Oregon 2011 S-Corporation Tax
Form 20-S Instructions

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

Reminder

If your registered corporation or insurance company isn't doing business in Oregon and has no Oregon-source income, then you don't need to file a corporation tax return.

Electronic filing

File corporate tax returns through the Federal/State E-Filing Program. With approved third party software, you can file returns, schedules, and federal returns in a single filing.

Instructions for corporate e-file: www.oregon.gov/dor/e-filing/Corp_handbook.shtml.

Visit us online: www.oregon.gov/dor.

- Obtain tax forms and instructions.
- Get answers to common questions.
- Register for electronic funds transfer (EFT).
- Check out the Oregon Revenue Bulletins.

OREGON DEPARTMENT OF REVENUE

What's new?

Tie to federal tax law

In general, Oregon income tax law is based on federal income tax law.

With some exceptions, the 2011 Oregon Legislature reinstated a full rolling reconnect to federal taxable income, including:

- **Discharge of indebtedness** [IRC section 108(i)],
- **Bonus depreciation** [IRC section 168(k)], and
- **Expensing provisions** (IRC section 179). For tax years beginning on or after January 1, 2011, Oregon will have the same expensing limitations as federal.

For tax years beginning on or after January 1, 2011, Oregon is still disconnected from:

- **Federal subsidies** for prescription drug plans (IRC section 139A; ORS 317.401).
- **Domestic production** activities (QPAI) (IRC section 199; ORS 317.398).

Important: The disconnect from federal law for tax years 2009 and 2010 may have disallowed additional expenses on your Oregon return. If so, this will create modifications to compute Oregon taxable income in later years.

Any assets placed in service for a year beginning on or after January 1, 2009, and before January 1, 2011, that created an addition on your Oregon return will require a modification to income. Also, if you deferred reporting for federal purposes [IRC section 108(i)] and reported the income for Oregon purposes in the year of cancellation, then you may have an Oregon subtraction in the year you report the federal income.

Oregon tax rate change

For tax years beginning January 1, 2011 and before January 1, 2013, S corporations with federal taxable income, built-in gains, or net passive income calculate Oregon tax as follows:

- If Oregon taxable income is $250,000 or less, multiply Oregon taxable income by 6.6 percent. Enter -0- if the result is a negative number or zero.
- If Oregon taxable income is more than $250,000, multiply the amount that is more than $250,000 by 7.6 percent, and add $16,500.

Business energy tax credit (BETC) changes

The BETC has a new name. It's now called **energy manufacturing facility credit.** The Oregon Business Development Department (OBDD) administers and certifies the credit. Claim the credit on line 24 of your Form 20, or as "other credits" on other corporate forms.

To claim the existing BETC for renewable and conservation projects, the Oregon Department of Energy must receive a preliminary certification before July 1, 2011. The existing BETC is referred to as the **business energy credit** and is claimed on line 23 of your Form 20, or as "other credits" on other corporate forms.

After July 1, 2011, the BETC is replaced with three energy credits:

- The **Renewable energy contribution credit**, claimed on line 20 of your Form 20, or as "other credits" on other corporate forms;
- The **Energy conservation project credit**, claimed on line 21 of your Form 20, or as "other credits" on other corporate forms; and
- **The Energy transportation project credit,** claimed on line 22 of your Form 20, or as "other credits" on other corporate forms.

The Oregon Department of Energy certifies these new energy credits.

For tax years beginning on or after January 1, 2009, grants received from the federal government in connection with a facility certified by the Oregon Department of Energy will reduce the total costs—not the certified costs—of the facility on a dollar-for-dollar basis.

Farmworker housing project credit

The definition of farmworker now includes aquacultural crops. The definition of contributor now includes a person who has purchased or received the credit via a transfer. The definition of farmworker housing now includes housing limited to occupancy by farmworkers who are retired or disabled, and their immediate families.

Diesel engine replacement tax credit

The sunset for the diesel engine tax credit was moved forward from January 1, 2014 to July 1, 2011. A certificate of credit approval may not be issued by the Oregon Department of Environmental Quality after June 30, 2011.

Looking ahead

Oregon tax rate change beginning 2013

For tax years beginning January 1, 2013 and later, S corporations with federal taxable income, built-in gains, or net passive income calculate Oregon tax as follows:

- If Oregon taxable income is $10 million or less, multiply Oregon taxable income by 6.6%. Enter -0- if the result is negative or zero.
- If Oregon taxable income is more than $10 million, multiply the amount that is more than $10 million by 7.6 percent, and add $660,000.

