

Chapter 317

1981 REPLACEMENT PART

Corporation Excise Tax

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GENERAL PROVISIONS

317.005 Short title. This chapter may be cited as the Corporation Excise Tax Law of 1929.

317.010 Definitions. As used in this chapter, unless the context requires otherwise:

(1) "Centrally assessed corporation" means every corporation the property of which is assessed by the Department of Revenue under ORS 308.505 to 308.730.

(2) "Department" means the Department of Revenue.

(3) "Corporation" includes every corporation and every company, joint stock company, joint stock association, business, trust, society or other association wherein interest or ownership is evidenced by certificates or other written instruments or wherein the interest or rights of stockholders, members, associates or beneficiaries are represented or evidenced by units or shares.

(4) "Cost" means the price paid for property.

(5) "Distribution in complete liquidation" means a single and final distribution or any one of a series of distributions made by a corporation in complete cancellation or redemption of all its stock in accordance with a bona fide plan of liquidation and dissolution.

(6) "Distribution in partial liquidation" means a distribution, or one of a series of distributions, by a corporation in complete cancellation or redemption of a part of its stock.

(7) "Dividend" means any distribution (except distributions in complete or partial liquidation of a corporation) made by a corporation to its stockholders, whether in money or in other property, (a) out of its earnings or profits whenever accumulated or (b) out of the earnings or profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year), without regard to the amount of the earnings and profits at the time the distribution was made. Every distribution is deemed to have been made out of earnings or profits to the extent thereof, and from the most recently accumulated earnings or profits.

(8) "Doing business" means any transaction or transactions in the course of its activities conducted within the state by a national banking association, or any other corporation;

provided, however, that a foreign corporation whose activities in this state are confined to purchases of personal property, and the storage thereof incident to shipment outside the state, shall not be deemed to be doing business unless such foreign corporation is an affiliate of another foreign or domestic corporation which is doing business in Oregon. Whether or not corporations are affiliated shall be determined as provided in ORS 314.363.

(9) "Excise tax" means a tax measured by or according to net income imposed upon national banking associations, all other banks, and financial, centrally assessed, mercantile, manufacturing and business corporations for the privilege of carrying on or doing business in this state.

(10) "Financial institution" or "financial corporation" means a bank or trust company organized under ORS chapter 707, national banking association or production credit association organized under federal statute, building and loan association, savings and loan association, mutual savings bank, and any other corporation whose principal business is in direct competition with national and state banks.

(11) "Fiscal year" means an accounting period of 12 months or portion thereof ending on the last day of any month other than December.

(12) "Paid," for the purpose of deductions under this chapter, means "accrued or paid" or "incurred or paid." The words "accrued or paid," "incurred or paid" and "incurred" shall be construed according to the method of accounting upon the basis of which the net income is computed under this chapter.

(13) "Received," for the purpose of the computation of net income under this chapter, means "accrued or received." The words "accrued or received" shall be construed according to the method of accounting upon the basis of which the net income is computed under this chapter.

(14) "Stock dividend" means any distribution by a corporation to a stockholder of stock in the distributing corporation, or of rights to acquire such stock, where by the distribution the preexisting proportionate interest of the stockholder in the corporation is changed.

(15) "Stockholder" means any owner or holder of any certificate, unit or share representing or evidencing an interest in a corporation.

(16) "Taxpayer" includes every national banking association, bank, building and loan association, savings and loan association, mutual savings bank, and financial, centrally assessed, manufacturing, mercantile or business corporation subject to the tax imposed by this chapter.

(17) "Taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under this chapter. "Taxable year" includes, in the case of a return made for a fractional part of a year, the period for which such return is made. The first taxable year, to be called the taxable year 1929, shall be the calendar year 1929.

(18) As used in ORS 317.076, 317.078, 317.197, 317.199 and 317.299, "domestic insurer" has the meaning defined by ORS 731.082 (1) and 731.142 (1) and (2) but does not include title insurers or health care service contractors operating pursuant to ORS 750.005 to 750.065. [Amended by 1953 c 385 §9, 1959 c 631 §1, 1963 c 571 §1, subsection (18) enacted as 1969 c 600 §2, 1975 c 368 §4, 1977 c 866 §2]

317.015 [Repealed by 1957 c 632 §1 (314 075 and 314 080 enacted in lieu of 316 025, 316 030, 317 015 and 317 020)]

317.016 "Regulated investment company" defined; subject to provisions of federal law. (1) As used in this chapter, "regulated investment company" means a corporation which is recognized by the federal Internal Revenue Service as a regulated investment company within the provisions of the Internal Revenue Code (1954), section 851.

(2) For the purposes of this chapter, a regulated investment company in Oregon is subject to the definitions, limitations, requirements and rules found in the federal Internal Revenue Code (1954), sections 851 to 855, and federal regulations promulgated in connection therewith.

(3) Any reference in this section and 317.156 to the Internal Revenue Code of the United States and to regulations promulgated thereunder means the federal Internal Revenue Code of 1954 and amendments thereto and pertinent regulations thereunder in effect for the taxable year of the taxpayer. [1967 c.274 §§2, 3, 5, 1975 c 705 §10]

317.020 [Repealed by 1957 c.632 §1 (314 075 and 314 080 enacted in lieu of 316.025, 316 030, 317.015 and 317 020)]

317.025 Omission of previously enacted savings clauses not intended as repeal. The omission from the Oregon Revised Statutes of those statutes which were part of Acts amending the statutes that constitute the source of this chapter and which provided savings clauses for the statutes amended, is not intended as a repeal of them. Such statutes shall, in so far as they are applicable, continue to be so applicable.

317.030 License fees not repealed. Nothing in this chapter shall be construed to repeal the present capital stock tax or annual corporation license fee otherwise provided for by law.

317.035 Effect of subsequent repeal of chapter. In the event of repeal of this chapter, unless otherwise specifically provided in the repeal, this chapter shall remain in full force for the assessment, imposition and collection of the tax and all interest, penalty or forfeitures which have accrued or may accrue in relation to any such tax for the calendar year in which the tax is repealed.

IMPOSITION OF TAX; OFFSET AGAINST TAX

317.055 [Amended by 1957 c 607 §1, subsection (2) of 1961 Replacement Part derived from 1957 c 607 §11 and 1957 s s c 5 §1, 1963 c 571 §2; repealed by 1975 c 368 §8]

317.056 Financial corporations; taxes subject to. Except as otherwise required by federal law, every financial corporation located within this state shall be subject to county, city, district, political subdivision and all other local taxes imposed generally on a non-discriminatory basis throughout the jurisdiction of the taxing authority, at the same rates and in all respects in the same manner and to the same extent as are mercantile, manufacturing and business corporations, and shall pay annually to the state an excise tax according to or measured by its net income, to be computed in the manner provided by this chapter at the rates provided in ORS 317.061. [1975 c.368 §3]

317.060 [Amended by 1957 c.607 §2, subsection (2) of 1961 Replacement Part derived from 1957 c 607 §11 and 1957 s s c 5 §1, 1963 c 571 §3, repealed by 1975 c 368 §8]

317.061 Tax rate. (1) For tax years beginning on or after January 1, 1976, but prior to January 1, 1977, the rate of the tax is six and one-half percent.

(2) For tax years beginning on or after January 1, 1977, but prior to January 1, 1978, the rate of the tax is seven percent.

(3) For tax years beginning on or after January 1, 1978, the rate of the tax is seven and one-half percent. [1975 c 368 §2]

317.065 [Repealed by 1975 c 368 §8]

317.066 Definitions for ORS 317.067.

As used in ORS 317.067:

(1) "Association property" means:

- (a) Property held by the organization;
- (b) Property commonly held by the members of the organization;
- (c) Property within the organization privately held by the members of the organization; and

(d) Property owned by a governmental unit and used for the benefit of the residents of the unit.

(2) "Condominium management association" means any organization meeting the requirements of paragraph (a) of subsection (3) of this section with respect to a condominium project substantially all of the units of which are used as residences.

(3) "Homeowners association" means an organization which is a condominium management association or a residential real estate management association if:

(a) The organization is organized and operated to provide for the acquisition, construction, management, maintenance and care of association property; and

(b) Sixty percent or more of the gross income of the organization for the taxable year consists solely of amounts received as membership dues, fees or assessments from owners of residential units in the case of a condominium management association or owners of residences or residential lots in the case of a residential real estate management association; and

(c) Ninety percent or more of the expenditures of the organization for the taxable year are expenditures for the acquisition, construction, management, maintenance and care of association property; and

(d) No part of the net earnings of the organization inures (other than by acquiring, constructing or providing management, maintenance and care of association property, and other than by a rebate of excess membership

dues, fees or assessments) to the benefit of any private shareholder or individual; and

(e) The organization annually elects not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof) to have this section apply for the taxable year. The period so elected shall be adhered to in computing the taxable income of the corporation for the taxable year for which the election is made.

(4) "Homeowners association taxable income" means the taxable income of a homeowners association as determined for federal internal revenue purposes pursuant to section 528 of the federal Internal Revenue Code of 1954 and pertinent federal regulations. However, net capital gains shall be included in the computation of homeowners association taxable income and shall receive no special treatment for purposes of ORS 317.067

(5) "Residential real estate management association" means any organization meeting the requirement of paragraph (a) of subsection (3) of this section with respect to a subdivision, development or similar area substantially all the lots or buildings of which may only be used by individuals for residences. [1977 c 597 §2]

317.067 Tax on homeowners association income. A tax is hereby imposed for each taxable year on the homeowners association taxable income of every homeowners association at the rates provided in ORS 317.061 and as though the homeowners association were a corporation as defined in ORS 317.010 (3). An electing homeowners association shall be subject to taxation measured by or imposed upon income only to the extent provided in ORS 317.066 and this section. [1977 c 597 §3]

317.070 Tax on centrally assessed, mercantile, manufacturing and business corporations; offset against tax. (1) Every centrally assessed corporation, the property of which is assessed by the Department of Revenue under ORS 308.505 and 308.730, and every mercantile, manufacturing and business corporation doing or authorized to do business within this state, except as provided in ORS 317.080 and 317.090, shall annually pay to this state, for the privilege of carrying on or doing business by it within this state, an excise tax according to or measured by its net income, to be computed in the manner provided by this chapter, at the rates provided in ORS 317.061.

(2) (a) Each corporation subject to subsection (1) of this section which is engaged in this state or elsewhere in manufacturing, processing or assembling materials into finished products for purposes of sale is entitled to an offset of certain personal property taxes against the tax imposed by subsection (1) of this section.

(b) The offset shall be either (A) the amount of taxes assessed to it pursuant to ORS chapter 308 and actually paid by it upon its properly classified tangible personal property and allocable to its raw materials and other materials which become a part of the finished product, goods in process and finished goods produced by it and held for sale as described in the preceding paragraph or (B) such taxes in an amount equal to one-third of its excise tax payable under this chapter, whichever is the lesser. The amount of the offset shall be diminished by any discount allowed and shall not be increased by any interest charged under ORS 311.505 or 311.515.

(3) Except as hereinafter provided in this section, each corporation subject to subsection (1) of this section is entitled also to an offset against the tax imposed by subsection (1) of this section equal to the amount of personal property taxes assessed to and paid by it on any of the following property:

(a) Ores, metals or metal sources shipped from outside Oregon to the corporation's plant within Oregon for reduction or refinement by electrolytic process, which are in storage awaiting such reduction or refinement or which are in the process of electrolytic reduction or refinement.

(b) Metals in molded or bar form after reduction or refinement into such form by electrolytic process.

Taxes used as an offset under subsection (2) of this section shall not be allowed as an offset under this subsection.

(4) If a corporation uses any of the offset provisions of this section, no personal property taxes of the kind described in this section shall be allowed as a deduction under ORS 317.265.

(5) If any personal property taxes used as an offset under subsection (2) or (3) of this section are refunded by a county to the taxpayer, this fact shall be immediately reported by the taxpayer to the department. A tax equal to the offset allowed for the taxes shall be due and payable from the taxpayer upon notice and demand from the department. In

addition to the tax, interest at the rate of one percent of the tax per month or fraction thereof shall be added to and collected from the date the return on which the taxpayer claimed the offset was required to be filed, to the date of payment. If the amount of tax and interest thereon is not paid within 30 days from the date of notice and demand, the tax shall be delinquent and the taxpayer shall be subject to all penalties for delinquent corporate excise taxes. The notice and demand shall be given by the department within one year of notification by the taxpayer of the refund. For purposes of appeal, the notice and demand shall be considered an assessment by the Department of Revenue. Notwithstanding the provisions of ORS 314.410, if the taxpayer does not notify the department of the refund, the notice and demand by the department may be given at any time. [Amended by 1957 c 607 §3, 1957 c 709 §1, subsection (3) of 1963 Replacement Part derived from 1957 c 607 §11, 1957 c 709 §2 and 1957 s s c 5 §1, 1959 c.631 §2, 1963 c 627 §22 (referred and rejected), 1965 c 322 §1, 1965 c 544 §1, 1971 c 247 §1, 1975 c 368 §5, 1977 c 866 §3]

Note: Chapter 367, Oregon Laws 1977, provides

Sec. 1. It is the policy of the State of Oregon to assist in the development of jobs for the unemployed by providing tax relief for Oregon employers

Sec. 2. As used in this Act, unless the context requires otherwise.

