

Oregon 2014 S Corporation Tax Form 20-S Instructions

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Information contained herein is a guide. For complete details of law, refer to Oregon Revised Statutes (ORS) and Oregon Administrative Rules (OAR).

Important

If your registered corporation or insurance company isn't doing business in Oregon and has no Oregon-source income, then you don't need to file a corporation tax return.

Go Electronic!

Fast • Accurate • Secure

File corporate tax returns through the Federal/State E-Filing Program. If you're mandated to e-file your federal return, you're required to e-file for Oregon.

With approved third party software you can e-file your return complete with all schedules, attachments, and required federal return. **You can also conveniently include an electronic payment with your e-filed original return.** See "E-file".

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- Registration and account status.
- Online payments.
- Forms, instructions and law.
- Announcements and common questions.



What's new?

General

Tie to federal tax law

In general, Oregon income tax law is based on federal income tax law. Oregon is tied to the federal definition of taxable income as of December 31, 2013; however Oregon is still disconnected from:

- **Federal subsidies** for prescription drug plans. (IRC§139A; ORS 317.401)
- **Domestic production** activities. (QPAI) (IRC §199; ORS 317.398)
- **Deferral of certain deductions** for tax years beginning on or after January 1, 2009 and before January 1, 2011 may require subsequent Oregon modifications. (IRC §108; §168(k); and §179; ORS 317.301)

Interstate broadcasters (HB 4138)

For tax years beginning on or after January 1, 2014 and before January 1, 2017, an interstate broadcaster's apportionment will be determined based on the broadcaster's customers who are domiciled in Oregon. For tax years beginning on or after January 1, 2017, the method of apportionment of business income for the interstate broadcaster will revert to pre-HB 4138 law and will be based on an estimate of Oregon's national audience or subscribers' share. (ORS 314.684 and 314.680)

For more information, see "Special filing requirements" in Form 20 Instructions, *Oregon 2014 Corporation Excise Tax Form 20 Instructions*, 150-102-020-1.

Refund applications

You may elect to apply part or all of your refund to your next estimated tax payment installment. Your election is irrevocable.

We will apply the elected amount to the estimated tax installment that next becomes due on or after the due date of your return (not including extensions) or the date the overpayment of tax was made, whichever is later. The application will be credited as of the due date of your return (not including extensions) or the date the overpayment of tax was made, whichever is later. See the instructions for Line 27.

Repeal of ORS 317.057

(Exemption for certain out-of-state financial institutions)

For tax years starting January 1, 2014 and later, exemption from corporation tax for certain out-of-state financial institutions is no longer available. (ORS 317.057)

Credits

Important: Attach copies of **all** credit certifications to your return when claiming any certified credit.

Biomass production or collection credit

Beginning on January 1, 2014, the biomass production or collection credit isn't allowed for canola grown, collected or produced in the Willamette Valley. (ORS 315.141)

Crop donation credit

For tax years beginning on or after January 1, 2014, and before January 1, 2020, the amount of the credit has been increased from 10 percent of the value of the quantity of the crop donated computed at the wholesale market price to 15 percent. (ORS 315.156)

Oregon surplus rebate credit

Tax biennia beginning on or after July 1, 2013, Oregon surplus revenues will no longer be credited to corporate taxpayers when actual revenues exceed the revenue forecast for the biennium by more than 2 percent. Any future excess corporate revenues will be appropriated to the State School Fund. (ORS 291.349)

Qualified equity investment tax credit

You can carry forward unused credits for up to five years on investments made on or after January 1, 2014 and before July 1, 2016. For more information on qualifying investments and entities, visit www.oregon4biz.com. (ORS 315.533)

University venture development fund contribution credit

For tax years beginning on or after January 1, 2014, the university venture development fund contribution credit shall be claimed in three consecutive tax years beginning with the year in which the credit's initially allowed. (ORS 315.521)

Tax credit sunsets

Beginning January 1, 2014, the following tax credits aren't available, except for applicable carryforward purposes:

- Agricultural Workforce Housing Lender's Credit, ORS 317.147.
- Contributions of Computers and Scientific Equipment Credit, ORS 317.151.
- Workers' Compensation Credit, ORS 317.122 (for 20-INS only).

Estimated tax payments

Requirements

Oregon estimated tax laws aren't the same as federal estimated tax laws. You must make estimated tax payments if you expect to owe tax of \$500 or more with your return. This includes Oregon's minimum tax. This requirement also applies if you're an S corporation paying tax on income from built-in gains or excess net passive investment income.

If you don't make estimated payments as required, you may be subject to interest on underpayment of estimated tax (UND). If you have an underpayment, refer to Form 37, *Underpayment of Oregon Corporation Estimated Tax*, 150-102-037.

Payment due dates

Estimated tax payments are due quarterly, as follows:

- **Calendar year filers:** April 15, June 15, September 15, and December 15.
- **Fiscal year filers:** The 15th day of the 4th, 6th, 9th, and 12th months of your fiscal year.
- If the due date falls on a Saturday, Sunday, or legal holiday, use the next regular business day.

Payment options

Important: For details about making payments **with your return**, see "Filing checklist."

Estimated payments may be made by electronic funds transfer (EFT), directly online, or by mail.

EFT. You **must** make your Oregon estimated payments by EFT if you're required to make your federal estimated payments by EFT. We may grant a waiver from participation in the EFT program if you would be disadvantaged by the requirement. (OAR 150-314.518)

If you don't meet the federal requirements for mandatory participation in the EFT program, you may participate on a voluntary basis.

A business is required to have an authorization agreement filed with us before it can start initiating EFT payments. The EFT help/message phone number is 503-947-2017.

