gov/DOR.

You may send payment prior to filing the return, with the return, or after filing the return. Always include Form IT-V with your check.

- Mail your check with your payment voucher if you want to make prepayments.
- Enclose your check and payment voucher with your return before mailing.
- Enclose your check and payment voucher by the original due date of the return (without an extension) to avoid penalty and interest.
- Payments received after the original due date will be applied first to penalty, interest, and then to tax.

## Extensions

If you submitted a federal extension, attach a copy of Form 4768 (*Application for Extension of Time to File a Return and/or Pay U.S. Estate and Generation-Skipping Transfer Taxes*) to Form IT-1 and check the extension box on Form IT-1. Oregon accepts an **extension of time to file** an estate tax return, or an **extension of time** to pay estate tax, as granted by the IRS.

More than one type of extension is available for an inheritance tax return.

- **An extension of time to file the return does not extend the time to pay the tax.** You must specifically request an extension of time to pay the tax.
- **An extension of time to pay the tax does not extend the time to file the return.** You must specifically request an extension of time to file the return.
- **Interest accrues during the extension period.**

To avoid penalties and interest, use Form IT-V to make an extension payment by the original due date. You may not obtain an extension using Form IT-V unless you include a payment with the form.

**If you need an automatic six-month extension to file for Oregon only,** you may write at the top of federal Form 4768, "For Oregon only." On that form, please check the box for an extension to file and use the Oregon figures. When you file the return, please check the extension of time to file box on Form IT-1 and attach a copy of the extension form.

**If you need an extension to pay for Oregon only,** you may write at the top of federal Form 4768, "For Oregon only." On that form, please check the box for extension to pay, use the Oregon figures, include a complete explanation of why you need an extension of time to pay, and mail it to us by the original return due date. We will use the same criteria used by the IRS to evaluate your request. We will stamp it approved or denied and return a copy to you. When you file the return, please check the extension of time to pay box on Form IT-1 and attach a copy of the approved extension form.

If you need additional time to pay Oregon, see the information about installment payments.

## Signature and verification

If there is more than one executor, all listed executors must verify and sign the return. All executors are responsible for the return as filed and are liable for penalties provided for erroneous or false returns per ORS 118.990.

## Amended returns

Did you amend the federal estate tax return, or did the IRS make an adjustment that results in a change in tax? If yes, it is the duty of the executor or other responsible person to file an amended Oregon return or notify the Oregon Department of Revenue of the change in writing within 90 days.

Attach the federal schedules, which have changed since the prior return, and check the amended return box. If the value

is amended, provide substantiation, such as appraisals or a *Report of Estate Tax Examination Changes* issued by the IRS.

File Form IT-V, *Oregon Inheritance Tax Payment Voucher,* with your tax payment for your amended return.

## Supplemental documents

You must attach a photocopy of the **death certificate** to the return. If the decedent was a citizen or resident and died testate, attach a **photocopy of the will** to the return.

Other supplemental documents may be required. Examples include federal Forms 712, 709, 709-A, and 706-CE, expert valuations, independent fee appraisals, trust and power of appointment instruments. Processing delays will result if you do not file the required documents with the return.

**If the decedent was a U.S. citizen but not a resident of the United States**, you must attach the following documents to the return:

- A copy of the inventory of property and the schedule of liabilities, claims against the estate, and expenses of administration filed with the foreign court of probate jurisdiction, certified by a proper official of the court;
- A copy of the return filed under the foreign inheritance, estate, legacy, succession tax, or other death tax act, certified by a proper official of the foreign tax department, if the estate is subject to such a foreign tax; and
- If the decedent died testate, a photocopy of the will.

## Rounding off to whole dollars

Please enter amounts on the return and accompanying schedules as whole dollars only.

**Example:** $5,029.74 becomes $5,030; and $9,865.22 becomes $9,865.

## Late filing penalty occurs

If you file within three months of the due date, including an extension, add a late filing penalty of 5 percent of the tax. If you file more than three months after the due date or the extended filing date, add an additional penalty of 20 percent for a total penalty of 25 percent.

## Late payment penalty

If tax is unpaid as of the due date, including an extension, add a delinquency penalty of 5 percent of the tax.

## Interest

Interest is charged on tax not paid within nine months of the date of death. Interest will accrue during the extension period. The interest rate may change once a calendar year. If the tax is unpaid within 60 days of our bill, the interest rate increases by 4 percent per year.

| Interest period | Annual | Monthly | Daily |
|---|---|---|---|
| January 1, 2009 | 6% | 0.50% | 0.0164% |
| January 1, 2008 | 9% | 0.75% | 0.0247% |
| January 1, 2007 | 9% | 0.75% | 0.0247% |

For periods and rates not shown above, go to: www.oregon.gov/DOR/PERTAX/docs/800-691.pdf.

## Obtaining Oregon forms and publications using a personal computer

You may access the Oregon Department of Revenue's internet website anytime at www.oregon.gov/DOR to do the following:

- Download current forms, instructions, and publications.
- Request help via e-mail.
- Download prior year forms and instructions.
- Form IT-1 may be filled in online and printed out for submission and record keeping.

## Federal forms and publications

Federal forms and publications are available on the IRS website at www.irs.gov, or by calling 1-800-829-3676.

## Specific instructions

You must file all pages of Form IT-1 and attach Form 706 and schedules, if you filed with federal. If you are not required to file with federal, you must file all pages of Form IT-1 and the appropriate federal schedules, A through I, to support the entries on the Recapitulation—part 5, lines 1 through 9.

- **If** you enter zero on any line of part 5—Recapitulation, then you will only need to file Schedule F.
- **If** you claim an exclusion on the Recapitulation—part 5, line 11, then complete and attach Schedule U.
- **If** you claim any deductions on the Recapitulation—part 5, lines 13 through 22, then complete and attach the appropriate schedules to support the claimed deductions.
- **If** there is not enough space on a schedule to list all the items, then attach a Continuation Schedule.
- Form IT-1 has three pages.
- Number the items you list on each schedule, beginning with the number "1" each time.
- Total the items listed on each schedule and its attachments, Continuation Schedules, etc.
- Enter the total of all Schedules, Continuation Schedules, etc., at the bottom of each schedule.
- Do not carry the totals forward from one schedule to the next.
- Enter the total for each schedule on part 5—Recapitulation, page 3.
- **Do not** complete the "Alternate valuation date" or "Alternate value" columns of any schedule unless you elected alternate valuation on the Elections—part 3, line 1, by the executor.
- When you complete the return, staple all these required pages together in the following order:
  1. Form IT-1, pages 1, 2, 3;
  2. Form 706, pages 1, 2, 3, if filing with federal;
  3. Federal schedules in alphabetical order, with Forms 712, as required;

4. Oregon Schedule NRC, if required;
5. Form 4768 extension request;
6. Death certificate;
7. Will;
8. Trust;
9. Powers of appointment document;
10. A copy of another state's estate tax return or foreign estate tax return, if the estate is subject;
11. A copy of property inventory, schedule of liabilities, claims against the estate, and expenses of administration filed with a foreign probate court, certified by an official of the court.

- **Do not** staple the following required documents to the return:

1. Forms 709;
2. Expert valuations;
3. Independent fee appraisals.

## Part 1: Decedent and executor information

### Decedent's name and Social Security number (SSN)

Enter the decedent's name and the SSN assigned specifically to the decedent. You cannot use the SSN assigned to the decedent's spouse. If the decedent did not have a SSN, the executor should obtain one for the decedent by filing Form SS-5, *Application for Social Security Card*, with a local Social Security Administration office.

### Decedent's domicile

Domicile is the place where the decedent had his fixed, permanent, principal home. The decedent had only one domicile, though he may have had multiple residences.

### Name and address of executor

If there is more than one executor, please enter the name and the address of the executor to be contacted by the department. List the other executors' names, addresses, telephone numbers, and SSNs on an attached sheet. Please notify us of a change of address or telephone numbers for the executor(s) or authorized representative.

## Part 2: Tax computation

In general, the gross estate tax is figured by applying the unified rates shown in **Table A** in this booklet to the total of transfers both during life and at death, and then subtracting the gift taxes. The result on line 14 then acts as a limitation to the Oregon Inheritance tax on line 15. Complete Tax computation— part 2.

### Line 1

If you elected alternate valuation on Elections by the executor—part 3, line 1, enter the amount you entered in the "Alternate value" column on the Recapitulation—part 5, line 12. Otherwise, enter the amount from the "Value at date of death" column.

### Line 2

Enter the total allowable deductions from the Recapitulation—page 3, part 5, line 23.

