



Schedule OR-PTE

Pass-Through Entity Income Reduced Tax Rate Schedule for Oregon Full-Year Residents

2015

First name and initial	Last name	Social Security number (SSN)
Spouse's first name and initial if joint return	Spouse's last name if joint return	Spouse's SSN if joint return

To qualify for the reduced tax rate for qualifying income, you must complete both sections and submit this form with your Oregon Form 40, *Individual Income Tax Return for Full-year Residents Only*, 150-101-040. **Note:** If you elect to use the reduced tax rate for qualifying income, the election is irrevocable. You can't change the election after the filing of your original return.

Section A - Partnership and S corporation information

List each qualifying partnership or S corporation along with the nonpassive income (or loss) and Section 179 expense attributable to each pass-through entity (PTE). For the income to qualify for the reduced tax rate, it must be from a partnership or S corporation in which you materially participated and which employed at least one employee for a total of 1,200 or more hours in Oregon during the tax year. **Don't** list PTEs that don't qualify. See instructions for more information. Use additional schedules if necessary.

A. PTE name	B. PTE FEIN	C. Nonpassive loss	D. Section 179 expense	E. Nonpassive income
1.		(a)	(b)	(c)
2.		(a)	(b)	(c)
3.		(a)	(b)	(c)
4.		(a)	(b)	(c)
5.		(a)	(b)	(c)
6.	Total for each column: (a), (b), and (c)	(a)	(b)	(c)

7. Enter the amount from line 6(c): 7. _____

8. Add lines 6(a) and 6(b): 8. _____

9. Line 7 minus line 8: 9. _____

If line 9 is -0- or less, you can't use the reduced tax rate. Return to line 22 and complete the rest of Form 40.
If line 9 is more than -0-, enter this amount on line 2b of the tax worksheet in Section B on page 2.

—You must include this schedule with your Oregon Income Tax Return—



Use the following worksheet to calculate your tax. See the instructions for information on completing the worksheet. The tax rate charts are in the instructions on page 4.

Section B - Tax worksheet

Complete each applicable line to determine your tax.

1. Enter Oregon taxable income from Form 40, line 21.....	1a.	
2. Enter the total qualifying income from line 9 of Section A.....		2b.
3. Line 1a minus line 2b. Don't enter less than -0-.....	3a.	
4. Enter the amount of the depreciation addition from Form 40, line 8, that is attributable to qualifying PTEs on lines 4a and 4b.....	4a.	4b.
5. Line 3a minus line 4a. Don't enter less than -0-.....	5a.	
6. Line 2b plus line 4b.....		6b.
7. Enter the amount of the depreciation subtraction from Form 40, line 13, that is attributable to qualifying PTEs on lines 7a and 7b.....	7a.	7b.
8. Line 5a plus line 7a.....	8a.	
9. Line 6b minus line 7b. Don't enter less than -0-.....		9b.
10. Tax for income on line 8a using tax rate chart A in the instructions. This is your tax on nonqualifying income.....	10a.	
11. Tax for income on line 9b using tax rate chart B in the instructions. This is your tax on qualifying income.....		11b.
12. Line 10a plus line 11b. This is your total tax with the reduced rate for qualifying income.....	12a.	
13. Tax for income on line 1a using tax rate chart A in the instructions.....	13a.	
14. Enter the lesser of line 12a or line 13a.....	14a.	

If line 12a is less than 13a, enter the amount on line 14a on line 22 of Form 40 and check box 22c. If line 13a is less than 12a, it isn't more beneficial for you to use the pass-through entity reduced tax rate. Enter the amount from line 13a on line 22 of Form 40 and complete the rest of the return. **Note:** If you claimed the reduced tax rate on your original return and you're amending, you must use the tax on line 12a even if line 13a is less. The election is irrevocable and can't be changed after filing of your original return.

—You must include this schedule with your Oregon Income Tax Return—

Instructions for Schedule OR-PTE

Pass-through entity income reduced tax rate for Oregon full-year residents

General information

For tax years beginning on or after January 1, 2015, if you have qualifying income from a partnership or an S corporation you may elect to use a reduced tax rate for that income. The reduced tax rate can be claimed for qualifying income up to \$5 million.

The election to claim the reduced tax rate must be made on your original return and can't be revoked. The election is made by completing Schedule OR-PTE and checking box 22c on the Oregon Form 40.

