OREGON DEPARTMENT OF REVENUE

Publication OR-OC

2022

Oregon Composite Return Instructions for Pass-through Entities

General information

Use Form OR-OC to:

- Report the nonresident owners' share of Oregon-source distributive income.
- Report centralized partnership audit regime (CPAR) adjustments and any amount paid in lieu of tax at the partnership or tiered partner level.

If you are using these forms to report nonresident owners' share of Oregon-source distributive income, follow the "Instructions for composite tax reporting."

If the IRS adjusted your tax under CPAR, see "Instructions for Reporting Federal CPAR Adjustments."

This publication provides instructions for the following:

- 150-101-154 Form OR-OC
- 150-101-152 Schedule OR-OC-1
- 150-101-153 Schedule OR-OC-2
- 150-101-148 Schedule OR-OC-3
- 150-101-149 Schedule OR-OC-4
- 150-101-158 Form OR-OC-TR

Instructions for Composite Tax Reporting

Introduction

Pass-through entities (PTEs) with distributive income attributable to Oregon sources must file a composite return on behalf of their nonresident owners who elect to participate in the composite filing. The PTE reports the nonresident owners' share of Oregon-source distributive income on one tax return, Form OR-OC.

PTEs must make tax payments for nonresident owners who don't elect to join the composite return, unless the owner files an affidavit. See Form OR-19 Instructions for more information.

Important:

- The most common error on Form OR-OC is using the entity's tax year instead of the owners' tax year. Don't use the entity's fiscal or short tax year for Form OR-OC. See "Tax year and return due date."
- Inform the electing owners to **not** claim the tax paid on their behalf on Form OR-40-N, Form OR-20, or Form OR-20-INC returns.

Definitions

"Distributive income" is generally the net amount of income, gain, deduction, or loss of a PTE.

"Electing owner" is a nonresident owner who chooses to join in filing a composite return.

"FEIN" is federal employer identification number.

"Nonelecting owner" is an owner who chooses not to join in filing a composite return, whether the PTE withheld tax or not. Nonelecting owners are required to file an Oregon tax return if they have Oregon-source distributive income.

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

"Pass-through entity (PTE)" is a partnership, S corporation, LLP, LLC, abusive tax shelter trust or a trust that has been established or maintained primarily for tax avoidance purposes. **Note:** Single-member LLCs owned by an individual or a corporation and grantor trusts are disregarded for tax purposes and are not PTEs. For this purpose only: Estates are not PTEs.

"**Pass-through entity elective tax (PTE-E tax)**" is income tax paid by electing PTEs at the entity level. Individual owners will report their distributive income and the PTE-E addition and credit reported to them on their Oregon K-1 and OR-21-K-1. See Form OR-21 Instructions for additional information.

General information for composite tax reporting

It's important to know which owners intend to elect to join the composite return at the beginning of the tax year, so the PTE can make estimated payments on time.

Filing requirements

PTEs must file composite returns on behalf of electing owners. A PTE that files a composite return is still required to file the PTE's return (such as Form OR-65 or Form OR-20-S).

To be included in the composite return, the owner must be:

- An individual nonresident of Oregon;
- A disregarded entity using a nonresident individual's name and SSN;
- A C corporation with no commercial domicile in Oregon;
- An estate;
- A trust that isn't a resident trust; **or**
- A qualified funeral trust (ORS 316.282).

Owners who are also a PTE **can't** join in the composite return. See "Tiered entities" for more information.

The election to participate in the composite filing can't be revoked after the due date of the composite return, including extensions. See "Requesting transfer of payment" for more information.

The PTE is liable for any tax, penalty, and interest due, including interest on underpayment of estimated tax.

Tax year and return due date

The tax year and due date for the Oregon composite return is the same as the tax year and due date for the **majority** of the electing owners' federal and Oregon tax returns. If the majority of owners file using a calendar tax year, then the composite return is also a calendar tax year return. Form OR-OC isn't filed using a fiscal or short tax year used by the PTE. If the majority of owners adopt a different fiscal year or change to a calendar year after Form OR-OC is filed, file an amended Form OR-OC that includes the income and tax due for both the original and short year.

Use the tax forms and due dates that correspond with the owners' tax year. Most PTEs must use a calendar tax year for Form OR-OC because it's common for a majority of participating owners to use a calendar tax year. The due date for 2022 calendar year filers is **April 18, 2023**.