Qualified equity investment tax credit

For qualified investments made on or after July 1, 2012, and before July 1, 2016, a tax credit is allowed for qualified equity investments in low-income community businesses. The credit is certified by the Oregon Business Development Department and shall equal 39 percent of the cost of a qualified equity investment.

Qualified research activities credit

For tax years beginning on or after January 1, 2012, the maximum credit amount that can be claimed under ORS 317.152 or ORS 317.154 is reduced from $2 million to $1 million.

Film production development contribution credit

For tax years beginning on or after January 1, 2012, the maximum credit amount that the Oregon Film and Video Office can certify during a fiscal year is reduced from $7.5 million to $6 million.

Biomass production or collection credit

For tax years beginning on or after January 1, 2012, woody biomass is measured by its dry weight. For tax years beginning before January 1, 2012, woody biomass is measured by its wet (green) weight.

Tax credit sunsets

Beginning January 1, 2012, these tax credits are not available except for prior year carryovers:

- Water Transit Vessel Manufacturing Credit, ORS 315.517.
- Crop Donation, ORS 315.156.
- Voluntary Removal of Riparian Lands Removed From Farm Production Credit, ORS 315.113.
- Diesel Engine Repower or Retrofit Credit, note following ORS 315.356.
- Alternative Fuel Vehicle Stations Credit, ORS 317.115.
- Lender's Credit: Energy Conservation, ORS 317.112.
- Reforestation Credit, ORS 315.104.
- Workers' Compensation Assessments Credit (insurers), subsection (2) ORS 317.122.

Estimated tax payments

Requirements

Oregon estimated tax laws are not the same as federal estimated tax laws. You must make estimated tax payments if you expect to owe tax of $500 or more with your return. This includes Oregon's minimum tax. This requirement also applies if you are an S corporation paying tax on income from built-in gains or excess passive investment income.

If you don't make estimated payments as required, you may be subject to interest on underpayment of estimated tax (UND). If you have an underpayment, refer to Form 37, *Underpayment of Oregon Corporation Estimated Tax,* 150-102-037.

Payment due dates

Estimated tax payments are due quarterly, as follows:

- **Calendar year filers:** April 15, June 15, September 15, and December 15.
- **Fiscal year filers:** The 15th day of the 4th, 6th, 9th, and 12th months of your fiscal year.
- If the due date falls on a Saturday, Sunday, or legal holiday, use the next regular business day.

Payment options

Estimated payments may be made by electronic funds transfer (EFT) or by mail. EFT reduces expenses and ensures accuracy. See www.oregon.gov/dor/e-filing.

EFT payments for corporation estimated taxes must be made using Revenue's EFT program. This program allows payments to be initiated by touch-tone telephone, a secure internet site, or through your financial organization. If you pay by EFT, **do not** send Form 20-V payment voucher.

You must make your Oregon estimated payments by EFT if you are required to make your federal estimated payments by EFT. We may grant a waiver from participation in the EFT program if you would be disadvantaged by the requirement. (OAR 150-314.518)

If you do not meet the federal requirements for mandatory participation in the EFT program, you may participate on a voluntary basis.

A business is required to have an authorization agreement filed with us before it can start initiating EFT payments. The EFT help/message phone number is 503-947-2017.

Mail. If paying by mail, send each payment with a Form 20-V, *Oregon Corporation Tax Payment Voucher and Instructions,* 150-102-172.

Worksheet to calculate Oregon estimated tax

1. Oregon net income expected in upcoming tax year.	1. ______________
2. Tax on Oregon net income (see tax tables in Form 20 instructions, page 14, for corporation tax rate and minimum tax).	2. ______________
3. Subtract tax credits allowable in upcoming tax year. Tax credits cannot be used to reduce minimum excise tax.	3. ______________

4. Net tax (line 2 minus line 3). 4. ______________

   If the amount on line 4 is less than $500, **stop.** You don't have to make estimated tax payments. **Caution: If your final tax liability when you file your return is $500 or more, you may be subject to interest on UND.**

5. Amount of each payment. (Divide line 4 by the number of payments you need to make. This is usually 4.) 5. ______________

If your expected net tax changes during the year, divide the amended net tax amount by the number of required payments (usually four) to determine the correct amount of each required installment.

To avoid additional charges for interest on the underpayment of estimated tax (UND), you must pay the amount of any prior underpayment plus the amount of the current required installment. [OAR 150-314.515(2)]

Example: During the year, Corporation A's expected net tax increased from $2,000 to $6,000. Corporation A made timely first and second quarter estimated payments of $500 before its expected net tax increased.

