Oregon Corporate Taxes

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General

The corporate tax rate is 6.6 percent.

Oregon does **not** have a sales tax.

Excise tax filers are subject to a **$10 minimum tax**. For consolidated returns, the minimum tax is $10 multiplied by the total number of corporations doing business in Oregon and included in the consolidated return.

Oregon follows the **federal entity classification regulations**. If an entity is classified or taxed as a corporation for federal income tax purposes, it will be treated as a corporation for Oregon tax purposes.

Information contained herein is a guide. For complete details of law, refer to Oregon Revised Statutes.

Corporate Tax Types

Oregon has two types of corporate taxes: Excise and Income.

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

Income tax is for corporations **not doing business** in Oregon, but with income from an Oregon source. If you have tangible or intangible property or other assets that you are using in Oregon, any income you receive is Oregon source income. Generally, your company must file an *Oregon Corporation Income Tax Return*, Form 20-I. Corporation income tax laws are in Chapter 318 of the Oregon Revised Statutes.

"Doing business" means being engaged in any profit-seeking activity in Oregon. A taxpayer with an Oregon address or having one or more of the following in this state is clearly doing business in Oregon:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly conducted.
- 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.

"Oregon source income" is income from tangible or intangible property or other assets being used in Oregon. If you have Oregon source income, generally, your company must file an Oregon Corporation Tax Return. Public Law 86-272 provides exceptions to this requirement. For a more detailed explanation see Foreign Corporations with Headquarters outside of Oregon (Nexus).

Any corporation **doing business** in Oregon is required to register with the Secretary of State Corporation Division and file corporate excise tax returns.

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

Tax Forms

Excise tax forms:

- C corporations doing business in Oregon must file a Form 20, *Oregon Corporation Excise Tax Return*, to report and pay corporation excise tax.
- S corporations doing business in Oregon must file a Form 20-S, *Oregon S Corporation Tax Return*, (check the Excise Tax box) to report and pay corporation excise tax.
- Insurance companies, foreign and domestic, including home warranty companies, doing business in Oregon must file a Form 20-INS, *Oregon Insurance Excise Tax Return*, to report and pay insurance excise tax.
- Limited Liability Companies (LLC)
- Publicly Traded Partnerships
- Political organizations

Income tax forms:

- C corporations not doing business in Oregon but that have an income in Oregon must file a Form 20-I, *Oregon Corporation Income Tax Return*, to report and pay corporation income tax.
- S corporations not doing business in Oregon but that have income in Oregon must file a Form 20-S, *Oregon S Corporation Tax Return*, (check the Income Tax box) to report and pay corporation income tax.
- REMICs (Real Estate Mortgage Investment Conduits)
- Political organizations

Filing Guidelines

Tie to federal tax law

Oregon's calculation of taxable income for C corporations begins with federal taxable income. It is modified as required under Oregon tax law.
There is a retroactive connection to federal changes made since December 31, 2002, to the definition of federal taxable income.

Effective January 1, 2005, an automatic connection to future changes to the federal definition of taxable income applies in Oregon, unless Oregon law allows otherwise.

Exceptions to the Oregon tie to federal taxable income:

- No connection to the qualified production activities income (QPAI) deduction. An addition to the Oregon return is required, effective January 1, 2005; and
- No connection to certain subsidies excluded under IRC 139A for prescription drug plans. An addition to the Oregon return is required, effective January 1, 2008.

Due date

Returns for calendar year filers, including all insurance companies, are due on or before April 15. Returns for fiscal year filers are due the 15th day of the month following the due date of your federal corporation return. When the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.

Extensions

Oregon honors extensions for filing your federal return. If you have a federal extension, the due date then becomes the 15th day of the month following the federal extension's due date. You don't need to send the federal extension to Oregon until you file your Oregon return. Mark the Extension box at the top of your Oregon return when you file.

If you need an extension for Oregon only, answer question 1 on federal Form 7004, write "For Oregon Only" at the top, then attach it to your Oregon return when you file. Mark the Extension box at the top of your Oregon return when you file.

To avoid penalty and interest, mail any tax due with Form 20-V on or before the original due date of your return. More time to file doesn't mean more time to pay your tax.

Estimated tax payments

You are required to make estimated tax payments if your tax debt is expected to be $500 or more for the year.

Filing Methods

Consolidated returns (ORS 317.705-317.725). If a corporation is a member of an affiliated group of corporations that filed a consolidated federal return, it must file an Oregon return based on that federal return.

A consolidated Oregon return is required when two or more affiliated corporations are:

- Included in a consolidated federal return;
- Unitary; and
- At least one of the affiliated corporations must be doing business in Oregon or has an Oregon-source income.

Unitary business. A business that has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by:

- Centralized management or a common executive force.
- Centralized administrative services or functions resulting in economies of scale.
- Flow of goods, capital resources, or services showing functional integration.