If Form OR-OC isn't available for the applicable tax year at the time of filing, wait until the current year return is available before filing the composite return. Don't use prior year forms.

Example 1: NW LLC's 2022 fiscal year began April 1, 2021 and ended March 31, 2022. Most of the electing owners are individuals who file using a calendar year. Following federal reporting rules, the 2022 fiscal year income from NW LLC is reported on the owners' 2022 federal and Oregon tax returns. Therefore, NW LLC will file a 2022 calendar year Form OR-OC for its electing owners to report this income, which is due April 18, 2023.

Extensions

If the PTE is granted a federal extension to file its return (Form OR-65 or Form OR-20-S), the PTE is also granted an extension for Form OR-OC. The additional time to file Form OR-OC with a timely filed extension is six months. A calendar year 2022 Form OR-OC filed on extension is due on October 16, 2023.

Use Form OR-OC-V if the PTE only needs an extension to file the Oregon composite return and make an extension payment.

Check the "Original return" box and mail the completed voucher with your payment by the original due date. When Form OR-OC is filed, check the "Extension" box and enter the extended due date. Keep a copy of the extension form with your records.

Remember: An extension allows for more time to file, **not** more time to pay. See "Estimated tax payment instructions."

Penalty and interest

If tax isn't paid by the due date (not including extensions), the PTE will owe penalty and interest. See the instructions for Form OR-OC, line 9.

Oregon-source distributive income

Distributive income includes items directly related to the PTE that are considered in determining the federal taxable income of the nonresident owner. It also includes modifications and other Oregon laws that directly relate to the PTE. Limits that apply to the owner (such as passive loss limits) are the same whether they file their own return or join a composite return.

Examples of the modifications allowed that relate to the PTE's income include adjustments for depreciation, depletion, gain or loss difference on the sale of depreciable property, and U.S. government interest. If the PTE elected to pay Oregon's PTE-E tax, include the addition for PTE-E taxes deducted by the PTE on its federal return from the owner's Schedule OR-21-K-1, line 2. Modifications **don't** include the federal tax subtraction, itemized deductions, and the Oregon standard deduction allowed to individual taxpayers.

Oregon-source distributive income is the portion of the entity's modified distributive income that is derived from or connected with Oregon sources. Oregon-source distributive income doesn't include return of capital, income sourced in another state, or other distributions not taxable by Oregon.

If the PTE has business activity only in Oregon, multiply the distributive income of the PTE by the ownership percentage of the nonresident owner.

Apportionable income

PTEs with business activity both inside and outside Oregon during the year must calculate Oregon-source distributive income for nonresident owners. This is the same as what was calculated for the PTE's return using Schedule OR-AP to figure the apportionment percentage.

Corporate Partners. A corporate partner's distributive income may be included in a composite return only when its distributive share is not required to be included in the corporate partner's apportionable income. The PTE filing a composite return should assume a corporate partner's distributive share is required to be included in the corporate

partner's apportionable income unless the corporate partner notifies the PTE in writing that it is not.

A corporate partner may have previously notified the PTE that its distributive share is not includable in its apportionable income and elected to be included in the PTE's composite return. If it is determined that the corporate partner's distributive share should be included in the corporation's apportionable income by the department, the corporate partner's election to be included in the composite return is invalid. Upon notification of this fact by the corporate partner, the PTE may file an amended composite return for a refund of tax that was paid on the corporate partner's distributive income included in the composite return.

Guaranteed payments

Guaranteed payments are treated as a business income component of the PTE's distributive income and are attributed directly to the owner receiving the payment (OAR 150-316-0155).

Distributions

Though distributions to shareholders of an S corporation generally aren't taxable income, there are exceptions. For instance, if the corporation was formerly taxed as a C corporation, any C corporation earnings and profits that are distributed are taxable. Attribute any taxable part of a distribution directly to the shareholder receiving the distribution. Multiply the taxable part by the Oregon apportionment percentage from Schedule OR-AP to determine how much to include in the shareholder's income.

Deductions

Individual tax deduction

Deductions normally allowed to individuals (such as itemized deductions or the standard deduction) aren't allowed on composite returns.

Self-employment tax deduction

Each PTE must calculate the self-employment tax deduction for each electing owner who is subject to self-employment tax. Subtract the self-employment tax deduction attributable to Oregon-source distributive income from the Oregon-source distributive income and enter the net result on Schedule OR-OC-1 for each owner.

