

Which partnerships must file Form OR-65?

- Every partnership having income or loss derived from or connected with sources in Oregon.
- Every partnership having one or more Oregon resident partners.

Exception: Publicly traded partnerships taxed as corporations.

Oregon follows federal filing guidelines. If you aren't required to file a federal partnership return, you don't need to file for Oregon.

Example: A married couple electing the qualified joint venture option doesn't file a federal partnership return; therefore they don't file an Oregon partnership return.

Partnership minimum tax

A partnership must pay the \$150 minimum tax if it's doing business in Oregon **and** required to file a partnership return. "Doing business" is performing a profit-seeking activity. If you are registered to do business in Oregon, but didn't have any business activity, you are not subject to the minimum tax.

When a short year return is filed only because of a change in accounting periods, the tax is prorated for the number of months in the short tax year.

Filing and payment deadlines

Returns and tax payments for the 2019 calendar year are due by **March 16, 2020**. Fiscal year returns are due by the 15th day of the third month after the end of the partnership's tax year. Estimated payments are **not** required.

Extension of time to file

If you filed a federal extension, you don't need an Oregon extension. If you need to file an Oregon only extension, use voucher Form OR-65-V. Check the extension box on the voucher and send it in by the original due date of the return, with payment if necessary. An Oregon extension gives the same amount of time to file as a federal extension. The maximum extended due date is September 15, 2020 for calendar tax year partnerships.

An extension to file **doesn't** mean more time to pay. If you need to pay the \$150 minimum tax, check the extension box on voucher Form OR-65-V and send us the voucher and payment by the due date.

What must be included with the Oregon partnership return?

Submit this information with the return in the following order:

- A copy of federal Form 1065, *U.S. Return of Partnership Income*. Include all pages and supporting schedules (for example, Schedule M-3).
- Schedule OR-AP, if you answered yes to question 6A on Form OR-65.
- If this is the final partnership return, a schedule showing to whom all assets and liabilities were distributed, and each asset's adjusted basis, fair market value, and sales price.
- Federal Schedules K-1, if less than 11 partners during the year. If you had more than 10 partners, include a summary of partner information. Your summary must include each partner's name, SSN or FEIN, address, profit/loss sharing percentage, and Oregon modifications and credits. *If you are mailing the summaries and K-1s, we prefer them on CD.* Label the CD with the entity's name, FEIN, and tax year. If your CD is password protected, mail the password separately or email it to files.partnership@oregon.gov. Include the partnership name and FEIN with the password.
- Form OR-24, if you had a 1031 exchange investing in out of state property.
- Any additional schedules required for Oregon modifications and credits from Schedule I.

Amending instructions

Complete the return as it should have been filed and check the "amended return" box at the top. Include an explanation of all corrections. There is no tax to pay or refund unless you change the amount entered on line 3C or 3D. If the amended return is a tax-to-pay return, include payment with the amended return. Don't include the voucher, Form OR-65-V, with the return.

Penalty and interest

The partnership will owe interest on any tax not paid by the due date. The 2020 interest rate is 6 percent per year and increases to 10 percent per year if not paid within 60 days of our billing notice.

The partnership will also owe a 5 percent late payment penalty on any tax not paid by the due date.

Partnership failure-to-file penalty

We may assess a penalty if a partnership doesn't file a return or fails to provide information to us as required by law. The penalty is \$50 per month per partner for each month the return is late or incomplete, up to a maximum of five months.

Don't submit a penalty payment with your return. Penalty payments are only required if a penalty is assessed by the department.

Guaranteed payments

Guaranteed payments are treated as distributive shares of partnership income. For nonresident partners income attributable to Oregon sources is determined by applying the allocation and apportionment provisions to each nonresident's entire distributive share including guaranteed payments.

Individual income tax returns

Each partner's distributive share of net income (or loss) and separately stated items must be reported on that partner's individual income tax return.

Partners report their share of Oregon modifications (additions or subtractions) or credits on their tax return. The partner's modification or credit is based on the total for the business multiplied by their ownership percentage.

Nonresident partners can join a composite return, Form OR-OC, filed by the partnership or file their own return using Form OR-40-N and instructions.

2020 Short tax year

Oregon follows federal filing requirements. Use this form for a short tax year that begins and ends in 2020, if the 2020 forms are not available by the due date. Remember that an extension to file doesn't change the due date of the tax.

Federal centralized partnership audit regime (CPAR). For tax years 2018 and forward, the Internal Revenue Service (IRS) is required to make audit adjustments and collect taxes at the partnership level for partnerships subject to the CPAR. If the partnership is audited by the IRS under CPAR resulting in adjustments that affect Oregon taxes, the partnership must follow certain procedures and timelines for reporting the adjustments to Oregon. For more information, go to our website.

Form instructions

Heading

Enter all information in the heading and check all applicable boxes. It's important that you provide the name and contact information for the person who has the partnership records. If you don't complete this section, there may be a delay in receiving important information. If the partnership filed using a different name on the 2018 Oregon partnership return, check the "name change" box and provide that name.

Line instructions

Line 1A. Answer yes if the partnership is doing business in Oregon. "Doing business" is defined the same for partnerships and corporations.

Lines 2A and 2B. The partnership is required to file if it had Oregon resident partners or had income (or loss) apportioned or allocated to Oregon. If you answered "Yes" to 2A or 2B (or both), you must file a Form OR-65.