Corporations that are not unitary are excluded from the consolidated Oregon return.

Separate returns. Any corporation that files a separate federal return must file a separate Oregon return if they are doing business in Oregon or have income from an Oregon source.

A corporation subject to Oregon taxation must also file a separate Oregon return if it was included in a consolidated federal return, but was not unitary with any of the other affiliates. Oregon taxable income is calculated by subtracting the income of the nonunitary affiliates from the taxable income from the

consolidated federal return.

Other Business Structures

Publicly traded partnerships

A "publicly traded partnership" is a partnership treated as a corporation for federal tax purposes under IRC 7704.

The partners in a publicly traded partnership are not subject to tax on their distributive shares of partnership income. A publicly traded partnership taxed as a corporation must file an *Oregon Corporation **Excise** Tax Return*, Form 20, if doing business in Oregon, or an Oregon Corporation Income Tax Return, Form 20-I, if not doing business in Oregon but the publicly traded partnership is receiving Oregon-source income.

REMICs (ORS 314.260)

A REMIC (Real Estate Mortgage Investment Conduit) must file Form 20-I if it gets prohibited transaction income from Oregon sources or has any resident holders of a residual interest. Income is from an Oregon source if it comes from tangible property located in Oregon or from intangible property used in an Oregon business.

All REMICs required to file must file Form 20-I and attach a complete copy of federal Form 1066. The REMIC must also attach a federal Schedule Q for each residual interest holder for each quarter of the tax year. Enter the amount of net income from prohibited transactions from federal Form 1066 Schedule J.

Limited liability companies (LLC)

An LLC can be taxed as a partnership or a corporation. Oregon follows federal law in determining how an LLC is taxed.

An LLC taxed as a corporation must file an *Oregon Corporation **Excise** Tax Return*, Form 20, if doing business in Oregon, or an *Oregon Corporation **Income** Tax Return*, Form 20-I, if not doing business in Oregon but the LLC is receiving Oregon-source income.

An LLC taxed as a partnership must file an *Oregon Partnership Return*, Form 65, if doing business in Oregon, or is receiving income from an Oregon source, or if it has any Oregon resident members. If the LLC has a corporate member, the member is taxed on its share of the LLC's Oregon income.

If an LLC is part of a corporation's overall business operations and is treated as a partnership, include the corporation's ownership share of LLC property, payroll, and sales in the apportionment percentage calculation on Schedule AP-1. (OAR 150-314.650)

Foreign LLCs are identified as unincorporated associations organized under the laws of a state other than Oregon, or a foreign country. Effective in 2005, Oregon's definition of a foreign LLC, no matter when organized, includes an unincorporated association organized under the laws of a federally recognized American Indian tribe.

Political organizations

Political organizations (for example, campaign committees and political parties) normally don't pay state or federal taxes. However, income earned from investments is taxable. Examples include interest earned on deposits, dividends from contributed stock, rents or royalties, and gains from the sale of contributed property.

Political organizations that are **incorporated** must file Form 20, *Oregon Corporation **Excise** Tax Return*. **Unincorporated** political organizations with taxable income are treated as corporations and must file Form 20-I, *Oregon Corporation **Income** Tax Return*. Unincorporated political organizations with no taxable income do not have to file an Oregon corporation tax return.

For more information, see Political organizations.

Assembling and Submitting Returns

1. Oregon Form 20, 20-I, 20-S, or 20-INS;
2. Schedule AP, *Apportionment of Income*;
3. Schedule AF, *Schedule of Affiliates*;
4. Form 37, *Underpayment of Oregon Corporation Estimated Tax*;
5. Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*;
6. Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate*;
7. Other Oregon statements;
8. Oregon credit forms including notice of credit transfers;
9. Federal extension, Form 7004;
10. Copy of federal tax return and schedules.

Tax due returns, mail to: Refunds or No tax due returns, mail to:
Oregon Department of Revenue Oregon Department of Revenue
PO Box 14790 PO Box 14777
Salem OR 97309-0470 Salem OR 97309-0960

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

When e-mailing or corresponding, please include your e-mail address and telephone number, including area code, in your message. **Warning:** E-mail is not secure. Don't include confidential information (for example, FEINs or BINs) in your e-mail message or in an attachment. We'll respond to tax-law-related questions only. For security reasons, we don't reply via e-mail to account-related questions. If you have an account-related question or you have received a letter, notice, or bill from us, please contact us by telephone.

Other Useful Information

- 2007 Corporate Tax Changes
- 2008 Corporate Tax Changes
- Calculating interest on taxes you owe
- Common questions
- Foreign Corporations and Nexus
- Publications (corporate taxes)
- Oregon Corporation Tax Credits 2008
- Underpayment of Corporation Estimated Tax