

This publication is a guide, not a complete statement, of Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR). For more information, refer to the laws and rules at [www.oregon.gov/dor](http://www.oregon.gov/dor).

### Purpose of Schedule OR-AP

Schedule OR-AP is used for all corporations and partnerships that are doing business in more than one state and may be used with Forms OR-20, OR-20-INC, OR-20-INS, OR-20-S, and OR-65.

### General information

Oregon income is the total of the business entity's apportioned and allocated income assigned to Oregon.

Each business carrying on a unitary business both inside and outside Oregon must complete Schedule OR-AP.

**Apportionment and allocation.** Apportionment is dividing apportionable income among the states by use of a formula. Allocation is the assignment of specific nonapportionable income to a state. Most business entities having unitary business activities, as defined in ORS 317.705, both inside and outside Oregon must use the apportionment and allocation methods provided in the Uniform Division of Income for Tax Purposes Act (UDITPA) (ORS 314.605 through 314.675). Certain types of business entities are required to use **modified apportionment factors or sourcing rules** as specified in the Oregon Revised Statutes below and Oregon Administrative Rules.

Airlines .....	ORS 314.280
Electricity and natural gas.....	ORS 314.280
Financial corporations.....	ORS 314.280
Insurance companies.....	ORS 317.660
Interstate river transportation companies .....	ORS 314.280
Long-term construction contractors.....	ORS 314.615
Movie and television production companies .....	ORS 314.615
Publishing companies .....	ORS 314.667
Railroads .....	ORS 314.280
Sea transportation companies.....	ORS 314.280
Trucking companies .....	ORS 314.280
Utility and telecommunications companies .....	ORS 314.280

If another method of apportionment or allocation of income is proposed, the business must still complete Schedule OR-AP. See Appendix C of the instructions for Forms OR-20, OR-20-INC, OR-20-INS, and OR-20-S for more details.

### Schedule OR-AP, part 1

**Consolidated returns.** The denominators of the property, payroll, and sales factors include only amounts from corporations that are included in the consolidated federal return

and are part of the unitary group. The numerators of the factors must include the Oregon property, payroll, and sales from each of the corporations taxable by Oregon. Include a schedule showing the denominators and numerators of the property, payroll, and sales factors by each entity included in the Oregon consolidated return.

**Insurance companies.** Insurers with a separate return filing requirement are treated as if they are nonunitary affiliates of a consolidated group. Don't include their factors in the federal consolidated group.

**Rounding.** When computing the factor percentages round the percentage to four decimal places. For example, 12.34558 percent should be 12.3456 percent.

### Line instructions

**Note:** Please complete all sections of Schedule OR-AP, part 1.

**Lines 1 through 9. Property/real estate income and interest factor (all companies except insurance companies).** Enter all owned or rented business property in the "everywhere" portion of Schedule OR-AP, part 1. Enter business property owned or rented within Oregon in the Oregon portion. See ORS 314.655 and the supporting administrative rules for more information.

Value owned property at original cost. Show the average value during the taxable year of real and tangible personal property used in the business. This is the average of property values at the beginning and end of the tax period. An average of the monthly values may be required if it results in a more reasonable value.

Value rented property at eight times the annual rental value. Reduce the annual rental value by nonbusiness sub rentals.

#### Real estate income (insurance companies only)

#### Lines 7a and 7b.

- Life companies—Annual statement, page E-01, Schedule A, part 1, column 16 minus column 17, and page E-03, Schedule A, part 3, column 19 minus column 20.
- P&C companies—Annual statement, Schedule A, part 1, pages E-01 and E-03, column 16 minus column 17, and Schedule A, part 3, column 19 minus column 20.

If you have income from a joint venture, partnership, or LLC, include real estate income and interest included on:

- Life companies—Annual statement, page 8, exhibit of net investment income, line 8, column 1.
- P&C companies—Annual statement, page 12, exhibit of net investment income, line 8, column 1.

## Real estate interest (insurance companies only)

### Lines 8a and 8b.

- Life companies—Annual statement, page 8, exhibit of net investment income, line 3, column 1.
- P&C companies—Annual statement, page 12, exhibit of net investment income, line 3, column 1.

**Lines 9a and 9b.** All companies except insurance companies total lines 1 through 6. Insurance companies only total lines 7 and 8.