Oregon marijuana or psilocybin business modification

Oregon-licensed marijuana and psilocybin businesses are allowed a deduction for expenses that could be claimed as federal deductions if marijuana or psilocybin wasn't a controlled substance under federal law (IRC 280E). To calculate the deduction, you must complete a federal business return as if the business expenses would have been allowed for federal purposes. You won't submit the "as if" federal business return to the IRS. The deduction is the difference between the profit/loss on your actual federal return and the "as if" return. The deduction is subtracted from the total Oregon-sourced distributive income. Don't submit the "as-if" return with Form OR-OC. Keep it with your tax records.

Note: This deduction can't be used to create a net operating loss. It can only be used to reduce your Oregon source income to zero. See Publication OR-17 for more information.

Credits

Credits normally allowed on owners' tax returns, such as the credit for taxes paid to another state or exemption credit, aren't allowed on the composite return. If the PTE elected to pay the PTE-E tax, the PTE-E tax credit will be used to offset the tax due reported on the composite return. See Form OR-21 instructions for more information.

2022 tax rate charts

S **Tax rate chart**

For persons filing

Single or married filing separately

If your taxable income is:	Your tax is:
Not over $3,750	4.75% of taxable income
Over $3,750 but not over $9,450	$178 plus 6.75% of the excess over $3,750
Over $9,450 but not over $125,000	$563 plus 8.75% of the excess over $9,450
Over $125,000	$10,674 plus 9.9% of the excess over $125,000

J **Tax rate chart**

For persons filing

Jointly, head of household, or qualifying surviving spouse with dependent child

If your taxable income is:	Your tax is:
Not over $7,500	4.75% of taxable income
Over $7,500 but not over $18,900	$356 plus 6.75% of the excess over $7,500
Over $18,900 but not over $250,000	$1,126 plus 8.75% of the excess over $18,900
Over $250,000	$21,347 plus 9.9% of the excess over $250,000

Estimated tax payment instructions

The PTE is required to make estimated tax payments in the PTE's name on behalf of all owners who elect to join in the composite filing.

Payment voucher: Use Form OR-OC-V and follow Form OR-OC-V Instructions. Calculate the amount of tax required to be paid as follows:

For **individual** electing owners: Multiply the electing owner's share of Oregon-source distributive income by the tax rate for the electing owner's filing status. See the 2023 estimated tax rate charts in Publication OR-ESTIMATE.

For **C corporation** electing owners: Multiply the electing owner's share of Oregon-source distributive income by the corporate tax rates, or use the corporate minimum tax rates.

For **estate and trust** electing owners: Estimated tax payments aren't required. If you choose to make payments, multiply the electing owner's share of Oregon-source distributive income by the tax rate for single or married filing separately. See the 2023 estimated tax rate charts in Publication OR-ESTIMATE.

Due dates for estimated tax payments

The due dates for estimated tax payments are the due dates required for the majority of the electing owners.

If the majority of electing owners use a:

- **Calendar tax year,** the due dates for the 2023 estimated tax payments are April 18, 2023; June 15, 2023; September 15, 2023; and January 16, 2024 (or December 15, 2023, for corporate calendar year filers).
- **Fiscal tax year,** the estimated tax due dates are the 15th day of the fourth, sixth, ninth, and thirteenth (or twelfth month for corporate filers) month following the beginning of the fiscal year. **Note:** It's rare for the majority of electing owners to have the same fiscal tax year.

Estimated payment due dates don't apply and aren't required for **estates** and **trusts**. Tax is due on the due date of the return, not including extensions.

Tiered entities

A PTE that owns an interest in another PTE (upper-tier entity) isn't allowed to join in the composite filing. **Don't send** tax payments for an owner who is another PTE. If the owner is another PTE, they must file their own return and make their own payments.

Example 2: The owners of Partnership A are one LLC, one S corporation, three individuals, and two C corporations. Only the three individuals and two C corporations can join the composite return. Partnership A doesn't make estimated tax payments on behalf of the upper-tiered entities, (the LLC and the S corporation). Each of these upper-tiered PTEs will file their own composite return for their owners, who can elect to join in a composite filing.

Payment voucher instructions

Use Form OR-OC-V for all composite return estimated tax payments. You don't need to use a separate voucher for each type of tax payment. If submitting a payment with Form OR-OC, **don't** include the voucher with the form.