(1) "Qualified employer" means business and manufacturing employers which have been held to be subject to taxation under ORS chapters 316 and 317

(2) "Qualified employe" means employes who work not less than 30 hours per week and who immediately prior to employment were

(a) Receiving unemployment insurance benefits under ORS chapter 657 and who furnish the employer a certificate verifying receipt of unemployment insurance benefits immediately prior to employment as required under this Act,

(b) Receiving public assistance under ORS chapter 411,

(c) Receiving training in a publicly or privately funded training or rehabilitation program designed to upgrade job skills, wages and employment or promotional possibilities, including high school,

(d) Receiving training under a program operated by the Corrections Division of the Department of Human Resources, or

(e) Receiving workers' compensation under ORS chapter 656

(3) "Increase in the number of full-time employes" means

(a) Except as provided in paragraph (b) of this subsection, the excess of

(A) The number of full-time employees employed in Oregon by the qualified employer in Oregon as of the last day of its taxable year during which the credit is applied for, over

(B) The nearest whole number determined by multiplying the number of full-time employees employed by the qualified employer in Oregon as of the last day of its previous taxable year by a coefficient of 1.03

(b) For employers not having a taxable year on or before December 31, 1976, or for employers not having any employees in the taxable year ending on or before December 31, 1976, the increase in the number of full-time employees equals the excess of

(A) The number of full-time employees employed by the qualified employer in Oregon as of the last day of its taxable year during which the credit is applied for, over

(B) For the first taxable year for which a credit is allowed under this Act, the nearest whole number determined by multiplying the number of full-time employees employed in Oregon as of the last day of the employer's first taxable year in which it had any employees by a coefficient of 1.00, or, for all subsequent taxable years for which a credit is allowed under this Act, the nearest whole number determined by multiplying the number of full-time employees employed in Oregon as of the last day of the employer's previous taxable year by a coefficient of 1.02

Sec. 3. There shall be allowed to qualified employers a credit against taxes otherwise due under ORS chapters 316 and 317 for the increase in the number of qualified full-time employees not to exceed the amount of the increase in the number of full-time employees calculated as provided in subsection (3) of section 2 of this Act. The amount of the credit for each qualified employee is determined by multiplying \$50 times the number of full months the qualified full-time employee has been employed by a qualified employer. The credit in any year for any qualified employee shall not exceed \$500. A credit under this section shall not be allowed to a qualified employer for the amount of the increase in the number of full-time employees which is due to the hiring of an employee who was employed by such qualified employer immediately prior to receiving unemployment insurance benefits under ORS chapter 657 or workers' compensation under ORS chapter 656. This credit applies to taxable years beginning on or after July 1, 1977, and before January 1, 1982.

317.071 Weatherization loan interest credit for commercial lending institutions.

(1) A credit against taxes otherwise due under this chapter for the taxable year shall be allowed commercial lending institutions in an amount equal to the difference between:

(a) The maximum amount of interest allowed to be charged during the taxable year under section 6b, chapter 887, Oregon Laws 1977, for loans made before November 1, 1981, by the lending institution to space-

heating customers for the purpose of financing weatherization services; and

(b) The amount of interest which would have been charged during the taxable year by the lending institution for such loans at an annual interest rate which is the lesser of the following:

(A) The average interest rate charged by the commercial lending institution for home improvement loans made during the calendar year immediately preceding the year in which the loans for weatherization services are made; or

(B) Twelve percent.

(2) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused on such next succeeding year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding year may be carried forward and used in the fifth succeeding tax year, and any credit not used in that fifth succeeding year may be carried forward and used in the sixth succeeding tax year, and any credit not used in the sixth succeeding year may be carried forward and used in the seventh succeeding tax year, but may not be carried forward for any tax year thereafter.

(3) No credit shall be allowed under this section for loans made on or after November 1, 1981. [1977 c 887 §8, 1981 c.778 §40, 1981 c 894 §30]

Note: Section 31, chapter 894, Oregon Laws 1981, provides

Sec. 31. (1) The amendments to ORS 317.071 made by section 30 of this Act apply to taxable years beginning on or after January 1, 1977

(2) In lieu of the period of limitations prescribed in ORS 314.415 (1)(b), a claim for credit or refund on account of the amendments to ORS 317.071 made by section 30 of this Act for any tax year beginning on or after January 1, 1977, and before January 1, 1979, may be made at any time before July 1, 1983. However, no interest shall be allowed with respect to the credit or refund

317.072 Credit for pollution control facility; limitations; unused credit, taxpayer's basis. (1) A credit against taxes imposed by this chapter for a pollution control facility or facilities certified under ORS 468.170 shall be allowed if the taxpayer qualifies under subsection (5) of this section and has not claimed an exemption therefor under ORS 307.405.

(2) (a) For a facility qualifying under ORS 468.165 (1)(a) or (b), and having a useful life of 10 years or longer, the maximum credit allowed in any one taxable year shall be the lesser of the tax liability of the taxpayer or the following portion of the cost of the facility:

(A) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 80 percent or more, five percent of the cost of the facility.

(B) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 60 percent or more and less than 80 percent, four percent of the cost of the facility.

(C) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 40 percent or more and less than 60 percent, three percent of the cost of the facility.

(D) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 20 percent or more and less than 40 percent, two percent of the cost of the facility.

(E) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is less than 20 percent, one percent of the cost of the facility.

(b) For a facility qualifying under ORS 468.165 (1)(a) or (b), and having a useful life of less than 10 years, the maximum credit allowed in any one taxable year shall be the lesser of the tax liability of the taxpayer or the following:

(A) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 80 percent or more, 50 percent of the cost of the facility, divided by the number of years of useful life of the facility.

(B) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 60 percent or more and less than 80 percent, 40 percent of the cost of the facility, divided by the number of years of useful life of the facility.

(C) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 40 percent or more and less than 60 percent, 30 percent of the cost of the facility, divided by the number of years of useful life of the facility.

(D) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 20 percent or more and less than 40 percent, 20 percent of the cost of the facility, divided by the number of years of useful life of the facility.

(E) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is less than 20 percent, 10 percent of the cost of the facility, divided by the number of years of useful life of the facility.

(c) For facilities having a useful life of less than 10 years and for which some portion of the maximum total credit is allowed or allowable in tax years beginning on or after January 1, 1977, such remaining credit shall be prorated over the remaining useful life of the property under administrative rules to be prepared by the department.

(3) (a) For a facility qualifying under ORS 468.165 (1)(c), and having a useful life of 10 years or longer, the maximum credit allowed in any one tax year shall be five percent of the cost of the facility or facilities, but shall not exceed the tax liability of the taxpayer.

(b) For a facility qualifying under ORS 468.165 (1)(c), and having a useful life of less than 10 years, the maximum credit allowed in any one tax year shall be 50 percent of the cost of the facility divided by the number of years of useful life of the facility, but shall not exceed the tax liability of the taxpayer.

(4) To qualify for the credit the pollution control facility must be erected, constructed or installed in accordance with the provisions of ORS 468.165 (1).

(5) (a) The taxpayer who is allowed the credit must be:

(A) The owner of the trade or business that utilizes Oregon property requiring a pollution control facility to prevent or minimize pollution;

(B) A person who, as a lessee or pursuant to an agreement, conducts the trade or business that operates or utilizes such property; or

(C) A person who, as an owner, lessee or pursuant to an agreement, owns, leases or has a beneficial interest in a pollution control facility used for resource recovery as defined in ORS 459.005. Such person may, but need not, operate such facility or conduct a trade or business that utilizes property requiring such a facility. If more than one person has an interest under this subparagraph in a resource recovery facility, and without regard to ORS 468.170 (10), one or more persons receive a certificate and make an election of tax credit relief with respect to such facility pursuant to ORS 468.170 (5), such person or persons may allocate all or any part of the certified cost of such facility among any persons and their successors or assigns having an interest under this subparagraph. Such allocation shall be evidenced by a written statement signed by the person or persons receiving certification and designating the persons to whom the certified costs have been allocated and the amount of certified cost allocated to each; this statement shall be filed with the Department of Revenue not later than the final day of the first tax year for which a tax credit is claimed pursuant to such agreement. In no event shall the aggregate certified costs allocated between or among more than one person exceed the amount of the total certified cost of the facility. As used in this paragraph, "owner" includes a contract purchaser; and

(b) The facility must be owned or leased during the tax year by the taxpayer claiming the credit except as provided in subparagraph (C) of paragraph (a) of this subsection, and must have been in use and operation during the tax year for which the credit is claimed.

(6) Regardless of when the facility is erected, constructed or installed, a credit under this section may be claimed by a taxpayer:

(a) For a facility qualifying under ORS 468.165 (1)(a) or (b), only in those tax years which begin on or after January 1, 1967.

(b) For a facility qualifying under ORS 468.165 (1)(c), only in those tax years which begin on or after January 1, 1973.

(7) For a facility qualifying under ORS 468.165 (1)(a) or (b), the maximum total credit allowable shall not exceed:

(a) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 80 percent or more, 50 percent of the cost of such facility or facilities.

(b) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 60 percent or more and less than 80 percent, 40 percent of the cost of such facility or facilities.

(c) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 40 percent or more and less than 60 percent, 30 percent of the cost of such facility or facilities.

(d) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is 20 percent or more and less than 40 percent, 20 percent of the cost of such facility or facilities.

(e) If the portion of the actual cost of the facility properly allocable to the prevention, control or reduction of air, water or noise pollution is less than 20 percent, 10 percent of the cost of such facility or facilities

(8) For a facility qualifying under ORS 468.165 (1)(c), the maximum total credit allowable shall not exceed 50 percent of the cost of the facility.

(9) The credit provided by this section is not in lieu of any depreciation or amortization deduction for the facility to which the taxpayer otherwise may be entitled under this chapter for such year.

(10) Upon any sale, exchange, or other disposition of facility, notice thereof shall be given to the Environmental Quality Commission who shall revoke the certification covering such facility as of the date of such disposition. The transferee may apply for a new certificate under ORS 468.170, but the tax credit available to such transferee shall be limited to the amount of credit not claimed by the transferor. The sale, exchange or other disposition of a partner's interest in a partnership shall not be deemed a sale, exchange or other disposition of a facility for purposes of this subsection.

(11) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter. Credits may be carried forward to and used in a tax year beyond the years specified in ORS 468.170.

(12) The taxpayer's adjusted basis for determining gain or loss shall not be further decreased by any tax credits allowed under this section. [1967 c 592 §9, 1969 c 340 §3; 1973 c 831 §9; 1977 c 795 §12, 1977 c 866 §11, 1981 c 408 §2]

317.073 [1959 c 631 §6, repealed by 1969 c 520 §49]

317.074 [1955 c 592 §2, 1957 c 607 §4, subsection (5) derived from 1957 c 607 §11 and 1957 s s c 5 §1, repealed by 1969 c 520 §49]

317.075 [Repealed by 1955 c 592 §4]

317.076 Credit for domestic insurers.

A credit against taxes imposed by this chapter shall be allowed domestic insurers for the gross premium tax paid on fire insurance premiums in accordance with ORS 731.820. [1969 c.600 §9]

317.077 Qualified economic development investment credit. (1) A credit against the taxes otherwise due under this chapter, based upon the amount of the qualified investment which has been certified under ORS 280.610 to 280.670, shall be allowed.

(2) To qualify for the credit under this section:

(a) The qualified investment must be made in accordance with the provisions of ORS 280.610 to 280.670 and the rules adopted thereunder and a certificate issued thereunder;

(b) The taxpayer who is allowed the credit must be the owner or contract purchaser of the trade or business that makes the qualified investment, or a person who, as a lessee or pursuant to an agreement, conducts the trade or business that makes the qualified investment;

(c) The taxpayer must claim the credit in the tax year during which the qualified investment is placed in service;

(d) The actual cost of the qualified investment must be \$25,000 or more; and

(e) The property acquired, constructed, reconstructed or improved must have an estimated useful life of three years or more.

(3) A credit under this section may be claimed by a taxpayer for a qualified investment in those tax years which begin on or after January 1, 1978.

(4) (a) Subject to paragraphs (b) to (d) of this subsection, the amount of the credit allowed under this section for the taxable year shall be equal to 10 percent of the cost of the qualified investment.

(b) For purposes of paragraph (a) of this subsection, if the useful life of the qualified investment is three years or more, but less than five years, the cost of the qualified investment shall be an amount determined by multiplying the actual cost of the qualified investment by 33-1/3 percent.

(c) For purposes of paragraph (a) of this subsection, if the useful life of the qualified investment is five years or more, but less than seven years, the cost of the qualified investment shall be an amount determined by multiplying the actual cost of the qualified investment by 66-2/3 percent.

(d) For purposes of paragraph (a) of this subsection, if the useful life of the qualified investment is seven years or more, the cost of the qualified investment shall be its actual cost.

(5) The credit provided by this section shall be in addition to and not in lieu of any depreciation or amortization deduction for the qualified investment to which the taxpayer otherwise may be entitled under this chapter and the credit shall not affect the computation of basis for the qualified investment under this chapter.

(6) The credit allowed in any one taxable year shall not exceed the tax liability of the taxpayer.

(7) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may

not be carried forward for any tax year thereafter.

(8) The Department of Revenue may require independent proof of the actual cost of the acquisition, construction, reconstruction or improvement for which a credit is claimed under this section

(9) If property for which a credit has been allowed under this section is sold, exchanged, transported or otherwise disposed of for use outside an eligible area before the end of the useful life of such property:

(a) The taxpayer who was allowed the credit shall give notice thereof to the Director of the Economic Development Department, who shall revoke the certificate for the qualified investment relating to such property and shall so notify the Department of Revenue; and

(b) For the taxable year of disposition the Department of Revenue shall add to the taxes of such taxpayer otherwise due under this chapter, an amount equal to the difference between:

(A) The amount of the credit which has been allowed under this section; and

(B) The amount of the credit which would have been allowed under this section if the useful life of the property for which a credit was allowed had been estimated for a period commensurate with a period ending next preceding the date of disposition of such property. [1977 c.839 §10, 1979 c.439 §2]

317.078 Application of certain provisions of this chapter to domestic insurers.

(1) The provisions of ORS 317.216, relating to basis of property, and the provisions of ORS 317.285, relating to depreciation, shall be applicable to every domestic insurer, except that for domestic mutual insurers and for other domestic insurers writing casualty, marine and transportation or property insurance, as those terms are defined in the Insurance Code, wherever the date "December 31, 1928" appears therein, there shall be substituted "December 31, 1969," and wherever the date "January 1, 1929" appears therein, there shall be substituted "January 1, 1970."