For more information, visit www.oregon.gov/dor/e-filing, then on the left navigation bar, click on "Electronic filing," then click on "Tax professionals."

EFT payments for corporation estimated taxes must be made using our EFT program. This program allows payments to be initiated by touch-tone telephone, a secure internet site, or through your financial organization. If you pay by EFT, **don't** send Form 20-V, *Oregon Corporation Tax Payment Voucher and Instructions*, 150-102-172.

Online. See www.oregon.gov/dor for more information.

Mail. If paying by mail, send each payment with a Form 20-V payment voucher.

Worksheet to calculate Oregon estimated tax

(Keep for your records—don't file with payment.)

1. Oregon net income expected in upcoming tax year. 1. _____
2. Tax on Oregon net income (see tax rate tables for corporation tax rate and minimum tax). 2. _____
3. Subtract tax credits allowable in upcoming tax year. Tax credits can't be used to reduce the \$150 minimum excise tax for S corporations. 3. _____
4. Net tax (line 2 minus line 3). 4. _____

If the amount on line 4 is less than \$500, **stop**. You don't have to make estimated tax payments.

Caution: If your final tax liability when you file your return is \$500 or more, you may be subject to UND.

5. Amount of each payment. 5. _____
(Divide line 4 by the number of payments you need to make. This is usually 4.)

If your expected net tax changes during the year, divide the amended net tax amount by the number of required payments (usually four) to determine the correct amount of each required installment.

To avoid additional charges for UND, you must pay the amount of any prior underpayment plus the amount of the current required installment. [OAR 150-314.515(2)]

Example: During the year, Corporation A's expected net tax increased from \$2,000 to \$6,000. Corporation A made timely first and second quarter estimated payments of \$500 before its expected net tax increased.

Corporation A's correct amount of each required installment is \$1,500. Because of its increased net tax, Corporation A will be subject to UND charges for the first and second quarters. To avoid UND charges for the third and fourth quarters, Corporation A must make a timely third-quarter estimated payment of \$3,500* and a timely fourth quarter payment of \$1,500.

*\$1,000 for the first-quarter underpayment, plus \$1,000 for the second-quarter underpayment, plus \$1,500 for the required third-quarter installment equals \$3,500.

For more information, see ORS 314.525, OAR 150-314.525(1)-(A), 150-314.525(1)-(B), 150-314.525(1)-(C)-(A), 150-314.525(1)-(D), 150-314.525(2)-(A), and 150-314.525(2)-(B).

Filing information

Who must file with Oregon?

S corporations doing business in Oregon or receiving income from Oregon sources are required to file Form 20-S, *Oregon S Corporation Tax Return*, 150-102-025, under the excise or income tax provisions in ORS Chapters 317 and 318. S corporation tax statutes and rules are in Chapter 314 of the Oregon Revised Statutes and Oregon Administrative Rules. See ORS 314.730 to 314.784.

Note: Oregon follows the **federal entity classification regulations**. If an entity is classified or taxed as an S corporation for federal income tax purposes, it will be treated as an S corporation for Oregon tax purposes.

For Oregon tax purposes, S corporation income generally is taxable to the shareholders rather than the corporation. However, S corporations do pay Oregon tax on income from built-in gains or excess net passive income if such income is subject to tax on the federal corporation return.

The income or loss of an S corporation is reported to each shareholder on the federal form, Schedule K-1. See **Shareholder information** below.

Minimum tax requirements. All S corporations **doing business** in Oregon must pay the \$150 minimum excise tax. The minimum tax isn't passed through to the shareholders, but is payable by the S corporation.

Excise or income tax?

Oregon has two types of corporate taxes: excise and income. **Excise tax is the most common.** Most corporations don't qualify for Oregon's income tax.

Excise tax requirements. Excise tax is a tax for the privilege of **doing business** in Oregon. It's measured by net income. S corporations doing business in Oregon must file a Form 20-S to report and pay the \$150 minimum excise tax. If the S corporation has an **Oregon address**, generally the S corporation will file and pay excise tax.

"Doing business" means carrying on or **being engaged in any profit-seeking activity** in Oregon not protected by Federal Public Law 86-272. A taxpayer having one or more of the following in this state is doing business in Oregon:

- A stock of goods.
- An office.
- A place of business (other than an office) where affairs of the corporation are regularly conducted.
- Employees or representatives providing services to customers as the primary business activity (such as accounting or personal services), or services incidental to the sale of tangible or intangible personal property (such as installation, inspection, maintenance, warranty, or repair of a product).

- An economic presence through which the taxpayer regularly takes advantage of Oregon's economy to produce income.

Income tax requirements. S corporations may still be subject to the Oregon corporation income tax if they have income from an Oregon source. S corporations that derive income from sources within Oregon but whose income producing activity doesn't actually constitute doing business must file Form 20-S under the **income tax** provisions in ORS Chapter 318.

Income is from an Oregon source if it's derived from:

- Tangible or intangible property located in Oregon;
- Any activity carried on in Oregon, whether intrastate, interstate, or foreign commerce.

There is no minimum tax for a corporate **income tax** filer.

Corporations with **no business activity** in Oregon, even if registered to do business in the state, aren't subject to the minimum tax and aren't required to file a return.

Important: Don't file a Form 20-S unless you're required to do so. Filing an unnecessary return may result in a billing for minimum tax.

Shareholder information

Shareholders who meet Oregon filing requirements must file an Oregon tax return. Refer to the appropriate Oregon tax returns and instructions for an explanation of those requirements, based on shareholder classification (individual, corporation, trust, or estate).

Resident shareholders are taxed on their pro rata share of S corporation income, loss, and deductions from the federal K-1s. Those amounts are modified by Oregon additions and subtractions.