Schedule OR-OC-1—Individual and fiduciary owners

Use Schedule OR-OC-1 for individuals, estates, and trusts only. Combine all individuals, estates, and trusts on one Schedule OR-OC-1. Don't submit a separate Schedule OR-OC-1 for each owner type.

Lines 1 through 4. Complete **one line** for each electing individual, estate, or trust owner. Even if two owners file jointly, list them separately on Schedule OR-OC-1. If more than four lines are needed, use additional copies of Schedule OR-OC-1. If you use more than one Schedule OR-OC-1, total all pages on the first page (line 5) and carry that amount to Form OR-OC. Include Schedule OR-OC-1 with Form OR-OC. See "Estates or trusts" instructions to include the owner of a grantor trust with other individuals.

Owner information. For each owner, enter the owner type (individual, estate, or trust), the individual owner's or fiduciary's name, Social Security number (SSN) or FEIN, filing status (if applicable), ownership percentage, share of federal income, and share of Oregon-source distributive income. The filing status must match their federal return. Use "J" for married filing jointly or qualifying surviving spouse; "S" for single filers; "H" for head of household; or "M" for married filing separately.

Column (a). Oregon income tax. Use the 2022 tax rate charts on page 3 to calculate Oregon income tax based on filing status.

Column (b). PTE-E tax credit. If the PTE elected not to pay PTE-E tax, enter zero. If the PTE elected and paid the PTE-E tax, enter each owner's distributive share of the credit from Schedule OR-21-K-1, line 3 in column (b).

Column (d). Enter the estimated payments submitted on behalf of each owner.

Column (e). Calculate interest on underpayment of estimated taxes. Interest on the underpayment of estimated tax is due when an individual electing owner has a net tax liability in excess of $1,000 after estimated tax payments and the PTE-E tax credit. Calculate the interest for each owner separately using Form OR-10 Instructions.

Estates or trusts

Refer to the basic instructions for Schedule OR-OC-1. In column (a), use the single or married filing separately tax rate from the 2022 tax rate charts. Don't complete column (f), interest on underpayment of estimated tax—this doesn't apply to estates or trusts.

Grantor trusts may join in a composite filing. Use the grantor's name and SSN on the Schedule OR-OC-1 as long as the grantor is still living. Once the grantor trust becomes an irrevocable trust, use the trust's name and federal tax identification number.

Simple or complex trusts may join in the composite filing using the appropriate federal tax identification number on the Schedule OR-OC-1.

Schedule OR-OC-2— C corporation owners

Use Schedule OR-OC-2 for C corporation owners only.

Lines 1 through 5. Complete **one line** for each electing corporate owner. If more than five lines are needed, use additional copies of Schedule OR-OC-2. If you use more than one Schedule OR-OC-2, total all pages on the first page (line 6) and carry that amount to Form OR-OC. Include Schedule OR-OC-2 with Form OR-OC.

Owner information. For each corporate owner, enter the corporation name, FEIN, tax type, ownership percentage, share of federal income, and share of Oregon-source distributive income. For tax type, enter the tax which the corporate owner is subject to: "E" for corporate excise tax or "I" for corporate income tax.

Column (a). Multiply the first $1 million of Oregon-source distributive income for each corporate owner by 6.6 percent and multiply the amount over $1 million by 7.6 percent. If you entered an "E" as the tax type, compare the result with the corporation's minimum tax from the chart below. Enter the larger of those two amounts as the tax for that owner.

Corporate minimum tax chart		
If the owner's share of Oregon sales are . . .		
at least:	**but less than:**	**the minimum tax is:**
---------	$500,000	$150
$500,000	$1 million	$500
$1 million	$2 million	$1,000
$2 million	$3 million	$1,500
$3 million	$5 million	$2,000
$5 million	$7 million	$4,000
$7 million	$10 million	$7,500
$10 million	$25 million	$15,000
$25 million	$50 million	$30,000
$50 million	$75 million	$50,000
$75 million	$100 million	$75,000
$100 million	---------	$100,000

Column (b). Enter the estimated payments submitted on behalf of each corporate owner.

Column (c). Calculate interest on underpayment of estimated taxes. Interest on underpayment of estimated tax is due when a corporate electing owner has a tax liability of more than $500 after estimated tax payments. Calculate the interest for each owner separately using Form OR-37.

Form OR-OC

PTEs must file Form OR-OC on behalf of electing nonresident owners. As the designated agent, the PTE is liable for any tax, penalty, and interest due, including interest on underpayment of estimated tax.