Corporation A's correct amount of each required installment is $1,500. Because of its increased net tax, Corporation A will be subject to UND charges for the first and second quarters. To avoid UND charges for the third and fourth quarters, Corporation A must make a timely third-quarter estimated payment of $3,500* and a timely fourth quarter payment of $1,500.

*$1,000 for the first-quarter underpayment, plus $1,000 for the second-quarter underpayment, plus $1,500 for the required third-quarter installment equals $3,500.

For more information, see Oregon statutes (ORS) and rules (OAR) concerning underpayment of estimated tax, Chapter 314 [ORS 314.525, OAR 150-314.525(1)-(A), 150-314.525(1)-(B), 150-314.525(1)(c)-(A), 150-314.525(1)(d), 150-314.525(2)-(A), and 150-314.525(2)-(B)].

Filing information

Who must file with Oregon?

S corporations doing business in Oregon or receiving income from Oregon sources are required to file Form 20-S, *Oregon S Corporation Tax Return,* 150-102-025, under the excise or income tax provisions in ORS Chapters 317 and 318. S corporation tax statutes and rules are in Chapter 314 of the Oregon Revised Statutes and Oregon Administrative Rules. See ORS 314.730 to 314.784.

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

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.

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 $150 minimum excise tax. The minimum tax is not passed through to the shareholders, but is payable by the S corporation.

Excise or income tax?

Oregon has two types of corporate taxes: excise and income. **Excise tax is the most common.** Most corporations do not qualify for Oregon's income tax.

Excise tax requirements. Excise tax is a tax for the privilege of **doing business** in Oregon. It's measured by net income. S corporations doing business in Oregon must file a Form 20-S, *Oregon S Corporation Tax Return,* 150-102-025, to report and pay the $150 minimum **excise** tax. If the S corporation has an **Oregon address,** generally the S corporation will file and pay excise tax.

"**Doing business**" means carrying on or **being engaged in any profit-seeking activity** in Oregon not protected by Federal Public Law 86-272. 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.

Income tax requirements. S corporations may still be subject to the Oregon corporation income tax if they 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.

Corporations with **no business activity** in Oregon, even if registered to do business in the state, aren't subject to the minimum tax and aren't required to file a return.

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

Shareholder information

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

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 business income from the Federal K-1s, multiplied by the S corporation's apportionment percentage from Schedule AP-1, *Apportionment of Income for Corporations and Partnerships,* 150-102-171. See ORS 314.734. Nonresident shareholders are also taxed on their share of nonbusiness income from Oregon sources.

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.

Composite returns

Pass-through entities with distributive income attributable to Oregon sources must 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,* 150-101-154.

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 us a signed *Oregon Affidavit for a Nonresident Owner in a Pass-through Entity,* 150-101-175, or meets another exception listed in OAR 150-314.775.

Each quarter, the S corporation will complete a Form OR-19, *Report of Nonresident Owner Tax Withheld,* 150-101-182. Send in any required payments with a completed Form TPV-19 (located with Form OR-19, 150-101-182), accompanied by a schedule identifying each shareholder and the amount of withholding attributable to them.

E-file

If you're required to e-file with the IRS, you're also required to e-file for Oregon. We accept calendar year, fiscal year, short year, and amended electronic corporation tax returns utilizing the IRS Modernized e-file platform (MeF). Beginning January 2012, we'll accept e-filed returns for tax year 2011, and will continue accepting returns for 2010 and 2009.

For more information, visit
www.oregon.gov/dor/eserv/Corp_handbook.shtml.

Federal audit changes

If the IRS changes your federal return for any tax year, you **must** notify us. File an amended Oregon return and attach a copy of the federal audit report. Mail this separately from your current year's return to:

Oregon Department of Revenue
PO Box 14777
Salem OR 97309-0960

If you do not amend or send a copy of the federal report, we have two years from the date we're notified of the change by the IRS to issue a deficiency notice. You must file an amended return within two years after the date of the federal report to receive a refund.

Amended returns and protective claims

If you change taxable income by amending your federal return, you must file an amended Oregon return within **90 days.**

Attach a copy of your amended federal return to your amended Oregon return and explain the adjustments made. Oregon doesn't have a different amended return form. Use the form for the tax year you are amending and check the **"Amended"** box.

If you filed Form 20-S and later determined you should file Form 20, check the **"Amended"** box on Form 20.

Due to processing constraints, please do not make payments for amended returns with EFT (Electronic Funds Transfer). We can accept check or money order attached to your amended return. Make sure to write "**Amended"** on the payment itself. You must also include a completed Form 20-V with the "Amended" box checked.

If check or money order is not clearly marked as "Amended payment" our system will apply the payment to your account before the return is processed causing an automatic refund which could result in additional penalty and interest.