Nonresident shareholders are taxed on their share of business income from the federal K-1s, multiplied by the S corporation's apportionment percentage from Schedule AP-1, *Apportionment of Income for Corporations and Partnerships*, 150-102-171. See ORS 314.734. Nonresident shareholders are also taxed on their share of nonbusiness income from Oregon sources.

Each individual shareholder of an S corporation may claim their pro rata share of the corporation's business tax credits. See ORS 314.752 and OAR 150-314.752. The credit's allowable for the tax year of the individual in which the S corporation's tax year ends.

Composite returns

Pass-through entities with distributive income attributable to Oregon sources must file a composite return on behalf of its nonresident owners who elect to participate in the composite filing. A nonresident owner is an individual who isn't a resident of Oregon, a business entity that has a commercial domicile outside of Oregon, a nonresident trust, or a qualified funeral trust.

The pass-through entity reports the nonresident owners' share of Oregon-source distributive income on one tax return, Form OC, *Oregon Composite Return*, 150-101-154.

Withholding requirement

An S corporation with one or more nonresident owners who have no other Oregon source income is required to withhold tax on the owner's distributive share of S corporation income. The requirement is waived if the owner makes an election to join in the filing of a composite return, sends us a signed *Oregon Affidavit for a Nonresident Owner in a Pass-through Entity*, 150-101-175, or meets another exception listed in OAR 150-314.775.

Each quarter, the S corporation will complete a Form TPV-19, *Payment of Tax for Nonresident Owners*, 150-101-182 (located with Form OR-19, *Annual Report of Nonresident Owner Tax Payments*, 150-101-182). Send in any required payments with a completed Form TPV-19. At the end of the year, complete Form OR-19 to show how much of each quarterly payment belongs to each nonresident shareholder.

E-file

If you're required to e-file with the IRS, you're also required to e-file for Oregon. We accept calendar year, fiscal year, short year, and amended electronic corporation tax returns utilizing the IRS Modernized e-file platform (MeF). Beginning January 2015, we'll accept e-filed returns for tax year 2014, and will continue accepting returns for 2013 and 2012.

Your tax return software also allows you to make electronic payments when e-filing your **original** return.

For a list of software vendors or for more information, see "e-filing" at www.oregon.gov/dor.

Federal audit changes

If the IRS changes your federal return for any tax year, you **must** notify us. File an amended Oregon return and attach a copy of the federal audit report. Mail this separately from your current year's return to:

Oregon Department of Revenue
PO Box 14777
Salem OR 97309-0960

If you don't amend or send a copy of the federal report, we have two years from the date we're notified of the change by the IRS to issue a deficiency notice. To receive a refund you must file a claim for refund of tax within two years of the date of the federal report.

Amended returns and protective claims

Oregon doesn't have an amended return form for corporations. Use the form for the tax year you're amending and check the "**Amended**" box. If you're amending to change additions, subtractions, or credits, include detail of all items and amounts, including carryovers.

If you change taxable income by amending your federal return you must file an amended Oregon return within **90 days**. Attach a copy of your amended federal return to your amended Oregon return and explain the adjustments made.

If you filed Form 20-S and later determined you should file Form 20, *Oregon Corporation Excise Tax Return*, 150-102-020, check the "**Amended**" box on Form 20.

You may make payments directly online for any amended return at www.oregon.gov/dor.

Don't make payments for amended returns with EFT (Electronic Funds Transfer). This also applies to e-filed amended returns. For paper returns, you may pay online or include a check or money order with your return. For e-filed returns, you may pay online or send a check or money order separately. If you mail your payment separate from your return, write "**Amended**" on the payment and include a completed Form 20-V with the "Amended" box checked.

Don't amend your Oregon return if you amend the federal return to carry a net operating loss back to prior years. Oregon allows corporations to **carry net operating losses forward only**.

On the **estimated tax payments** line on your amended Form 20-S, enter the net excise tax per the original return or as previously adjusted. Don't include any penalty or interest portions of payments already made.

Pay all tax and interest due when you file an amended return or within 30 days after receiving a billing notice from us to avoid being charged a 5 percent late payment penalty.

If paying additional tax with your amended return, you must include interest with your payment. Interest is figured from the day after the due date of your original return up to the day your full payment is received by us. See "Interest rates."

An amended return may be filed as a protective claim to extend the statute of limitations for a refund request for a tax year while an issue is being litigated. Check the "**Amended**" box and write the words "**Protective claim for refund**" at the top. We'll also accept a written letter in place of an amended return. Include the same information in the letter as is required on an amended return. We'll hold your protective claim until you notify us the litigation has been completed.

Note: If a deficiency is assessed against any taxpayer because of a retroactive adoption of federal law changes, we'll cancel any penalty or interest pertaining to these changes. If a taxpayer files an amended return showing a refund due based on the retroactive adoption of federal law changes, we won't pay interest.

Filing checklist

- **Due date of your return.** Returns are due by the 15th day of the month following the due date of your federal corporation return. When the 15th falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.
- **Extensions.** See the instructions for the extension checkbox below. Include your extension as the final page of your return when you file.
- **Business identification number (BIN).** Oregon identifies each corporation using a BIN we assign. You have a BIN if you've made payments to the state of Oregon for payroll taxes; workers' compensation; unemployment; or estimated tax for corporation excise or income tax. If you don't have a BIN, one will be assigned when your return is received.
- **Estimated payments and prepayments.** Please identify all estimated payments claimed by completing Schedule ES on your return. List all payments that were submitted prior to filing your return. Include the corporation name and Federal employer identification number (FEIN) if a payment was made by an affiliate of the filing corporation.
- **Online payments.** You may pay directly online for any return at www.oregon.gov/dor.
- **Making electronic payments with your e-filed return.** We accept electronic payments when e-filing your **original** return.
- **Making check or money order payments with your paper return.** Make your check or money order payable to Oregon Department of Revenue. Write the following on your check or money order:
 - FEIN
 - Oregon BIN
 - Tax year 2014
 - Daytime telephone number

To speed processing:

- Don't use Form 20-V payment voucher
- Don't staple payment to return
- Don't send cash or postdated checks
- Don't use red or purple or any gel ink

Sending check or money order payments separate from filing your return. Follow the instructions above except **DO use a Form 20-V** payment voucher.