(2) The provisions of ORS 317.220, relating to adjusted and substituted basis, shall be applicable to every domestic insurer, except that for domestic mutual insurers and for other domestic insurers writing casualty, marine and transportation or property insurance, as those terms are defined in the Insurance

Code, in ORS 317.220 (2)(b) the date "January 1, 1970" shall be substituted for "January 1, 1929," and the date "December 31, 1969" shall be substituted for "December 31, 1928." [1969 c.600 §5]

317.080 Exempt corporations. The following corporations are exempt from the taxes imposed by this chapter:

(1) Labor, agricultural or horticultural organizations no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(2) Fraternal beneficiary societies, orders or associations (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and (b) providing for the payment of life, sick, accident or other benefits to the members of such society, order or association or their dependents.

(3) Cemetery companies which are owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(4) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(5) Business leagues, chambers of commerce, real estate boards or boards of trade, not organized for profit, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(6) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes, and no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(7) Clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(8) Farmers' or other mutual ditch or irrigation companies, mutual or cooperative telephone or mutual or cooperative electric companies or like organizations, but only if 85 percent or more of the income of which companies consists of assessments, dues and fees collected from the members for the sole purpose of meeting expenses.

(9) Farmers' and fruit growers' associations, organized and operated on a cooperative basis (a) for the purpose of marketing the products of members or other producers and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (b) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses. Exemption shall not be denied any such association because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the state of incorporation or eight percent per year, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than non-voting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, upon dissolution or otherwise, beyond the fixed dividends) is owned by producers who market their products or purchase their supplies and equipment through the association. Exemption shall not be denied any such association because there is accumulated and maintained by it a reserve required by state law or a reasonable reserve for any necessary purpose. Such an association may market the products of nonmembers in an amount the value of which does not exceed the value of the products marketed for members, and may purchase supplies and equipment for nonmembers in an amount the value of which does not exceed the value of the supplies and equipment purchased for members, provided the value of the purchase made for persons who are neither members nor producers does not exceed 15 percent of the value of all its purchases.

(10) Corporations organized by an association exempt under subsection (9) of this section, or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the state of incorporation or eight percent per year, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, upon dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof. Exemption shall not be denied any such corporation because there is accumulated and maintained by it a reserve required by state law or a reasonable reserve for any necessary purpose.

(11) Foreign or alien insurance companies and foreign or alien interinsurance and reciprocal exchanges, upon which a tax on premiums is levied; and with respect to its income as a corporate attorney in fact for a reciprocal or interinsurance exchange, corporations acting as attorneys in compliance with ORS 731.458, 731.462, 731.466, and 731.470.

(12) State and federal credit unions so long as the interest or dividends paid on shares do not exceed eight percent per year.

(13) Corporations organized and operated primarily for the purpose of holding title to property and furnishing living quarters to a college fraternity, sorority, student housing cooperative or student living organization, for the benefit of students attending institutions of higher education, no part of the net earnings of which corporations inures to the benefit of any private shareholder or individual.

(14) Corporations engaged in no business or rental activities whatsoever, being organized for the exclusive purpose of holding title to property used by a corporation which itself is exempt under this section.

(15) Corporations, organized and operated primarily for the purpose of furnishing permanent residential, recreational and social facilities primarily for elderly persons, which:

(a) Are corporations not for profit, authorized to transact business in this state pur-

suant to ORS chapter 61 or any statute repealed by chapter 580, Oregon Laws 1959;

(b) Receive not less than 95 percent of their operating gross income (excluding any investment income) solely from payments for living, medical, recreational, and social services and facilities, paid by or on behalf of the elderly persons using the facilities of such corporation;

(c) Permit no part of their net earnings to inure to the benefit of any private stockholder or individual;

(d) Provide in their articles or other governing instrument that, upon dissolution, the assets remaining after satisfying all lawful debts and liabilities shall be distributed to one or more corporations exempt from taxation under this chapter as corporations organized and operated exclusively for religious, charitable, scientific, literary or educational purposes

(16) People's utility districts established under ORS chapter 261. [Amended by 1953 c 207 §1, 1953 c 653 §3, 1955 c 592 §5, last sentence of 1959 Replacement Part derived from 1955 c 592 §6, 1957 c 553 §1, 1959 c 215 §1, 1961 c 473 §1, subsection (17) enacted as 1961 c 473 §2; 1963 c 286 §1, 1967 c 359 §689; 1969 c 600 §11, 1971 c 637 §1]

317.083 Energy conservation payments exempt. Any amount received as a cash payment for energy conservation measures under ORS 316.069, 317.071, 317.083, 318.090 and 469.631 to 469.687 is exempt from the tax imposed under this chapter. [1981 c 778 §36]

317.085 [Repealed by 1957 c 607 §10]

317.087 Credit for fish habitat improvement. (1) Any person shall be allowed a credit against the taxes otherwise due under this chapter, based upon the cost of a fish habitat improvement project certified under ORS 496.260. The amount of the credit shall be 25 percent of the amount certified.

(2) To qualify for the credit allowed under this section:

(a) The fish habitat improvement project must have been given final certification by the State Department of Fish and Wildlife as provided in ORS 496.260.

(b) The credit must be claimed for the year in which final certification for the project is granted.

(c) The taxpayer that is allowed the credit must be the entity that actually expended

funds for construction or installation of the project

(d) The fish habitat improvement project must not be required by existing federal or state statute.

(3) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused on such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, and any credit not used in that third succeeding year may be carried forward and used in the fourth succeeding tax year, and any credit not used in that fourth succeeding year may be carried forward and used in the fifth succeeding tax year, but may not be carried forward for any tax year thereafter.

(4) If the taxpayer qualifying for the credit under this section is an electing small business corporation as defined in section 1371 of the Internal Revenue Code, and the taxpayer elects to take tax credit relief, the election may be made on behalf of the corporation's shareholders. Each shareholder shall be entitled to take tax credit relief as provided in ORS 316.084, based on that shareholder's pro rata share of the corporation's cost of the fish habitat improvement project.

(5) The tax claim for tax credit shall be substantiated by submission, with the tax return, of the State Department of Fish and Wildlife notice of final project certification. [1981 c 720 §18]

Note: Section 24, chapter 720, Oregon Laws 1981, provides

Sec. 24. Sections 16, 18 and 20 of this Act apply to tax years beginning on or after January 1, 1983

317.090 Minimum tax. Each taxpayer named in ORS 317.056 or 317.070 shall pay annually to the state, for the privilege of carrying on or doing business by it within this state, a minimum tax of \$10. The minimum tax shall not be apportionable (except in the case of a change of accounting periods), but shall be payable in full for any part of the year during which a corporation is subject to tax. [Amended by 1975 c 368 §6]

317.095 [1955 c 592 §§3, 6, repealed by 1965 c 479 §1 (317 096 enacted in lieu of 317 095)]

317.096 Determination of tax upon change of tax rate or taxable status; exceptions. (1) The determination of tax provided for in subsection (2) of this section shall be made in the following situations:

(a) If any rate of tax imposed by this chapter or ORS chapter 318 changes, and if the taxable year of the corporation includes the effective date of the change (unless that date is the first date of the taxable year).

(b) If the status of a corporation changes from being exempt from taxation under this chapter and ORS chapter 318 to being taxable under either chapter, or changes from being taxable under this chapter or ORS chapter 318 to being exempt from taxation under both chapters, and in either situation the corporation has been carrying on its activities or has been doing business in Oregon during the entire taxable year.

(2) Tentative taxes shall be computed by applying the rate for the period before the effective date of the change (unless that date is the first day of the taxable year), 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. The rate for the period of exemption shall be considered as zero.

(3) This section shall not apply in the case of a corporation which begins or ceases to carry on business or business activities in Oregon during the taxable year.

(4) For the purposes of this section:

(a) "Taxable income" means the income from the business done or activities carried on within the state during the taxable year.

(b) "Taxable year" means a 12-month fiscal or calendar year. [1965 c 479 §2 (enacted in lieu of 317 095)]

317.098 Exemption for income attributable to substitute fuel production. If a commercial plant produces methanol, ethanol or other substitute fuel and 75 percent of the production is used in making gasohol in any tax year, that portion of the taxable net income attributable to the production of methanol, ethanol or other substitute fuel for such tax year is exempt from any tax imposed under this chapter. To qualify for the exemption authorized by this section, there shall be filed with the tax return of the taxpayer

claiming the exemption a certificate furnished by the Department of Energy that the plant produced a commercially marketable grade of methanol, ethanol or other substitute fuel and that 75 percent of the production during the tax year was used or committed for use in making gasohol. [1979 c 561 §6]

Note: Section 10, chapter 561, Oregon Laws 1979, provides

Sec. 10. The exemption from ad valorem taxation authorized by section 2 of this Act shall apply to the assessment and tax rolls prepared for assessment years beginning on or after January 1, 1980, but prior to January 1, 1986. The exemption from taxes on or measured by net income provided in sections 4 and 6 of this Act and by the amendments to ORS 318.030 by section 7 of this Act shall apply to tax years beginning on or after January 1, 1980, but prior to January 1, 1985.

317.100 Credit for commercial lending institution loans to finance alternative energy devices. (1) A credit against taxes otherwise due under this chapter shall be

allowed commercial lending institutions for loans made at an annual interest rate of not more than six and one-half percent to finance the construction, installation and operation of alternative energy devices. A credit shall not be given for loans exceeding \$10,000 per dwelling using the alternative energy device. The amount of the credit shall be equal to the difference between the amount of interest which would have been charged during the taxable year by the lending institution for such loans at an annual interest rate of:

(a) Six and one-half percent; and

(b) The lesser of the following:

(A) The average interest rate charged by the commercial lending institution for home improvement loans made during the calendar year immediately preceding the year in which the loans for alternative energy devices are made; or

(B) Twelve percent.

(2) As used in this section:

(a) "Alternative energy device" means an alternative energy device certified by the Director of the Department of Energy under ORS 469.160 to 469.180.

(b) "Commercial lending institution" means a bank, mortgage banking company, trust company, savings bank, savings and loan association, credit union, national banking association, federal savings and loan association or federal credit union maintaining an office in this state. [1979 c 483 §2]

Note: Section 3, chapter 483, Oregon Laws 1979, provides

Sec. 3. The provisions of section 2 of this Act apply to tax years beginning on or after January 1, 1980 and prior to January 1, 1985

Note: Section 28, chapter 894, Oregon Laws 1981, provides

Sec. 28. (1) A credit against taxes otherwise due under this chapter for the taxable year shall be allowed to a commercial lending institution in an amount equal to the difference between

(a) The amount of interest charged during the taxable year at an annual interest rate of six and one-half percent for a loan made on or after January 1, 1982, and before January 1, 1988, by the lending institution to a dwelling owner who is or who rents to a residential fuel oil customer, or who is or who rents to a wood heating resident for the purpose of financing energy conservation measures, and

(b) The amount of interest that would have been charged during the taxable year by the lending institution for the loan for energy conservation measures at an annual interest rate which is the lesser of the following

(A) The interest rate charged by the commercial lending institution for nonsubsidized loans made under like terms and conditions at the time the loan for energy conservation measures is made; or

(B) An upper limit established by rule by the Director of the Department of Energy

(2) If the credit allowed under this section exceeds the tax liability of the commercial lending institution for the taxable year, the department shall refund the difference to the taxpayer. Payment made by the department under this subsection shall be considered a refund for the purposes of ORS 317 590. Moneys are continuously appropriated to the Department of Revenue to make the refunds authorized by this subsection.

(3) In order to be eligible for the tax credit allowed under subsection (1) of this section, the loan shall

(a) Be made only to an owner of an oil-heated or wood-heated dwelling who presents the results of an energy audit pursuant to chapter 887, Oregon Laws 1977, chapter 889, Oregon Laws 1977, or under chapter 778, Oregon Laws 1981, conducted by a fuel oil dealer, investor-owned utility, publicly owned utility or through the Oregon Department of Energy, regardless of whether that fuel oil dealer or utility provides the dwelling's space heating energy

(b) Bear interest at a rate not to exceed six and one-half percent and have a term not exceeding 10 years.

(c) Be made before January 1, 1988.

(d) Not finance any materials installed in the construction of a new dwelling, additions to existing structures or remodeling that adds living space.

(e) Finance only those energy conservation measures that are recommended as cost-effective in the energy audit. However, this requirement shall not apply in the case of a dwelling owner who has obtained assistance and

technical advice under chapter 887, Oregon Laws 1977, or chapter 889, Oregon Laws 1977

(4) The credit allowed under this section shall not be allowed to the extent that the loan exceeds \$5,000 for a single dwelling unit, or, if the dwelling owner is a corporation described in ORS 307 375, to the extent that the loan exceeds \$2,000 for a single dwelling unit

(5) Nothing in this section or in rules adopted under this section shall be construed to cause a loan to violate the usury laws of this state

(6) As used in this section, "commercial lending institution," "cost-effective," "dwelling," "dwelling owner," "energy audit," "energy conservation measures," "fuel oil dealer," "residential fuel oil customer," "space heating" and "wood heating resident" have the meaning given those terms in section 22 of this 1981 Act

317.102 Credit for reforestation of underproductive forest lands. (1) Except as provided in subsection (2) of this section, a credit against taxes imposed by this chapter shall be allowed in an amount equal to 10 percent of reforestation project costs on underproductive Oregon forest lands. Such costs include, but are not limited to, site preparation and tree planting and exclude that portion of expenses paid through a federal or state cost share program.

