Subchapter S Corporations

General

S Corporations doing business in Oregon or receiving income from Oregon are required to file Form 20-S, *Oregon S Corporation Tax Return,* under the excise tax provisions in ORS Chapter 317.

For Oregon tax purposes, S Corporation income generally is taxable to the shareholders rather than the corporation. However, S Corporations do pay Oregon tax on income from built-in gains or excess net passive income if such income is subject to tax on the federal corporation return.

S corporation tax statutes and rules are in Chapter 314 of the Oregon Revised Statutes and Oregon Administrative Rules. See ORS 314,730 to 314.752 and the rules there under.

The income or loss of an S Corporation is reported to each shareholder on the federal form, Schedule K-1. See Shareholder Information below.

Minimum Tax Requirements

All S corporations doing business in Oregon must pay the $10 minimum excise tax.

Corporations with **no business activity** in Oregon, even if registered to do business in the state, are not required to pay the $10 minimum tax.

Excise Tax Requirements

S Corporations doing business in Oregon must file an *Oregon S Corporation Tax Return* to report and pay corporation excise tax. "Doing business" means being engaged in any profit-seeking activity in Oregon not protected by Federal Public Law 86-272. If the S corporation has an **Oregon address**, generally the S corporation will file and pay excise tax. Corporations with **no business activity** in Oregon, even if registered to do business in the state, are not subject to the $10 minimum tax and are not required to file a return. A taxpayer having one or more of the following in this state is doing business in Oregon:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly conducted.
- Employees or representatives providing services to customers as the primary business activity (such as accounting or personal services), or services incidental to the sale of tangible or intangible personal property (such as installation, inspection, maintenance, warranty, or repair of a product).
- An economic presence through which the taxpayer regularly takes advantage of Oregon's economy to produce income.

Excise tax is a tax for the privilege of doing business in Oregon. It is measured by net income. All S corporations doing business in Oregon must pay the $10 minimum excise tax.
Corporation Excise tax laws are in Chapter 317 of the Oregon Revised Statutes.

Income Tax Requirements

You may still be subject to the Oregon corporation income tax if you have income from an Oregon source. S corporations that derive income from sources within Oregon but whose income producing activity does not actually constitute "doing business" must file Form 20-S under the **income** tax provisions in ORS Chapter 318.

Income is from an Oregon source if it is derived from:

- Tangible or intangible property located in Oregon;
- Any activity carried on in Oregon, whether intrastate, interstate, or foreign commerce.

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

See Chapter 318 of the Oregon Revised Statutes and the Oregon Administrative Rules.

Filing Information

All returns are due on or before the 15th day of the month following the due date of your federal corporation return (April 15 for calendar-year taxpayers). When the 15th falls on a Saturday, Sunday or legal holiday, the due date is the next business day.

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

If your tax due is $500 or more you may be required to make estimated tax payments. See Estimated Tax Payments for more information.

To amend your Oregon S Corporation Excise or Income tax return, use the form for the tax year you are amending and check the "Amended" box on the front of the return. See Form 20-S instructions for more information.

Shareholder Tax Returns

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

Resident shareholders are taxed on their pro rata share of S corporation income, loss, and deductions from the federal K-1s. Those amounts are modified by Oregon additions and subtractions.

Nonresident shareholders are taxed on their share of modified income from the Federal K-1s, multiplied by the S corporation's apportionment percentage from **Schedule AP-1.** See ORS 314.734.

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

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

Composite Returns

For tax years beginning on or after January 1, 2006, pass-through entities with distributive income attributable to Oregon sources may file a composite return on behalf of its nonresident owners who elect to participate in the composite filing. A nonresident owner is an individual who is not a resident of Oregon, a business entity that has a commercial domicile outside of Oregon, a nonresident trust, or a qualified funeral trust. The pass-through entity reports the nonresident owners' share of Oregon-source distributive income on one tax return, Form OC , *Oregon Composite Return*.

Withholding Requirement

An S corporation with one or more nonresident owners who have no other Oregon source income is

required to withhold tax on the owner's distributive share of S corporation income. The requirement is waived if the owner makes an election to join in the filing of a composite return, sends the department a signed *Oregon Affidavit for a Nonresident Owner in a Pass-through Entity*, or meets another exception listed in Oregon Administrative Rule 150-314.775.

Each quarter, the S corporation will complete a Form OR-19, *Report of Nonresident Owner Tax Withheld*, following the instructions on that form. Send in any required payments with a completed Form TPV (found with Form OR-18), accompanied by a schedule identifying each shareholder and the amount of withholding attributable to them.

Additional Information

- Are you a C Corporation or an Insurance Company doing business in Oregon or with income from an Oregon source? Follow the links for more information relating to these types of corporations.
- Shareholder individual income tax forms and instructions.
- Current and prior year forms for Corporation Taxes.
- For more information relating to Corporation Taxes see our Publications.
- Common questions about Corporation Taxes.