- **Assembling and submitting your return.** Submit your Oregon return forms in the following order:

1. Form 20-S, *S Corporation Tax*, 150-102-025;
2. Schedule AP, *Apportionment of Income for Corporations and Partnerships*, 150-102-171;
3. Schedule ASC-CORP, *Oregon Adjustments*, 150-102-033;
4. Form 37, *Underpayment of Corporation Estimated Tax*, 150-102-037;
5. Form 24, *Like-Kind Exchanges/Involuntary Conversions*, 150-800-734;
6. Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Adjustment*, 150-102-167;
7. Other Oregon statements;
8. Oregon credit forms including notice of credit transfers and certifications;
9. Copy of federal tax return and schedules;
10. Federal Schedule K-1s, if less than 11 shareholders during the year, or K-1 Summary (see below); and
11. Form 7004, Federal extension.

- **K-1 Summary.** If you had more than 10 shareholders, attach a summary of shareholder information. Your summary must include each shareholder's name, SSN or FEIN, address, profit/loss sharing percentage, and Oregon modifications and credits. We prefer summaries and K-1s on CD. Label the CD with the entity's EIN, name, and tax year. If your CD is password protected, mail the password separately or e-mail it to s.corporation@dor.state.or.us. Include the S corporation name and identification number with the password.

Tax-due returns, mail to:

Oregon Department of Revenue
PO Box 14790
Salem OR 97309-0470

Refunds or no tax-due returns, mail to:

Oregon Department of Revenue
PO Box 14777
Salem OR 97309-0960

Form instructions

Heading and Checkboxes

- **Name.** Enter your company name as listed on your business registration with the Oregon Secretary of State's office.

On the first line, enter the corporation's true name (as set forth in the charter or legal document creating it). If the corporation is doing business under a different name [for example, a "doing business as (DBA)" name], enter that name on the second line.

- **Excise or income tax checkbox.** Oregon has two types of corporate taxes: excise and income. **Excise tax is the most common.** Most corporations don't qualify for Oregon's income tax. See "Excise or income tax."

Do you pay an excise tax or income tax to Oregon? One box must be checked:

- Excise tax if you do business in Oregon.
 - Income tax if you don't do business in Oregon, but you have taxable income from an Oregon source.
- **Extension checkbox.** For an Oregon extension when you're also filing for a federal extension: Send the federal extension with the Oregon return when you file. Check the "Extension" checkbox on your Oregon return and include the extension after all other attachments. The Oregon extension due date is the 15th day of the month following the federal extension's due date. Don't send the extension until you file your Oregon return.

For an "Oregon only" extension: Answer question 1 on federal extension Form 7004, write "**For Oregon Only**" at the top of the form, and include it with your Oregon return when you file. Check the "**Extension**" checkbox on the Oregon return. The Oregon extension due date is the 15th day of the month following what would be the federal extension's due date. Don't send the extension before you file your Oregon return.

More time to file doesn't mean more time to pay your tax. To avoid penalty and interest, pay tax due prepayments online, or by mail with Form 20-V, on or before the original due date of your return. **Note:** Form 20-V payment voucher isn't an extension of time to file or to pay tax.

- **Form 37 checkbox.** If you have an underpayment, you must include a completed Form 37. Check the "Form 37" box in the header of your return.

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax;
 - Compute the amount of interest you owe on the underpayment; or
 - Show you meet an exception to the payment of interest.
- **Amended checkbox.** Check the "Amended" box if this is an amended return.
 - **Form 24, Deferred gain checkbox.** Corporations may defer, for Oregon tax purposes, all gains realized in the exchange of like-kind property and involuntary conversions under IRC §1031 or §1033, even though the replacement property is outside Oregon. Oregon will tax the deferred gain when it's included in federal taxable income.

Attach a copy of your Form 24, *Oregon Like-Kind Exchanges/Involuntary Conversions*, 150-800-734, to the back of your Oregon return and check the "Form 24" box if all of the following apply:

- The corporation reported deferred gain on a federal Form 8824;
- All or part of the property exchanged or given up was located in Oregon; and
- All or part of the acquired property was located outside of Oregon.

For a more detailed explanation, see OAR 150-314.650 and 150-314.665(5) regarding apportionment of deferred gain.

- **FCG-20, Farm Liquidation Long-Term Capital Gain checkbox.** Reduced tax rate is available if you sold or exchanged capital assets used in farming.

Complete Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Adjustment*, 150-102-167, and check the box in the header of the form.

- **Federal Form 8886 checkbox, REIT/RIC checkbox, and reportable transactions.** If you participate in listed or reportable transactions, you must report it on your Oregon tax return.

If you're required to report listed or reportable transactions to the IRS on federal Form 8886 or if you participated in a real estate investment trust (REIT) or regulated investment company (RIC), you must check the appropriate boxes in the header area of the Oregon tax return.

We'll assess penalties if you don't comply with this requirement or if we discover listed or reportable transactions.

- **Accounting period change checkbox (Excise tax return filers only.)** Check this box only if both of the following apply:

- The excise tax return covers a period of less than 12 months, **and**
- The short-period return is due to a qualified change in accounting period per IRC §441 to §444.

