

## General information

Use Schedule OR-DEPR to calculate depreciation for:

- Assets first placed in service outside Oregon;
- Assets subject to apportionment; and
- Assets placed in service during tax years when Oregon depreciation law was disconnected from federal law.

Oregon is currently tied to federal law, but there are historical disconnects that might mean your Oregon depreciation needs to be calculated differently than federal depreciation.

For each asset, figure both your federal and Oregon depreciation deductions for the year using appropriate methods. Enter the information in boxes a through i, using additional forms as needed. In column f, abbreviate the depreciation method you used for that asset, such as "MACRS" for Modified Accelerated Cost Recovery System, or "150% DB" for 150 percent declining balance.

### Full-year resident individuals

If you have an amount on line 6, enter it on Schedule OR-ASC, section A, using addition code 152.

If you have an amount on line 7, enter it on Schedule OR-ASC, section B, using subtraction code 354.

### Part-year resident and nonresident individuals

You will need to complete two of these schedules to determine both the federal and Oregon amounts to report on Schedule OR-ASC-NP.

- **Federal amount:** Complete one Schedule OR-DEPR for all assets both inside and outside Oregon (as if you were a full-year Oregon resident).
- **Oregon amount:** Complete another Schedule OR-DEPR only for property you owned while an Oregon resident, or property used to produce Oregon income.

If you have an amount on line 6, enter it on Schedule OR-ASC-NP, section B, using addition code 152.

If you have an amount on line 7, enter it on Schedule OR-ASC-NP, section C, using subtraction code 354.

For the schedule you completed for the federal amount, enter the amount in the federal column of Schedule OR-ASC-NP. For the schedule you completed for the Oregon amount, enter the amount in the Oregon column of Schedule OR-ASC-NP. Enter 0 in any columns that don't have an adjustment.

**Example 1.** Annie is a nonresident, so she completed Schedule OR-DEPR for her federal amount using all assets and has \$2,000 on line 6. She completed a second Schedule OR-DEPR for her Oregon amount using only Oregon source assets and has \$500 on line 7. Annie has a federal column addition of \$2,000 she will enter in the federal column of section B of

her Schedule OR-ASC-NP using code 152. Since there's no Oregon addition, she enters 0 in the Oregon column. Annie enters \$500 in the Oregon column of section C of Schedule OR-ASC-NP using subtraction code 354. Since there's no federal subtraction, she will enter 0 in the federal column.

### Partnerships, corporations, and fiduciaries

You may also use this form to figure the difference in depreciation you report on these Oregon forms:

- Form OR-65, *Oregon Partnership Return of Income.*
- Form OR-20, *Oregon Corporation Excise Tax Return.*
- Form OR-20-INC, *Oregon Corporation Income Tax Return.*
- Form OR-20-S, *Oregon S Corporation Tax Return.*
- Form OR-20-INS, *Oregon Insurance Excise Tax Return.*
- Form OR-41, *Oregon Fiduciary Income Tax Return.*

### Assets placed in service on or after January 1, 1981 and before January 1, 1985

Oregon depreciation didn't match federal depreciation for assets placed in service on or after January 1, 1981 and before January 1, 1985. If you are still depreciating assets placed in service during this period, contact the department to determine your correct reporting.

### Assets placed in service on or after January 1, 1985 and before January 1, 1987

Oregon adopted the federal Accelerated Cost Recovery System (ACRS) method of depreciation for assets placed in service during these two years. There is no depreciation difference for these assets.

### Assets placed in service on or after January 1, 1987

MACRS is effective for assets placed in service on or after January 1, 1987 (see exception below for assets placed in service during 2009 and 2010). The method and life will be the same as you used on the federal return. If you elect to expense the cost of qualifying assets under IRC Section 179, the election and amount is also effective for Oregon purposes.

Credits that reduce only your federal basis will cause a difference in depreciation for Oregon. This will be the only cause for a difference in depreciation for corporations.

### Exception: Assets placed in service on or after January 1, 2009 and before January 1, 2011

Oregon didn't adopt changes made to IRC Section 168(k) (bonus depreciation) or to any expensing limits under IRC Section 179 for this period.

## Assets first placed in service outside of Oregon

Did you bring an asset into Oregon after it was first placed in service outside of Oregon? If so, use a depreciation method available for the year the asset was first placed in service outside of Oregon.

The Oregon basis for depreciation is generally the lower of the federal unadjusted basis or the fair market value (FMV). The federal unadjusted basis is the original cost before any adjustments. Adjustments include: reductions for investment tax credits, depletion, amortization, or amounts expensed under IRC Section 179. The FMV is figured when the asset is brought into Oregon.

In general, the useful life of an asset is determined when the asset is placed in service for Oregon tax purposes.

**Example 2.** Jeff has owned a business in Caldwell, Idaho since 2016 when he placed in service a building purchased for \$400,000. The building qualified for MACRS depreciation as 20-year real property. On June 1, 2021, Jeff bought a light truck for \$45,000. The truck qualified as five-year property depreciated under MACRS. On January 1, 2023, Jeff moved to Ontario, Oregon. At that time, the building's FMV was \$600,000 and the truck's FMV was \$32,000.

Since Jeff brought his business assets into Oregon, he had to figure his Oregon basis in order to depreciate the assets for Oregon.

	<b>Building</b>	<b>Truck</b>
Cost (federal unadjusted basis)	\$400,000	\$45,000
Fair market value (as of 01/01/23)	\$600,000	\$32,000

The Oregon basis of the building is \$400,000.

The Oregon basis of the truck is \$32,000. MACRS was available as a depreciation method in Oregon in 2016 and 2021, so Jeff used MACRS for Oregon purposes as well. He began depreciating the building based on its original recovery period of 20 years and he began depreciating the truck based on its original recovery period of five years.

## Assets subject to apportionment

The basis of an asset subject to apportionment rules when brought into Oregon is figured as if it had always been subject to Oregon tax. The original unadjusted basis is reduced by depreciation allowable in previous years, using a method acceptable to Oregon for the year the asset is placed in service. This adjusted basis is depreciated over the remaining useful life using the same allowable method.

**Example 3.** A California partnership started operation by purchasing a Los Angeles building on July 1, 2020 for \$950,000. For federal purposes, the partnership depreciated the building under MACRS as 20-year property. The partnership began doing business in Oregon on July 1, 2022. Since the partnership is subject to the apportionment rules, the basis of the building for Oregon is as if the building was depreciated for Oregon using MACRS 20-year (straight-line method) from the date of purchase.

Cost .....	\$950,000
2020 depreciation .....	(23,750)
2021 depreciation .....	(47,500)
2022 depreciation through June 30.....	(23,750) (95,000)
Oregon basis as of July 1, 2022 .....	<u>\$855,000</u>

For Oregon purposes, the building is depreciated using an Oregon basis of \$855,000 and is depreciated over the remaining useful life (18 years) using the same allowable method.

## Additional resources

Download Oregon tax forms and instructions at [www.oregon.gov/dor/forms](http://www.oregon.gov/dor/forms) or contact us to order them.

## 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.