(2) (a) Subject to subsection (6) of this section, one-half of the credit provided under this section may be taken in the taxable year the project is completed. Subject to subsection (6) of this section, the balance of such credit may be taken in the taxable year in which the taxpayer presents to the Department of Revenue a certification from the State Forester that the new forest is established, as defined by the Oregon Forest Practices Act. In any one tax year, the credit allowed under this section shall not exceed the tax liability of the taxpayer.

(b) In the event the State Forester inspects the land in order to provide a certification and finds that the forest is not established, as defined by the Oregon Forest Practices Act, the State Forester shall forthwith file a report of his findings with the Department of Revenue. The report filed under this paragraph shall be the basis for the Department of Revenue to recover any credit granted under paragraph (a) of this subsection.

(3) To qualify for the credit the project must be completed to specifications approved by the State Forester. In addition, the taxpayer's portion of the project cost must be \$500 or more.

(4) The taxpayer must be a legal entity owning or leasing 10 to 500 acres of Oregon commercial forest land.

(5) (a) No credit is allowed under this section for any costs incurred in order to comply with the Oregon Forest Practices Act reforestation requirements or any other legal responsibility.

(b) A tax credit will be allowed only for those projects completed in tax years beginning on or after January 1, 1980.

(6) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in such next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter. In all cases the taxpayer must be the corporation that made the investment into the project.

(7) The credit provided by this section shall be in addition to and not in lieu of any depreciation or amortization deduction to which the taxpayer otherwise may be entitled with respect to the reforestation project and the credit shall not affect the computation of basis for the property.

(8) In compliance with ORS 183.310 to 183.550, the Department of Revenue may promulgate rules consistent with law for carrying out the provisions of this section.

(9) As used in this section, "underproductive Oregon forest lands" means Oregon commercial forest lands not meeting the minimum stocking standards of the Oregon Forest Practices Act. [1979 c 578 §9]

317.103 Reduction of certified energy conservation facility costs by grant or credit; eligibility for credit. (1) If a taxpayer obtains a grant or tax credit from the Federal Government other than an investment credit granted under section 46 of the Internal Revenue Code of 1954 as it reads on November 1, 1981, in connection with a facility, as defined by ORS 469.185, that has been certified by the Director of the Department of Energy, the certified cost of the facility shall be reduced on a dollar for dollar basis. Any income or excise tax credit to which the taxpayer is

entitled under ORS 317.104 after the reduction shall not be reduced by the federal grant or tax credit. A taxpayer applying for a federal grant or credit shall notify the Department of Revenue by certified mail within 30 days of the application and the receipt of the grant.

(2) If a facility eligible for a credit under ORS 317.104 is financed in part by any governmental or quasi-governmental body or municipal corporation, as defined in ORS 297.405, a tax credit may be claimed only on the portion of the cost that is privately financed.

(3) A taxpayer is eligible to participate in both this tax credit program and low interest, government-sponsored loans.

(4) A taxpayer who receives a tax credit or ad valorem tax relief on a pollution control facility or an alternate energy device under ORS 307.405 or 317.072 is not eligible for a tax credit on the same facility or device under ORS 317.104 and 469.185 to 469.225. [1981 c 894 §§15, 16]

317.104 Credit for energy conservation facility costs. (1) A credit is allowed against the taxes otherwise due under this chapter, based upon the certified cost of a facility during the period for which that facility is certified under ORS 469.185 to 469.225. The credit allowed in each of the first two tax years in which the credit is claimed shall be 10 percent of the certified cost of the facility, but shall not exceed the tax liability of the taxpayer. The credit allowed in each of the succeeding three years shall be five percent of the certified cost, but shall not exceed the tax liability of the taxpayer.

(2) The facility must be in Oregon and owned during the tax year by the taxpayer claiming the credit.

(3) A credit under this section may be claimed by a taxpayer for a facility only in those tax years which begin on and after January 1, 1980.

(4) The maximum total credit or credits allowed for a facility under this section to eligible taxpayers shall not exceed 35 percent of the certified cost of such facility.

(5) Upon any sale, termination of the lease, exchange or other disposition of a facility, notice thereof shall be given to the Director of the Department of Energy who shall revoke the certificate covering the facility as of the date of such disposition. The transferee, or upon re-leasing the facility, the lessor, may

apply for a new certificate under ORS 469.215, but the tax credit available to that transferee shall be limited to the amount of credit not claimed by the transferor or, for a lessor, the amount of credit not claimed by the lessor under all previous leases.

(6) Any tax credit otherwise allowable under this section which is not used by the taxpayer in a particular year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any credit remaining unused in that next succeeding tax year may be carried forward and used in the second succeeding tax year, and likewise, any credit not used in that second succeeding tax year may be carried forward and used in the third succeeding tax year, but may not be carried forward for any tax year thereafter. Credits may be carried forward to and used in a tax year beyond the years specified in subsection (1) of this section only as provided in this subsection.

(7) The credit provided by this section is not in lieu of any depreciation or amortization deduction for the facility to which the taxpayer otherwise may be entitled under this chapter for such year.

(8) The taxpayer's adjusted basis for determining gain or loss shall not be decreased by any tax credits allowed under this section.

(9) A credit under the provisions of this section shall not be allowed to:

(a) A public utility, as defined in ORS 757.005, that retails electricity or natural gas to more than 100 customers;

(b) A people's utility district, as defined in ORS 261.010, a municipal utility or a cooperative utility that retails electricity or natural gas to more than 100 customers; or

(c) A subsidiary or an affiliated interest, as defined in ORS 757.015, of a public utility described in paragraph (a) of this subsection.

[1979 c 512 §14; 1981 c 894 §13]

GROSS INCOME; EXCLUSIONS FROM GROSS INCOME

317.105 Gross income. "Gross income" as used in this chapter includes:

(1) Gains, profits and income derived from the business, of whatever kind and in whatever form received.

(2) Gains, profits or income from dealings in real or personal property.

(3) Gains, profits or income received as compensation for services, as interest, rents, commissions, brokerage or other fees, or other income of whatever character otherwise received in carrying on the business.

(4) All interest received on bonds, securities or other evidence of indebtedness, and all dividends received on stock including stock dividends, and all other income from money or credits.

317.110 Exclusions from gross income. "Gross income" does not include the following items which are exempted from taxation under this chapter:

(1) The proceeds of life insurance policies paid upon the death of the insured, nor the amount received by the insured as a return of premiums paid by the insured under life or fire insurance, endowment or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract.

(2) The amount received as dividends from a corporation subject to tax under this chapter, by a corporation authorized to hold stock in other corporations and holding 50 percent or more of the voting stock of the corporation which paid the dividend, but only to the extent that the income of the corporation which paid the dividend has been included under this chapter in the measure of the tax paid by the corporation paying the dividend.

(3) The amount received as dividends from a corporation by a corporation authorized to hold stock in other corporations and holding 50 percent or more of the voting stock of the corporation which paid the dividend, but only to the extent that the income of the corporation which paid the dividend has been included under this chapter in the measure of the tax paid by the corporation receiving the dividend.

(4) Dividends distributed in complete or partial liquidation of a corporation to the extent that they comprise a return of capital to the stockholder.

(5) So much of the income attributable to the recovery, in whole or in part, of an amount which was allowed as a deduction from gross income on a return for a prior tax year made under this chapter as is equal to the amount of the prior deduction, which, as determined in accordance with regulations prescribed by the department, did not result in a reduction of the taxpayer's tax liability on such prior

return, reduced by the amount excludable in previous tax years under the provisions of this subsection with respect to the recovery of a part of the particular prior deduction. This subsection shall not apply to deductions allowed or allowable with respect to depreciation, depletion or amortization.

(6) Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee. [Amended by 1953 c 385 §9; 1973 c 233 §1]

317.120 Amounts arising from discharge of debt excluded from gross income. "Gross income" does not include the following items which are exempt from taxation under this chapter:

(1) Any amount arising by reason of the discharge in whole or in part within the taxable year of any indebtedness for which the taxpayer is liable, or subject to which the taxpayer holds property, if the indebtedness was incurred or assumed by the taxpayer in connection with property used in his trade or business, and if such taxpayer makes and files a consent to the regulations prescribed under ORS 317.228 (relating to adjustment of basis) then in effect at such time and in such manner as the department by regulation prescribes. In such case, the amount of any income of such taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income, and the amount of the deduction attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction.

(2) Any amount arising by reason of the discharge, cancellation, or modification, in whole or in part, within the taxable year of any indebtedness of a railroad corporation as defined in section 77(m) of the Bankruptcy Act of the United States (11 U.S.C. 205(n)), if such discharge, cancellation, or modification is effected pursuant to an order of a court in a receivership proceeding, or in a proceeding under section 77 of the Bankruptcy Act, commenced before January 1, 1960. In such cases, the amount of any income of the taxpayer attributable to any unamortized premium (computed as of the first day of the taxable

year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and the amount of the deduction attributable to any unamortized discount (computed as of the last day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. Subsection (1) of this section shall not apply with respect to any discharge of an indebtedness to which this subsection applies. [1969 c 681 §5]

NET INCOME; METHODS OF ACCOUNTING AND REPORTING

317.155 Net income. "Net income" as used in this chapter means the gross income less the deductions allowed, except as provided in ORS 317.010 (18), 317.078, 317.197, 317.199 and 317.299 with respect to domestic insurers as defined and limited in ORS 317.010 (18). [Amended by 1969 c 600 §10]

317.156 Net income of regulated investment company; imposition of tax. Notwithstanding other provisions of this chapter, "net income" of a regulated investment company is its taxable income as determined for federal internal revenue purposes pursuant to the federal Internal Revenue Code (1954), section 852, and pertinent federal regulations, and the company shall be taxed pursuant to ORS 317.070. [1967 c 274 §4]

317.160 Accounting periods and methods. The net income shall be computed upon the basis of the taxpayer's annual accounting period, fiscal year or calendar year, as the case may be, in accordance with the method of accounting regularly employed in keeping the books of such taxpayer, but if such method employed does not clearly reflect the net income the computation shall be made in accordance with such method as the department may prescribe to reflect the net income. If the taxpayer's annual accounting period is other than a fiscal year, or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year.

317.165 Dealers in personal property on an instalment basis. (1) Under rules prescribed by the department, a taxpayer who regularly sells or otherwise disposes of personal property on the instalment plan may return as income therefrom in any taxable year that

proportion of the instalment payments actually received in that year which the gross profit realized or to be realized when payment is completed, bears to the total contract price.

(2) For purposes of subsection (1) of this section, the total contract price of all sales of personal property on the instalment plan includes the amount of carrying charges or interest which is determined with respect to such sales and is added on the books of account of the seller to the established cash selling price of such property. This subsection shall not apply with respect to sales of personal property under a revolving credit type plan.

(3) If the carrying charges or interest with respect to sales of personal property, the income from which is returned under subsection (1) of this section, is not included in the total contract price, payments received with respect to such sales shall be treated as applying first against such carrying charges or interest.

[Amended by 1981 c 812 §2]

Note: Section 5, chapter 812, Oregon Laws 1981, provides

Sec. 5. (1) Except as otherwise provided in this section, the amendments to ORS 317 165, 317 170 and 317 238 by sections 1 to 3 of this Act and the repeal of ORS 317 239 by section 4 of this Act apply to dispositions made after October 19, 1980, in taxable years ending after October 19, 1980

(2) ORS 317 170 (5) applies to first dispositions made after May 14, 1980

(3) ORS 317 170 (8) and 317 238 (3) apply in the case of distributions of instalment obligations after March 31, 1980

(4) The amendments to ORS 317 165 apply to taxable years ending after October 19, 1980

(5) ORS 317 238 (4) applies to instalment obligations becoming unenforceable after October 19, 1980

(6) In the case of any disposition made on or before October 19, 1980, in any taxable year ending after that date, the provisions of ORS 317.170, as in effect before the effective date of this Act shall be applied with respect to the disposition without regard to:

(a) ORS 317.170 (1)(b) (1979 Replacement Part),

(b) Any requirement that more than one payment be received; and

(c) Any requirement that an instalment reporting election must be made

317.170 Sales of realty and casual sales of personalty on instalment basis. (1) General Rule -- Except as otherwise provided in this section, income from an instalment

sale shall be taken into account for purposes of this chapter under the instalment method.

(2) Instalment Sale Defined -- For purposes of this section:

(a) In General -- "Instalment sale" means a disposition of property where at least one payment is to be received after the close of the taxable year in which the disposition occurs.

(b) Exceptions -- "Instalment sale" does not include:

(A) A disposition of personal property on the instalment plan by a taxpayer who regularly sells or otherwise disposes of personal property on the instalment plan.

(B) A disposition of personal property of a kind which is required to be included in the inventory of the taxpayer if on hand at the close of the taxable year.

(3) Instalment Method Defined -- For purposes of this section, "instalment method" means a method under which the income recognized for any taxable year from a disposition is that proportion of the payments received in that year which the gross profit (realized or to be realized when payment is completed) bears to the total contract price.

(4) Election Out --

(a) Subsection (1) of this section shall not apply to any disposition if the taxpayer elects to have subsection (1) of this section not apply to such disposition.

(b) Except as otherwise provided by rules of the department, an election under paragraph (a) of this subsection with respect to a disposition may be made only on or before the due date prescribed by law (including extensions) for filing the taxpayer's return of the tax imposed by this chapter for the taxable year in which the disposition occurs. Such an election shall be made in the manner prescribed by rules of the department.

(c) An election under paragraph (a) of this subsection with respect to any disposition may be revoked only with the consent of the department.