The qualifying income may only be modified for depreciation before applying the reduced tax rate. No other additions, subtractions, or deductions are allowed in the calculation of the tax on qualifying income.

Schedule OR-PTE is for Oregon full-year residents only. If you are an Oregon part-year resident, use Schedule OR-PTE-PY, 150-101-366. If you are an Oregon nonresident, use Schedule OR-PTE-NR, 150-101-367.

Qualifications

To be eligible for the reduced tax rate:

- You or your spouse must have qualifying income from a partnership or S corporation;
- You or your spouse must have materially participated in the business; and
- The partnership or S corporation must have employed at least one qualifying employee in Oregon.

Qualifying income—For your income to qualify for the reduced tax rate, it must be nonpassive income from a partnership or S corporation. Income from trusts, estates, sole proprietorships, qualified joint ventures, and disregarded entities doesn't qualify for the reduced tax rate.

“Nonpassive income” is income other than that from passive activities as defined in section 469 of the Internal Revenue Code (IRC). This includes, but is not limited to, nonpassive income reported in Part II, Section 28, column (j) of your federal Schedule E, IRC section 1231 gains treated as ordinary income, and royalties. Nonpassive income doesn't include wages, interest, dividends, or capital gains for the purpose of the reduced tax rate.

Material participation—Material participation has the same meaning as defined for federal purposes under (IRC) section 469. A taxpayer materially participates in an activity if he or she works on a regular, continuous and substantial basis in operations, and must meet any one of the seven material participation tests in Treasury Regulation section 1.469-5T(a).

Employee requirement—The partnership or S corporation must have employed at least one employee who wasn't an owner, member, or limited partner. The employee must have worked for at least 1,200 hours during the tax year

in Oregon. Only the hours worked in a week in which the employee worked at least 30 hours in Oregon can be counted. Hours worked by an employee that is a spouse or other family member that isn't an owner, member, or limited partner can be used to meet the hour requirements.

Example—Partnership A had one employee that worked a total of 1,440 hours during the year, all in Oregon. The employee worked 32 hours per week for 30 weeks and worked 24 hours per week for 20 weeks. The total qualifying hours in this example is 960 (32 hours x 30 weeks). Because the total qualifying hours worked in Oregon is less than 1,200, the nonpassive income from Partnership A doesn't qualify for the reduced tax rate.

Amending

You can't amend to revoke the election or to make the election after your original return is filed.

If you claimed the reduced tax rate on your original return, you must amend Schedule OR-PTE if:

- An IRS audit (or other state audit) resulted in a change that affects your Oregon return;
- You amended your federal (or other state) return and the changes you made affect your Oregon return;
- You have a net operating loss (NOL); or
- You need to correct income or deductions you originally reported.

Note: If you amend, you must use the tax on line 12a of the tax worksheet even if line 13a is less. The election is irrevocable and can't be changed after filing your original return.

Schedule instructions

Use the following instructions to complete Schedule OR-PTE. Complete the entire schedule and include it with your Oregon Form 40.

Section A instructions

Complete a line for each qualifying partnership or S corporation. Don't list partnerships or S corporations that don't qualify. Use additional schedules if necessary and put the total from all schedules on line 6 of the first page.

Note: You must list **all** nonpassive income (or loss) from qualifying partnerships or S corporations. **You can't selectively choose which qualifying income (or losses) to list.**

Columns A and B—Enter the partnership or S corporation name and federal employer identification number (FEIN) for each pass-through entity with qualifying nonpassive income or losses.

Column C—Enter nonpassive losses you reported in Part II, Section 28, column (h) of your federal Schedule E attributable the qualifying partnership or S corporation. Include

qualifying nonpassive losses such as IRC section 1231 losses treated as ordinary losses.

Column D—Enter Section 179 expense deductions you reported in Part II, Section 28, column (i) of your federal Schedule E attributable to the qualifying partnership or S corporation.

Column E—Enter nonpassive income you reported in Part II, Section 28, column (j) of your federal Schedule E attributable to the qualifying partnership or S corporation. Include qualifying nonpassive income such as royalties and IRC section 1231 gains treated as ordinary income. Don't include passive income, capital gains, interest income, wages, or dividends. **Note:** Guaranteed payments you reported as nonpassive income on the federal Schedule E are eligible for the reduced tax rate.