Do not amend your Oregon return if you amend the federal return to carry a net operating loss back to prior years. Oregon allows corporations to **carry net operating losses forward only.**

On the **estimated tax payments** line on your Form 20-S amended, enter the net excise tax per the original return or as previously adjusted. Do not include any penalty or interest portions of payments already made.

Pay all tax and interest due when you file an amended return or within 30 days after receiving a billing notice from us to avoid being charged a 5 percent late payment penalty.

If paying additional tax with your amended return, you must include interest with your payment. Interest is figured from the day after the due date of your original return up to the day your full payment is received by the department. See interest rates on page 11.

An amended return may be filed as a protective claim to extend the statute of limitations for a refund request for a tax year while an issue is being litigated. Check the **"Amended"** box and write the words **"Protective claim for refund"** at the top. We'll also accept a written letter in place of an amended return. Include the same information in the letter as is required on an amended return. We'll hold your protective claim until you notify us the litigation has been completed.

Note: If a deficiency is assessed against any taxpayer, because of a retroactive adoption of federal law changes, we will cancel any penalty or interest pertaining to these changes. If a taxpayer files an amended return showing a refund due based on the retroactive adoption of federal law changes, we will not pay interest.

Due date of return

Returns for calendar year filers 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.

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.

Extensions

See the instructions for the extension checkbox below.

Important information to correctly process your return

- **Payments.** Please write the following information on your payments:

  — Federal employer identification number (FEIN).
  — Oregon business identification number (BIN).
  — Tax year 2011.
  — Daytime telephone number.

- Enclose your payment and payment voucher, Form 20-V with your Oregon return. Do not staple your payment or your voucher to the tax return.

Estimated payments. Please identify all estimated payments claimed by completing Schedule ES on your return.

Include the corporation name and FEIN if a payment was made by an affiliate of the filing corporation.

BIN. Oregon identifies each corporation using a BIN assigned by us.

You have a BIN if you have made payments to the state of Oregon for payroll taxes; workers' compensation; unemployment; or estimated tax for corporation, excise, or income tax payments. **If you do not have a BIN, one will be assigned when your return is received.**

Assembling and submitting returns

Submit your Oregon tax return forms in the following order:

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

Tax-due returns, mail to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Refunds or no tax-due returns, mail to:

Oregon Department of Revenue
PO Box 14777
Salem OR 97309-0960

Form instructions

Name

Enter your company name as listed on your business registration with the Oregon Secretary of State's office.

Excise or income tax checkbox

Oregon has two types of corporate taxes: excise and income. **Excise tax is the most common.** Most corporations do not qualify for Oregon's income tax.

Do you pay an excise tax or income tax to Oregon? One box must be checked:

- Excise tax if you do business in Oregon.
- Income tax if you don't do business in Oregon, but you have taxable income from an Oregon source.

Extension checkbox

Oregon honors extensions for filing your federal return

Note: It's very important to mark the extension box at the top of your Oregon return.

If you have a federal extension, the Oregon due date 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. Check the "Extension" box on your Oregon return and include your federal extension 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, check the "Extension" box on your Oregon return and attach the federal form 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.

Form 37 checkbox

If you have an underpayment, you must include a completed Form 37, *Underpayment of Oregon Corporation Estimated Tax,* 150-102-037 and check the "Form 37" box in the header of your return.

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax;
- Compute the amount of interest you owe on the underpayment; or
- Show you meet an exception to the payment of interest.

Amended checkbox

Check the "Amended" box if this is an amended return.

Form 24, Deferred gain checkbox

Corporations may defer, for Oregon tax purposes, all gains realized in the exchange of like-kind property and involuntary conversions under IRC section 1031 or 1033, even though the replacement property is outside Oregon. Oregon will tax the deferred gain when it is included in federal taxable income.

Attach a copy of your Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions,* 150-800-734, to the back of your Oregon return and check the "Form 24" box if all of the following apply:

- The corporation reported deferred gain on a federal Form 8824;
- All or part of the property exchanged or given up was located in Oregon; and
- All or part of the acquired property was located outside of Oregon.

For a more detailed explanation, see OAR 150-314.650 and 150-314.665(5) regarding apportionment of deferred gain.

FCG-20, Farm Liquidation Long-Term Capital Gain checkbox

Reduced tax rate is available if you sold or exchanged capital assets used in farming.

Complete the FCG-20 worksheet, *Farm Liquidation Long-Term Capital Gain Tax Adjustment,* 150-102-167, and check the box in the header of the form.