(5) Second Dispositions by Related Persons --

(a) In General -- If:

(A) Any taxpayer disposes of property to a related person (hereinafter in this subsection referred to as the "first disposition"), and

(B) Before the taxpayer making the first disposition receives all payments with respect to such disposition, the related person disposes

of the property (hereinafter in this subsection referred to as the "second disposition"),

then, for purposes of this section, the amount realized with respect to such second disposition shall be treated as received at the time of the second disposition by the taxpayer making the first disposition.

(b) Two Year Cutoff for Property Other Than Marketable Securities --

(A) Except in the case of marketable securities, paragraph (a) of this subsection shall apply only if the date of the second disposition is not more than two years after the date of the first disposition.

(B) The running of the two-year period set forth in subparagraph (A) of this paragraph shall be suspended with respect to any property for any period during which the related taxpayer's risk of loss with respect to the property is substantially diminished by:

(i) The holding of a put with respect to such property (or similar property),

(ii) The holding by another taxpayer of a right to acquire the property, or

(iii) A short sale or any other transaction.

(c) Limitation on Amount Treated as Received -- The amount treated for any taxable year as received by the taxpayer making the first disposition by reason of paragraph (a) of this subsection shall not exceed the excess of:

(A) The lesser of:

(i) The total amount realized with respect to any second disposition of the property occurring before the close of the taxable year; or

(ii) The total contract price for the first disposition, over

(B) The sum of:

(i) The aggregate amount of payments received with respect to the first disposition before the close of such year, plus

(ii) The aggregate amount treated as received with respect to the first disposition for prior taxable years by reason of this subsection.

(d) Fair Market Value Where Disposition is Not Sale or Exchange -- For purposes of this subsection, if the second disposition is not a sale or exchange, an amount equal to the fair market value of the property disposed of shall be substituted for the amount realized.

(e) Later Payments Treated as Receipt of Tax Paid Amounts -- If paragraph (a) of this subsection applies for any taxable year, pay-

ments received in subsequent taxable years by the taxpayer making the first disposition shall not be treated as the receipt of payments with respect to the first disposition to the extent that the aggregate of such payments does not exceed the amount treated as received by reason of paragraph (a) of this subsection.

(f) Exceptions for Certain Dispositions -- For purposes of this subsection:

(A) Any sale or exchange of stock to the issuing taxpayer shall not be treated as a first disposition.

(B) A compulsory or involuntary conversion (within the meaning of ORS 317.249) and any transfer thereafter shall not be treated as a second disposition if the first disposition occurred before the threat or imminence of the conversion.

(g) Exception Where Tax Avoidance Not Principal Purpose -- This subsection shall not apply to a second disposition (and any transfer thereafter) if it is established to the satisfaction of the department that neither the first disposition nor the second disposition had as one of its principal purposes the avoidance of state corporate excise or income tax.

(h) Extension of Statute of Limitations -- The period for assessing a deficiency with respect to a first disposition (to the extent such deficiency is attributable to the application of this subsection) shall not expire before the day which is two years after the date on which the taxpayer making the first disposition furnishes (in such manner as the department may by rules prescribe) a notice that there was a second disposition of the property to which this subsection may have applied. Such deficiency may be assessed notwithstanding the provisions of any law or rule of law which would otherwise prevent such assessment.

(6) Definitions and Special Rules -- For purposes of this section:

(a) Related Person -- Except for purposes of subsections (7) and (8) of this section, "related person" means a person whose stock would be attributed under section 318(a) of the Internal Revenue Code of 1954 (other than paragraph (4) thereof) to the taxpayer first disposing of the property.

(b) Marketable Securities -- "Marketable securities" means any security for which, as of the date of the disposition, there was a market on an established securities market or otherwise.

(c) Payment -- Except as provided in paragraph (d) of this subsection, the term "payment" does not include the receipt of evidences of indebtedness of the taxpayer acquiring the property (whether or not payment of such indebtedness is guaranteed by another person).

(d) Purchaser Evidences of Indebtedness Payable on Demand or Readily Tradable -- Receipt of a bond or other evidence of indebtedness which is payable on demand, or is issued by a corporation or a government or political subdivision thereof and is readily tradable, shall be treated as receipt of payment

(e) Readily Tradable Defined -- For purposes of paragraph (d) of this subsection, the term "readily tradable" means a bond or other evidence of indebtedness which is issued:

(A) With interest coupons attached or in registered form (other than one in registered form which the taxpayer establishes will not be readily tradable in an established securities market); or

(B) In any other form designed to render such bond or other evidence of indebtedness readily tradable in an established securities market.

(f) Like-Kind Exchanges -- In the case of any exchange described in ORS 317.236:

(A) The total contract price shall be reduced to take into account the amount of any property permitted to be received in such exchange without recognition of gain,

(B) The gross profit from such exchange shall be reduced to take into account any amount not recognized by reason of ORS 317.236, and

(C) The term "payment" shall not include any property permitted to be received in such exchange without recognition of gain.

(g) Depreciable Property -- "Depreciable property" means property of a character which (in the hands of the transferee) is subject to the allowance for depreciation provided in ORS 317.285.

(7) Sale of Depreciable Property to Related Person --

(a) In the case of an instalment sale of depreciable property between related persons within the meaning of section 1239(b) of the Internal Revenue Code of 1954, subsection (1) of this section shall not apply, and, for purposes of this chapter, all payments to be re-

ceived shall be deemed received in the year of the disposition

(b) Paragraph (a) of this subsection shall not apply if it is established to the satisfaction of the department that the disposition did not have as one of its principal purposes the avoidance of state corporate excise or income tax.

(8) Use of Instalment Method by Shareholders in Section 337 Liquidations --

(a) Receipt of Obligation Not Treated as Payment --

(A) If, in connection with a liquidation to which ORS 317.247 applies, in a transaction, the shareholder receives (in exchange for the shareholder's stock) an instalment obligation acquired in respect of a sale or exchange by the corporation during the 12-month period set forth in ORS 317.247, then, for purposes of this section, the receipt of payments under such obligation (but not the receipt of such obligation) by the shareholder shall be treated as the receipt of payment for the stock.

(B) Subparagraph (A) of this paragraph shall not apply to an instalment obligation described in ORS 317.247 (2)(b) unless such obligation is also described in ORS 317.247 (3)(b).

(C) If the obligor of any instalment obligation and the shareholder are related taxpayers (within the meaning of section 1239(b) of the Internal Revenue Code of 1954), to the extent such instalment obligation is attributable to the disposition by the corporation of depreciable property subparagraph (A) of this paragraph shall not apply to such obligation, and for purposes of this chapter, all payments to be received by the shareholder shall be deemed received in the year the shareholder receives the obligation.

(D) For purposes of subsection (5)(a)(A) of this section, disposition of property by the corporation shall be treated also as disposition of such property by the shareholder.

(b) Distributions Received in More than One Taxable Year of Shareholder -- If:

(A) Paragraph (a) of this subsection applies with respect to any instalment obligation received by a shareholder from a corporation, and

(B) By reason of the liquidation such shareholder receives property in more than one taxable year, then, on completion of the liquidation, basis previously allocated to property so received

shall be reallocated for all such taxable years so that the shareholder's basis in the stock of the corporation is properly allocated among all property received by such shareholder in such liquidation.

(9) Rules --

(a) The department shall prescribe such rules as may be necessary or appropriate to carry out the provisions of this section.

(b) The rules prescribed under paragraph (a) of this subsection shall include rules providing for ratable basis recovery in transactions where the gross profit or the total contract price (or both) cannot be readily ascertained. [Amended by 1955 c 99 §1, subsection (3) derived from 1955 c 99 §2, 1981 c 812 §1]

Note: See note under 317 165

317.175 Change to instalment basis.

(1) If a taxpayer entitled to the benefits of ORS 317.165 elects for any taxable year to report its net income on the instalment basis, then in computing its taxable income for such year (referred to in this section as "year of change") or for any subsequent year:

(a) Instalment payments actually received during any such year on account of sales or other disposition of property made in any tax year before the year of change shall not be excluded; but

(b) The tax imposed by this chapter for any taxable year (referred to in this section as "adjustment year") shall be reduced by the adjustment computed under subsection (2) of this section.

(2) In determining the adjustment referred to in paragraph (b) of subsection (1) of this section, first determine, for each taxable year before the year of change, the amount which equals the lesser of:

(a) The portion of the tax for such prior taxable year which is attributable to the gross profit which was included in gross income for such prior taxable year and which by reason of paragraph (a) of subsection (1) of this section is includable in gross income for the taxable year, or

(b) The portion of the tax for the adjustment year which is attributable to the gross profit described in paragraph (a) of subsection (2) of this section.

The adjustment referred to in paragraph (b) of subsection (1) of this section for the adjustment year is the sum of the amounts, for all

taxable years before the year of change, determined under the preceding sentence.

(3) For purposes of subsection (2) of this section, the portion of the tax for a prior taxable year, or for the adjustment year, which is attributable to the gross profit described in such subsection is that amount which bears the same ratio to the tax imposed by this chapter for such taxable year (computed without regard to subsection (2) of this section) as the gross profit described in subsection (2) of this section bears to the gross income for such taxable year.

(4) The 1955 amendments to this section shall apply to tax years beginning on and after December 31, 1953. [Amended by 1955 c 128 §1, subsection (4) derived from 1955 c 128 §2]

317.180 [Repealed by 1957 c.632 §1 (314.280 enacted in lieu of 316 205 and 317 180)]

317.185 [Repealed by 1957 c.632 §1 (314 285 enacted in lieu of 316 210 and 317 185)]

317.190 Dissolution of taxpayer; effect on reporting income. In the case of the dissolution of a taxpayer, gains, profits and income are to be returned for the tax year in which they are received by the taxpayer, unless they have been reported at an earlier period in accordance with the approved method of accounting followed by the taxpayer. If a taxpayer is dissolved, there shall also be included in computing net income of the taxpayer for the taxable period in which it is dissolved amounts accrued up to the date of dissolution if not otherwise properly includable in respect of such period or a prior period, regardless of the fact that the taxpayer may have kept its books and made its returns on the basis of cash receipts and disbursements. This section shall not apply with respect to crops not harvested within said taxable period or to livestock. [1955 c 205 §2]

317.195 Dissolution of taxpayer; effect on deductions allowed. In the case of the dissolution of a taxpayer there shall be allowed as deductions for the taxable period in which the taxpayer dissolved, regardless of the fact that the taxpayer may have kept its books and made its returns on the basis of cash receipts and disbursements, amounts accrued up to the date of dissolution if not otherwise properly allowable in respect of such period or a prior period under this chapter. [1955 c.205 §3]

317.197 Net income of domestic insurer; items excluded from taxable income.

(1) For purposes of the tax imposed under ORS 317.070, the net income of a domestic insurer shall be the insurer's "net gain from operations" or "net income" determined in the manner prescribed by the Insurance Division of the Department of Commerce on its Annual Statement Form for the taxable year, as adjusted pursuant to ORS 317.010 (18), 317.076, 317.078, 317.199, 317.299 and this section.

(2) The net income of a domestic insurer shall be computed by adding or subtracting, to the insurer's net gain from operations as determined under subsection (1) of this section, such of the following items as apply to the insurer:

(a) Add the amount of federal and state income taxes deducted by the insurer in computing its net gain from operations.

(b) Add penalty interest received by the insurer arising out of prepayment of loans made by the insurer.

(c) Add realized gains and losses on sales or exchanges by the insurer of property.

(d) Subtract, if the insurer so elects, additional or accelerated depreciation on real and personal property as allowed by ORS 317.285 that is in excess of the depreciation deducted by the method used in computing the insurer's net gain from operations.

(e) Subtract that amortized portion of the contribution for past service credits made to qualified plans and exempt trusts for employees allowed as a deduction by ORS 317.256.

(f) Add or subtract, as appropriate, increases or decreases in mandatory reserves that the insurer is required to maintain by law or by rules or directives of the Insurance Commissioner, other than increases or decreases that (A) are deducted in arriving at the insurer's net gain from operations, or (B) result from net gains or losses, realized or unrealized, in the value of the insurer's property and investments.

(g) Add or subtract, as appropriate, increases or decreases in reserves for policies and obligations outstanding before the beginning of the taxable year resulting from changes in the bases and methods of computing such reserves that are justified by accounting and actuarial practices applicable to or accepted by the insurance industry, commonly known as "reserve strengthening" or "reserve weakening."

(3) Income, expenses, gains, losses, exclusions, deductions, assets, reserves, liabilities and other items properly attributable to one or more separate accounts authorized under ORS 733.220 shall not be taken into account in determining taxable income of a domestic insurer under ORS 317.010 (18), 317.076, 317.078, 317.199, 317.299 and this section until such amounts or items are returned to and reflected on the general accounts of such insurer so as to be available generally to or for the benefit of contract and policyholders of the insurer. [1969 c 600 §§3, 4, 6; 1973 c 402 §22, 1981 c 705 §4]

317.199 Allocation of net income where domestic insurer does business in other states. In lieu of the provisions of ORS 314.280, if the income of a domestic insurer is derived from business done both within and without this state, the determination of net income attributable to this state and to be allocated to this state shall be arrived at by apportionment based upon an averaging of the following three factors:

(1) Insurance sales factor: The percentage obtained by dividing (a) the direct premiums (excluding reinsurance accepted and without deduction of reinsurance ceded) received by the insurer during the taxable year on policies and contracts which are allocated to this state and to other jurisdictions in which the insurer is not authorized to do business by (b) the total of such premiums received by the insurer during the taxable year on policies and contracts that had been sold within and without this state. For purposes of this subsection, "premiums" means sums properly included in appropriate schedules of the annual statement filed by the insurer with the Insurance Commissioner, which allocate premiums by jurisdiction.