Important:

- Complete Schedules OR-OC-1 and OR-OC-2 prior to completing Form OR-OC. Schedules OR-OC-1 and OR-OC-2 must be filed with the composite return.
- If you are impacted by CPAR adjustments, see "Instructions for reporting federal CPAR adjustments."

Complete all applicable fields in the header.

Tax year end date for the majority of owners on composite return. The tax year end date for the composite return is the same as the tax year end date for the **majority** of owner's federal and Oregon tax returns. If the majority of owners file using a calendar tax year, then the tax year end date is December 31, 2022. **Don't use the end date for the PTE.**

Preparer information. If the form was completed by a paid preparer, provide all paid preparer information in the signature block, including the paid preparer address, phone number, and license number. If the form was completed by someone other than a paid preparer, provide the name and phone number of the preparer in the header and leave the paid preparer fields in the signature block blank.

Line 1—Composite tax. Enter the tax from Schedules OR-OC-1 and OR-OC-2.

Line 2—CPAR tax. Enter 0 unless you are filing to report CPAR adjustments. See "Instructions for reporting federal CPAR adjustments."

Line 4—PTE-E tax credit. Enter the tax from Schedule OR-OC-1, line 5(b).

Line 6—Payments. Report the total of all tax payments. Include all payments you made up to the date you filed your original or amended return.

Line 10—Penalty and interest. Include a penalty payment if you:

- Pay your tax due after the original due date (even if you filed an extension); or
- File the composite return showing tax due after the due date, including any extension.

The penalty is 5 percent of the unpaid balance of your tax as of the due date, not including extensions. If you file more than three months after the due date or extension due date, add an additional 20 percent penalty, for a total of 25 percent of the unpaid tax.

If you don't pay the tax due by the due date, interest is due on the unpaid tax. The annual interest rate is 6 percent for 2023.

Interest is figured daily (0.0164 percent per day) for periods of less than a year. Here's how to figure daily interest:

Tax × 0.000164 × Number of days past the due date of the return

If the tax isn't paid within 60 days of the original billing notice, the interest rate increases to 10 percent for 2023.

Line 11—Interest on underpayment of estimated tax. Enter the amounts from Schedule OR-OC-1, line 5(e), and Schedule OR-OC-2, line 6(c). For more information on calculating the interest, see the Schedule OR-OC-1 and OR-OC-2 instructions above.

Line 17—Amount you owe. Payment of the amount due must accompany the Oregon composite return. **Don't** use the voucher, Form OR-OC-V, if submitting payment with the return. The PTE must pay the total amount due on behalf of the nonresident owners.

Amending the composite return

The PTE may file an amended return to adjust any item reported on the original composite filing or to carry back Oregon net operating losses. File Form OR-OC for the year that is being adjusted or the year to which the loss is being carried and check the "Amended return" box in the header. File a schedule with the amended return that reconciles prior payments and refunds to the corrected tax.

Net operating loss (NOL) carryback for individual income tax purposes only. If you are amending to claim an NOL, mark the "Amended return" box and enter the tax year the NOL was generated from. Include a schedule to the amended return naming the owners and showing the year and calculation of the NOL. You are allowed the same NOL carryback period that is allowed for federal purposes. **Note:** For corporate excise and income tax purposes, NOLs may only be carried forward.

When you file the amended return, you must submit the payment along with the return. **Don't** submit the voucher, Form OR-OC-V, if sending the payment with the return. Pay the total amount due for all owner types.

Any refund will be paid to the PTE regardless of any ownership changes or changes in the identity of the owners participating in the composite filing.

Electing owners who have other Oregon-source income

Electing owners who have additional income from Oregon sources or who are doing business in Oregon may be required to file their own tax return in addition to participating in the composite return.

Personal income taxpayers may join multiple composite returns if they qualify. If you have other Oregon income that hasn't been reported on Form OR-OC, you're required to file your own return. Nonresidents use Form OR-40-N and Schedule OR-ASC-NP. Enter all income (including income reported on Form OR-OC) in the federal column, line 17F, of Form OR-40-N. You will also report all Oregon-source income (including Oregon-source income reported on Form OR-OC) in the Oregon column, line 17S, of Form OR-40-N. Because the income reported on Form OR-OC has already been taxed, you will subtract those amounts on Schedule OR-ASC-NP, Section C. Identify the subtraction using code 341.

Note: Don't claim the tax paid on your behalf on Form OR-OC as a payment on your Form OR-40-N. That payment was already used to pay the tax on the income reported on Form OR-OC.