Federal Form 8886 checkbox, REIT/RIC checkbox, and reportable transactions

If you participate in listed or reportable transactions, you must report it on your Oregon tax return.

If you're required to report listed or reportable transactions to the IRS on federal Form 8886 or if you participated in a real estate investment trust (REIT) or regulated investment company (RIC), you must check the appropriate boxes in the header area of the Oregon tax return.

We'll assess penalties if you don't comply with this requirement or if we discover such other transactions on or after January 1, 2008.

Accounting period change checkbox

(Excise tax return filers only.)

Check the "Accounting period change" box only if both of the following apply:

- The excise tax return covers a period of less than 12 months, **and**
- The short-period return is due to a qualified change in accounting period per Internal Revenue Code sections 441 to 444.

Note: A short-period return does not automatically constitute a qualified change in accounting period. A taxpayer that is not in existence for the entire year should not check this box. This includes subsidiaries that join or leave a consolidated filing group, and newly formed or dissolved corporations.

If you file a short-period return due to a qualified change in accounting period and you are subject to the minimum tax, apportion the $150 minimum tax by multiplying by the total number of months in short period and dividing by 12.

Questions

Questions A–D. Complete only if this is your first return or the answer changed during the tax year.

Question G. If this is the corporation's first return, check the box and provide all information as requested. If the corporation is a successor to a previously existing business in Oregon, check the box and provide all information as requested. You would only check one of the boxes.

Question H. Final returns: A final tax return is required when a corporation has ceased to exist, withdrawn from doing business in Oregon, dissolved, merged, or reorganized. Check the box and provide requested information.

Question J. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income using double-weighted sales factor formula [OAR 150-314.280(3)]. Check the box if making this election.

Question K. Nonapportioned returns.

S corporations doing business only within Oregon will calculate Oregon sales by adding:

- Gross receipts from sales of inventory (less returns and allowances), equipment, and other assets;
- Gross rent and lease payments received;
- Gross receipts from the performance of services;
- Gross receipts from the sale, exchange, redemption, or holding of intangible assets derived from the taxpayer's primary business activity and included in the taxpayer's business income.

Line instructions

Taxable income. Don't complete lines 1–6 unless you have taxable income and tax on federal Form 1120-S.

S corporations without federal taxable income, built-in gains, or net passive income should enter -0- calculated tax on line 7.

Line 1(a). Enter the amount from Form 1120-S, Schedule D, Part III, line 16.

Line 1(b). Refer to federal Form 1120-S instructions, "Worksheet for line 22a." On Oregon Form 20-S, enter the total of lines 1(a) and 1(b) on line 1.

Additions

Line 2. Enter the amount by which any item of gross income is greater under Oregon law than under federal law, or the amount by which any allowable deduction is less under Oregon law than under federal law. Enter only additions that apply to taxable income included in line 1.

Additions for S corporations with federal taxable income or LIFO benefit recapture only (S corporations without federal taxable income, start on line 7).

- **Claim of right income repayment adjustment when credit is claimed.** The deduction under IRC section 1341 on the federal return must be added back to federal taxable income on the Oregon return if the Oregon credit is claimed. (ORS 317.388)
- **Gain or loss on the disposition of depreciable property.** Add the difference in gain or loss on sale of business assets when the Oregon basis is less than it is for federal purposes. (ORS 317.356)
- **Oregon excise tax and other state taxes on or measured by net income.** Oregon excise tax may not be deducted on the Oregon return. Taxes of other states or foreign governments on or measured by net income or profits may not be deducted on the Oregon return. If you subtracted these taxes on your federal return, you must add them back on your Oregon return. However, local taxes, such as the Multnomah County Business Income tax, are deductible. (ORS 317.314)
- **QPAI deduction.** Add to federal taxable income the amount of QPAI deduction per IRC 199 claimed on the federal return. (ORS 317.398)
- **REITs and RICs.** Effective January 1, 2010, by Oregon law a REIT or RIC meeting the federal affiliate definition, must be included in the consolidated Oregon return. This will be an Oregon modification (addition or subtraction) to federal taxable income. For apportioning taxpayers, factors from the REIT or RIC will be included in the apportionment calculation.
- **State, municipal, or other interest income** excluded from federal taxable income. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income. Income tax filers should not include interest on state of Oregon obligations. (ORS 317.309)

Subtractions

Line 3. Enter only subtractions that apply to income included in line 1.

- **Film production labor rebate.** Subtract the amount received as a labor rebate and included in federal taxable income in determining your Oregon taxable income. (ORS 317.394)
- **Interest on obligations** of the United States and its instrumentalities included in Form 20-S, line 1. **This applies to income tax filers only. Reduce the**

subtraction by any expenses incurred to produce this interest income.

