

Purpose of Schedule OR-21-K-1

Pass-through entities (PTEs) that are electing to pay the PTE elective tax (PTE-E tax), or are members of a lower-tier entity that elected to pay the PTE-E tax, use Schedule OR-21-K-1 to report each member's share of distributive proceeds, Oregon addition for taxes deducted by the PTE on the entity's federal return, and credit for PTE-E tax paid by the entity.

Instructions for PTEs

Electing PTEs are **required by law** to provide Schedule OR-21-K-1 to each member (2021 Oregon Laws, ch. 589, § 3). All members receive the schedule, including members that are other PTEs (upper-tier PTEs). An upper-tier PTE must also provide Schedule OR-21-K-1 to its members to report items being passed through from the electing lower-tier entity, even if the upper-tier PTE is not making the election to pay PTE-E tax.

Schedule OR-21-K-1 is **not** a substitute for a federal Schedule K-1 (Form 1065 or Form 1120-S) or Oregon Schedule OR-K-1.

Complete Form OR-21 and Schedule OR-21-MD before completing this schedule.

Lower-tier PTEs. If the PTE is electing to pay the PTE-E tax and has members that are upper-tier PTEs, follow the instructions for lines 1 through 3.

Upper-tier PTEs. If the PTE is an upper-tier member of an electing lower-tier entity and is:

- **Not electing to pay the PTE-E tax:** Follow the instructions for lines 1 through 3 for amounts that are passing through to the upper-tier PTE's members from the electing lower-tier entity.
- **Electing to pay the PTE-E tax:** Add the distributive proceeds, addition, and credit that are passing through from the electing lower-tier entity to the amounts from the upper-tier PTE on lines 1 through 3.

Provide a copy of these instructions with each member's Schedule OR-21-K-1.

Parts A and B: PTE and member information

Complete all fields for the PTE and the member.

- If the member is another PTE and not an individual, enter the information for the PTE.
- If the member is considered to be a disregarded entity for tax purposes, the individual member's information must

be used. Two common examples are grantor trusts and single-member LLCs electing to be taxed as individuals.

- If the member is an individual, skip the lines for a PTE's legal name and FEIN.

Part C: Member's distributive share of proceeds, addition, and credit

Note: This schedule does not provide all of the information about the PTE's income that members who are individuals may need. Schedule OR-K-1 can be used for providing that information.

Line 1. Enter the member's share of Oregon distributive proceeds from Schedule OR-21-MD, column r, plus the amount from Schedule OR-21-MD-PT, column l (if applicable).

Line 2. Enter the member's share of PTE-E tax that was deducted on the entity's federal return. This amount is the Oregon addition from Schedule OR-21-MD, column s, plus the amount from Schedule OR-21-MD-PT, column m (if applicable). Each individual member must report the addition on their Oregon personal income tax return, including a composite return joined by nonresident individuals.

Line 3. Individual members may claim a refundable credit on their personal income tax return for their share of the elective tax paid by the PTE. Enter the member's share of the credit from Schedule OR-21-MD, column t, plus the amount from Schedule OR-21-MD-PT, column n (if applicable). Do not include penalty, interest on unpaid tax, or interest on an underpayment of estimated tax.

Instructions for individual members

Use the information provided on Schedule OR-21-K-1 to complete your Oregon return. The Oregon addition and tax credit shown below are reported on Schedule OR-ASC or Schedule OR-ASC-NP. **Don't include Schedule OR-21-K-1 when you file your personal income tax return.** Keep the schedule with your tax records.

Line 1, Distributive proceeds. This is your share of the amount of income that the PTE used to calculate the PTE-E tax. This amount is reported to you for your information only. It is not reported on your federal or Oregon personal income tax return. Report your distributive share of income, deductions, additions, subtractions, and other modifications from Schedule K-1 or Schedule OR-K-1 in the usual way when you file your return.

Line 2, Oregon addition. Oregon law requires that income taxes paid to the state and deducted on the federal return must be added back on the Oregon return. The amount on

this line is your distributive share of taxes paid to Oregon that were deducted on the PTE's federal return from your share of the PTE's distributive proceeds. Report the amount on Schedule OR-ASC, Section A, or Schedule OR-ASC-NP, Section B. Use addition code 167.

Line 3, Credit for PTE-E tax paid. On your Oregon personal income tax return, you can claim a credit for your share of the elective tax paid by the PTE. The credit is refundable, so any portion that is more than your Oregon tax liability can be claimed this year and may be refunded to you. Claim the credit on Schedule OR-ASC, Section F, or Schedule OR-ASC-NP, Section H. Use the refundable credit code 900.

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.

Worksheet OR-21-K-1

Complete this worksheet to prepare Schedule OR-21-K-1. This worksheet is for informational purposes only. **Do not file this worksheet or distribute it to members.**

Part C - Member's distributive share of proceeds, addition, and credit

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|---|----------|
| 1. Distributive proceeds | 1. _____ |
| 2. Addition for tax deducted at federal level | 2. _____ |
| 3. Credit for PTE-E tax paid | 3. _____ |