Corporate taxpayers must also file a corporate tax return if you have other income to report. You may join multiple composite returns. If the corporation has other Oregon income to report that hasn't been reported on Form OR-OC, you're also required to file your own corporate tax return.

You will subtract the "Share of Oregon-source distributive income" reported on Form OR-OC-2 on Schedule OR-ASC-CORP, Section B, using subtraction code 341.

Form OR-OC-TR—requesting transfer of payment instructions

An owner can't revoke the election to join a composite filing after the due date of the composite return, including extensions. If an owner chooses to not be included in the composite filing, and payments were submitted by the PTE on behalf of the owner, the PTE may only submit a request for transfer of payment to the owner's account using Form OR-OC-TR on or before the due date of the composite return, including extensions.

PTE instructions

The PTE must file a transfer request, Form OR-OC-TR, so that payments made on behalf of an owner can be transferred from the PTE's account to the owner's account. **The request must be submitted before the composite return is filed.** If the transfer request is submitted after Form OR-OC has been filed but before the return is due, the PTE **must amend Form OR-OC** on or before the due date, including extensions, to remove the owner from the composite return. Use Form OR-OC-TR to show the portion of each payment that is transferred to the owner and the portion that stays on the PTE account. Enter the date and amount of each payment made during the tax year. Up to four payments can be reported on Form OR-OC-TR. Each line is for one taxpayer; enter spouses separately. Use additional forms as needed to divide a payment among owners and the PTE. Use whole dollars. **Note:** Once the payments have been transferred to the owner, the payments can't be transferred back to the PTE.

Preparer information. If the form was completed by someone other than a paid preparer, provide the name and phone number of the preparer in the header and leave the paid preparer fields in the signature block blank. If the

form was completed by a paid preparer, provide all paid preparer information in the signature block, including the paid preparer address, phone number, and license number.

Enter the total for each column on the first form. The totals in columns (a), (b), (c), and (d) must match the payments listed on the first page. If the amounts don't match the corresponding payments, the form won't be processed. The owners won't receive credit for payments made until the PTE has submitted a correct Form OR-OC-TR.

If you submitted a Form OR-OC-TR, check the "Form OR-OC-TR" box in the header of Form OR-OC. This will make sure the transfer request is processed prior to the composite return.

Owner instructions

A separate return filed by an owner is treated as an original return. The tax liability shown on the return, if any, may be subject to penalty and interest, including interest on underpayment of estimated tax.

Example 3: In August 2022, Karen notifies her S corporation that she doesn't want to join the composite return for tax year 2022. Because she was part of the 2021 Form OR-OC, the S corporation has already sent in payments for her share of the estimated tax based on the prior year's tax. They submitted two payments of $1,500 each; Karen's estimated tax was $250 from each payment. The S corporation won't include Karen's share in future estimated payments for the composite return. They will immediately submit Form OR-OC-TR. The two $1,500 estimated payments will be in payment 1 and payment 2 of the payment section on page 1 of Form OR-OC-TR. The first line on page 2 will have $1,250 for both payment 1 and payment 2, which will remain on the PTE account. On line 1, the S corporation will provide Karen's information and report $250 in both columns (a) and (b) with a total for owner of $500. When the composite return is submitted, the S corporation will check the "Form OR-OC-TR submitted" box in the header.

Note: The S corporation will have to start withholding tax on Karen's behalf as PTE owner payments unless she submits an affidavit, Form OR-19-AF. For more information about PTE owner payments and filing an affidavit, see Form OR-19-AF Instructions.

Example 4: On September 15, 2023, a partnership filed a composite return on extension on behalf of six individual nonresident owners electing to participate in a 2022 composite filing. In November 2023, one of the nonresident owners requests to revoke the election for tax year 2022. Since the due date for the 2022 composite return has already passed, the owner can't revoke the election and any payment transfer request will not be processed.

Instructions for Reporting Federal CPAR Adjustments

CPAR definitions

"Audited partnership" is a partnership-level audit by the IRS resulting in an adjustment and needs to report an increase in Oregon tax.

"CPAR" is a centralized partnership audit regime.

"CPAR election" is the election made on Form OR-OC by an Oregon partnership representative on behalf of an audited partnership to report and pay the CPAR tax at the partnership level [ORS 314.733(4)]. This election is not to be used for administrative adjustment requests (IRC 6227). The election is irrevocable after the filing due date for submitting the CPAR election.