### Line 3

Federal estate law changed in 2001, so the calculation might differ from the calculation on Form 706. Oregon is tied to the 2000 federal estate law, so we cannot allow the calculation of the taxable estate after the state death tax deduction.

### Worksheet TG. Taxable gifts reconciliation (to be used for lines 4 and 9 of Part 2—Tax computation)

| | a. Calendar year or calendar quarter | b. Total taxable gifts for period (see note) | **Note:** *For the definition of a taxable gift, see Section 2503. Ignore the old specific exemption. Follow Form 709. That is, include only the decedent's one-half of split gifts, whether the gifts were made by the decedent or the decedent's spouse. In addition to gifts reported on Form 709, you must include any taxable gifts in excess of the annual exclusion that were not reported on Form 709.* | | | |
|---|---|---|---|---|---|---|
| Gifts made after June 6, 1932, and before 1977 | | | c. Taxable amount included in column b for gifts included in the gross estate | d. Taxable amount included in column b for gifts that qualify for "special treatment of split gifts" described above | e. Gift tax paid by decedent on gifts in column d | f. Gift tax paid by decedent's spouse on gifts in column c |
| | 1. Total taxable gifts made before 1977 | | | | | |
| Gifts made after 1976 | | | | | | |
| | 2. Totals for gifts made after 1976 | | | | | |

## Line 4 worksheet. Adjusted taxable gifts made after 1976

1. Taxable gifts made after 1976. Enter the amount from column b, Worksheet TG ..... 1. [ ]
2. Taxable gifts made after 1976 reportable on Schedule G. Enter the amount from line 2, column c, Worksheet TG ..... 2. [ ]
3. Taxable gifts made after 1976 that qualify for "special treatment." Enter the amount from line 2, column d, Worksheet TG ..... 3. [ ]
4. Add lines 2 and 3 ..... 4. [ ]
5. Adjusted taxable gifts. Subtract line 4 from line 1. Enter here and on Form IT-1, part 2, line 4 ..... 5. [ ]

## Line 9 worksheet. Gift tax on gifts made after 1976

| a. Calendar year or calendar quarter | b. Total taxable gifts for prior periods (from Form 709, Tax Computation, line 2) | c. Taxable gifts for this period (from Form 709, Tax Computation, line 1) (see below) | d. Tax payable using Table A (see below) | e. Unused unified credit (applicable credit amount) for this period (see below) | f. Tax payable for this period (subtract column e from column d) |
|---|---|---|---|---|---|
| Total pre-1977 taxable gifts. Enter the amount from line 1, Worksheet TG | | | | | |
| | | | | | |

1. Total gift taxes payable on gifts made after 1976 (combine the amounts in column f) ..... 1. [ ]
2. Gift taxes paid by the decedent on gifts that qualify for "special treatment." Enter the amount from line 2, column e, Worksheet TG ..... 2. [ ]
3. Subtract line 2 from line 1 ..... 3. [ ]
4. Gift tax paid by decedent's spouse on split gifts included on Schedule G. Enter the amount from line 2, column f, Worksheet TG ..... 4. [ ]
5. Add lines 3 and 4. Enter here and on Form IT-1, part 2, line 9 ..... 5. [ ]

**Columns b and c.** *In addition to gifts reported on Form 709, you must include in these columns any taxable gifts in excess of the annual exclusion that were not reported on Form 709.*

**Column d.** To figure the "tax payable" for this column, you must use **Table A** in these instructions, *as it applies to the year of the decedent's death rather than to the year the gifts were actually made.* To compute the entry for column d, you should figure the "tax payable" on the amount in column b and subtract it from the "tax payable" on the amounts in columns b and c added together. Enter the difference in column d.

"Tax payable" as used here is a hypothetical amount and does not necessarily reflect tax actually paid. Figure "tax payable" only on gifts made after 1976. Do not include any tax paid or payable on gifts made before 1977. Pre-1977 gifts are listed only to exclude them from the calculation.

To calculate the tax, enter the amount for the appropriate year from column c of the worksheet on line 1 of the Tax Computation of the Form 709. Enter the amount from column b on line 2 of the Tax Computation. Complete the Tax Computation through the tax due before any reduction for the unified credit (applicable credit amount) and enter that amount in column d, above.

**Column e.** To figure the unused unified credit (applicable credit amount), use the unified credit (applicable credit amount) in effect for the year the gift was made. This amount should be on line 12 of the Tax Computation of the Form 709 filed for the gift.

## Lines 4 (adjusted taxable gifts) and 9 (total gift tax payable)

Three worksheets are provided to help you compute the entries for these lines. You do not need to file these worksheets with your return, but you should keep them for your records.

## Worksheet TG—Taxable gifts reconciliation

This worksheet allows you to reconcile the decedent's lifetime taxable gifts to compute totals that will be used for the line 4 worksheet and the line 9 worksheet.

You must have all of the decedent's gift tax returns (Form 709, *United States Gift and Generation-Skipping Transfer Tax Return*) before you complete Worksheet TG. The amounts you will enter on Worksheet TG can usually be derived from these returns as filed. However, if the IRS audited any of the returns, you should use the amounts that were finally determined as a result of the audits.

In addition, you must include on Worksheet TG, column b, any gifts in excess of the annual exclusion made by the decedent (or on behalf of the decedent under a power of attorney) for which no Forms 709 were filed. You must make a reasonable inquiry as to the existence of any such gifts. The annual gift exclusion for 1977 through 1981 was $3,000 per donee per year and $10,000 for years after 1981.

For tax years beginning after 1998, the $10,000 exclusion for gifts is indexed for inflation. See Revenue Procedure 98-61, 1998-52 I.R.B. 23.

**Special treatment of split gifts**. These special rules apply only if:

- The decedent's spouse predeceased the decedent;
- The decedent's spouse made gifts that were "split" with the decedent under the rules of Section 2513;
- The decedent was the "consenting spouse" for those split gifts, as that term is used on Form 709; and
- The split gifts were included in the decedent's spouse's gross estate under Section 2035.

If all four conditions above are met, do not include these gifts on Tax computation— part 2, line 4, and do not include the gift taxes payable on these gifts on Tax computation— part 2, line 9. These adjustments are incorporated into the worksheets.

## Table A—Unified rate schedule (per federal law as of December 31, 2000) Line 6 tentative tax

| Column A | Column B | Column C | Column D |
|---|---|---|---|
| Part 2, line 5 taxable amount over | Part 2, line 5 taxable amount not over | Tax on amount in column A | Rate of tax on excess over amount in column A (percent) |
| 0 | $10,000 | 0 | 18 |
| $10,000 | 20,000 | $1,800 | 20 |
| 20,000 | 40,000 | 3,800 | 22 |
| 40,000 | 60,000 | 8,200 | 24 |
| 60,000 | 80,000 | 13,000 | 26 |
| 80,000 | 100,000 | 18,200 | 28 |
| 100,000 | 150,000 | 23,800 | 30 |
| 150,000 | 250,000 | 38,800 | 32 |
| 250,000 | 500,000 | 70,800 | 34 |
| 500,000 | 750,000 | 155,800 | 37 |
| 750,000 | 1,000,000 | 248,300 | 39 |
| 1,000,000 | 1,250,000 | 345,800 | 41 |
| 1,250,000 | 1,500,000 | 448,300 | 43 |
| 1,500,000 | 2,000,000 | 555,800 | 45 |
| 2,000,000 | 2,500,000 | 780,800 | 49 |
| 2,500,000 | 3,000,000 | 1,025,800 | 53 |
| 3,000,000 | — | 1,290,800 | 55 |

## Table B—Computation of maximum state death tax (per federal law as of December 31, 2000)

Taxable estate (Form IT-1, Part 2, line 3) less $60,000 = (adjusted taxable estate—for columns 1 and 2 below)

| Column 1 | Column 2 | Column 3 | Column 4 |
|---|---|---|---|
| Adjusted taxable estate equal to or more than | Adjusted taxable estate less than | Tax on amount in column 1 | Rate of tax on excess over amount in column 1 (percent) |
| 0 | $40,000 | 0 | None |
| $40,000 | 90,000 | 0 | 0.8 |
| 90,000 | 140,000 | $400 | 1.6 |
| 140,000 | 240,000 | 1,200 | 2.4 |
| 240,000 | 440,000 | 3,600 | 3.2 |
| 440,000 | 640,000 | 10,000 | 4.0 |
| 640,000 | 840,000 | 18,000 | 4.8 |
| 840,000 | 1,040,000 | 27,600 | 5.6 |
| 1,040,000 | 1,540,000 | 38,800 | 6.4 |
| 1,540,000 | 2,040,000 | 70,800 | 7.2 |
| 2,040,000 | 2,540,000 | 106,800 | 8.0 |
| 2,540,000 | 3,040,000 | 146,800 | 8.8 |
| 3,040,000 | 3,540,000 | 190,800 | 9.6 |
| 3,540,000 | 4,040,000 | 238,800 | 10.4 |
| 4,040,000 | 5,040,000 | 290,800 | 11.2 |
| 5,040,000 | 6,040,000 | 402,800 | 12.0 |
| 6,040,000 | 7,040,000 | 522,800 | 12.8 |
| 7,040,000 | 8,040,000 | 650,800 | 13.6 |
| 8,040,000 | 9,040,000 | 786,800 | 14.4 |
| 9,040,000 | 10,040,000 | 930,800 | 15.2 |
| 10,040,000 | — | 1,082,800 | 16.0 |

## Line 6. Tentative federal tax—Table A

You must use Table A in this booklet to calculate the tentative tax, which is part of the calculation for a limitation to the Oregon inheritance tax. Use the figure from line 5 in your computation. Due to changes to federal estate law, the calculation probably differs from the calculation on the Form 706. Oregon is tied to the 2000 federal estate law, so we cannot allow the calculation of the taxable estate after the state death tax deduction.