- **Manufactured dwelling park tenant payments** made under ORS 90.505 to 90.840 to compensate a tenant for costs incurred due to the closure of the park may be subtracted. (ORS 317.092)
- **Sale of manufactured dwelling park.** The taxable gain attributable to the sale of a manufactured dwelling park to a tenant's association, facility purchase association or tenant's association supported nonprofit organization is exempt from tax (note following ORS 317.401).
- **The difference in gain or loss on sale of assets** when the Oregon basis is greater than it is for federal purposes. (ORS 317.356)

Net loss deduction

- Use **line 5** for Oregon net loss carried over from a year the corporation was a C corporation.
- Net losses are allowed as a deduction against built-in gain income only.
- The Oregon deduction is the sum of unused net losses assigned to Oregon for preceding taxable years.
- Net losses can be carried forward up to 15 years to offset built-in gain income. (ORS 314.740)
- Oregon does not allow net losses to be carried back.

Tax calculation

Line 7. Excise or income tax calculation

All S corporations **without** federal taxable income, built-in gains, or net passive income enter -0- on line 7. Don't enter the minimum tax on this line.

Note: Don't enter the $150 minimum tax on this line. Minimum tax is entered on line 11 (see below).

S corporations **with** federal taxable income, built-in gains, or net passive income must determine and enter the calculated tax as follows:

- Is Oregon taxable income $250,000 or less? If so, multiply Oregon taxable income by 6.6% and enter the result. Enter -0- if the result is negative or zero.
- Is Oregon taxable income greater than $250,000? If so, multiply the amount that is greater than $250,000 by 7.6%, and add $16,500. Enter the result.

Line 8. Tax adjustments

- Interest on certain installment sales. If you owe interest on deferred tax liabilities with respect to installment obligations under ORS 314.302, enter the amount. Attach a schedule showing how you figured the interest.
- Net long-term capital gain from farm property. Subtract the amount of adjustment for tax on net long-term capital gain from farm property (ORS 317.063) from line 9 of Worksheet FCG-20.

Credits and offsets

Line 10. Total credits. Taxpayers must take the full amount of a credit allowed per year (ORS 314.078). Credits can't be used to offset minimum excise tax.

Only credits carried forward from C corporation years are allowed to offset the tax on built-in gains. [ORS 314.740(5)(b)]

No credits are allowed to offset the tax on excess net passive income. Attach a list of credits claimed and the required credit form. Credits can't be used to pay corporation minimum tax (excise tax filers only).

For more information about credits, including links to certifying agencies and forms, visit www.oregon.gov/dor/business/corp-tax-credits-2011.shtml.

Credits with a carryover provision are:

- Alternative fuel vehicle fueling stations.
- Biomass production or collection.
- Business energy.
- Child Care Division and community agency contributions.
- Contribution of computers or scientific equipment for research.
- Crop donation.
- Dependent care assistance.
- Dependent care facilities.
- Dependent care information and referral.
- Diesel engine replacement.
- Diesel engine repower or retrofit.
- Electronic commerce in designated enterprise zone or city.
- Employee and dependent scholarship program payments.
- Energy conservation project.
- Energy transportation project.
- Energy manufacturing facility.
- Farmworker housing project.
- Film production development contributions.
- First break program.
- Fish screening devices.
- Individual development accounts.
- Lender's credit: affordable housing.
- Lender's credit: energy conservation.
- Lender's credit: farmworker housing.
- Long-term enterprise zone facilities.
- Mile-based or time-based motor vehicle insurance.
- On-farm processing facilities.
- Pollution control facilities (use the worksheet below and keep for your records).
- Qualified research activities.
- Reclaimed plastics recycling.
- Reforestation.
- Renewable energy contribution.
- University venture development fund contributions.
- Voluntary removal of riparian land from farm production.
- Water transit vessel.

Pollution control facilities worksheet

Enter the following information from the face of the Pollution Control Facility Certificate to compute the annual tax credit.

1.	Actual cost of pollution control facility	1. ____________
2.	Percent of actual cost properly allocable to pollution control	2. ____________
3.	Line 1 multiplied by line 2	3. ____________
4.	Maximum tax credit allowed 50%	4. ____________
5.	Eligible tax credit (line 3 multiplied by line 4)	5. ____________
6.	Remaining useful life (see below)	6. ____________
7.	Yearly allowable credit (line 5 divided by line 6)	7. ____________

Remaining useful life

The useful life of the facility begins on the date the taxpayer places the facility into operation. The taxpayer may take the tax credit over the remaining useful life at the time of certification but not less than one year or more than 10 years. Calculate the spent life by subtracting the date you placed the facility into operation from the date of certificate issuance.