"CPAR tax" is an amount paid in lieu of tax being reported to Oregon due to a CPAR adjustment to income and paid at the partnership level. Adjusted income is taxed at the highest marginal personal or corporate tax rate.

"FPA" is a final partnership adjustment.

"Notice of FPA" is the notice issued by the IRS reporting the CPAR adjustment and final date of the adjustment.

"Partnership-level audit" is an examination by the IRS at the partnership level from which an adjustment arises.

"Partnership representative" is the person appointed as the sole authority to act on behalf of the partnership and be responsible for actions required or permitted to take.

- **"Federal partnership representative"** is the partnership representative appointed by the IRS or designated by the partnership to act as its federal representative.
- **"Oregon partnership representative"** is the federal partnership representative, unless the partnership designated another representative for Oregon only.

"Tiered partner" is a PTE owner of an audited partnership.

General information for CPAR reporting

Use Form OR-OC, Schedule OR-OC-3, and Schedule OR-OC-4 to report the CPAR adjustments, whether or not the partnership makes the election to pay the CPAR tax. File a separate form with schedules for each audited tax year.

If the partnership doesn't make the CPAR election:

- A tiered partner may make the election to pay CPAR tax on its share of the adjustments.
- A composite return filed for the audited year must be amended for the CPAR adjustments.
- All other direct and indirect partners must report the CPAR adjustments as an addition or subtraction on their own returns or file amended returns for the audited year.

For additional information, visit www.oregon.gov/dor and search for "Centralized Partnership Audit Regime."

Filing due date. The due date for filing Form OR-OC to report CPAR adjustments is 180 days after the date of the FPA. For tiered partners making the CPAR election, the due date for filing Form OR-OC is 90 days from the extended due date of the audited partnership's tax return for the year in which the FPA was issued.

Payment due date. The payment due date for an audited partnership making a CPAR election is 270 days from the date of the FPA. In the case of a tiered partner making a CPAR election, the payment due date is the same as the filing due date, 90 days from the extended due date of the audited partnership's return for the year in which the FPA was issued.

Example 5: MP Partnership was audited by the IRS for tax year 2022. The FPA is dated May 31, 2026. MP Partnership makes the CPAR election; therefore, Form OR-OC, Schedule OR-OC-3, and Schedule OR-OC-4 reporting their CPAR tax for tax year 2022 must be filed by November 27, 2026 (180 days after the date of the FPA). The tax must be paid by February 25, 2027 (270 days after the date of the FPA).

Example 6: Assume the same facts as in Example 5, except MP Partnership didn't make the CPAR election. The tiered partners of MP Partnership may choose to make the election themselves. RC Partnership is a tiered partner of MP Partnership. If RC Partnership makes the CPAR election, it must file Form OR-OC, Schedule OR-OC-3, and Schedule OR-OC-4 reporting their CPAR tax **and** pay the tax by December 14, 2027 (90 days from the extended due date of MP Partnership's 2026 return).

Amending to report changes in CPAR tax

If you have filed Form OR-OC to report CPAR tax, you may amend to change the CPAR tax because of changes made by the IRS. Changes can't result in a refund that exceeds the CPAR tax originally reported and paid.

Owner responsibilities when the CPAR election is not made

If you're an owner of a partnership that was subject to a partnership-level audit by the IRS (or you're an owner of a tiered partner of such a partnership), you may need to increase or decrease your Oregon income as a result of the audit. Report an increase in income using addition code 187 or report a decrease in income using subtraction code 384, whichever is applicable. Use these codes, even if another code is assigned for the specific type of increased or decreased income. Visit our website for more information.

Schedule OR-OC-3—CPAR report for individuals , fiduciaries, and tiered partners

This schedule is only used by audited partnerships or tiered partners to report CPAR adjustments. Use Schedule OR-OC-3 for **every** individual, estate, trust, and tiered partner for the audited year.

Lines 1 through 4. Complete **one line** for each individual, estate, trust, or tiered partner. If more than four lines are needed, use additional copies of Schedule OR-OC-3. If you use more than one Schedule OR-OC-3, total all pages on line 5 of the first page and carry the amount to Form OR-OC.

Owner information. For each owner, enter the owner type (individual, estate, trust, or tiered partner), the individual owner's or fiduciary's name, SSN or FEIN, ownership percentage, share of federal CPAR adjustments, and share of Oregon-source CPAR adjustments.