If you didn't answer "Yes" to either 2A or 2B, then the partnership isn't required to file a return or pay the minimum tax.

Line 3A. If 1A is "Yes" and 2A or 2B (or both 2A and 2B) are "Yes," the partnership owes the partnership minimum tax. Enter \$150 on line 3A unless the partnership is filing a return for a change in accounting periods. If the "Accounting period change" box is checked, use this chart to determine the correct tax. Enter the tax on line 3A that corresponds to the number of months on the return:

Number of months	Tax	Number of months	Tax
1	\$ 12	7	\$ 87
2	\$ 25	8	\$100
3	\$ 37	9	\$112
4	\$ 50	10	\$125
5	\$ 62	11	\$137
6	\$ 75	12	\$150

Important: This chart doesn't apply to other short tax year returns, such as initial returns or final returns. The tax is \$150 in those cases.

Example 1: For tax year 2019, Renters LLC has federal permission to change from a calendar tax year to a fiscal tax year ending in September. To change the accounting periods, a short year return is required from January 1 to September 30, 2019. The LLC will file a 2019 short year return and owe \$112 in tax on the due date for that short year which is December 16, 2019. Later they will file a full year 2019 return from October 1, 2019 to September 30, 2020 and will owe \$150 minimum tax for that full tax year.

Example 2: Freight Partners ended business on May 10, 2019. They are a calendar tax year partnership, so the partners from January 1 to May 10 will file a 2019 short tax year return due August 19, 2019. They will use 2018 forms because 2019 forms aren't available yet, but they will follow 2019 tax laws when completing the return. They will owe \$150 minimum tax which is also due August 19, 2019, even if they get an extension to file.

Line 3B. Enter the payments submitted prior to filing or with an extension.

Line 3C. If payments are less than the tax liability owed by the partnership, enter the amount of tax due (line 3A minus line 3B). Otherwise, go to line 3D.

To submit a payment:

- Make your check or money order payable to "Oregon Department of Revenue."
- Write your daytime phone number, FEIN, and "2019 Partnership Tax" on your check or money order.
- Don't send cash or a postdated check.
- Send your check or money order in the same envelope as your return. Don't use Form OR-65-V unless you're sending a payment without a return.
- Pay the tax by the due date (not including extensions) to avoid penalty and interest.

Line 3D. If payments are more than the tax liability owed by the partnership, enter the amount to be refunded to the

partnership (line 3B minus line 3A). If the tax liability and the payments already submitted are the same, enter \$0.

Line 4D. Enter the number of federal Schedule K-1s issued to partners. Does the partnership have nonresident partners? The partnership is required to send in payments on behalf of nonresident partners who are individuals or C corporations, unless the partner is exempt, files an affidavit, or joins a composite return. See Publication OR-OC and Publication OR-19 for more information on the partnership's requirements to file a composite return or send in payments on behalf of its nonresident partners.

Line 4E. Nonresident partners who are individuals, trusts, estates, or C corporations can join a composite return, Form OR-OC, filed by the partnership. Enter how many partners participated in the Form OR-OC the partnership filed or will be filing.

Line 5D. If the partnership didn't opt-out of the federal centralized partnership audit regime, enter the contact information federal partnership representative (PR). If the PR is an entity, enter the contact information for both the designated individual and entity.

Lines 7A–7D. The partners must file returns and pay transit district self-employment taxes for income subject to these taxes. The partnership may instead file and pay on their behalf. Go to www.oregon.gov/dor/business.

Schedule I

Enter the name, numeric code, and amount for each modification or credit. Include schedules to list additional modifications and credits or to explain the modifications. Modification and credit codes can be found in Publication OR-CODES available on our website.

A partner may be able to claim their share of these modifications or credits on their own return. Provide this information to partners with their Schedule OR-K-1. For more information, see the instructions regarding partnership and S corporation modifications and credits in Publication OR-17.

Oregon marijuana business modification. Oregon-licensed marijuana businesses are allowed a subtraction for expenses

that could be claimed as federal deductions if marijuana wasn't a controlled substance under federal law (IRC Section 280E). To calculate the subtraction, you must fill out a federal partnership return as if the marijuana business expenses would have been allowed for federal purposes. You won't submit the "as if" federal partnership return to the IRS. The subtraction is the difference between the profit/loss on your actual federal return and the "as if" return. Don't submit the "as if" return with your Form OR-65. Keep it with your tax records. See Publication OR-17.

Gain on voluntary and involuntary conversions. Oregon allows partnerships to elect for their partners to defer the gain on voluntary and involuntary conversions. Partnerships must make the election for all consenting partners. Include Form OR-24, with your Form OR-65, and check the box on the front of the return.

Filing instructions

You can electronically file or mail the Form OR-65 and any required enclosures to:

Oregon Department of Revenue
PO Box 14260
Salem OR 97309-5060

Detach the instructions before mailing. If you are filing electronically and your software doesn't support attachments, mail the attachments to the address above or fax the attachments to (503) 345-2354, labeled "Attn: ADP." Be sure to provide the partnership name and FEIN for reference. Wait three days after electronically filing the Form OR-65 before faxing the required attachments.

Don't submit Form OR-OC or Form OR-19 with the partnership return. File those forms separately.

Do you have questions or need help?

www.oregon.gov/dor
(503) 378-4988 or 1 (800) 356-4222
questions.dor@oregon.gov

Contact us for ADA accommodations or assistance in other languages.