		Example
Year in date of issue	_________	2001
Year in placed in operation	_________	2000
Spent life	_________	1

Subtract the spent life from the useful life (one-year minimum, 10-year maximum).

The 2001 legislature provided an additional three-year carryforward on any unexpired tax credit that exists as of the tax year of the taxpayer that begins in the 2001 calendar year. This means the certificate holder of these certificates may carry forward unused credits for a total of six years.

An expired tax credit is defined as "Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year." ORS 315.304(9)

Computation of credit for current year:

1.	Annual credit	1. _________
2.	Add credit carryover from prior years	2. _________

The certificate holder may carry forward any unused credit in any one tax year for up to three years. The taxpayer should carry forward the oldest credit first. Prepare and attach a schedule to show how you computed the credit carryover amount entered on line 2.

3.	Total credit available	3. _________
4a.	Net tax after other credits	4a. ________
4b.	Less: minimum tax per table	4b. ________
4c.	Maximum tax that can be offset by credit	4c. ________

You may choose the order in which tax credits will reduce the current year tax. Prepare and attach a schedule to show which credits you want to apply to your tax liability before the pollution control credit. Enter the net tax from your schedule on line 4a.

5.	Pollution control facility tax credit for this year (lesser of line 3 or line 4c)	5. _________

Carry this amount to the line on your Oregon corporation, fiduciary, or individual tax return.

6.	Credit potential carried forward to future years (line 3 minus line 5)	6. _________

Line 11. Tax after credits

Excise tax filers. S corporations doing business in Oregon will pay tax based on the greater of $150 minimum tax or calculated tax. Enter the greater of total tax from line 9 less total credits from line 10 or $150 minimum tax. Most S corporations don't pay a calculated tax. Most excise tax filers pay only $150 minimum tax.

Income tax filers. S corporations not doing business in Oregon but with Oregon-source income don't pay minimum tax. Enter total tax from line 9 less total credits from line 10.

Line 12. LIFO benefit recapture

Oregon has adopted the provisions of IRC 1363(d) for S corporations. LIFO benefits are included in taxable income for the last year of the C corporation under these provisions. On the tax adjustment line of each of the first three returns of the new S corporation, add one-third of the tax that was deferred from the last year of the C corporation. Attach the computation schedule to the Oregon return. (ORS 314.750)

Payments, penalty, interest, and UND

Line 14. Estimated tax and prepayments

Estimated tax paid for the tax year. Fill in the total estimated tax payments made before filing your Oregon return.

Schedule ES—Estimated payments or other prepayments. Fill in the total estimated tax payments and any payments made with Form 20-V. Also include any refund applied from your previous year's tax return or an Oregon amended return. List name and FEIN of payer only if different from corporation filing this return. On line 6, enter payments made with your extension or other prepayments.

Total. On line 7, enter the total of lines 1 through 6, then carry total to Form 20-S, line 14.

Line 17. Penalty

To avoid penalty and interest, you must mail any tax payment owed and your tax return or extension request by the original due date of the tax return.

Use Form 20-V, 150-102-172, to mail tax, penalties, and interest payments, if you mail it separately from your tax return.

5 percent failure-to-pay penalty

Include a penalty payment of 5 percent of your unpaid tax if you don't pay by the original due date, even if you have an extension of time to file.

Exception: You won't be charged the 5 percent failure-to-pay penalty if you meet all of the following requirements:

- You have a valid federal or Oregon extension, and
- You pay at least 90 percent of your tax after credits by the original due date of the return, and
- You file your return within the extension period, and
- You pay the balance of tax due when you file your return, and
- You pay the interest on the balance of tax due when you file your return or within 30 days of the date of the bill you receive from us.

If you filed with a valid extension but didn't pay 90 percent of your tax by the original due date, you will be charged the 5 percent failure-to-pay penalty.

20 percent failure-to-file penalty

Include a penalty payment of 20 percent of your unpaid tax if you don't file your return within three months after the due date (including extensions). The failure-to-file penalty is in addition to the 5 percent failure-to-pay penalty.

100 percent late pay and late filing penalty

Include a penalty payment of 100 percent of your unpaid tax if you don't file returns for three consecutive years by the original or extended return filing due date of the third year. 100 percent penalty is assessed on each year's tax balance.