Note: A short-period return doesn't automatically constitute a qualified change in accounting period. A taxpayer that isn't in existence for the entire year shouldn't check this box. This includes subsidiaries that join or leave a consolidated filing group and newly formed or dissolved corporations.

If you file a short-period return due to a qualified change in accounting period and you're subject to the minimum tax, apportion the \$150 minimum tax by multiplying the \$150 minimum tax by the total number of months in short period and dividing by 12.

Questions

Questions A–C. Complete only if this is your first return or the answer changed during the tax year.

Question D. Refer to the current list of North American Industry Classification System (NAICS) codes found with your federal tax return instructions. Only enter the code if this is your first return or the current code is different than you reported for last year.

Question G. If this is the corporation's first return, check the box and provide all information as requested. If the corporation is a successor to a previously existing business in Oregon, check the box and provide all information as requested. You would only check one of the boxes.

Question H. Final returns: A final tax return is required when a corporation has ceased to exist, withdrawn from doing business in Oregon, dissolved, merged, or reorganized. Check the box and provide requested information.

Question J. Taxpayers primarily engaged in utilities or telecommunications may elect to apportion income using double-weighted sales factor formula [OAR 150-314.280(3)]. Check the box if making this election.

Question K. Nonapportioned returns.

S corporations doing business only within Oregon will calculate Oregon sales by adding:

- Gross receipts from sales of inventory (less returns and allowances), equipment, and other assets;
- Gross rent and lease payments received;
- Gross receipts from the performance of services;
- Gross receipts from the sale, exchange, redemption, or holding of intangible assets derived from the taxpayer's primary business activity and included in the taxpayer's business income.
- Net gain from the sale, exchange, or redemption of intangible assets not derived from the taxpayer's primary business activity but included in the taxpayer's business income.

Line instructions

Taxable income. Don't complete lines 1–6 unless you have taxable income and tax on federal Form 1120-S.

S corporations without federal taxable income, built-in gains, or excess net passive income enter -0- calculated tax on lines 7 and 9.

Line 1(a). Enter the amount from Form 1120-S, Schedule D, Part III, line 18.

Line 1(b). Refer to federal Form 1120-S instructions, "Worksheet for line 22a." On Oregon Form 20-S, enter the total of lines 1(a) and 1(b) on line 1.

Additions

Line 2. Total other additions. The amount by which any item of gross income is greater under Oregon law than under federal law, or the amount by which any allowable deduction is less under Oregon law than under federal law, is an addition on your Oregon return. **Enter only additions that apply to taxable income included in line 1.**

Use Schedule ASC-CORP, *Oregon Adjustments*, 150-102-033, to report the amount and description of each addition. Use the numeric description code from the list in Appendix A. The total of all "Other additions" is entered on Form 20-S, line 2.

Important: "Other additions" for S corporations with federal taxable income or LIFO benefit recapture only (**S corporations without federal taxable income, start on line 7**).

"Other additions" include:

- **Charitable donations not allowed for Oregon.** Donations to a charitable organization that has received a disqualifying order from the Attorney General aren't deductible as charitable donations for Oregon tax purposes. Such organizations are required to provide a disclosure to a donor to acknowledge this. The Attorney General will publish on the Internet and otherwise make publicly available information identifying the charitable organizations receiving a disqualification order. If you claimed a federal deduction, an addition must be made on your Oregon return for donations to such charitable organizations.
- **Deferred gain recognized from out-of-state disposition of property acquired in an IRC §1031 or 1033 exchange.** See ORS 317.327 regarding the computation of the addition if gain or loss is recognized for federal tax purposes but not taken into account in the computation of Oregon taxable income.
- **Depreciation differences.** If your Oregon depreciation isn't the same as your federal depreciation, the difference is a required modification to your Oregon return. (ORS 317.301) Use the *Depreciation Schedule for Individuals, Partnerships, Corporations, and Fiduciaries*, 150-101-025 to determine the Oregon modification.
- **Gain or loss on the disposition of depreciable property.** Add the difference in gain or loss on sale of business assets when your Oregon basis is less than your federal basis. (ORS 317.356)
- **Income from sources outside the United States.** Add income from sources outside the United States, as defined in IRC §862, not included in federal taxable income under IRC §861 to §864. (ORS 317.625)

- **Interest income excluded on the federal return.** Oregon gross income includes interest on all state and municipal bonds or other interest excluded for federal tax purposes. Reduce the addition by any interest incurred to carry the obligations and by any expenses incurred in producing this interest income. (ORS 317.309)
- **Oregon excise tax and other state or foreign taxes on or measured by net income.** Oregon excise tax may not be deducted on the Oregon return. Taxes of other states or foreign governments on or measured by net income or profits may not be deducted on the Oregon return. If you subtracted these taxes on your federal return, you must add them back on your Oregon return. However, the Oregon minimum tax and local taxes, such as the Multnomah County Business Income tax, are deductible, and aren't required to be added back. (ORS 317.314)
- **QPAI deduction.** Add to federal taxable income the amount of QPAI deduction per IRC §199 claimed on the federal return. Agricultural or horticultural cooperatives, reduce the addition by the amount passed through to cooperative patrons under IRC §199(d)(3) (A). (ORS 317.398)

Subtractions

Line 3. Total other subtractions. The amount by which an item of gross income is less under Oregon law than federal law, or the amount by which an allowable deduction is greater under Oregon law than federal law, is a subtraction on your Oregon return. **Enter only subtractions that apply to taxable income included in line 1.**

Use Schedule ASC-CORP to report the amount and description of each subtraction. Use the numeric description code from the list in Appendix A. The total of all "Other subtractions" is entered on Form 20-S, line 3.