Line 6—Report the totals for columns (c), (d), and (e). If more than one page is used, list the total of all pages.

Line 9—If line 9 is -0- or less, you can't use the reduced tax rate. Return to line 22 and complete the rest of Form 40. If line 9 is more than -0-, enter the amount on line 2b of section B, the tax worksheet.

Section B instructions

The tax worksheet in section B will help you calculate which tax rate is more beneficial to you. Complete each line to determine your tax.

Lines 4 and 7—Report only the depreciation modification attributable to the qualifying partnerships or S corporation listed in Section A.

Example—Liam reports an addition for depreciation attributable to a sole proprietorship he owns on line 8 of his Form 40. He also reports a subtraction for depreciation attributable to a

qualifying partnership on line 13 of his Form 40. Liam won't report the addition on line 4 of the tax worksheet because it isn't attributable to a qualifying partnership or S corporation. Liam will report the subtraction on line 7 of the tax worksheet because it's attributable to a qualifying partnership listed in Section A.

Line 10a—Use **tax rate chart A** below for the taxable income reported on 8a. Report the tax on line 10a.

Line 11b—Use **tax rate chart B** below for the taxable income reported on line 9b and report the tax on line 11b.

Line 13a—Use **tax rate chart A** below for the taxable income reported on line 1a. Report the tax on line 13a.

Line 14a—Enter the lesser of line 12a or 13a. If line 12a is less than 13a, enter the amount on line 14a on line 22 of Form 40 and check box 22c. If line 13a is less than 12a, it isn't more beneficial for you to use the pass-through entity reduced tax rate. Enter the amount from line 13a on line 22 of Form 40 and complete the rest of the return.

Have questions? Need help?

General tax information www.oregon.gov/dor/Salem(503) 378-4988
Toll-free from an Oregon prefix 1 (800) 356-4222

Asistencia en español:

En Salem o fuera de Oregon(503) 378-4988
Gratis de prefijo de Oregon..... 1 (800) 356-4222

TTY (hearing or speech impaired; machine only):

Salem area or outside Oregon(503) 945-8617
Toll-free from an Oregon prefix1 (800) 886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers above for information in alternative formats.

2015 Tax rate chart A

2015 tax rate chart—Use this chart only for income reported on lines 1a and 8a of section B, the tax worksheet. Report the tax on lines 10a and 13a of the worksheet.

Chart S: For persons filing single or married filing separately:

If your taxable income is not over \$3,350your tax is 5% of taxable income
If your taxable income is over \$3,350 but not over \$8,400your tax is \$168 plus 7% of excess over \$3,350
If your taxable income is over \$8,400 but not over \$125,000your tax is \$521 plus 9% of excess over \$8,400
If your taxable income is over \$125,000 your tax is \$11,015 plus 9.9% of excess over \$125,000

Chart J: For persons filing jointly, head of household, or qualifying widow(er) with dependent child:

If your taxable income is not over \$6,700your tax is 5% of taxable income
If your taxable income is over \$6,700 but not over \$16,800your tax is \$335 plus 7% of excess over \$6,700
If your taxable income is over \$16,800 but not over \$250,000your tax is \$1,042 plus 9% of excess over \$16,800
If your taxable income is over \$250,000 your tax is \$22,030 plus 9.9% of excess over \$250,000

2015 Tax rate chart B

2015 Pass-through entity reduced tax rate chart—Use this chart only for qualifying income reported on line 9b of section B, the tax worksheet. Report the tax on line 11b on the worksheet.

If your taxable income is not over \$250,000 your tax is 7% of qualifying income
If your taxable income is over \$250,000 but not over \$500,000your tax is \$17,500 plus 7.2% of excess over \$250,000
If your taxable income is over \$500,000 but not over \$1 millionyour tax is \$35,500 plus 7.6% of excess over \$500,000
If your taxable income is over \$1 million but not over \$2.5 million your tax is \$73,500 plus 8% of excess over \$1 million
If your taxable income is over \$2.5 million but not over \$5 millionyour tax is \$193,500 plus 9% of excess over \$2.5 million
If your taxable income is over \$5 million your tax is \$418,500 plus 9.9% of excess over \$5 million