Line 18. Interest

- You must pay interest on unpaid taxes if you don't pay the tax balance by the original filing due date.
- An interest period is each full month, starting with the day after the due date of the original return. For example, April 16 through May 15 is one full interest period.
- Interest is figured daily for a fraction of a month, based on a 365-day year.
- Interest owed on tax starts the day after the due date of your original return and ends on the date of your payment.
- Even if you get an extension to file, you still owe interest if you pay after the return's original due date.
- If you file an amended return and have tax to pay, we will charge interest starting the day after the due date of the original return until the date you pay in full.
- If your taxable income is changed because of a federal or state audit and you owe more tax, we will charge interest from the due date of the original return to the date you pay in full.

To calculate interest:

Tax × Annual interest rate × Number of full years.
Tax × Monthly interest rate × Number of full months.
Tax × Daily interest rate × Number of days.

Interest rates and effective dates:

For periods beginning	Annually	Monthly	Daily
January 1, 2012	5%	0.4167%	0.0137%
January 1, 2011	5%	0.4167%	0.0137%
January 1, 2010	5%	0.4167%	0.0137%

Interest accrues on any unpaid tax during an extension of time to file.

Interest will increase by one-third of 1 percent per month (4 percent yearly) on delinquencies if:

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

Line 19. Interest on underpayment of estimated tax (UND)

You must make quarterly estimated tax payments if you expect to owe $500 or more with your return. This includes Oregon's minimum tax. Oregon charges (UND) if:

- The quarterly payment is less than the amount due for that quarter; or
- We receive the quarterly payment after that quarter's due date; or
- No quarterly payments are made during the year and the final tax debt is $500 or more.

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax;
- Compute the interest you owe on the underpayment; or

- Show you meet an exception to the payment of interest.

If you have an underpayment, attach Form 37—with the "Form 37" box checked—to your tax return, and file them before the due date of the return.

If your current year corporation tax liability, including the minimum tax, is less than $500 you are not required to make estimated payments. Do not complete this form. However, this provision doesn't apply to a high-income taxpayer. A **"high-income taxpayer"** is one that had federal taxable income, before net operating loss and capital loss carryovers and carrybacks, of $1 million or more in any one of the last three years, not including the current year.

Line 21. Total due

Make your check or money order payable to: Oregon Department of Revenue. Please write on your check:

- Federal employer identification number (FEIN).
- Oregon business identification number (BIN).
- 2011 tax.
- Daytime telephone number.

Mail your check or money order to:

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

Note:

- Don't send cash or postdated checks.
- Don't use red or purple ink, or gel pens of any color.
- If you're making an extension payment, estimated payment, or amended payment, you must include a completed Form 20-V with your payment.

Special instructions

- If you owe penalty or interest and have an overpayment on line 16, and your overpayment is less than total penalty and interest, then
- Fill in the result of line 20 minus line 16, on line 21.

Schedule SM instructions

Line 1. Interest on government bonds of other states. Enter interest the corporation received from states and local governments other than Oregon and its municipalities. Example: Include interest from state of Washington bonds or San Francisco city bonds, but omit interest from Oregon government bonds.

Line 2. Gain or loss on the sale of depreciable property. Enter the difference in gain or loss on the sale of business assets when the Oregon basis is less than it is for federal purposes. See ORS 316.716.

Line 3. Other additions. See ORS 316.680–316.848. Examples of other additions are:

- Gain from involuntary conversion. The S corporation shall make the election to defer gain from the involuntary conversion of property owned by it.
- Depletion in excess of basis.
- High yield discount obligation interest.

Line 5. Interest from U.S. government. Enter the amount of interest received from the U.S. government, its instrumentalities, and organizations that invest in U.S. government securities.

Line 6. Gain or loss on the sale of depreciable property. Enter the difference in gain or loss on the sale of business assets when the Oregon basis is greater than it is for federal purposes. See ORS 316.716.

Line 7. Work opportunity credit wage reductions. Were salaries and wages on federal Form 1120-S reduced for the work opportunity tax credit? Enter the amount of reduction here.

Line 8. Other subtractions. See ORS 316.680 through 316.848 and ORS 314.734(4) and (5). You may subtract the Oregon corporation tax paid on built-in gains reported on line 1 of the return. Examples of other subtractions are:

- Local government bond interest.
- Like-kind exchanges.
- High yield discount obligation dividends.
- Sale of public utility dividend reinvestment plan stock.
- Depreciation of basis differences due to claiming a federal tax credit.
- Long-term capital gains from sale of farm.

Each shareholder's share of additions and subtractions must be reported to the shareholder. These amounts may be added to the federal K-1s and labeled "Oregon additions" and "Oregon subtractions." Nonresident shareholders must report their ownership percentage of modifications, multiplied by the S corporation's Oregon apportionment percentage from Schedule AP.