Important: "Other subtractions" for S corporations with federal taxable income or LIFO benefit recapture only (S corporations without federal taxable income, start on line 7).

"Other subtractions" include:

- **Cancellation of debt (COD) income IRC §108(i).** Taxpayers with income that arose from cancellation of debt for the reacquisition of a debt instrument after December 31, 2008, and before January 1, 2012, for less than its adjusted issue price, were allowed to elect deferral of income recognition for federal purposes, but not for Oregon. The exclusion from federal income created an addition on the Oregon return. As this income is subsequently recognized on your federal return you may subtract for Oregon the amount that was previously included in Oregon income. (ORS 317.301)
- **Deferred gain recognized from out-of-state disposition of property acquired in an IRC §1031 or 1033**

exchange. See ORS 317.327 regarding the computation of the subtraction if gain or loss is recognized for federal tax purposes but not taken into account in the computation of Oregon taxable income.

- **Depreciation differences.** If your Oregon depreciation isn't the same as your federal depreciation, the difference is a required modification to your Oregon return. (ORS 317.301) Use the *Depreciation Schedule for Individuals, Partnerships, Corporations, and Fiduciaries*, 150-101-025 to determine the Oregon modification.
- **Film production labor rebate.** Subtract the amount received as a labor rebate and included in federal taxable income in determining your Oregon taxable income. (ORS 317.394)
- **Gain or loss on the sale of depreciable property.** The difference in gain or loss on the sale of business assets when your Oregon basis is greater than your federal basis. (ORS 317.356)
- **Interest on obligations of the United States and its instrumentalities included in Form 20-S, line 1. This applies to income tax filers only. Reduce the subtraction by any expenses incurred to produce this interest income.**
- **Losses from outside the United States.** Subtract losses from sources outside the United States, as defined in IRC §862, not included in federal taxable income under IRC §861 to §864. (ORS 317.625)
- **Manufactured dwelling park tenant payments** made under ORS 90.505 to 90.840 to compensate a tenant for costs incurred due to the closure of the park may be subtracted. (ORS 317.092)
- **Sale of manufactured dwelling park.** The taxable gain attributable to the sale of a manufactured dwelling park to a tenant's association, facility purchase association or tenant's association supported nonprofit organization is exempt from tax (note following ORS 317.401).
- **State of Oregon interest income included on line 1 (income filers only).** Interest income from obligations of the state of Oregon isn't taxable if the obligation was issued after May 24, 1961. Reduce the subtraction by any expenses incurred to produce this interest income.

Net loss deduction

- Use **line 5** for Oregon net loss carried over from a year the corporation was a C corporation.
- Net losses are allowed as a deduction against built-in gain income only.
- The Oregon deduction is the sum of unused net losses assigned to Oregon for preceding taxable years.
- An NOL carryforward is required to be reduced by the entire Oregon taxable income of intervening tax years. [ORS 317.476(4)(b)]

- Net losses can be carried forward up to 15 years to offset built-in gain income. (ORS 314.740)
- Oregon doesn't allow net losses to be carried back.
- **Attach a schedule** showing your computations.

Tax

Line 7. Calculated tax. Don't enter the minimum tax on this line.

All S corporations **without** federal taxable income, built-in gains, or excess net passive income enter -0- on lines 7 through 9 and go to line 10. S corporations **with** federal taxable income, built-in gains, or excess net passive income must determine and enter the calculated tax as follows:

- Is Oregon taxable income \$1 million or less? If so, multiply Oregon taxable income by 6.6 percent and enter the result. Enter -0- if the result is negative or zero.
- Is Oregon taxable income greater than \$1 million? If so, multiply the amount that's greater than \$1 million by 7.6 percent, and add \$66,000. Enter the result.

Line 8. FCG-20 adjustment. A reduced tax rate is available if you sold or exchanged capital assets used in farming. Subtract the amount of adjustment for tax on net long-term capital gain from farm property from line 9 of Worksheet FCG-20. (ORS 317.063)

Line 9. Total calculated tax (line 7 minus line 8).

Line 10. Minimum tax.

Excise tax filers. S corporations doing business in Oregon enter \$150 minimum tax.

Reminder: The minimum tax isn't apportionable for a short tax year (except a change of accounting period).

Income tax filers. S corporations not doing business in Oregon, but with Oregon-source income don't pay minimum tax. Enter -0- for minimum tax.

Line 11. Tax (greater of line 9 or line 10). Oregon tax is the greater of total calculated tax or minimum tax.

Line 12. Tax adjustment for installment sales interest. If you owe interest on deferred tax liabilities with respect to installment obligations under ORS 314.302, enter the amount of interest. Attach a schedule showing how you figured the interest.

Line 13. Tax before credits (line 11 plus line 12).

Credits

Important:

- If you're claiming credits that require certification, make sure to include a copy of the certification with your return.
- Only credits carried forward from C corporation years are allowed on the S corporation return.

- These credit carryforwards are only allowed to offset the tax on built-in gains [ORS 314.740(5)(b)]. No credits are allowed to offset the tax on excess net passive income or minimum tax.
- Remember to attach any documentation required to be submitted to claim credits, including certifications.

Line 14. Total other credits. Use Schedule ASC-CORP to report the amount and description of "Other credits". Use the numeric description code from the list in Appendix A. The total of all "Other credits" is entered on Form 20-S, line 14. These credits can apply to tax on recognized built-in gains only.

For a complete list and description of all Oregon corporation credits, including links to certifying agencies and forms, visit www.oregon.gov/dor/business, click on "Corporate Taxes" on the left navigation bar, then click on "2014 Credits" under "What's new for 2014".