## Payroll factor (wage and commission)

**Lines 10a and 11a.** Assign payroll to Oregon if:

- The services are performed entirely inside Oregon; or
- The services are both inside and outside Oregon but those services outside are only incidental; or
- Some of the services are performed in Oregon and (a) the base of operation or control is located in Oregon, or (b) the base of operation or control isn't in any state in which the services are performed, and the employee's residence is in Oregon. See ORS 314.660 and the supporting administrative rules for more information.

Insurance companies use the wage and commission amounts from the annual statement.

## Sales factor (all companies except insurance companies complete lines 13 through 18)

Assign sales to Oregon if:

- The property is shipped or delivered to a purchaser in Oregon other than the United States Government; or
- The property is shipped from a warehouse or other place of storage in Oregon; and (a) the purchaser is the United States Government or (b) the business isn't taxable in the state of the purchaser. See ORS 314.665(3) and 314.665(2)(b) (A) for exceptions.

See ORS 314.620 and Public Law 86-272 to determine if a business is taxable in another state.

Charges for services are Oregon sales if taxpayer's market for sales is in this state. See ORS 314.665 and 314.666, and OAR 150-314-0435 for more information.

Gross receipts from hedging transactions and the maturity, redemption, sale, exchange, loan, or other disposition of cash or securities should be omitted from the sales factor if the taxpayer reports according to ORS 314.605 to ORS 314.675. See ORS 314.610(7)(a)(A) for more information. Different rules apply to financial institutions as defined by ORS 314.610(4). See OAR 150-314-0088 for more information.

**Note:** If you're one of the business entities required to use modified apportionment factors or sourcing rules, complete Schedule OR-AP following the specific statute and supporting rules.

## Insurance sales factor (insurance companies only)

**Lines 19 through 21.** Use total premiums written including Oregon premiums written.

- Life companies—Annual statement, "Premiums and Annuity Considerations," page 49, schedule T, lines 38 and 95. Insurance premiums include life insurance in column 2, annuity considerations in column 3, and accident and health insurance premiums in column 4.
- P&C companies—Annual statement, "Schedule of Premiums Written," page 94, schedule T, lines 38 and 59, columns 2 and 8. Finance and service charges are included in the apportionment factor for premiums.

ORS 317.660 provides that the insurance sales factor doesn't include reinsurance accepted and there's no deduction of reinsurance ceded. If the exclusion of reinsurance premiums results in an apportionment formula that doesn't fairly represent the extent of the insurance company's activity in Oregon, you may submit an alternative apportionment request to include reinsurance premiums in the insurance sales factor. See Appendix C in Form OR-20-INS Instructions.

## Apportionment percentage

**Line 22a.** All companies except insurance companies total lines 13 through 18. Insurance companies total lines 19 through 21.

**Line 22b.** Enter total everywhere sales. If you're filing a consolidated return, only include amounts from corporations that are included in the consolidated federal return and are part of the unitary group.

**Line 23.** Use the worksheets on page 4 to compute your Oregon apportionment percentage.

## Schedule OR-AP, part 2, taxable income computation

**Note:** This part of the schedule is used for computation of entity level Oregon taxable income for Form OR-20, OR-20-INC, OR-20-INS, and OR-20-S filers. Most pass-through entities (PTEs) don't complete Schedule OR-AP, part 2. However, they may use it to determine the Oregon-source distributive income for their owners.

**Line 1.** Enter amount from Form OR-20, line 5; Form OR-20-INC, line 5; Form OR-20-INS, line 11; or Form OR-20-S, line 4.

To determine the Oregon-source distributive income for the owners of PTEs, enter only the modified distributive income for the entity on line 1 (ORS 314.775). Forms OR-65 and OR-20-S have schedules I and SM for figuring your Oregon modifications that pass through to the owners of PTEs.

**Lines 2 and 7. Apportionable and nonapportionable income (all companies except insurance companies).** "Apportionable income" is income arising from transactions and activities in the regular course of the taxpayer's trade or business. It includes income from tangible and intangible property related to the operation of the taxpayer's trade or business. It includes any other income that is apportionable under the constitution of the United States and not allocated under the laws of this state, and any

income that would be allocable to this state under the constitution of the United States, but is apportioned rather than allocated under the laws of this state.

Examples of apportionable income are:

- Sales of products or services;
- Rents, if property rental is a related business activity;
- Royalties, if the patent, processes, etc., were developed by or used in the business operation;
- Gain or loss on the disposal of business property; and
- Interest income on trade receivables or installment contracts when it serves an operational function.