(2) Wage and commission factor: The percentage obtained by dividing (a) the total of wages, salaries, commissions and other compensation for personal services paid in this state during the tax period to employees and insurance salesmen in connection with the business of the insurer, by (b) the total wages, salaries, commissions and other compensation for personal services paid everywhere during the tax period to employees and insurance salesmen in connection with the business of the insurer. For determining the place of payment, the procedure set forth in ORS 314.660 (2) shall apply.

(3) Real estate income and interest factor: The percentage obtained by dividing (a) the total net income (after deducting from gross rental income real estate expenses, property taxes and depreciation attributable thereto, which are included in appropriate schedules of the annual statement filed by the insurer with the Insurance Division) received from real property within this state plus gross interest received on loans secured by real property within this state during the taxable year, by (b) the total net income received from real property within and without this state plus gross interest received on loans secured by real property within and without this state during the taxable year. [1969 c 600 §7]

DETERMINATION AND RECOGNITION OF GAIN AND LOSS

317.205 [Repealed by 1959 c.389 §1 (317 206 enacted in lieu of 317 205)]

317.206 Definitions. (1) (a) "Reorganization" means:

(A) A statutory merger or consolidation; or

(B) The acquisition by one corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of stock of another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation (whether or not such acquiring corporation had control immediately before the acquisition); or

(C) The acquisition by one corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation), of substantially all of the properties of another corporation, but in determining whether the exchange is solely for stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded; or

(D) A transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor, or one or more of its shareholders (including persons who were shareholders immediately before the transfer), or any combination thereof, is in control of the corporation to which the assets are transferred; but only if, in pursuance of the plan, stock or securities of the

corporation to which the assets are transferred are distributed in a transaction which qualified under ORS 317.231 (2) or (6) or 317.236; or

(E) A recapitalization; or

(F) A mere change in identity, form, or place of organization, however effected.

(b) (A) If a transaction is described in both subparagraphs (C) and (D) of paragraph (a) of this subsection, then, such transaction shall be treated as described only in subparagraph (D).

(B) If one corporation acquires substantially all of the properties of another corporation, the acquisition would qualify under subparagraph (C) of paragraph (a) of this subsection but for the fact that the acquiring corporation exchanges money or other property in addition to voting stock, and the acquiring corporation acquires, solely for voting stock described in subparagraph (C) of paragraph (a) of this subsection, property of the other corporation having a fair market value which is at least 80 percent of the fair market value of all of the property of the other corporation, then such acquisition shall (subject to subparagraph (A) of this paragraph) be treated as qualifying under subparagraph (C) of paragraph (a) of this subsection. Solely for the purpose of determining whether as required by the preceding sentence 80 percent of the fair market value of the property was acquired for voting stock of the acquiring corporation, the amount of any liability assumed by the acquiring corporation, and the amount of any liability to which any property acquired by the acquiring corporation is subject, shall be treated as money paid for the property.

(C) A transaction otherwise qualifying under subparagraph (A), (B) or (C) of paragraph (a) of this subsection shall not be disqualified by reason of the fact that part or all of the assets or stock which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such assets or stock.

(D) The acquisition by one corporation, in exchange for stock of a corporation (referred to in this subparagraph as "controlling corporation") which is in control of the acquiring corporation, of substantially all of the properties of another corporation which in the transaction is merged into the acquiring corporation shall not disqualify a transaction under subparagraph (A) of paragraph (a) of this subsection if such transaction would have

qualified under subparagraph (A) of paragraph (a) of this subsection if the merger had been into the controlling corporation, and no stock of the acquiring corporation is used in the transaction.

(E) A transaction otherwise qualifying under subparagraph (A) of paragraph (a) of this subsection shall not be disqualified by reason of the fact that stock of a corporation (referred to in this subparagraph as the "controlling corporation") which before the merger was in control of the merged corporation is used in the transaction, if:

(i) After the transaction, the corporation surviving the merger holds substantially all of its properties and of the properties of the merged corporation (other than stock of the controlling corporation distributed in the transaction); and

(ii) In the transaction, former shareholders of the surviving corporation exchanged, for an amount of voting stock of the controlling corporation, an amount of stock in the surviving corporation which constitutes control of such corporation.

(2) "A party to a reorganization" includes a corporation resulting from a reorganization, and both corporations, in the case of a reorganization resulting from the acquisition by one corporation of stock or properties of another. In the case of a reorganization qualifying under subparagraph (B) or (C) of paragraph (a) of subsection (1) of this section, if the stock exchanged for the stock or properties is stock of a corporation which is in control of the acquiring corporation, "a party to a reorganization" includes the corporation so controlling the acquiring corporation. In the case of a reorganization qualifying under subparagraph (A), (B) or (C) of paragraph (a) of subsection (1) of this section by reason of subparagraph (C) of paragraph (b) of subsection (1) of this section, "a party to a reorganization" includes the corporation controlling the corporation to which the acquired assets or stock are transferred. In the case of a reorganization qualifying under subparagraph (A) of paragraph (a) of subsection (1) of this section by reason of subparagraph (D) of paragraph (b) of subsection (1) of this section, "a party to a reorganization" includes the controlling corporation referred to in such subparagraph (D). In the case of a reorganization qualifying under subparagraph (A) of paragraph (a) of subsection (1) of this section by reason of subparagraph (E) of paragraph (b) of subsection (1) of this section, "a party to a reorgani-

zation" includes the controlling corporation referred to in such subparagraph (E)

(3) "Control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation.

(4) This section is effective with respect to transactions occurring on or after August 5, 1959. [1959 c 389 §2 (enacted in lieu of 317.205), subsection (4) derived from 1959 c 389 §11, 1971 c 283 §3]

317.210 Computation of gain or loss.

(1) The gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the adjusted basis provided in ORS 317.220, and the loss shall be the excess of the adjusted basis provided in ORS 317.220 over the amount realized.

(2) The amount realized from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received.

(3) Nothing in ORS 317.210 to 317.220 shall be construed to prevent (in the case of property sold under contract providing for payment in instalments) the taxation of that portion of any instalment payment representing gain or profit in the year in which such payment is received.

317.215 [Amended by 1953 c 385 §9, 1957 c 338 §1, part of subsections (10) and (11) of 1957 Replacement Part derived from 1957 c 338 §3; repealed by 1959 c 389 §3 (317.216 enacted in lieu of 317.215)]

317.216 Unadjusted basis. The basis of property shall be as stated below:

(1) If the property should have been included in the last inventory, the basis shall be the last inventory value thereof.

(2) If the property was acquired by purchase after December 31, 1928, the basis shall be the cost of the property.

(3) If the property was acquired by purchase before January 1, 1929, the basis for computing profit shall be the cost of the property or the fair market value thereof on January 1, 1929, whichever is higher, and the basis for computing loss shall be the cost of the property or the fair market value thereof on January 1, 1929, whichever is lower. However, no profit shall be deemed to have been derived if either the cost or the fair market value on January 1, 1929, exceeds the amount realized and no loss shall be deemed to have

been sustained if the cost or fair market value on January 1, 1929, is less than the amount realized.

(4) If the property was acquired by gift or transfer in trust (other than a transfer in trust by a bequest or devise) before January 1, 1929, the basis for computing profit shall be the fair market value of the property at the date of transfer or the fair market value thereof on January 1, 1929, whichever is higher, and the basis for computing loss shall be the fair market value of the property at the date of transfer or the fair market value on January 1, 1929, whichever is lower. However, no profit shall be deemed to have been derived if either the fair market value at the date of transfer or the fair market value on January 1, 1929, exceeds the amount realized and no loss shall be deemed to have been sustained if either the fair market value at the date of transfer or the fair market value on January 1, 1929, is less than the amount realized.

(5) If the property was acquired by gift or transfer in trust after December 31, 1928, (other than a transfer in trust by a bequest or devise) the basis shall be the same as it would be in the hands of the donor or the last preceding owner by whom it was not acquired by gift, except that for the purpose of determining loss the basis shall be the basis so determined or the fair market value of the property at the time of the gift, whichever is lower. If the facts necessary to determine the basis in the hands of the donor or the last preceding owner are unknown to the donee, the department shall, if possible, obtain such facts from such donor or last preceding owner, or any other person cognizant thereof. If the department finds it impossible to obtain such facts, the basis in the hands of such donor or last preceding owner shall be the fair market value of such property as found by the department as of the date or approximate date at which, according to the best information the department is able to obtain, such property was acquired by such donor or last preceding owner.

(6) If the property was acquired before January 1, 1929, upon an exchange (whether or not an exchange as to which no gain or loss would be recognized under ORS 317.225, 317.231 or 317.236, 317.240, 317.241, 317.245, 317.247, 317.249 and 317.250), the basis shall be the same as if the property had been purchased on the date of such exchange for its fair market value on that date.

(7) (a) If the property was acquired after December 31, 1928, upon an exchange to which ORS 317.231 applies the basis of the property permitted to be received under such section without the recognition of gain or loss shall be the same as that of the property exchanged decreased by the fair market value of any other property (except money) received by the taxpayer, and the amount of any money received by the taxpayer, and increased by the amount which was treated as a dividend, and the amount of gain to the taxpayer which was recognized on such exchange (not including any portion of such gain which was treated as a dividend). The basis of any other property (except money) received by the taxpayer shall be its fair market value.

(b) Under regulations prescribed by the department, the basis determined under paragraph (a) of this subsection shall be allocated among the properties permitted to be received without the recognition of gain or loss. In the case of an exchange to which ORS 317.231 (6) (or so much of ORS 317.236 as relates to such subsection (6)) applies, then in making such allocation there shall be taken into account not only the property so permitted to be received without the recognition of gain or loss, but also the stock or securities (if any) of the distributing corporation which are retained, and the allocation of basis shall be made among all such properties.

(c) For purposes of this subsection, a distribution to which ORS 317.231 (6) (or so much of ORS 317.236 as relates to such subsection) applies shall be treated as an exchange, and for such purposes the stock and securities of the distributing corporation which are retained shall be treated as surrendered, and received back, in the exchange.

(d) Where, as part of the consideration to the taxpayer, another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall, for purposes of this subsection, be treated as money received by the taxpayer on the exchange.

(8)(a) If property was acquired by a corporation in connection with a transaction to which ORS 317.231 (5) (relating to transfer of property to corporation controlled by transferor) or the equivalent language of the federal Internal Revenue Code applicable to the Personal Income Tax Act of 1969 applies, or as paid-in surplus or as a contribution to capital, then the basis shall be the same as it would be

in the hands of the transferor, increased in the amount of gain recognized to the transferor on such transfer.

(b) If property was acquired by a corporation in connection with a reorganization to which ORS 317.231 (2) or (3) or the equivalent language of the federal Internal Revenue Code applicable to the Personal Income Tax Act of 1969 applies, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain recognized to the transferor on such transfer. This subsection shall not apply if the property acquired consists of stock or securities in a corporation a party to the reorganization, unless acquired by the issuance of stock or securities of the transferee (or of a corporation which is in control of the transferee) as the consideration in whole or in part for the transfer

(c) If property was acquired by a corporation in a transfer to which ORS 317.231 (7) applies, then notwithstanding the provisions of section 270 of the Bankruptcy Act (54 Stat 709; 11 U.S.C. 670), the basis in the hands of the acquiring corporation shall be the same as it would be in the hands of the corporation whose property was so acquired, increased in the amount of gain recognized to the corporation whose property was so acquired under the law applicable to the year in which the acquisition occurred.

(d) Notwithstanding paragraph (a) of this subsection, if property other than money is acquired by a corporation as a contribution to capital, and is not contributed by a shareholder as such, then the basis of such property shall be zero. Notwithstanding paragraph (a) of this subsection, if money is received by a corporation as a contribution to capital, and is not contributed by a shareholder as such, then the basis of any property acquired with such money during the 12-month period beginning on the day the contribution is received shall be reduced by the amount of such contribution. The excess (if any) of the amount of such contribution over the amount of the reduction under the preceding sentence shall be applied to the reduction (as of the last day of the period specified in the preceding sentence) of the basis of any other property held by the taxpayer. The particular properties to which the reductions required by this paragraph shall be allocated shall be determined under regulations prescribed by the department.

(9) If the property was acquired after December 31, 1928, as the result of a compul-

sory or involuntary conversion described in ORS 317.249 (1)(a) or 317.250, the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended upon such conversion, and increased in the amount of gain to the taxpayer recognized upon such conversion. If the property was purchased by the taxpayer and such purchase resulted, under the provisions of ORS 317.249 (1)(b), in the nonrecognition of any part of the gain realized as the result of a compulsory or involuntary conversion, the basis shall be the cost of such property decreased in the amount of the gain not so recognized; and if the property purchased consists of more than one piece of property, the basis determined under this sentence shall be allocated to the purchased properties in proportion to their respective costs.

(10) If the property was acquired by a corporation upon a distribution in complete liquidation of another corporation within the meaning of ORS 317.245, then, except as provided in subsection (11) of this section, the basis shall be the same as it would be in the hands of the transferor. However, if such acquisition occurred prior to August 2, 1951, the basis shall be as determined by the law in effect on the date of such acquisition.

(11) If the property was acquired by a corporation upon a distribution in complete liquidation of another corporation (within the meaning of ORS 317.245), the basis of the property in the hands of the distributee shall be the adjusted basis of the stock with respect to which the distribution was made, if:

(a) The distribution is pursuant to a plan of liquidation adopted on or after June 22, 1954, and not more than two years after the date of the transaction described in paragraph (b) of this subsection (or, in the case of a series of transactions, the date of the last such transaction); and

(b) Stock of the distributing corporation possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote, and at least 80 percent of the total number of shares of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends), was acquired by the distributee by purchase during a period of not more than 12 months. A "purchase" for purposes of this paragraph means any acquisition of stock, but only if the basis of the stock in the hands of the distributee is not determined in whole or in part by reference to the

adjusted basis of such stock in the hands of the person from whom acquired, the stock is not acquired in an exchange to which ORS 317.231 (5) or the equivalent language of the federal Internal Revenue Code as applicable to the Personal Income Tax Act of 1969 applies, the stock is not acquired from an affiliated corporation as such term is defined in ORS 314.363, or the stock is not acquired from a decedent by bequest or inheritance.

