

# Chapter 318

## 1961 REPLACEMENT PART

(1963 reprint)

### Corporation Income Tax

<b>318.010</b>	<b>Short title; State Tax Commission to administer chapter</b>	<b>318.046</b>	<b>Net losses of prior years allowed as deduction in computing net income</b>
<b>318.020</b>	<b>Imposition of tax</b>	<b>318.050</b>	<b>Computation of tax upon change of taxable status or tax rate</b>
<b>318.030</b>	<b>Provisions of ORS chapter 314 and certain other statutory provisions applicable</b>	<b>318.060</b>	<b>Rules and regulations; personnel</b>
<b>318.040</b>	<b>Exempt corporations</b>	<b>318.070</b>	<b>Disposition of revenue</b>
<b>318.044</b>	<b>Depreciation allowance in computing net income</b>		

#### CROSS REFERENCES

Administration, enforcement and adjudication of revenue laws generally, Ch 305  
General provisions relating to income taxation, Ch 314  
State development credit corporation, exemption, 63.340

Verification of documents filed under tax laws, falsification prohibited, 305 810, 305 815  
When tax document deemed filed with tax official, 305 820

**318.010 Short title; State Tax Commission to administer chapter.** This chapter shall be known and may be cited as the Corporation Income Tax Act of 1955, and it shall be administered by the State Tax Commission.

[1955 c 334 §1]

**318.020 Imposition of tax.** (1) There hereby is imposed upon every corporation for each taxable year a tax at the rate of eight percent upon its net income derived from sources within this state after August 3, 1955, other than income for which the corporation is subject to the tax imposed by the Corporation Excise Tax Law of 1929 (ORS chapter 317) according to or measured by its net income. For tax years beginning on and after January 1, 1957, the tax rate shall be six percent.

(2) Income from sources within this state includes income from tangible or intangible property located or having a situs in this state and income from any activities carried on in this state, regardless of whether carried on in intrastate, interstate or foreign commerce.

(3) The 1961 amendments to this section shall apply to net income derived from sources within this state after August 3, 1955.

[1955 c 334 §2, 1957 c 607 §9, 1957 c 633 §1, 1961 c 55 §1, subsection (3) enacted as 1961 c 55 §2]

**318.030 Provisions of ORS chapter 314 and certain other statutory provisions applicable.** It being the intention of the Legislative Assembly that this chapter and the Corporation Excise Tax Law of 1929 shall be administered as uniformly as possible (allowance being made for the difference in imposition of the taxes and the operative date of this chapter), the provisions of ORS 305.140, 305.150, 314.405, ORS chapter 314 and of the following sections of ORS chapter 317, as amended on or before August 3, 1955, and as they may thereafter be amended, are incorporated into this chapter by this reference and made a part hereof: ORS 317.010, 317.030, 317.035, 317.080, 317.105, 317.110, 317.155, 317.160, 317.165, 317.170, 317.175, 317.206, 317.210, 317.216 (except that wherever the words "December 31, 1928" or "January 1, 1929" appear, there shall be substituted "August 3, 1955"), 317.220, 317.225, 317.231, 317.236, 317.241, 317.245, 317.249, 317.255, 317.260, 317.262, 317.265 (except that subsection (4) shall read: "Taxes which became due and payable

before January 1, 1956"); 317.270, 317.275, 317.280, 317.290, 317.295, 317.300, 317.305, 317.360, 317.390, 317.395, 317.450, 317.510 and 317.515.

[1955 c 334 §3, 1957 c 74 §3]

**318.040 Exempt corporations.** In addition to the corporations exempt from the provisions of this chapter by the incorporation in this chapter of ORS 317.080, there shall also be exempt those foreign corporations whose activities in this state are confined to purchases of personal property, and the storage thereof incident to shipment outside the state, unless such foreign corporation is an affiliate of another foreign or domestic corporation which is doing business in Oregon or is subject to this chapter. Whether or not corporations are affiliated shall be determined as provided in ORS 317.360.

[1955 c 334 §4]

**318.044 Depreciation allowance in computing net income.** (1) In computing net income there shall be allowed as a deduction a reasonable allowance for the depreciation, exhaustion, wear and tear and obsolescence of property used in the business. In no case shall the total amount recoverable through the depreciation allowance over the life of the property be in excess of the basis of the property as computed under subsection (5) of this section.

(2) "Reasonable allowance," as used in subsection (1) of this section, includes an allowance computed in accordance with regulations prescribed by the commission under any of the following methods:

(a) The straight-line method;

(b) The declining balance method, using a rate not exceeding twice the rate which would have applied had the annual allowance been computed under paragraph (a) of this subsection;

(c) The sum-of-the-years digits method; and

(d) Any other consistent method approved by the commission.