“Nonapportionable income” means all income other than apportionable income. Rents, royalties, gains or losses, and interest also can be nonapportionable income if they arise from investments not related to the regular course of the taxpayer’s business. Nonapportionable income is allocated to a particular state based upon the source of the income. Gain or loss from the sale of a partnership interest may be allocable to Oregon [ORS 314.635(4)]. The amounts allocable to Oregon must be added to Oregon’s apportioned income. See ORS 314.610 and the supporting administrative rules.

For **nonapportionable income (loss)** you must **include a schedule** that clearly states:

- Nature and source for each nonapportionable item and the corresponding dollar amount,
- Separate computation showing how you figured each item,
- Reasons the income, loss, expenses, or deductions are being allocated, and
- Description of property with name and FEIN (if applicable), including any schedules and statements used for federal reporting purposes.

**Line 3. Subtract: Gains from prior year installment sales included in line 1.** Installment gains are required to be apportioned to Oregon using the apportionment percent from the year of the sale rather than the year payment is received (ORS 314.615).

**Line 8. Add: Gains from prior year installment sales apportioned to Oregon.** Multiply the installment gains subtracted on line 3 by the apportionment percent from the year of the sale.

**Line 10. Net loss and net capital loss deduction.** Do not use line 10 when computing Oregon-source distributive income for nonresident owners of PTEs.

**Corporation Excise Tax (OR-20) filers only:** If you’re claiming the Oregon Investment Advantage (OIA) and you apportion your income, include the amount of exempt certified facility income on line 10b (ORS 317.391). Include a schedule showing your computations.

## OR-AP Worksheets (Oregon apportionment percentage)

**These worksheets are for businesses having business activities both inside and outside of Oregon. Don’t use these if the entity’s business activities are all within Oregon. These worksheets are for your computations only and shouldn’t be filed with your return.**

### Standard apportionment worksheet

Apportionable income is apportioned to Oregon by multiplying the income by a multiplier equal to Oregon sales and other receipts as determined by Schedule OR-AP, part 1, divided by total sales and other receipts from the federal return (ORS 314.650).

	(a) Oregon	(b) everywhere	(c) = (a ÷ b) x 100
1. Total sales and other receipts (Schedule OR-AP, part 1, line 22)..... 1.			
2. <b>Oregon apportionment percentage</b> (enter on Schedule OR-AP, part 1, line 23) (Round to four decimal places)..... 2.			%

### Alternative apportionment worksheet (double-weighted sales factor formula) for utility or telecommunications taxpayers only.

Taxpayers primarily engaged in utilities or telecommunications may elect to apportion trade or business income using the double-weighted sales factor [ORS 314.650 (1999 edition)].

Check the box on the front of your return if you’re using this alternative apportionment worksheet (Form OR-20, question L; Form OR-20-INC, question K; Form OR-20-S, question I). All others use the standard apportionment worksheet above.

	(a) Oregon	(b) everywhere	(c) = (a ÷ b) x 100
1. Total owned and rented property (Schedule OR-AP, part 1, line 9) ..... 1.			%
2. Total wages and salaries (Schedule OR-AP, part 1, line 12) ..... 2.			%
3. Total sales and other receipts (Schedule OR-AP, part 1, line 22)..... 3.			%
4. Total sales and other receipts (same as line 3 above)..... 4.			%
5. Total percent (add lines 1–4, column c above)..... 5.			%
6. Number of factors with a positive number in column b..... 6.			%
7. <b>Alternative apportionment percentage</b> (divide line 5 by line 6; enter on Schedule OR-AP, part 1, line 23)..... 7.			%

**Line 11. Total loss.** Enter the total of line 10a plus line 10b.

**Line 12.** Carry this amount to the appropriate line on your tax return: Form OR-20, line 9; Form OR-20-INC, line 7; Form OR-20-INS, line 14; or Form OR-20-S, line 7.

For nonresident owners of PTEs, this line results in Oregon-source distributive income. Report each nonresident owner's and corporate owner's share on their information return, along with the Oregon-source portion of (1) any guaranteed payments (for partnerships) and (2) the taxable portion of distributions.

## Do you have questions or need help?

[www.oregon.gov/dor](http://www.oregon.gov/dor)  
503-378-4988 or 800-356-4222  
[questions.dor@dor.oregon.gov](mailto:questions.dor@dor.oregon.gov)

Contact us for ADA accommodations or assistance in other languages.