(12) For purposes of subsection (11) of this section, under regulations prescribed by the department, proper adjustment in the adjusted basis of any stock shall be made for any distribution made to the distributee with respect to such stock before the adoption of the plan of liquidation, for any money received, for any liabilities assumed, or subject to which the property was received, and for other items. For purposes of this subsection and of subsection (11) of this section, the term "distributee" means only the corporation which meets the 80 percent stock ownership requirements specified in ORS 317.245.

(13) If the property consists of stock or securities the acquisition of which (or the contract or option to acquire which) resulted in the nondeductibility under ORS 317.270 of the loss from the sale or other disposition of substantially identical stock or securities, then the basis shall be the basis of the stock or securities so sold or disposed of, increased or decreased, as the case may be, by the difference, if any, between the price at which the property was acquired and the price at which such substantially identical stock or securities were sold or otherwise disposed of.

(14) If the property consists of stock (called "old stock") in respect of which the shareholder has received a distribution of stock or rights to acquire stock in the distributing corporation (called "new stock") and if the distribution did not constitute receipt of a dividend taxable under this chapter, the basis of the old and new stock respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations prescribed by the department.

(15) If property was acquired by a shareholder in the liquidation of a corporation in cancellation or redemption of stock, and with respect to such acquisition gain was realized, but as the result of an election made by the shareholder under ORS 317.248, the extent to which gain was recognized was determined

under ORS 317.248, then the basis shall be the same as the basis of such stock canceled or redeemed in the liquidation, decreased in the amount of any money received by the shareholder and increased in the amount of gain recognized to it. [1959 c 389 §4 (enacted in lieu of 317 215); last sentence derived from 1959 c 389 §11, 1969 c 103 §2; 1969 c 493 §92, 1971 c 283 §4, 1977 c 866 §5]

317.220 Adjusted basis; substituted basis. (1) The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under ORS 317.216, adjusted as provided in this section.

(2) Proper adjustment in respect of the property shall in all cases be made:

(a) For expenditures, receipts, losses or other items, properly chargeable to capital account, but no such adjustment shall be made in respect to items for which deductions have been taken by the taxpayer on its tax returns for the prior years, if the adjustment of such returns is barred.

(b) In respect to any period (whether before or after January 1, 1929), for exhaustion, wear and tear, obsolescence, amortization and depletion, to the extent actually sustained, except that the amount of the adjustment shall not be less than the total amount actually allowed as a deduction upon returns to the State of Oregon during the period after December 31, 1928.

(c) In the case of stock (to the extent not provided for in paragraphs (a) and (b) of this subsection) for the amount of distributions previously made which were applicable in reduction of basis.

(3) The term "substituted basis" as used in this section means a basis determined under any provision of ORS 317.216, providing that the basis shall be determined:

(a) By reference to the basis in the hands of a transferor, donor or grantor, or

(b) By reference to other property held at any time by the corporation for whom the basis is to be determined.

(4) Whenever it appears that the basis of property in the hands of the taxpayer is a substituted basis, then the adjustments provided in subsection (2) of this section shall be made after first making in respect of such substituted basis proper adjustments of a similar nature in respect of the period during which the property was held by the transferor, donor or grantor, or during which the other

property was held by the corporation for whom the basis is to be determined. A similar rule shall be applied in the case of a series of substituted bases.

(5) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of the lessor of such property, be increased or diminished on account of income derived by the lessor in respect of such property and excludable from gross income under ORS 317.110 (7).

(6) The 1953 amendments to this section are applicable to any tax year, the return for which is open to adjustment on July 21, 1953.

[Amended by 1953 c 385 §9, 1975 c 650 §3, 1977 c 795 §13]

317.225 Recognition of gain or loss.

Upon the sale or exchange of property the entire amount of the gain or loss, as determined under ORS 317.210, shall be recognized, except as provided in ORS 317.231, 317.236, 317.241 to 317.247 and 317.249.

[Amended by 1981 c 705 §5]

317.228 Application of amount excluded under ORS 317.120 to basis of property held by taxpayer. Where any amount is excluded from gross income under ORS 317.120 (relating to income from discharge of indebtedness) on account of the discharge of indebtedness the whole or a part of the amount so excluded from gross income shall be applied in reduction to the basis of any property held (whether before or after the time of the discharge) by the taxpayer during any portion of the taxable year in which such discharge occurred. The amount to be so applied (not in excess of the amount so excluded from gross income, reduced by the amount of any deduction disallowed under ORS 317.120) and the particular properties to which the reduction shall be allocated, shall be determined under regulations (prescribed by the department) in effect at the time of the filing of the consent by the taxpayer referred to in ORS 317.120. The reduction shall be made as of the first day of the taxable year in which the discharge occurred, except in the case of property not held by the taxpayer on such first day, in which case it shall take effect as of the time the holding of the taxpayer began. [1969 c 681 §6]

317.230 [Amended by 1953 c 385 §9, repealed by 1959 c.389 §5 (317 231 enacted in lieu of 317.230)]

317.231 Exchanges solely in kind. (1) No gain or loss shall be recognized if property held for productive use in trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a like kind to be held either for productive use in trade or business or for investment.

(2) No gain or loss shall be recognized if stock or securities in a corporation, a party to a reorganization, are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization. The preceding sentence shall not apply if the principal amount of any such securities received exceeds the principal amount of any such securities surrendered, or any such securities are received and no such securities are surrendered; nor shall such sentence apply to an exchange in pursuance of a plan of reorganization if the reorganization is one described in ORS 317.206 (1)(a)(D) unless the corporation to which the assets are transferred acquires substantially all of the assets of the transferor of such assets and the stock, securities, and other properties received by such transferor, as well as the other properties of such transferor, are distributed in pursuance of the plan of reorganization. Notwithstanding any other provision of this chapter, the rule of this subsection (and so much of ORS 317.236 as relates to this subsection) shall apply with respect to any plan of reorganization for a railroad approved by the Interstate Commerce Commission under section 77 of the Bankruptcy Act under section 20 b of the Interstate Commerce Act, as being in the public interest.

(3) No gain or loss shall be recognized if a corporation, a party to a reorganization, exchanges property in pursuance of the plan of reorganization solely for stock or securities in another corporation, a party to the reorganization.

(4) No gain or loss shall be recognized if common stock in a corporation is exchanged solely for common stock in the same corporation or if preferred stock in a corporation is exchanged solely for preferred stock in the same corporation.

(5) No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and immediate-

ly after the exchange such person or persons are in control of the corporation. For purposes of this subsection, stock or securities issued for services shall not be considered as issued in return for property. In determining control, for purposes of this subsection, the fact that any corporate transferor distributes part or all of the stock which it receives in the exchange to its shareholders shall not be taken into account.

(6) (a) If a corporation (referred to in this section as the "distributing corporation") distributes to a shareholder, with respect to its stock, or distributes to a security holder, in exchange for its securities, solely stock or securities of a corporation (referred to in this section as "controlled corporation") which it controls immediately before the distribution (stock which was acquired by the distributing corporation by reason of any transaction occurring within five years of the distribution in which gain or loss was recognized in whole or in part to be considered other property and not stock for such purposes); the transaction was not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (but the mere fact that subsequent to the distribution stock or securities in one or more of such corporations are sold or exchanged by all or some of the distributees (other than pursuant to an arrangement negotiated or agreed upon prior to such distribution) shall not be construed to mean that the transaction was used principally as such a device); the requirements of paragraph (b) of this subsection (relating to active businesses) are satisfied; and as part of the distribution, the distributing corporation distributes all of the stock and securities in the controlled corporation held by it immediately before the distribution, or an amount of stock in the controlled corporation constituting control, and it is established to the satisfaction of the department that the retention by the distributing corporation of stock (or stock and securities) in the controlled corporation was not in pursuance of a plan having as one of its principal purposes the avoidance of Oregon income or excise taxes then no gain or loss shall be recognized to (and no amount shall be includable in the income of) such shareholder or security holder on the receipt of such stock or securities. This subsection shall apply whether or not the distribution is pro rata with respect to all of the shareholders of the distributing corporation, whether or not the

shareholder surrenders stock in the distributing corporation, and whether or not the distribution is in pursuance of a plan of reorganization. This subsection shall not apply if the principal amount of the securities in the controlled corporation which are received exceeds the principal amount of the securities which are surrendered in connection with such distribution, or securities in the controlled corporation are received and no securities are surrendered in connection with such distribution.

(b) Paragraph (a) of this subsection shall apply only if either the distributing corporation, and the controlled corporation (or, if stock of more than one controlled corporation is distributed, each of such corporations), is engaged immediately after the distribution in the active conduct of a trade or business, or immediately before the distribution, the distributing corporation had no assets other than stock or securities in the controlled corporations and each of the controlled corporations is engaged immediately after the distribution in the active conduct of a trade or business. For such purposes a corporation shall be treated as engaged in the active conduct of a trade or business if and only if it is engaged in the active conduct of a trade or business, or substantially all of its assets consist of stock and securities of a corporation controlled by it (immediately after the distribution) which is so engaged, such trade or business has been actively conducted throughout the five-year period ending on the date of the distribution, such trade or business was not acquired within such five-year period in a transaction in which gain or loss was recognized in whole or in part, and control of a corporation which (at the time of acquisition of control) was conducting such trade or business, was not acquired directly (or through one or more corporations by another corporation within such five-year period) or was so acquired by another corporation within such period, but such control was so acquired only by reason of transactions in which a gain or loss was not recognized in whole or in part, or only by reason of such transactions combined with acquisitions before the beginning of such period.

(7) No gain or loss shall be recognized if property of a corporation (other than a railroad corporation, as defined in section 77(m) of the Bankruptcy Act (49 Stat. 922; 11 U.S.C. 205) is transferred in pursuance of an order of the court having jurisdiction of such corporation in a receivership, foreclosure, or similar

proceeding, or in a proceeding under chapter X of the Bankruptcy Act (52 Stat. 883-905; 11 U.S.C., chapter 10) or the corresponding provisions of prior law, to another corporation organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, in exchange solely for stock or securities in such other corporation.

(8) No gain or loss shall be recognized on an exchange consisting of the relinquishment or extinguishment of stock or securities in a corporation the plan of reorganization of which is approved by the court in a proceeding described in subsection (7) of this section, in consideration of the acquisition solely of stock or securities in a corporation organized or made use of to effectuate such plan of reorganization.

(9) This section is effective with respect to transactions occurring on or after August 5, 1959. [1959 c 389 §6 (enacted in lieu of 317 230), subsection (9) derived from 1959 c 389 §11]

317.235 [Repealed by 1959 c 389 §7 (317 236 enacted in lieu of 317.235 and 317 240)]

317.236 Exchanges not solely in kind.

(1) If an exchange would be within the provisions of ORS 317.231 (1), (2), (4), (5), (6) or (8), if it were not for the fact that the property received in exchange consists not only of property permitted by such subsection to be received without the recognition of gain, but also of other property or money, then the gain, if any, to the recipient, shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

(2) If an exchange is described in ORS 317.231 (2) or (6) but has the effect of the distribution of a dividend, then there shall be treated as a dividend to each distributee such an amount of the gain recognized under subsection (1) of this section as is not in excess of his ratable share of the undistributed earnings and profits of the corporation. The remainder, if any, of the gain recognized under subsection (1) of this section shall be treated as gain from the exchange of property.

(3) If ORS 317.231 (6) would apply to a distribution but for the fact that the property received in the distribution consists not only of property permitted by such subsection to be received without the recognition of gain, but also of other property or money, then an amount equal to the sum of such money and the fair market value of such other property shall be treated as a distribution of a dividend

to the extent that such amount is not in excess of the distributee's ratable share of the undistributed earnings and profits of the corporation.

(4) If an exchange would be within the provisions of ORS 317.231 (3) or (7) if it were not for the fact that the property received in exchange consists not only of stock or securities permitted by such subsection to be received without the recognition of gain, but also of other property or money, then:

(a) If the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

(b) If the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property so received, which is not so distributed.

(5) If ORS 317.231 (1), (2), (3), (4), (5), (7) or (8) would apply to an exchange or subsection (6) thereof would apply to an exchange or distribution, but for the fact that the property received in the exchange or distribution consists not only of property permitted by such subsection to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange or distribution shall be recognized.

(6) The term "other property" as used in this section includes securities except as hereinafter provided:

(a) The term "other property" does not include securities to the extent that, under ORS 317.231 (2) or (6), such securities would be permitted to be received without the recognition of gain.

(b) If in an exchange described in ORS 317.231 (2), (other than a reorganization described in the last sentence thereof), securities of a corporation a party to the reorganization are surrendered and securities of any corporation a party to the reorganization are received, and the principal amount of such securities received exceeds the principal amount of such securities surrendered, then with respect to such securities received, the term "other property" means only the fair market value of such excess. For purposes of this paragraph and paragraph (c) of this subsection, if no securities are surrendered, the excess shall be

the entire principal amount of the securities received.

(c) If in an exchange or distribution described in ORS 317.231 (6) the principal amount of the securities in the controlled corporation which are received exceeds the principal amount of the securities in the distributing corporation which are surrendered, then, with respect to such securities received, the term "other property" means only the fair market value of such excess.

(d) The term "other property" does not include securities received in an exchange under ORS 317.231 (5).