(3) The regulations prescribed by the commission pursuant to this section shall be designed to permit the adoption and use by the taxpayer of a uniform method of computing its allowance for depreciation for the purposes of this chapter and for federal income tax purposes.

(4) Paragraphs (b), (c) and (d) of subsection (2) of this section shall apply only

in the case of property (other than intangible property) described in subsection (1) of this section with a useful life of three years or more:

(a) The construction, reconstruction or erection of which is completed after December 31, 1956, and then only to that portion of the basis which is properly attributable to such construction, reconstruction or erection after December 31, 1956; or

(b) Acquired after December 31, 1956, if the original use of such property commences with the taxpayer and commences after such date.

(5) The basis recoverable through depreciation allowance in respect of any property shall be:

(a) In the case of property acquired before January 1, 1929, the cost of the property (or, in the case of property acquired other than by purchase, the fair market value of the property at the date of acquisition) less depreciation properly chargeable against the property prior to January 1, 1929.

(b) In the case of property acquired after December 31, 1928, the same basis as for gain or loss upon the disposition of such property as provided in ORS 317.210 to 317.220.

(6) The additions to this chapter, consisting of paragraphs (b) to (d) of subsection (2) of this section and subsections (3) and (4) of this section, made by chapter 15, Oregon Laws 1957 (special session), shall apply to all tax years beginning on and after January 1, 1957.

[1957 (s s) c 15 §§14, 15]

#### **318.046 Net losses of prior years allowed as deduction in computing net income.**

(1) In computing net income there shall be allowed as a deduction an amount equal to the aggregate of the net losses of prior years to the extent provided in this section.

(2) As used in this section, "net loss" means the total of the deductions allowed by this chapter in arriving at net income, reduced by the gross income, if any, with a limitation provided in subsection (3) of this section.

(3) In computing the net loss for any taxable year the net loss for a prior year shall not be allowed as a deduction.

(4) (a) The net loss in any taxable year shall be allowed as a deduction in any of the five succeeding taxable years.

(b) The amount of the net loss deduct-

ible in any taxable year shall be the net loss of a prior year reduced by the net income (computed without the net loss deduction) of any intervening taxable year or years between the year of loss and the succeeding taxable year in which the net loss deduction is claimed.

(c) The net loss of the earliest taxable year shall be exhausted before a net loss from a later year may be deducted.

(5) For the purpose of establishing a net loss under this section, an original or amended return for any taxable year may be filed, at the option of the taxpayer, with the commission within the period during which a claim for refund might be filed for the same taxable year under ORS 314.415. The filing of any such original or amended return shall not operate to extend the period during which the commission might otherwise assess any tax for such taxable year or during which the taxpayer might otherwise file a claim for refund of taxes paid with respect to such year.

(6) This section, including the 1959 amendments, applies only to net losses occurring after December 31, 1956.

[1957 (s s) c 15 §§16, 17, 1959 c 92 §3]

**318.050 Computation of tax upon change of taxable status or tax rate.** If the taxable status of a corporation under this chapter changes, or if any rate of tax imposed by this chapter changes, and if the taxable year includes the effective date of the change (unless that date is the first day of the taxable year), then tentative taxes shall be computed by applying the rate for the period before the effective date of the change, and the rate for the period on and after such date, to the taxable income for the entire taxable year, and the tax for such taxable year shall be the sum of that proportion of each such tentative tax which the number of days in each such period bears to the number of days in the entire taxable year. A corporation shall be deemed to have changed its taxable status on the effective date of this Act (August 3, 1955), or of any subsequent Act under which it first becomes subject to this chapter; and a corporation which at any time ceases to be subject to this chapter shall be deemed to have changed its taxable status at that time.

[1955 c 334 §6]

**318.060 Rules and regulations; personnel.** The State Tax Commission is authorized to employ such personnel, and prescribe and prepare such rules, regulations, forms and tables as are necessary to place this chapter in operation.

[1955 c 334 §7, 1957 c 528 §5]

**318.070 Disposition of revenue.** The net revenue from the tax imposed by this chapter shall be paid over to the State Treasurer

and held by him in the General Fund as miscellaneous receipts available generally to meet any expense or obligation of the State of Oregon lawfully incurred. A working balance of unreceipted revenue from the tax imposed by this chapter may be retained by the State Tax Commission for the payment of refunds, but such working balance shall not at the close of any fiscal year exceed the sum of \$50,000.

[1955 c 334 §5]

#### CERTIFICATE OF LEGISLATIVE COUNSEL

Pursuant to ORS 173.170, I, Sam R. Haley, Legislative Counsel, do hereby certify that I have compared each section printed in this chapter with the original section in the enrolled bill, and that the sections in this chapter are correct copies of the enrolled sections, with the exception of the changes in form permitted by ORS 173.160 and other changes specifically authorized by law.  
Done at Salem, Oregon,  
on December 1, 1961.

Sam R. Haley  
Legislative Counsel