## Line 7.

You can use Lines 7a through 7c to calculate the phase-out of the graduated rates. The phase-out applies only if the amount on line 5 exceeds $10 million.

## Line 11. Maximum unified credit (applicable credit amount)

The applicable unified credit amount for Oregon is $345,800 for estates of decedents who died on or after January 1, 2006. The amount of the credit cannot exceed the amount of estate tax imposed.

**Important:** *If the estate is claiming a qualified family-owned business interest deduction (QFOBI) on* **Schedule T,** *the sum of the QFOBI deduction and the applicable exclusion amount cannot exceed $1.3 million.* ***Example 1:*** *If the maximum QFOBI deduction of $675,000 is claimed, the applicable exclusion amount would be limited to $625,000, and the credit entered on line 11 would be $202,050.*

**Example 2:** *If the amount of the QFOBI deduction is less than $675,000, increase the applicable exclusion amount by the difference between $675,000 and the amount of the QFOBI deduction (but not to exceed the maximum applicable exclusion amount in effect for the year of death).*

## Line 12. Adjustment to unified credit (applicable credit amount)

If the decedent made gifts (including gifts made by the decedent's spouse and treated as made by the decedent by reason of gift splitting) **after September 8, 1976, and before January 1, 1977,** for which the decedent claimed a specific exemption, the unified credit (applicable credit amount) on this estate tax return must be reduced. The reduction is 20 percent of the specific exemption claimed for these gifts, not to exceed $6,000.

**Note***: (The specific exemption was allowed by Section 2521 for gifts made before January 1, 1977.)*

If the decedent did not make any gifts between September 8, 1976, and January 1, 1977, or if the decedent made gifts during that period but did not claim the specific exemption, enter zero.

## Line 15. Oregon inheritance tax—Table B

You must use Table B in this booklet for computation of the Oregon inheritance tax. The federal estate law has changed the calculation of the taxable estate on Form 706 for 2005 and after. Most figures will not come directly from Form 706. Form 706 allows a state death tax deduction on the federal return. Because Oregon is tied to the 2000 federal estate law, we cannot allow the calculation of the taxable estate after the state death tax deduction.

**Enter the amount figured by using Table B, or the amount on line 14, whichever is less.** The adjusted taxable estate is the amount of the taxable estate (Tax computation—part 2, line 3) reduced by $60,000.

## Line 16. Proration of Oregon inheritance tax

When the estate has property located in other states, complete lines 16a, 16b, and 16c.

### 16a. Gross value of property taxable by Oregon

Enter the gross value of property taxable by Oregon. Property taxable for Oregon purposes depends on whether the decedent was a resident or nonresident. **Please highlight the Oregon property on the attached schedules.**

- **Resident decedent.** For a resident decedent, property taxable by Oregon includes real property and tangible personal property located in Oregon, and intangible personal property wherever located.
- **Nonresident decedent.** For a nonresident decedent, property taxable by Oregon includes real property and tangible and intangible personal property located in Oregon. An exemption is allowed for intangible personal property located in Oregon if a like exemption is allowed by the state of residence.

### 16b. Gross value of all property wherever situated

Enter the amount of the gross estate (Part 2, line 1).

### 16c. Oregon percentage

Divide the amount on line 16a by the amount on line 16b. You should round the decimal amount to four places. You can convert a decimal amount to a percentage by multiplying the amount by 100, or you can move the decimal two places to the right. Write the percentage on line 16c. Don't fill in more than 100 percent or less than -0-.

Example:

| *Line 16a* | | *Line 16b* | | *Line 16c* |
|---|---|---|---|---|
| $888,800 | ÷ | $1,000,000 | = | 0.8888 [Round to 0.8889 (88.89%)] |

## Line 18. Natural resource and commercial fishing business credit

2008 HB 3618 provides a natural resource or commercial fishing business credit. The credit applies to deaths on or after January 1, 2007. You may elect to take all, part, or none of this credit, for which you qualify. Natural resource property is farm use and forestland, as defined in ORS 308A.056, 308A.250, and 321.201. The qualifying property also includes property used in commercial fishing business operations defined in ORS 508 and Section 1301(b)(4).

To claim this credit, you must use Schedule NRC, complete all parts, and attach it to your Form IT-1. Find Schedule NRC on our website at www.oregon.gov/DOR.

You may include tangible and intangible personal property used for farm, forestry, or fishing business purposes, such as:

- Timber, trees, and improvements.
- Crops, both growing and stored.
- Forestry and farming equipment.
- Boats, gear, equipment, vessel licenses, commercial fishing licenses, and permits.
- Equipment used to process and sell the catch of a commercial fishing business in fresh, canned, or smoked form directly to consumers, including a restaurant with seating capacity of less than 15 seats, which prepares and sells catch from the fishing business.
- Working capital of natural resource business or commercial fishing business owned by the decedent at the decedent's death.

This credit is allowed only if:

- The total adjusted gross estate does not exceed $15 million.
- The total value of the property for which the credit is claimed is at least 50 percent of the total adjusted gross estate. Adjusted gross estate is defined in OAR 150-118.140, Inheritance Tax Credit for Natural Resource or Commercial Fishing Property.
- The property is transferred to, or held in trust for a member of the family as defined by Section 2032A or the decedent's registered domestic partner.
- During an aggregate five out of eight years prior to death, the decedent, a member of the family, or the decedent's registered domestic partner owned and used the property for farm or forest purposes.

Oregon will allow a credit for property that meets the above requirements if:

- The qualifying property is held in a closely held business, such as a limited liability company, a corporation, a partnership, or a trust as used in Section 6166(b).
- At least one member of the family or the decedent's registered domestic partner must materially participate (as defined in Section 2032A) in the business after the transfer.

A credit is allowed if qualifying property is involuntarily converted (as defined by Section 1033) and the proceeds are used to acquire qualifying replacement property, the cost of which equals or exceeds the amount realized on the conversion.

Compute your credit using the following table. If the value of the natural resource or commercial fishing business property is equal to or more than the amount in column 1, but less than the amount in column 2, your credit is the amount from column 3, plus the excess of the amount in column 1, multiplied by the percentage in column 4.

Credit formula: [(Natural Resource Property value – amount in column 1) × column 4] + column 3 = credit

| **Column 1** | **Column 2** | **Column 3** | **Column 4** |
|---|---|---|---|
| Value of the property for which credit is allowed equal to or more than | Value of property is less than | Credit allowed on the amount in column 1 | Percentage |
| $0 | $100,000 | $0 | |
| 100,000 | 150,000 | 0 | 0.8% |
| 150,000 | 200,000 | 400 | 1.6% |
| 200,000 | 300,000 | 1,200 | 2.4% |
| 300,000 | 500,000 | 3,600 | 3.2% |
| 500,000 | 700,000 | 10,000 | 4.0% |
| 700,000 | 900,000 | 18,000 | 4.8% |
| 900,000 | 1,100,000 | 27,600 | 5.6% |
| 1,100,000 | 1,600,000 | 38,800 | 6.4% |
| 1,600,000 | 2,100,000 | 70,800 | 7.2% |
| 2,100,000 | 2,600,000 | 106,800 | 8.0% |
| 2,600,000 | 3,100,000 | 146,800 | 8.8% |
| 3,100,000 | 3,600,000 | 190,800 | 9.6% |
| 3,600,000 | 4,100,000 | 238,800 | 10.4% |
| 4,100,000 | 5,100,000 | 290,800 | 11.2% |
| 5,100,000 | 6,100,000 | 402,800 | 12.0% |
| 6,100,000 | 7,100,000 | 522,800 | 12.8% |
| 7,100,000 | 7,500,000 | 650,800 | 13.6% |
| 7,500,000 | 8,100,000 | 402,800 | 13.0% |
| 8,100,000 | 9,100,000 | 253,344 | 12.5% |
| 9,100,000 | 10,100,000 | 146,800 | 12.0% |
| 10,100,000 | 11,100,000 | 35,400 | 11.2% |
| 11,100,000 | 12,100,000 | 15,520 | 7.7% |
| 12,100,000 | 13,100,000 | 8,000 | 5.7% |
| 13,100,000 | 14,100,000 | 0 | 3.7% |
| 14,100,000 | 15,100,000 | 0 | 1.7% |
| 15,100,000 | — | 0 | 0% |

**Example:** If a $2,000,000 estate had $1,200,000 in natural resource property, you would use this formula.

1,200,000 – 1,100,000 = 100,000 × 0.064 = 6,400 + 38,800 = $45,200 credit allowable

The natural resource property and commercial fishing business property must be used for five out of eight years following the decedent's death by a member of the family, or the registered domestic partner of the decedent; if the property is not used for five out of eight years after death, an additional tax is due under ORS 118.005 to 118.840.