Line 15. Tax after credits (line 13 minus line 14).

Line 16. LIFO benefit recapture addition. Oregon has adopted the provisions of IRC §1363(d) for S corporations. LIFO benefits are included in taxable income for the last year of the C corporation under these provisions. On the LIFO benefits line of each of the first three returns of the new S corporation, add one-third of the tax that was deferred from the last year of the C corporation. The tax on LIFO benefit recapture is in addition to all other taxes, including Oregon minimum tax for excise tax filers. Attach the computation schedule to the Oregon return. (ORS 314.750)

Net tax

Line 17. Net tax. Enter line 15 plus line 16.

Payments, penalty, interest, and UND

Line 18. Estimated tax and prepayments.

Estimated tax paid for the tax year. Fill in the total estimated tax payments made before filing your Oregon return.

Schedule ES—Estimated payments or other prepayments. Fill in the total estimated tax payments and any payments made with Form 20-V. Also include any refund applied from your previous year's tax return or an Oregon amended return. List name and FEIN of payer only if different from corporation filing this return. On line 6, enter payments made with your extension or other prepayments.

Total. On line 7, enter the total of lines 1 through 6, then carry total to Form 20-S, line 18.

Line 21. Penalty. To avoid penalty and interest, you must mail any tax payment owed by the original due date of the tax return. You must also mail your tax return by the original due date, or by the extended due date if you file with a valid extension attached.

Enter the following penalties on your return if they apply.

- **5 percent failure-to-pay penalty.** Include a penalty payment of 5 percent of your unpaid tax if you don't pay by the original due date, even if you have an extension of time to file.

Exception: You won't be charged the 5 percent failure-to-pay penalty if you meet all of the following requirements:

- You have a valid federal or Oregon extension, and
- You pay at least 90 percent of your tax after credits by the original due date of the return, and
- You file your return within the extension period, and
- You pay the balance of tax due when you file your return, and
- You pay the interest on the balance of tax due when you file your return or within 30 days of the date of the bill you receive from us.

If you filed with a valid extension but didn't pay 90 percent of your tax by the original due date, you'll be charged the 5 percent failure-to-pay penalty.

- **20 percent failure-to-file penalty.** Include a penalty payment of 20 percent of your unpaid tax if you don't file your return within three months after the due date (including extensions). The failure-to-file penalty is in addition to the 5 percent failure-to-pay penalty.
- **100 percent late pay and late filing penalty.** Include a penalty payment of 100 percent of your unpaid tax if you don't file returns for three consecutive years by the original or extended return filing due date of the third year. A 100 percent penalty is assessed on each year's tax balance.

Line 22. Interest. You must pay interest on unpaid taxes if you don't pay the tax balance by the original filing due date. An interest period is each full month, starting with the day after the due date of the original return. For example, April 16 through May 15 is one full interest period. If you file an amended return and have tax to pay, we'll charge interest starting the day after the due date of the original return until the date you pay in full.

Interest owed on tax starts the day after the due date of your original return and ends on the date of your payment. Interest is figured daily for a fraction of a month, based on a 365-day year. If your taxable income is changed because of a federal or state audit and you owe more tax, we'll charge interest from the due date of the original return to the date you pay in full.

Even if you get an extension to file, you'll owe interest if you pay after the return's original due date.

To calculate interest:

$$\text{Tax} \times \text{Annual interest rate} \times \text{Number of full years.}$$

$$\text{Tax} \times \text{Monthly interest rate} \times \text{Number of full months.}$$

$$\text{Tax} \times \text{Daily interest rate} \times \text{Number of days.}$$

Interest rates and effective dates:

For periods beginning	Annually	Monthly	Daily
January 1, 2015	4%	0.3333%	0.0110%
January 1, 2014	4%	0.3333%	0.0110%
January 1, 2013	4%	0.3333%	0.0110%
January 1, 2012	5%	0.4167%	0.0137%

Interest accrues on any unpaid tax during an extension of time to file.

Interest will increase by one-third of 1 percent per month (4 percent yearly) on delinquencies if:

- You file a return showing tax due, or we assessed an existing deficiency; and
- The assessment isn't paid within 60 days after the notice of assessment is issued; and
- You haven't filed a timely appeal.

Line 23. Interest on underpayment of estimated tax (UND). You must make quarterly estimated tax payments if you expect to owe \$500 or more with your return. This includes Oregon's minimum tax. Oregon charges UND if:

- The quarterly payment is less than the amount due for that quarter; or
- We receive the quarterly payment after that quarter's due date; or
- No quarterly payments are made during the year and the final tax debt is \$500 or more.

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax;
- Compute the interest you owe on the underpayment; or
- Show you meet an exception to the payment of interest.

If you have an underpayment, attach Form 37—with the "Form 37" box checked—to your tax return, and file them before the due date of the return.

If your current year corporation tax liability, including the minimum tax, is less than \$500 you're not required to make estimated payments. Don't complete this form. However, this provision doesn't apply to a high-income taxpayer. A "**high-income taxpayer**" is one that had federal taxable income before net operating loss and capital loss carryovers and carrybacks of \$1 million or more in any one of the last three years, not including the current year.

Total due or refund

Line 25. Total due. See "Filing checklist."

Special instructions

- If you owe penalty or interest and have an overpayment on line 20, and your overpayment is less than total penalty and interest, then fill in the result of line 24 minus line 20, on line 25.
- If you mail a check or money order to pay tax, penalties, or interest **separate** from filing your tax return, include Form 20-V. (Form 20-V must include a payment, don't send unless a check or money order is included.)

Line 27. Amount of refund to be credited to estimated tax. You may elect to apply part or all of your refund to your next estimated tax payment installment. Fill in the amount you want to apply. Your election is irrevocable.

