



Schedule
OR-PTE-PY **Pass-Through Entity Income Reduced**
Tax Rate Schedule for Oregon Part-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 40P, *Individual Income Tax Return for Part-year Residents Only*, 150-101-055. **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 47 and complete the rest of Form 40P. 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.

Table with 19 rows and 2 columns for calculations. Rows include: 1. Enter Oregon taxable income from Form 40P, line 46; 2. Enter the total qualifying income from line 9 of Section A; 3. Line 1a minus line 2b; 4. Enter the amount of the depreciation addition from Form 40P, line 30F; 5. Line 3a minus line 4a; 6. Line 2b plus line 4b; 7. Enter the amount of the depreciation subtraction from Form 40P, line 33F; 8. Line 5a plus line 7a; 9. Line 6b minus line 7b; 10. Tax for income on line 8a using tax rate chart A; 11. Enter the Oregon percentage from Form 40P, line 35; 12. Multiply lines 10a and 11a; 13. Tax for income on line 9b using tax rate chart B; 14. Divide nonpassive income in the Oregon column by nonpassive income in the federal column; 15. Multiply line 13b by line 14b; 16. Line 12a plus 15b; 17. Tax for income on line 1a using tax rate chart A; 18. Multiply line 17a by the percentage on line 11a; 19. Enter the lesser of line 16a or line 18a.

If line 16a is less than line 18a, enter the amount on line 19a on lines 47 and 48 of Form 40P, check box 47c, and complete the rest of the return. Don't multiply the tax by the Oregon percentage as instructed on line 48 of the Form 40P. If line 18a is less than line 16a, it's not more beneficial for you to use the pass-through entity reduced tax rate. Enter the amount from line 17a on line 47 of Form 40P 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 16a even if line 18a 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-PY

Pass-through entity income reduced tax rate for Oregon part-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-PY and checking box 47c on the Oregon Form 40P.

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-PY is for Oregon part-year residents only. If you are an Oregon full-year resident, use Schedule OR-PTE, 150-101-365. 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-PY 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 16a of the tax worksheet even if line 18a 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-PY. Complete the entire schedule and include it with your Oregon Form 40P.

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 47 and complete the rest of Form 40P.

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 30F of his Form 40P. He also reports a subtraction for depreciation attributable to a qualifying partnership on line 33F of his Form 40P. 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 13b—Use **tax rate chart B** below for the taxable income reported on line 9b and report the tax on line 13b.

Line 14b—Don't fill in more than 100 percent or less than -0-. If the amount of nonpassive income in the Oregon column of Form 40P is **greater than** the amount of nonpassive income in the federal column, the percentage is 100 percent. This is true even when the amount from the federal column is a negative number.

Line 17a—Use **tax rate chart A** below for the taxable income reported on line 1a. Report the tax on line 17a.

Line 19a—Enter the lesser of line 16a or 18a. If line 16a is less than 18a, enter the amount on line 19a on lines 47 and 48 of Form 40P, check box 47c, and complete the rest of the return. **Don't** multiply the tax by the Oregon percentage as instructed on line 48 of the Form 40P. If line 18a is less than 16a, it isn't more beneficial for you to use the pass-through entity reduced tax rate. Enter the amount from line 17a on line 47 of Form 40P 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 prefix 1 (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 17a of the worksheet.

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

- If your taxable income is not over \$3,350 your tax is 5% of taxable income
- If your taxable income is over \$3,350 but not over \$8,400 your tax is \$168 plus 7% of excess over \$3,350
- If your taxable income is over \$8,400 but not over \$125,000 your 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 \$6,700 your tax is 5% of taxable income
- If your taxable income is over \$6,700 but not over \$16,800 your tax is \$335 plus 7% of excess over \$6,700
- If your taxable income is over \$16,800 but not over \$250,000 your 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 13b of 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 \$500,000 your tax is \$17,500 plus 7.2% of excess over \$250,000
- If your taxable income is over \$500,000 but not over \$1 million your 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 million your 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