The additional tax liability is the amount of the credit allowed on the disqualified property multiplied by [(five minus the number of years the property was used as natural resource property) divided by five]. The additional tax will be paid by the owner of the property at the time of the disposition of the property or the disqualifying event.

Formula: Credit × [( 5 – number of years property used as qualified property) ÷ 5]

**Example:** Jack inherited natural resource property from his grandmother. The natural resource credit claimed on the inheritance tax return was $250,000. Jack held the property and used it as a natural resource property for two years after the date of death before selling the property. Jack must pay the inheritance tax as follows:

$250,000 credit x (5 – 2 years of use = 3) ÷ 5 = $150,000 As the owner of the disqualified property, Jack is responsible for $150,000 of tax.

### Line 20. Amount paid by the due date of the return

For an original Form IT-1, enter the total of prior timely payments. If this is for an amended return, please enter the net payments (prior payments less prior refunds) to date.

### Line 23. Penalty due

A penalty of 5 percent of the tax may be imposed if the tax is not paid and/or the return is not filed within nine months from the date of death **or** by the extended due date. If you file more than three months after the due date (including extension), add an additional 20 percent penalty, for a total penalty of 25 percent.

### Line 24. Interest due

If you are filing or paying after the due date, calculate and pay interest on any unpaid tax or on tax paid after the original due date. An interest period is each full month starting with the day after the due date. For example, April 16 to May 15 is a full month and interest period. We calculate interest daily for periods of less than a month. Interest accrues on any unpaid tax during an extension of time to file. Here's how to calculate the 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.

| For periods beginning | Annual | Monthly | Daily |
|---|---|---|---|
| January 1, 2009 | 6% | 0.50% | 0.0164% |
| January 1, 2008 | 9% | 0.75% | 0.0247% |
| January 1, 2007 | 9% | 0.75% | 0.0247% |

For periods not shown above, go to: www.oregon.gov/DOR/PERTAX/docs/800-691.pdf.

**Additional interest on deficiencies and delinquencies.** Interest will increase by one-third of 1 percent per month (4 percent yearly) on deficiencies or delinquencies if the following occurs:

- You file a return showing tax due, or the Department of Revenue has assessed an existing deficiency; and
- The assessment is not paid within 60 days after we issue the notice of assessment; and
- You have not filed a timely appeal.

**Special instructions.** Do you owe penalty on part 2, line 23 or interest on line 24 and have an overpayment on line 22? If your overpayment is less than the total penalty and interest, you have an amount due. To calculate the amount due, fill in on line 25 the result of line 23 plus line 24 minus line 20. If your overpayment is more than the total penalty and interest, to calculate your refund, enter on line 26 the result of line 20 minus the sum of line 23 plus line 24.

### Line 25. Total due

Enclose a check or money order for the total amount due (tax plus any applicable penalty and interest) with your return. Include the payment voucher (Form IT-V) with your check. Do not send cash or postdated checks. Place your check and Form IT-V in the envelope with your tax return; do not staple your check to any page of your tax return.

## Part 3: Elections by the executor

### Line 1. Alternate valuation

Unless you elect at the time you file the return to adopt alternate valuation as authorized by Section 2032, you must value all property included in the gross estate on the date of the decedent's death. Alternate valuation, if timely elected, will apply to all property in the estate, it cannot be applied to only part of the property.

You may elect special use valuation (line 2) in addition to alternate valuation.

You may not elect alternate valuation unless the election will decrease both the value of the gross estate and the total net estate and taxes due after application of all allowable credits.

You may elect alternate valuation by checking "Yes" on line 1 and filing Form IT-1. **Once made, the election may not be revoked.** The election may be made on a late filed Form IT-1 provided it is not filed later than one year after the due date (including extensions).

If you elect alternate valuation, value the property that is included in the gross estate as follows:

1. Any property distributed, sold, exchanged, or otherwise disposed of or separated or passed from the gross estate by any method within six months after the decedent's death is valued on the date of distribution, sale, exchange, or other disposition, whichever occurs first. Value this property on the date it ceases to form a part of the gross estate; i.e., on the date the title passes as the result of its sale, exchange, or other disposition.
2. Any property not distributed, sold, exchanged, or otherwise disposed of within the six-month period is valued on the date six months after the date of the decedent's death.
3. Any property, interest, or estate that is "affected by mere lapse of time" is valued as of the date of decedent's death or on the date of its distribution, sale, exchange, or other disposition, whichever occurs first. However, you may change the date of death value to account for any change in value that is not due to a "mere lapse of time" on the date of its distribution, sale, exchange, or other disposition.

The property included in the alternate valuation and valued as of six months after the date of the decedent's death, or as of some intermediate date (as described above) is the property included in the gross estate on the date of the decedent's death. Therefore, you must first determine what property constituted the gross estate at the decedent's death.

### Interest

Interest accrued to the date of the decedent's death on bonds, notes, and other interest-bearing obligations is property of the gross estate on the date of death and is included in the alternate valuation.

### Rent

Rent accrued to the date of the decedent's death on leased real or personal property is property of the gross estate on the date of death and is included in the alternate valuation.

### Dividends

Outstanding dividends that were declared to stockholders of record on or before the date of the decedent's death are considered property of the gross estate on the date of death, and are included in the alternate valuation. Ordinary dividends declared to stockholders of record after the date of the decedent's death are not property of the gross estate on the date of death and are not included in the alternate valuation. However, if dividends are declared to stockholders of record after the date of the decedent's death so that the shares of stock at the later valuation date do not reasonably represent the same property at the date of the decedent's death, include those dividends (except dividends paid from earnings of the corporation after the date the decedent's death) in the alternate valuation.

As part of each Schedule A through I, you must show:

1. What property is included in the gross estate on the date of the decedent's death;
2. What property was distributed, sold, exchanged, or otherwise disposed of within the six-month period after the decedent's death, and the dates of these distributions, etc. (These two items should be entered in the "Description" column of each schedule. Briefly explain the status or disposition governing the alternate valuation date, such as: "Not disposed of within six months following death," "Distributed," "Sold," "Bond paid on maturity," etc. In this same column, describe each item of principal and includible income);
3. The date of death value, entered in the appropriate value column with items of principal and includible income shown separately; and
4. The alternate value, entered in the appropriate value column with items of principal and includible income shown separately. (In the case of any interest or estate, the value of which is affected by lapse of time, such as patents, leaseholds, estates for the life of another, or remainder interests, the value shown under the heading "Alternate value" must be the adjusted value; i.e., the value as of the date of death with an adjustment reflecting any difference in its value as of the later date not due to lapse of time.)

Distributions, sales, exchanges, and other dispositions of the property within the six-month period after the decedent's death must be supported by evidence. If the court issued an order of distribution during that period, you must submit a certified copy of the order as part of the evidence. The department may require you to submit additional evidence if necessary.

If the alternate valuation method is used, the values of life estates, remainders, and similar interests are figured using the age of the recipient on the date of the decedent's death and the value of the property on the alternate valuation date.

## Line 2. Special use valuation of Section 2032A

Under Section 2032A, you may elect to value certain farm and closely held business real property at its farm or business use value rather than its fair market value. You may elect both special use valuation and alternate valuation.

To elect this valuation, you must check "Yes" on line 2. You must complete and attach **Schedule A-1 and its required attachments with Form IT-1 for this election to be valid.** You may make the election on a late filed return if it is the first return filed.