Keep your calculations for each partner's share of Oregon-source CPAR adjustments with your tax records.

Column (a) CPAR tax. If making the election to pay CPAR tax multiply the partner's share of Oregon source CPAR adjustments by 9.9 percent.

Schedule OR-OC-4—CPAR report for C corporation owners

Use Schedule OR-OC-4 for C corporation partners for the audited year.

Lines 1 through 5. Complete **one** line for each included corporate owner. If more than five lines are needed, use additional copies of Schedule OR-OC-4. If you use more than one Schedule OR-OC-4, total all pages on line 6 of the first page and carry the amount to Form OR-OC.

Owner information. For each corporate owner, enter the corporation name, FEIN, ownership percentage, share of federal CPAR adjustments, and share of Oregon-source CPAR adjustments.

Keep your calculations for each corporate partner's share of Oregon-source CPAR adjustments with your tax records.

Column (a). CPAR tax. If the partnership elects to pay the CPAR tax, multiply the corporate partner's share of Oregon-source CPAR adjustments by 7.6 percent.

CPAR instructions for Form OR-OC

Complete Schedules OR-OC-3 and OR-OC-4 prior to completing Form OR-OC. These schedules must be filed with the form.

Enter the audited partnership or tiered partner's information at the top of the form. Complete all applicable fields in the header.

Amended return. Check the box if you previously filed a Form OR-OC to report CPAR adjustments for this year.

CPAR report. Check the box to report CPAR adjustments.

FPA Issue Date. Audited partnerships only, enter the date of the FPA.

Audited Partnership tax year end date. Tiered partners only, enter the last day of the tax year, in which the FPA was issued to the audited partnership

If making the election to pay CPAR tax, complete lines 2, 6 through 10, and 12 through 14. Otherwise, leave lines 1 through 14 blank.

Lines 2a and b—CPAR Tax. Enter the amounts from Schedule OR-OC-3, line 5a, and Schedule OR-OC-4, line 6a. Skip lines 3, 4, and 5.

Line 6—Payments. Report the total of all CPAR tax payments made to date.

Line 10—Penalty and interest. If paying late, calculate penalty and interest for the amounts reported on lines 2a and 2b. Combine these and enter on line 10. Skip line 11.

Calculate a 5 percent penalty of the unpaid CPAR tax if:

- The audited partnership pays the tax more than 270 days after the FPA issue date; or
- A tiered partner pays the tax more than 90 days after the due date of the current year's return, including any extensions.

If you file more than three months after the CPAR filing due date, add an additional 20 percent penalty, for a total of 25 percent of the unpaid CPAR tax.

If you don't pay the CPAR tax by the payment due date, interest is due on the unpaid tax from the due date of the original return. The annual interest rate for 2023 is 6 percent. Interest is figured daily based upon a 365-day year (0.0164 percent per day) for periods of less than a year. Here's how to figure daily interest:

Tax × 0.000164 × Number of days past the due date of the return

If the tax isn't paid within 60 days of the original billing notice, the interest rate increases to 10 percent for 2023.

Interest rates may change once a year. See Publication OR-17 for more information about interest rate changes.

CPAR payment instructions

Online payment. You may make payments anytime online at www.oregon.gov/dor. If you haven't filed Form OR-OC for this tax year, select the "Return" payment type; otherwise, select "Amended return." Don't use a voucher with online payments.

Payments mailed with a return. If you're mailing a payment with your tax return, send the payment and return in the same envelope and **don't** use a voucher. Write "CPAR tax" on the payment. Include a separate payment for each tax year.

Payments mailed without a return. If you're mailing a payment without a return, use the voucher, Form OR-OC-V. Include a separate payment and voucher for each tax year. Write "CPAR tax" on the payment. See Form OR-OC-V Instructions for more information.

Important addresses

Mail Form OR-OC-V with payment (without Form OR-OC):
Oregon Department of Revenue
PO Box 14950
Salem OR 97309–0950

Mail returns with payment (don't include voucher):
Oregon Department of Revenue
PO Box 14555
Salem OR 97309–0940

Mail returns without payment (refund or no tax due for all owners):
Oregon Department of Revenue
PO Box 14700
Salem OR 97309–0930

Mail payment transfer request, Form OR-OC-TR:
Oregon Department of Revenue
PO Box 14999
Salem OR 97309–0990

Do you have questions or need help?

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

Contact us for ADA accommodations or assistance in other languages.