

This publication is a guide, not a complete statement, of Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR). For possible updates and more information, visit [www.oregon.gov/dor/business](http://www.oregon.gov/dor/business).

## Purpose of Schedule OR-TSE-AP

Schedule OR-TSE-AP is used for all self-employed individuals that are doing business both in and out of the transit district. Use this schedule with Forms OR-TM and OR-LTD.

Each individual carrying on business both inside and outside the district must complete this form and include it when filing their return.

## Apportionment and allocation

Apportionment is dividing apportionable income inside and outside the district by use of a formula. Allocation is the assignment of specific nonapportionable income to the district. Most individuals with self-employment income and business activities both inside and outside the district must use the apportionment and allocation methods provided in the Uniform Division of Income for Tax Purpose Act (UDITPA) (ORS 314.605 through 314.690 and supporting administrative rules).

**Rounding to whole dollars.** Enter amounts as whole dollars only. Example: \$4,681.55 becomes \$4,682; and \$8,775.22 becomes \$8,775.

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

## Partnership apportionment

If a partnership elects to file and pay the transit self-employment tax for all of its participating individual partners, the partnership must use net earnings from self-employment as reported on federal Form 1065 to figure the tax. The apportionment is based on the partnership as a whole, not the individual partner.

### Example: Self-employment earnings from partnership

Form 1065 .....	\$2,000,000
Sales within transit district .....	\$ 35,000
Total partnership sales.....	\$3,000,000
Transit apportionment.....	.011667
Net self-employment earnings.....	\$ 23,334

Complete Schedule OR-TSE-AP, Schedules AP-1 or AP-2, to determine the apportionment percent. Most taxpayers will

use Schedule AP-1, unless you meet the exception below.

**Exception:** Use Schedule AP-2 if you're an electing utility or telecommunications taxpayer.

**Remember:** If you meet the exception and elect this option, please check the box "Utility or telecommunications" on the front of Form OR-TM or Form OR-LTD.

The election is for taxpayers primarily engaged in utilities and telecommunications to apportion income using the double-weighted sales factor formula provided in ORS 314.650 (1999 edition). This election may be revoked later.

## Apportionment factors

### 1. Property factor

Business property within the district is entered on line 1a. All owned or rented business property should be entered on line 1b.

- Owned property is valued 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 the end of the tax period. An average of the monthly values may be required if a more reasonable value results.
- Rented property is valued at eight times the annual rent you pay. The annual rent paid must be reduced by nonbusiness subrentals.

### 2. Payroll factor

Compensation to employees for services performed must be included in the payroll factor. Payroll is assigned to the district if:

- The services are performed entirely inside the district;  
**or**
- The services are performed both in and out of the district, but those services performed outside are only incidental;  
**or**
- Some of the services are performed in the district and, (a) the base of operation or control is located in the district or, (b) the base of operation or control isn't in the district or in any district where the employee's services are performed, but the employee's residence is in the district.

### 3. Sales factor

The sales factor is the percentage that sales or other self-employment gross receipts within the district compare to

sales or other self-employment gross receipts everywhere for the taxable year.

Other self-employment gross receipts, including services, are any items other than sales of tangible personal property.

Amounts received for services should be entered, along with other self-employment gross receipts. Amounts received for services are included in the district to the extent the services are delivered to a location in the district

Sales of tangible personal property are assigned to the district if:

- The property is shipped or delivered to a purchaser in the district; or
- The property is shipped from a warehouse or other place of storage in the district; and (a) the purchaser is the U.S. government or, (b) the business income isn't taxable outside the district or in the district of the purchaser. See ORS 314.665(3) for exceptions.

A taxpayer's market for sales is in the district in the case of intangible property that is sold, if and to the extent the property is used in the district. Under this subsection:

(a) A contract right, government license or similar intangible property that authorizes the holder to conduct a business activity in a specific geographic area is deemed to be used in this district if the geographic area includes all or part of this district.

(b) Intangible property sales that are contingent on the productivity, use or disposition of the intangible property shall be treated as the rental, lease or licensing of such intangible property under subsection (2) of this section.

(c) All other intangible property sales shall be excluded from the sales factor.

The following examples illustrate how taxpayers would source receipts from services to transit districts under market-based sourcing. These examples are for informational purposes only and are not a statement of law. Your facts and circumstances may result in a different determination.

(a) An individual is a self-employed consultant who works from their home located within the district. The individual makes billable phone calls from their home to clients who are located both inside and outside of the district. The

individual also emails billable work products to customers located both inside and outside the district. The receipts are sourced to the district to the extent the services were delivered to the district.

(b) Same facts as (a) except the consultant's home is located outside the district. Receipts would be sourced to the district to the extent the services were delivered to the district.

(c) A broker located outside the district provides services to customers inside the district. Under MBS, the receipts from providing services to customers inside the district would be sourced to the district.

(d) A landscaper located outside the district performs landscaping services at locations inside the district. Receipts from landscaping services at locations inside the district would be sourced to the district.

(e) An auto mechanic performs services at their regular place of business located outside of the district but also offers mobile services to customers located both inside and outside the district. Receipts from mobile services to customers located in the district would be sourced to the district.

(f) An author located in the district writes a book and sends it to a publisher located out of state. The published book is then sold to customers throughout the U.S. including some who are located inside the district. The author earns royalty income for each book sold. The royalty income is taxable in the district to the extent the author's books are sold within the district.

## Taxpayer assistance

### 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)

Specific transit self-employment tax questions:  
[tse.help.dor@dor.oregon.gov](mailto:tse.help.dor@dor.oregon.gov)

Contact us for ADA accommodations or assistance in other languages.