The decrease in the value of property per Section 2032A will not exceed $750,000 and will be indexed for inflation each year. For deaths in 2006, the maximum decrease allowed was $900,000. For deaths in 2007, the maximum decrease allowed is $940,000. For deaths in 2008, please see IRS Form 706 instructions for the maximum decrease allowed.

Real property may qualify for the Section 2032A election if:

1. The decedent was a U.S. citizen or resident at the time of death;
2. The real property is located in the United States;
3. At the decedent's death, the real property was used by the decedent or a family member for farming or in a trade or business, or was rented for such use by either the surviving spouse or a lineal descendant of the decedent to a family member on a net cash basis;
4. The real property was acquired from or passed from the decedent to a qualified heir of the decedent;
5. The real property was owned and used in a qualified manner by the decedent or a member of the decedent's family during five of the eight years before the decedent's death;
6. There was material participation by the decedent or a member of the decedent's family during five of the eight years before the decedent's death; and
7. The qualified property meets the following percentage requirements:
   a. At least 50 percent of the adjusted value of the gross estate must consist of the adjusted value of real or personal property that was being used as a farm or in a closely held business and that was acquired from, or passed from, the decedent to a qualified heir of the decedent; and

b. At least 25 percent of the adjusted value of the gross estate must consist of the adjusted value of qualified farm or closely held business real property.

For this purpose, adjusted value is the value of property determined without regard to its special-use value. The value is reduced for unpaid mortgages on the property or any indebtedness against the property, if the full value of the decedent's interest in the property (not reduced by such mortgage or indebtedness) is included in the value of the gross estate. The adjusted value of the qualified real and personal property used in different businesses may be combined to meet the 50 percent and 25 percent requirements.

### Qualified real property—Qualified use

The term "qualified use" means the use of the property as a farm for farming purposes or the use of property in a trade or business other than farming. Trade or business applies only to the active conduct of a business. It does not apply to passive investment activities or the mere passive rental of property to a person other than a member of the decedent's family. Also, no trade or business is present in the case of activities not engaged in for profit.

### Ownership

To qualify as special-use property, the decedent or a member of the decedent's family must have owned and used the property in a qualified use for five of the last eight years before the decedent's death. Ownership may be direct or indirect through a corporation, a partnership, or a trust.

If the ownership is indirect, the business must qualify as a closely held business under Section 6166. The ownership, when combined with periods of direct ownership, must meet the requirements of Section 6166 on the date of the decedent's death and for a period of time that equals at least five of the eight years preceding death.

If the property was leased by the decedent to a closely held business, it qualifies as long as the business entity to which it was rented was a closely held business with respect to the decedent on the date of the decedent's death and for sufficient time to meet the "five in eight years" test property.

### Structures and other real property improvements

Qualified real property includes residential buildings and structures and real property improvements regularly occupied or used by the owner or lessee of real property (or by the employees of the owner or lessee) to operate the farm or business. A farm residence which the decedent had occupied is considered to have been occupied for the purpose of operating the farm even when a family member and not the decedent was the person materially participating in the operation of the farm.

Qualified real property also includes roads, buildings, and other structures and improvements functionally related to the qualified use.

Elements of value such as mineral rights that are not related to the farm or business use are not eligible for special-use valuation.

### Property acquired from the decedent

Property is considered to have been acquired from or to have passed from the decedent if one of the following applies:

- The property is considered to have been acquired from or to have passed from the decedent under Section 1014(b) (relating to basis of property acquired from a decedent).
- The property is acquired by any person from the estate.
- The property is acquired by any person from a trust, to the extent the property is includible in the gross estate.

### Qualified heir

A person is a qualified heir of property if he or she is a member of the decedent's family and acquired or received the property from the decedent. If a qualified heir disposes of any interest in qualified real property to any member of his or her family, that person will then be treated as the qualified heir with respect to that interest.

The term **member of the family** includes only:

- An ancestor (parent, grandparent, etc.) of the individual;
- The spouse of the individual;
- The lineal descendant (child, stepchild, grandchild, etc.) of the individual, the individual's spouse, or a parent of the individual; or
- The spouse, widow, or widower of any lineal descendant described above.

A legally adopted child of an individual is treated as a child of that individual by blood.

### Material participation

To elect special-use valuation, either the decedent or a member of his or her family must have materially participated in the operation of the farm or other business for at least five of the eight years ending on the date of the decedent's death. The existence of material participation is a factual determination, but passively collecting rents, salaries, draws, dividends, or other income from the farm or other business does not constitute material participation. Neither does merely advancing capital and reviewing a crop plan and financial reports each season or business year.

In determining whether the required participation has occurred, disregard brief periods (e.g., 30 days or less) during which there was no material participation, as long as such periods were both preceded and followed by substantial periods (more than 120 days) during which there was uninterrupted material participation.

### Retirement or disability

If, on the date of death, the time period for material participation could not be met because the decedent had retired or was disabled, a substitute period may apply. The decedent must have retired on Social Security or been disabled for a continuous period ending with death. A person is disabled for this purpose if he or she was mentally or physically unable to materially participate in the operation of the farm or other business.

The substitute time-period for material participation for these decedents is a period totaling at least five years out of the eight-year period that ended on the earlier of:

1. The date the decedent began receiving Social Security benefits; or
2. The date the decedent became disabled.

### Surviving spouse or Oregon registered domestic partner

A surviving spouse who received qualified real property from a predeceased spouse is considered to have materially participated if he or she was engaged in the active management of the farm or other business. If the surviving spouse died within eight years of the first spouse's death, you may add the period of material participation of the predeceased spouse to the period of active management by the surviving spouse to determine if the surviving spouse's estate qualifies for special-use valuation. To qualify for this, the property must have been eligible for special-use valuation in the predeceased spouse's estate, though it does not have to have been elected by that estate.

For additional details regarding material participation, see federal Regulations Section 20.2032A-3(e).

### Valuation methods

The primary method of valuing special–use value property that is used for farming purposes is the annual gross cash rental method. If comparable gross cash rentals are not available, you can substitute comparable average annual net share rentals. If neither of these are available, or if you so elect, you can use the method for valuing real property in a closely held business.

### Average annual gross cash rental

Generally, the special–use value of property that is used for farming purposes is determined as follows:

1. Subtract the average annual state and local real estate taxes on actual tracts of comparable real property from the average annual gross cash rental for that same comparable property; and
2. Divide the result on line 1 by the average annual effective interest rate charged for all new Federal Land Bank loans.

The computation of each average annual amount is based on the five most recent calendar years ending before the date of the decedent's death.

### Gross cash rental

Generally, gross cash rental is the total amount of cash received in a calendar year for the use of actual tracts of comparable farm real property in the same locality as the property being specially valued. You may not use appraisals or other statements regarding rental value or area-wide averages of rentals. You may not use rents that are paid wholly or partly in kind, and the amount of rent may not be based on production. The rental must have resulted from an arm's–length transaction. Do not reduce the amount of rent by the amount of any expenses or liabilities associated with the farm operation or the lease.

### Comparable property

Comparable property must be situated in the same locality as the specially valued property as determined by generally accepted real property valuation rules. The determination of comparability is based on all the facts and circumstances. It is often necessary to value land in segments where there are different uses or land characteristics included in the specially valued land. The following list contains some of the factors considered in determining comparability.

- Similarity of soil.
- Whether the crops grown would deplete the soil in a similar manner.
- Types of soil conservation techniques that have been practiced on the compared properties.
- Whether the compared properties are subject to flooding.
- Slope of the land.
- For livestock operations, the carrying capacity of the land.
- For timbered land, whether the timber is comparable.
- Whether the property as a whole is unified or segmented; if segmented, the availability of the means necessary for movement among the different sections.
- Number, types, and conditions of all buildings and other fixed improvements located on the properties and their location as they affect efficient management, use, and value of the property.
- Availability and type of transportation facilities in terms of costs and of proximity of the properties to local markets.

You must specifically identify on the return the property being used as comparable property. Use the type of descriptions used to list real property on Schedule A.

### Net share rental

You may use average annual net share rental from comparable land only if there is no comparable land from which average annual gross cash rental can be determined. Net share rental is the difference between the gross value of produce received by the lessor from the comparable land and the cash operating expenses (other than real estate taxes) of growing the produce that, under the lease, are paid by the lessor. The production of the produce must be the business purpose of the farming operation. For this purpose, produce includes livestock.

The gross value of the produce is generally the gross amount received if the produce was disposed of in an arm's-length transaction, within the period established by the Department of Agriculture for its price support program. Otherwise, the value is the weighted average price for which the produce sold on the closest national or regional commodities market. The value is figured for the date or dates on which the lessor received (or constructively received) the produce.