We will apply the elected amount to the estimated tax installment that next becomes due on or after the due date of your return (not including extensions) or the date the overpayment of tax was made, whichever is later. The application will be credited as of the due date of your return (not including extensions) or the date the overpayment of tax was made, whichever is later.

Schedule SM instructions

Schedule SM is for reporting Oregon modifications to federal taxable income that are passed through to shareholders. If items of income, loss, or deduction are different under Oregon and federal law, indicate the federal schedule K-1 line and amount of the modification.

Note: Don't use Schedule ASC-CORP codes for Schedule SM additions and subtractions.

Line 1. Interest on government bonds of other states. Enter interest the corporation received from states and local governments other than Oregon and its municipalities. Example: Include interest from state of Washington bonds or San Francisco city bonds, but omit interest from Oregon government bonds.

Line 2. Gain or loss on the sale of depreciable property. Enter the difference in gain or loss on the sale of business assets when your Oregon basis is less than your basis for federal purposes. (ORS 316.716)

Line 3. Other additions. See ORS 316.680–316.848. Examples of other additions are:

- Gain from involuntary conversion. The S corporation shall make the election to defer gain from the involuntary conversion of property owned by it.
- Depletion in excess of basis.
- High yield discount obligation interest.

Line 5. Interest from U.S. government. Enter the amount of interest received from the U.S. government, its instrumentalities, and organizations that invest in U.S. government securities.

Line 6. Gain or loss on the sale of depreciable property. Enter the difference in gain or loss on the sale of business assets when the Oregon basis is greater than it's for federal purposes. (ORS 316.716)

Line 7. Work opportunity credit wage reductions. Were salaries and wages on federal Form 1120-S reduced for the work opportunity tax credit? Enter the amount of reduction here.

Line 8. Other subtractions. See ORS 316.680 through 316.848 and ORS 314.734(4) and (5). You may subtract the Oregon corporation tax paid on built-in gains reported on line 1 of the return. Examples of "Other subtractions" include:

- Local government bond interest.
- Like-kind exchanges.
- High yield discount obligation dividends.
- Sale of public utility dividend reinvestment plan stock.
- Depreciation of basis differences due to claiming a federal tax credit.
- Long-term capital gains from sale of farm.

Each shareholder's share of additions and subtractions must be reported to the shareholder. These amounts may be added to the federal K-1s and labeled "Oregon additions" and "Oregon subtractions." Nonresident shareholders must report their ownership percentage of modifications, multiplied by the S corporation's Oregon apportionment percentage from Schedule AP.

Appendix A

Corporation Form 20-S

2014 Schedule ASC-CORP Codes

Other additions

Description	Code	Description	Code
Charitable donations not allowed for Oregon	132	Interest income excluded on federal (state, municipal and other interest income)	150
Deferred gain from out-of-state disposition of property	118	Oregon excise tax and other tax	151
Depreciation differences	174	QPAI deductions	102
Gain or loss on disposition of depreciable property	158	Uncategorized addition (must attach explanation)	199
Income from sources outside U.S.	159		

Other subtractions

Description	Code	Description	Code
Cancellation of debt (COD) income §108(i)	365	Losses from outside U.S.	358
Deferred gain from out-of-state disposition of property	352	Manufactured dwelling park tenant payments	344
Depreciation differences	353	Sale of manufactured dwelling park	338
Film production labor rebate	336	State of Oregon interest income (income filers only)	364
Gain or loss on sale of depreciable property	356	Uncategorized subtraction (must attach explanation)	399
Interest on U.S. obligations and instrumentalities (income filers only)	361		

Other credits (carryforward from prior C corporation status only)

Description	Code	Description	Code
Agricultural workforce housing construction	912	Fish screening devices	914
Alternative fuel vehicle fueling stations	401	Individual development accounts	915
Alternative fuel vehicle fund (auction)	953	Lender's credit: affordable housing	902
Biomass production or collection	943	Lender's credit: energy conservation	409
Business energy conservation facilities	903	Long-term rural enterprise zone facilities	904
Child Care Office contributions	905	Pollution control facilities	925
Contributions of computers or scientific equipment for research	900	Qualified equity investment	906
Crop donation	403	Qualified research activities	919
Dependent care assistance (employer provided)	907	Qualified research alternative	913
Dependent care facilities (employer provided)	901	Reforestation	410
Diesel engine replacement	404	Renewable energy development contribution	949
Diesel engine repower or retrofit	405	Uncategorized credit carryforward (must attach explanation)	999
Electronic commerce in enterprise zone or city	910	University venture development fund contributions	939
Employee and dependent scholarship program payments	911	Voluntary removal of riparian land from farm production	411
Energy conservation project	950	Weatherization lender's credit	917
Energy manufacturing facility	948	Wolf depredation	918
Energy transportation project	951		
Film production development contributions	937		

Items with a specific line on the form don't have a code. See Form 20-S.

Appendix B

Oregon Corporation Form 20-S

2014 Tax Rates and Minimum Tax

Note: Corporation **excise** tax filers pay the greater of calculated tax or minimum tax.

Calculated Tax

S corporations without federal taxable income, built-in gains, or excess net passive income generally have -0- calculated tax. These corporations pay minimum tax if they are **excise** tax filers.

If Oregon taxable income is:

- \$1 million or less, multiply Oregon taxable income by 6.6% (not below zero).
- more than \$1 million, multiply the amount that's more than \$1 million by 7.6%, and add \$66,000.

Minimum Tax

S corporation minimum tax is \$150 for **excise** tax filers.

Note: Income tax filers pay only calculated tax. They are not subject to minimum tax.