### Valuing a real property interest in closely held business

Use this method to determine the special-use valuation for qualifying real property used in a trade or business other than farming. You may also use this method for qualifying farm property if there is no comparable land or if you elect to use it. Under this method, the following factors are considered:

- The capitalization of income that the property can be expected to yield for farming or for closely held business purposes over a reasonable period of time with prudent management and traditional cropping patterns for the area, taking into account soil capacity, terrain configuration, and similar factors.
- The capitalization of the fair rental value of the land for farming or for closely held business purposes.
- The assessed land values in a state that provides a differential or use value assessment law for farmland or closely held business.
- Comparable sales of other farm or closely held business land in the same geographical area far enough removed from a metropolitan or resort area so that nonagricultural use is not a significant factor in the sales price.
- Any other factor that fairly values the farm or closely held business value of the property.

### Making the election

Include the words "Section 2032A valuation" in the "Description" column of any Form 706 schedule if Section 2032A property is included in the decedent's gross estate.

An election under Section 2032A does not need to include all the property in an estate that is eligible for special use valuation, but sufficient property to satisfy the threshold requirements of Section 2032A(b)(1)(B) must be specially valued under the election.

If joint or undivided interests (e.g., interests as joint tenants or tenants in common) in the same property are received from a decedent by qualified heirs, an election with respect to one heir's joint or undivided interest does not need to include any other heir's interest in the same property if the electing heir's interest plus other property to be specially valued satisfies the requirements of Section 2032A(b)(1)(B).

If successive interests (e.g., life estates and remainder interests) are created by a decedent in otherwise qualified property, an election under Section 2032A is available only with respect to that property (or part) in which qualified heirs of the decedent receive all of the successive interests, and such an election must include the interests of all of those heirs.

For example, if a surviving spouse receives a life estate in otherwise qualified property and the spouse's brother receives a remainder interest in fee, no part of the property may be valued pursuant to an election under Section 2032A.

Where successive interests in specially valued property are created, remainder interests are treated as being received by qualified heirs only if the remainder interests are not contingent on surviving a non-family member or are not subject to divestment in favor of a non-family member.

### Protective election

You may make a protective election to specially value qualified real property. Under this election, whether or not you may ultimately use special use valuation depends upon values as finally determined (or agreed to following examination of the return) meeting the requirements of Section 2032A.

To make a protective election, check "Yes" on part 3, line 2 and complete Schedule A-1 according to its instructions for "Protective election."

If you make a protective election, you should complete this Form IT-1 by valuing all property at its fair market value. Do not use special use valuation. Usually, this will result in higher estate tax liabilities than will be ultimately determined if special use valuation is allowed. **The protective election does not extend the time to pay the taxes shown on the return.**

If it is found that the estate qualifies for special use valuation based on the values as finally determined (or agreed to following examination of the return), **you must file an amended Form IT-1** (with a complete Section 2032A election) **within 60 days after the date of this determination.** Complete the amended return using special use values under the rules of Section 2032A, and complete Schedule A-1 and attach all of the required statements.

For more information about special use valuation please see Section 2032A.

If the 2032A special use valuation is a separate election for Oregon purposes, you must attach a copy of Schedule A-1 marked, "For Oregon only." If you file a federal return, explain differences between the federal return and the Oregon return.

## Line 3. Installment payments

If the gross estate includes an interest in a closely held business, and on Form IT-1 you have made an election under Section 6166, we will follow the federal guidelines. For more information about federal estate tax installment payments allowed, if the estate has interest in a closely held business, please see Section 6166.

You may be able to pay the Oregon inheritance tax in installments under ORS 118.225.

### Collateral required

According to OAR 150-118.225, for the Oregon Department of Revenue to agree to an installment payment of tax, the following must occur:

1. Collateral acceptable to the Department of Revenue must be provided. For real property, a first mortgage, having a value of double the extended tax. For personal property, a surety bond in double the amount of the extended tax, executed by a corporation licensed to do business in the

State of Oregon. The bond must be renewed every five years.

2. Executor is **personally** liable for payment of the tax.
3. No annual statements will be sent to the executor.
4. If payments are not made timely, the installment payment arrangement is cancelled and the remaining liability is due and owing.
5. Interest on the Oregon inheritance tax accumulates from the day after the due date of the original return, to the date your payment is received. For any tax not paid within 60 days of our bill, the interest rate increases by 4 percent per year and is subject to annual change. ORS 118.260.
6. For Oregon, **there is no special interest rate for installment payments.**

You do not need to furnish the required mortgage or bond at the time you file Form IT-1. The department will contact you and you will be given the opportunity to furnish the collateral.

**Important:** *The interest paid on installment payments is* **not** *deductible as an administrative expense of the estate.*

#### Making the Section 6166 election

If you check part 3, line 3 to make a protective election, attach a notice of protective election as described in Regulations Section 20.6166-1(d). If you check this line to make a final election, attach the notice of election described in Regulations Section 20.6166-1(b).

For information on the acceleration of payment when an interest in the closely held business is disposed of, see Section 6166(g).

### Line 4. Reversionary or remainder interests

For details of this election, see Section 6163 and the related regulations.

## Part 4: General information

### Line 2. Surviving spouse/Oregon registered domestic partner

Complete line 2 whether or not there is a surviving spouse or registered domestic partner and whether or not the surviving spouse or registered domestic partner received any benefits from the estate. If there was no surviving spouse or registered domestic partner on the date of decedent's death, enter "None" in line 2a and leave lines 2b and 2c blank. The value entered in line 2c does not need to be exact. See the instructions for "Amount" under line 3.

### Line 3. Beneficiaries information

#### Name

On line 3a enter the name of each individual, trust, or estate who received (or will receive) benefits of $5,000 or more from the estate directly as an heir, next-of-kin, devisee, or legatee; or indirectly (for example, as beneficiary of an annuity or insurance policy, shareholder of a corporation, or partner of a partnership that is an heir, etc.).

#### Identifying number

Enter the SSN of each individual beneficiary listed. If the number is unknown, or the individual has no number, please indicate "unknown" or "none." For trusts and other estates, enter the federal employer identification number (FEIN).

#### Relationship

For each individual beneficiary, enter the relationship (if known) to the decedent by reason of blood, marriage, or adoption. For trust or estate beneficiaries, indicate TRUST or ESTATE.

#### Amount

Enter the amount actually distributed (or to be distributed) to each beneficiary including transfers during the decedent's life from Schedule G required to be included in the gross estate. The value to be entered does not need to be exact. A reasonable estimate is sufficient. For example, where precise values cannot readily be determined, as with certain future interests, a reasonable approximation should be entered. The total of these distributions should approximate the amount of gross estate reduced by funeral and administrative expenses, debts and mortgages, bequests to surviving spouse, charitable bequests, and any federal estate and state inheritance taxes paid (or payable) relating to the benefits received by the beneficiaries listed on lines 2 and 3.

All distributions of less than $5,000 to specific beneficiaries may be included with distributions to unascertainable beneficiaries on line 3b.

### Line 4. Section 2044 property

If you answered "Yes," these assets must be shown on Schedule F.

Section 2044 property is property for which a previous Section 2056(b)(7) election (Qualified Terminable Interest Property, or QTIP election) has been made, or for which a similar gift tax election (Section 2523) has been made. For more information, see the instructions on the back of Schedule F.

### Line 6. Insurance not included in the gross estate

If you checked "Yes" for either 6a or 6b, you must complete and attach **Schedule D** and attach a **Form 712**, *Life Insurance Statement*, for each policy and an explanation of why the policy or its proceeds are not includible in the gross estate.

### Line 8. Partnership interests and stock in close corporations

If you answered "Yes" to line 8, you must include full details for partnerships and unincorporated businesses on Schedule F (Schedule E if the partnership interest is jointly owned). You must include full details for the stock of inactive or close corporations on Schedule B.

Value these interests using the federal Regulations Section 20.2031-2 (stocks) or 20.2031-3 (other business interests).

A "close corporation" is a corporation whose shares are owned by a limited number of shareholders. Often, one family holds the entire stock issue. As a result, little, if any, trading of the stock takes place. There is, therefore, no established market for the stock, and those sales that do occur are at irregular intervals and seldom reflect all the elements of a representative transaction as defined by the term "fair market value" (FMV).

### Line 10. Trusts

**If you answered "Yes" to either 10a or 10b, you must attach a copy of the trust instrument for each trust**. You must complete Schedule G if you answered "Yes" to 10a and Schedule F if you answered "Yes" to 10b.

### Line 12. Transitional marital deduction computation

Check "Yes" if property passes to the surviving spouse or registered domestic partner under a maximum marital deduction formula provision that meets the requirements of Section 403(e)(3) of the Economic Recovery Tax Act of 1981 (P.L. 97-34; 95 Stat. 305).

If you check "Yes" to line 12, compute the marital deduction under the rules that were in effect before the Economic Recovery Tax Act of 1981.

For a format for this computation, you should obtain the November 1981 revision of Form 706 and its instructions. The computation is lines 19 through 26 of the Recapitulation. You should also apply the rules of Revenue Ruling 80-148, 1980-1 C.B. 207, if there is property that passes to the surviving spouse outside of the maximum marital deduction formula provision.

## Part 5: Recapitulation

Lines 1 through 10—Gross Estate: You must make an entry on each line 1 through 9.

If the gross estate does not contain any assets of the type specified by a given item, enter zero on that line. Entering zero on any lines 1 through 9 is a statement by the executor, made under penalties of perjury, that the gross estate does not contain any includible assets covered by that line.

**Do not** enter any amounts in the "Alternate value" column unless you elected alternate valuation on Elections by the Executor—part 3, line 1.

**Which schedules to attach for lines 1 through 9**. You must attach:

- Schedules A, B, and C if the gross estate includes any real estate; stocks and bonds; or mortgages, notes, and cash, respectively.
- Schedule D if the gross estate includes any life insurance or if you answered "Yes" to General information—part 4, question 6a.
- Schedule E if the gross estate contains any jointly owned property or if you answered "Yes" to General information—part 4, question 7.
- Schedule F and answer its questions even if you report no assets on it.
- Schedule G if the decedent made any of the lifetime transfers to be listed on that schedule or if you answered "Yes" to General information—part 4, question 9 or 10a.
- Schedule H if you answered "Yes" to part 4, question 11.
- Schedule I if you answered "Yes" to part 4, question 13.

### Line 11. Conservation easement exclusion

You must complete and attach Schedule U (along with any required attachments) to claim the exclusion on this line.

### Lines 13 through 22. Deductions

You must attach the appropriate schedules for the deductions you claim.

### Line 17

If line 16 is less than or equal to the value (at the time of the decedent's death) of the property subject to claims, enter the amount from line 16 on line 17.

If the amount on line 16 is more than the value of the property subject to claims, enter the greater of (a) the value of the property subject to claims, or (b) the amount actually paid at the time the return is filed.

Do not enter more on line 17, than the amount on line 16. See Section 2053 and the related regulations for more information.

### Line 20. Marital Deduction—Schedule M

If the marital deduction is a separate election for Oregon purposes, you must attach a copy of Schedule M , a Schedule OSMP and the consent described in ORS 118.016, as needed. Schedule OSMP is available on our website. This deduction may also apply to a surviving registered domestic partner.

List each property interest included in the gross estate that passes to the surviving spouse and for which a marital deduction is claimed. This includes otherwise nondeductible terminable interest property for which you are making a QTIP election. Number each item in sequence, describe it in detail, and specify the schedule and item number where each was entered for the gross estate.

Unless you specifically identify a fractional portion of the trust or other property as not subject to the election, the election will be considered made for all the trust or other property.

A return for a resident decedent must include any property in an Oregon only QTIP created upon the prior death of their spouse, valued as of the date of the second spouse's death.

If you filed a federal return, explain the differences between the federal and Oregon returns.

### Line 22. QFOBI—Schedule T

The qualified family-owned business interest (QFOBI) deduction was repealed by federal law for the estates of decedents who died after December 31, 2003. However, Oregon is tied to federal law in effect as of December 31, 2000. You may claim a QFOBI for Oregon only by using Schedule T. This schedule is available on our website at www.oregon.gov/DOR.

## Part 6: Signatures

### Executors' signatures and SSNs

The executors who file the return must sign the tax return under penalties of perjury, per ORS 118.990. List the other executors' names, titles (personal representative, trustee, etc.), addresses, telephone numbers, and SSNs on an attached sheet. Notify us of a change of address or telephone numbers for the executor(s) or authorized representative.

ORS 305.100 and Section 405, Title 42, of the United States Code, authorizes requests for SSNs. You must give us this information. It will be used to establish both the decedent's and executors' identities.

### Authorization

If you want to authorize the preparer to be able to talk to us, you may check the box located between the signature lines for the executor(s) and the preparer. If you want to authorize a person other than the preparer, please attach a signed *Tax Information Authorization and Power of Attorney for Representation* (POA) form. This form can be obtained on our website or you may contact us to have it mailed to you. Notify us of a change of address or telephone numbers for the executor(s) or authorized representative.

### Preparer's information

If someone other than the executor prepares the return, that name, title, telephone number, and address must be provided.

### Where to file

**Mailing address:**

Oregon Department of Revenue
PO Box 14110
Salem OR 97309-0910

The department does not acknowledge the receipt of the return or payments. Do not send self-addressed envelopes for acknowledgements. If you would like verification that your envelope was received, send it by certified mail.

**Private delivery services require the physical address:**

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

The private delivery service can tell you how to get written proof of the mailing date.

# Taxpayer assistance

## www.oregon.gov/DOR

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

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

## Telephone

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

Call one of the numbers above to hear recorded tax information or order tax forms.

For help from Tax Services, call one of the help numbers:

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

*Extended hours during tax season: Wait times may vary.*

**Asistencia en español:**

Salem ..... 503-378-4988
Gratis de prefijo de Oregon ..... 1-800-356-4222

**TTY (hearing or speech impaired; machine only):**

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

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

## Correspondence

Include the estate's BIN or the decedent's SSN and a daytime telephone number for faster service.

**Write to:** Estate Audit, Business Division, Oregon Department of Revenue, PO Box 14110, Salem OR 97309-0910.

Form
# IT-1
(120)

# Oregon Inheritance Tax Return

Year of Death
**2008**

| For Office Use Only |
|---|
| Date received |
| Payment |
| BIN |

Clear form

## Part 1 (Please print or type.)

| **Decedent's** first name, middle initial, and last name | **Decedent's** Social Security number |
|---|---|
| , Estate | – – |

| Date of death | Decedent's domicile (legal residence)—City, County, State, Country | Year domicile established |
|---|---|---|
| | | |

Is the estate being probated in Oregon?
- ☐ Yes If Yes— Oregon county: _____
- ☐ No Oregon probate number: _____

- ☐ An extension of time to file is attached.
- ☐ An extension of time to pay is attached.
- ☐ The attached copy of Form 706 was filed with the IRS.
- ☐ This is an amended return.
- ☐ A separate election is claimed.

| **Executor's** name | Executor's daytime telephone number |
|---|---|
| | ( ) |

| **Executor's** mailing address | City | State | ZIP code |
|---|---|---|---|
| | | | |

**Attach a complete copy of your federal Form 706, required schedules, and supporting documents**

## Part 2—Tax computation

*Round all amounts to the nearest whole dollar.*

1. Total gross estate less exclusion (from page 3, Part 5, line 12) ..... 1.
2. Total allowable deductions (from page 3, Part 5, line 23) ..... 2.
3. Taxable estate (subtract line 2 from line 1) ..... 3.
4. Adjusted taxable gifts [total taxable gifts (see instructions) ..... 4.
5. Add lines 3 and 4 ..... 5.
6. Tentative tax on the amount on line 5 above; (see instructions, Table A) ..... 6.
7. a. If line 5 exceeds $10,000,000, enter the lesser of line 5 or $17,184,000.
   If line 5 is $10,000,000 or less, skip lines 7a and 7b and enter -0- on line 7c ..... 7a.
   b. Subtract $10,000,000 from line 7a ..... 7b.
   c. Enter 5% (0.05) of line 7b ..... 7c.
8. Total tentative tax (add lines 6 and 7c) ..... 8.
9. Total gift tax payable with respect to gifts made by the decedent after December 31, 1976 (see instructions) ..... 9.
10. Gross estate tax (subtract line 9 from line 8) ..... 10.
11. Maximum unified credit (applicable credit amount) against estate tax ..... 11.
12. Adjustment to unified credit (applicable credit amount, do not exceed $6,000) ..... 12.
13. Allowable unified credit (applicable credit amount) (subtract line 12 from line 11) ..... 13.
14. Subtract line 13 from line 10 (but do not enter less than zero) ..... 14.
15. Oregon inheritance tax (see instructions, Table B). Do not enter more than amount on line 14 ..... 15.
16. Proration of Oregon inheritance tax (complete only if there is property located in states other than Oregon):
    a. Gross value, for federal estate tax purposes, of property located in Oregon (identify on attached copy of the federal schedules by highlighting) ..... 16a.
    b. Gross value of decedent's estate for federal estate tax purposes ..... 16b.
    c. Percent of estate located in Oregon (line 16a divided by line 16b, round decimal to four places) ..... 16c. ___ ___ ___ . ___ ___ %
17. Tax payable to Oregon (line 15 multiplied by line 16c, or amount from line 15 if no entry on line 16c) ..... 17.
18. Natural resource or fishing business property credit (Schedule NRC, see instructions) ..... 18.
19. Net inheritance tax (line 17 less line 18, not less than zero) ..... 19.
20. Amount paid by the due date of return ..... 20.
21. **Tax due.** Is line 19 more than line 20? If so, line 19 minus line 20 ..... **TAX DUE** 21.
22. **Overpayment.** Is line 20 more than line 19? If so line 20 minus line 19 ..... **OVERPAYMENT** 22.
23. Penalty due, see instructions ..... 23.
24. Interest due, see instructions ..... 24.
25. **Total due** (add lines 21, 23, and 24) ..... **TOTAL DUE** 25.
26. **Refund** (line 22 minus lines 23 and 24) ..... **REFUND** 26.

## Part 3—Elections by the executor

*Check the "Yes" or "No" box for each question. See instructions.*

1. Do you elect alternate valuation? ..... 1. ☐ Yes ☐ No
2. Do you elect special use valuation? Attach Schedule A-1 ..... 2. ☐ Yes ☐ No
3. Do you elect to pay the taxes in installments as described in Section 6166? Attach additional information; see instructions ..... 3. ☐ Yes ☐ No
4. Do you elect to postpone the part of the taxes attributable to a reversionary or remainder of interest as described in Section 6163? ..... 4. ☐ Yes ☐ No

## Part 4—General information

Attach the necessary supplemental documents. You must attach the death certificate. See instructions.

1. Marital status of the decedent at time of death:
   ☐ Married ☐ Oregon registered domestic partner
   ☐ Widow or widower— Name of deceased spouse/Oregon registered domestic partner: _____
   SSN of deceased: _____ Date of death: _____
   ☐ Single
   ☐ Legally separated
   ☐ Divorced—Date divorce decree became final: _____

2. a. Surviving spouse's/Oregon registered domestic partner's name: _____
   b. Survivor's Social Security number: _____
   c. Amount received (see instructions): _____

3a. Individuals (other than the surviving spouse/Oregon registered domestic partner), trusts, or other estates who receive benefits from the estate (do not include charitable beneficiaries shown in Schedule O) (see instructions). For Privacy Act Notice (applicable to individual beneficiaries only), see the instructions for Form 1040.

| Name of individual, trust, or estate receiving $5,000 or more | Identifying number | Relationship to decedent | Amount (see instructions) |
|---|---|---|---|
| | | | |
| 3b. All unascertainable beneficiaries and those who receive less than $5,000 ..... | | | |
| **Total** ..... 3 | | | |

*Check the "Yes" or "No" box for each question.*

4. Does the gross estate contain any Section 2044 property [qualified terminable interest property (QTIP) from a prior gift or estate]? See instructions (Schedule F) ..... 4. ☐ Yes ☐ No
5. a. Have federal gift tax returns ever been filed? ..... 5a. ☐ Yes ☐ No
   If "Yes," attach copies of the federal gift tax returns, if available, and furnish the following information:
   b. Period(s) covered: _____ c. Internal Revenue office(s) where filed: _____

***If you answer "Yes" to any of questions 6–14, you must attach additional information as described in the instructions.***

6. a. Was there any insurance on the decedent's life that is not included on the return as part of the gross estate? (Schedule D, Form 712) ... 6a. ☐ Yes ☐ No
   b. Did the decedent own any insurance on the life of another that is not included in the gross estate? (Schedule D, Form 712) ..... 6b. ☐ Yes ☐ No
7. Did the decedent at the time of death own any property as a joint tenant with right of survivorship in which (a) one or more of the other joint tenants was someone other than the decedent's spouse, and (b) less than the full value of the property is included on the return as part of the gross estate? (Schedule E) ..... 7. ☐ Yes ☐ No
8. Did the decedent, at the time of death, own any interest in a partnership or unincorporated business or any stock in an inactive or closely held corporation? (Schedule E and Schedule F) ..... 8. ☐ Yes ☐ No
9. Did the decedent make any transfer described in Section 2035, 2036, 2037, or 2038? (Schedule G) ..... 9. ☐ Yes ☐ No
10. Were there in existence at the time of the decedent's death:
    a. Any trusts created by the decedent during his or her lifetime? (Schedule G and trust document) ..... 10a. ☐ Yes ☐ No
    b. Any trusts not created by the decedent under which the decedent possessed any power, beneficial interest, or trusteeship? (Schedule F and trust document) ..... 10b. ☐ Yes ☐ No

## Part 4—General information (continued)

*Check the "Yes" or "No" box for each question.*

11. Did the decedent ever possess, exercise, or release any general power of appointment? (Schedule H) ..... 11. ☐ Yes ☐ No
12. Was the marital deduction computed under the transitional rule of Public Law 97-34, Section 403(e)(3) (Economic Recovery Act of 1981)? If "Yes," attach a separate computation of the marital deduction, enter the amount on part 5, line 20, and note on line 20 "computation attached" ..... 12. ☐ Yes ☐ No
13. Was the decedent, immediately before death, receiving an annuity described in the "General" paragraph of the instructions for Schedule I? (Schedule I) ..... 13. ☐ Yes ☐ No
14. Was the decedent ever the beneficiary of a trust for which a deduction was claimed by the estate of a pre-deceased spouse or Oregon registered domestic partner under Section 2056(b)(7) and which is not reported on this return? If "Yes," attach an explanation ..... 14. ☐ Yes ☐ No

## Part 5—Recapitulation

*Round all amounts to the nearest whole dollar.*

| Gross Estate | | Alternate value | Value at date of death |
|---|---|---|---|
| 1. Schedule A—Real estate | 1. | | |
| 2. Schedule B—Stocks and bonds | 2. | | |
| 3. Schedule C—Mortgages, notes, and cash | 3. | | |
| 4. Schedule D—Insurance on the decedent's life [attach Form(s) 712] | 4. | | |
| 5. Schedule E—Jointly owned property [attach Form(s) 712 for life insurance] | 5. | | |
| 6. Schedule F—Other miscellaneous property [attach Form(s) 712 for life insurance] | 6. | | |
| 7. Schedule G—Transfers during decedent's life [attach Form(s) 712 for life insurance] | 7. | | |
| 8. Schedule H—Powers of appointment | 8. | | |
| 9. Schedule I—Annuities | 9. | | |
| 10. Total gross estate (add lines 1 through 9) | 10. | | |
| 11. Schedule U—Qualified conservation easement exclusion | 11. | | |
| 12. **Total gross estate less exclusion** (line 10 minus line 11). Enter here and on part 2, line 1 | 12. | | |

| Deductions | | Amount |
|---|---|---|
| 13. Schedule J—Funeral expenses and expense incurred in administering property subject to claims | 13. | |
| 14. Schedule K—Debts of the decedent | 14. | |
| 15. Schedule K—Mortgages and liens | 15. | |
| 16. Total of lines 13 through 15 | 16. | |
| 17. Allowable amount of deductions from line 16 (see instructions) | 17. | |
| 18. Schedule L—Net losses during administration | 18. | |
| 19. Schedule L—Expenses incurred in administering property not subject to claims | 19. | |
| 20. Schedule M—Bequests, etc., to surviving spouse/Oregon registered domestic partner, Oregon Schedule OSMP (see instructions) | 20. | |
| 21. Schedule O—Charitable, public, and similar gifts and bequests | 21. | |
| 22. Schedule T—Qualified family-owned business interest deduction | 22. | |
| 23. **Total deductions** (add lines 17 through 22) (Enter here and on part 2, line 2) | 23. | |

## Part 6—Signatures

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 the executor, this declaration is based on all information of which the preparer has any knowledge.

| Signature of executor | Title | Executor's Social Security number | Date |
|---|---|---|---|
| X | | – – | |
| Signature of executor | Title | Executor's Social Security number | Date |
| X | | – – | |

☐ **Check the box to authorize** the following individual(s) to receive and provide confidential tax information relating to the decedent and the estate:

| Name of preparer | Title | Telephone number | |
|---|---|---|---|
| | | ( ) | |
| Mailing address | City | State | ZIP code |
| | | | |

**Attach a complete copy of your federal Form 706, required schedules, and supporting documents**

**Mail to:** Oregon Department of Revenue, PO Box 14110, Salem OR 97309-0910