(7) This section is effective with respect to transactions occurring on or after August 5, 1959. [1959 c 389 §8 (enacted in lieu of 317.235 and 317 240), subsection (7) derived from 1959 c 389 §11]

317.238 Satisfaction of instalment obligation at other than face value; basis of obligation. (1) If an instalment obligation is satisfied at other than its face value or distributed, transmitted, sold or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the obligation and:

(a) In the case of satisfaction at other than face value or a sale or exchange, the amount realized, or

(b) In the case of a distribution, transmission or disposition otherwise than by sale or exchange, the fair market value of the obligation at the time of such distribution, transmission or disposition.

(2) Any gain or loss so resulting shall be considered as resulting from the sale or exchange of the property in respect of which the instalment obligation was received. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full.

(3) (a) If:

(A) An instalment obligation is distributed in a liquidation to which ORS 317.245 (relating to complete liquidations of subsidiaries) applies, and

(B) The basis of such obligation in the hands of the distributee is determined under section ORS 317.216 (10),

then no gain or loss with respect to the distribution of such obligation shall be recognized by the distributing corporation.

(b) If:

(A) An instalment obligation is distributed by a corporation in the course of a liquidation, and

(B) Under ORS 317.247 (relating to gain or loss on sales or exchanges in connection with certain liquidations) no gain or loss would have been recognized to the corporation if the corporation had sold or exchanged such instalment obligation on the day of such distribution,

then no gain or loss shall be recognized to such corporation by reason of such distribution.

(4) For purposes of this section, if any instalment obligation is canceled or otherwise becomes unenforceable:

(a) The obligation shall be treated as if it were disposed of in a transaction other than a sale or exchange, and

(b) If the obligor and obligee are related persons (within the meaning of section 453(f)(1) of the Internal Revenue Code of 1954), the fair market value of the obligation shall be treated as not less than its face amount. [1965 c.460 §2, 1981 c 812 §3]

Note: See note under 317 165

317.239 [1965 c 460 §§3, 4, repealed by 1981 c 812 §4]

317.240 [Repealed by 1959 c 389 §7 (317 236 enacted in lieu of 317 235 and 317 240)]

317.241 Assumption of liability. (1) Except as provided in subsections (2) and (3) of this section, if the taxpayer receives property which would be permitted to be received under ORS 317.231 (3), (5) or (7) without the recognition of gain if it were the sole consideration, and, as part of the consideration, another party to the exchange assumes a liability of the taxpayer, or acquires from the taxpayer property subject to a liability, then such assumption or acquisition shall not be treated as money or other property, and shall not prevent the exchange from being within the provisions of such subsection.

(2) If, taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer with respect to the assumption or acquisition described in subsection (1) of this section was a purpose to avoid Oregon income or excise taxes on the exchange, or, if not such purpose, was not a bona fide business purpose, then such assumption or acquisition (in the total

amount of the liability assumed or acquired pursuant to such exchange) shall be considered as money received by the taxpayer on the exchange. In any suit or proceeding where the burden is on the taxpayer to prove such assumption or acquisition is not to be treated as money received by the taxpayer, such burden shall not be considered as sustained unless the taxpayer sustains such burden by the clear preponderance of the evidence.

(3) In the case of an exchange to which subsection (1) of this section applies, if the sum of the amount of the liabilities assumed, plus the amount of the liabilities to which the property is subject, exceeds the total of the adjusted basis of the property transferred pursuant to such exchange, then such excess shall be considered as a gain from the sale or exchange of property. This subsection shall not apply to any exchange to which subsection (2) of this section applies. [1959 c 389 §10 (enacted in lieu of 317 242), subsection (4) derived from 1959 c 389 §11, 1969 c 493 §93]

317.242 [1953 c.385 §9, repealed by 1959 c.389 §9 (317 241 enacted in lieu of 317 242)]

317.245 Property received by corporation on complete liquidation of another corporation. No gain or loss shall be recognized upon the receipt by a corporation of property, including money, distributed in complete liquidation of another corporation. For the purposes of this section a distribution shall be considered to be in complete liquidation only if:

(1) The corporation receiving the property was, on the date of the adoption of the plan of liquidation, and has continued to be at all times until the receipt of the property, the owner of stock (in such other corporation) possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and the owner of at least 80 percent of the total number of shares of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends), and was at no time on or after the date of the adoption of the plan of liquidation and until the receipt of the property the owner of a greater percentage of any class of stock than the percentage of such class owned at the time of the receipt of the property; and

(2) No distribution under the liquidation was made before the first day of the first taxable year of the corporation beginning after December 31, 1928; and either

(3) The distribution is by such other corporation in complete cancellation or redemption of all its stock and the transfer of all the property occurs within the taxable year; in such case the adoption by the stockholders of the resolutions under which is authorized the distribution of all the assets of such corporation in complete cancellation or redemption of all its stock, shall be considered an adoption of a plan of liquidation, even though no time for the completion of the transfer of the property is specified in such resolution; or

(4) Such distribution is one of a series of distributions by such other corporation in complete cancellation or redemption of all its stock in accordance with a plan of liquidation under which the transfer of all the property under the liquidation is to be completed within three years from the close of the taxable year during which is made the first of the series of distributions under the plan, except that if such transfer is not completed within such period, or if the taxpayer does not continue qualified under subsection (1) of this section until the completion of such transfer, no distribution under the plan shall be considered a distribution in complete liquidation. If such transfer of all the property does not occur within the taxable year the department may require of the taxpayer such bond, or waiver of the statute of limitations on assessment and collection, or both, as it may deem necessary to insure, if the transfer of the property is not completed within such three-year period, or if the taxpayer does not continue qualified under subsection (1) of this section until the completion of such transfer, the assessment and collection of all excise taxes then imposed by law for such taxable year or subsequent taxable years, to the extent attributed to property so received.

317.247 Complete liquidation of corporation and distribution of all its assets.

(1) If, on or after January 1, 1955, a corporation adopts a plan of complete liquidation with respect to which ORS 317.245 does not apply, and within the 12-month period beginning on the date of the adoption of such plan, all of the assets of the corporation are distributed in complete liquidation, less assets retained to meet claims, then no gain or loss shall be recognized to such corporation from the sale or exchange by it of property within such 12-month period.

(2) For the purposes of subsection (1) of this section, the term "property" does not include:

(a) Stock in trade of the corporation, or other property of a kind which would properly be included in the inventory of the corporation if on hand at the close of the taxable year, and property held by the corporation primarily for sale to customers in the ordinary course of its trade or business.

(b) Instalment obligations acquired in respect of the sale or exchange (without regard to whether such sale or exchange occurred before, on, or after the date of the adoption of the plan referred to in subsection (1) of this section) of stock in trade or other property described in paragraph (a) of this subsection.

(c) Instalment obligations acquired in respect of property (other than property described in paragraph (a) of this subsection) sold or exchanged before the date of the adoption of such plan of liquidation.

(3) Notwithstanding any other provisions of this section, if substantially all of the property described in paragraph (a) of subsection (2) of this section which is attributable to a trade or business of the corporation is, in accordance with this section, sold or exchanged to one person in one transaction, then for the purposes of subsection (1) of this section the term "property" includes:

(a) Such property so sold or exchanged; and

(b) Instalment obligations acquired in respect of such sale or exchange.

(4) In the case of a sale or exchange following the adoption of a plan of complete liquidation, if ORS 317.245 applies with respect to such liquidation, then:

(a) If the basis of the property of the liquidating corporation in the hands of the distributee is determined under ORS 317.216 (10), this section shall not apply; or

(b) If the basis of the property of the liquidating corporation in the hands of the distributee is determined under ORS 317.216 (11), this section shall apply only to that portion (if any) of the gain which is not greater than the excess of that portion of the adjusted basis (adjusted for any adjustment required under ORS 317.216 (12)) of the stock of the liquidating corporation which is allocable, under regulations prescribed by the department, to the property sold or exchanged, over the ad-

justed basis, in the hands of the liquidating corporation, of the property sold or exchanged.

This subsection applies to taxable years ending after January 1, 1955. [1955 c 354 §2, 1957 c 338 §2, part of subsection (4) derived from 1957 c 338 §3; subsection (5) enacted as 1963 c 180 §2; 1969 c 128 §1]

317.248 Complete liquidation of domestic corporation under plan adopted after January 1, 1971. (1) In the case of property distributed in complete liquidation of a domestic corporation, if (a) the liquidation is made in pursuance of a plan of liquidation adopted on or after January 1, 1971, and (b) the distribution is in complete cancellation or redemption of all the stock, and the transfer of all the property under the liquidation occurs within some one calendar month, then in the case of each qualified electing shareholder (as defined in subsection (3) of this section) gain on the shares owned by it at the time of the adoption of the plan of liquidation shall be recognized only to the extent provided in subsection (5) of this section.

(2) For purposes of this section, the term "excluded corporation" means a corporation which at any time between January 1, 1971, and the date of the adoption of the plan of liquidation, both dates inclusive, was the owner of stock possessing 50 percent or more of the total combined voting power of all classes of stock entitled to vote on the adoption of such plan.

(3) For the purposes of this section, the term "qualified electing shareholder" means a shareholder (other than an excluded corporation) of any class of stock (whether or not entitled to vote on the adoption of the plan of liquidation) who is a shareholder at the time of the adoption of such plan, and whose written election to have the benefits of ORS 317.206, 317.216, 317.248 and 318.030 has been made and filed in accordance with subsection (4) of this section, but in the case of a shareholder which is a corporation, only if written elections have been so filed by corporate shareholders (other than an excluded corporation) which at the time of the adoption of such plan of liquidation are owners of stock possessing at least 80 percent of the total combined voting power (exclusive of voting power possessed by stock owned by an excluded corporation and by shareholders who are not corporations) of all classes of stock entitled to vote on the adoption of such plan of liquidation.

(4) The written elections referred to in subsection (3) of this section must be made and filed in such manner as to be not in contravention of regulations prescribed by the department. The filing must be within 30 days after the date of the adoption of the plan of liquidation.

(5) In the case of a qualified electing shareholder which is a corporation, the gain shall be recognized only to the extent of the greater of the two following:

(a) The portion of the assets received by it which consists of money, or of stock or securities acquired by the liquidating corporation on or after January 1, 1971; or

(b) Its ratable share of the earnings and profits of the liquidating corporation accumulated after December 31, 1928, such earnings and profits to be determined as of the close of the month in which the transfer in liquidation occurred under paragraph (b) of subsection (1) of this section, but without diminution by reason of distributions made during such month; but by including in the computation thereof all amounts accrued up to the date on which the transfer of all the property under the liquidation is completed. [1971 c.283 §2]

317.249 Involuntary conversion after December 31, 1952. (1) If, after December 31, 1952, property (as a result of its destruction in whole or in part, theft, seizure or requisition or condemnation or threat or imminence thereof) is compulsorily or involuntarily converted:

(a) Into property similar or related in service or use to the property so converted, no gain shall be recognized.

(b) Into money or into property not similar or related in service or use to the converted property, the gain, if any, shall be recognized except to the extent provided in subsection (2) of this section.

(2) If the taxpayer, during the period specified in subsection (3) of this section, for the purpose of replacing the property so converted, purchases other property similar or related in service or use to the property so converted, or purchases stock in the acquisition of control of a corporation owning such other property, at the election of the taxpayer the gain shall be recognized only to the extent that the amount realized upon such conversion (regardless of whether such amount is received in one or more tax years) exceeds the cost of such other property or such stock. Such

election shall be made at such time and in such manner as the department may by regulation prescribe. For the purposes of this subsection, no property or stock acquired before the disposition of the converted property shall be considered to have been acquired for the purpose of replacing such converted property unless held by the taxpayer on the date of such disposition, and the taxpayer shall be considered to have purchased property or stock only if, but for the provisions of ORS 317.216 (9), the unadjusted basis of such property or stock would be its cost within the meaning of ORS 317.210 to 317.220.

(3) The period referred to in subsection (2) of this section shall be the period beginning with the date of the disposition of the converted property, or the earliest date of the threat or imminence of requisition or condemnation of the converted property, whichever is the earlier, and ending:

(a) Two years after the close of the first tax year in which any part of the gain upon the conversion is realized; or

(b) Subject to such terms and conditions as may be specified by the department, at the close of such later date as the department may designate upon application of the taxpayer made at such time and in such manner as the department may by regulations prescribe.

(4) For the purposes of this section, the term "disposition of the converted property" means the destruction, theft, seizure, requisition or condemnation of the converted property, or the sale or exchange of such property under threat or imminence of requisition or condemnation.

(5) This section is applicable to tax years beginning after December 31, 1952. [1953 c 385 §9, 1975 c 705 §5]

317.250 [Amended by 1953 c.385 §9; repealed by 1975 c 705 §12]

317.251 Involuntary conversion of real property. (1) For purposes of ORS 317.249 (1), if real property (not including stock in trade or other property held primarily for sale) held for productive use in trade or business or for investment is (as the result of its seizure, requisition, or condemnation, or threat or imminence thereof) compulsorily or involuntarily converted, property of a like kind to be held either for productive use in trade or business or for investment shall be treated as property similar or related in service or use to the property so converted.

(2) This special rule shall (a) not apply to the purchase of stock in the acquisition of control of a corporation described in subparagraph (A) of paragraph (2) of subsection (a) of section 1033, Internal Revenue Code of 1954; and (b) shall apply with respect to the compulsory or involuntary conversion of any real property only if the conversion occurs after December 31, 1964. [1965 c 154 §4; 1969 c.493 §94, 1979 c 580 §1]

317.252 Reacquisition of real property used to secure indebtedness; treatment of debt. If a sale of real property gives rise to indebtedness to the seller which is secured by the real property sold, and the seller of such property reacquires such property in partial or full satisfaction of such indebtedness, then, except as provided in ORS 314.155 and 314.165, no gain or loss shall result to the seller from such reacquisition, and no debt shall become worthless or partially worthless as a result of such reacquisition. [1965 c 178 §4]

DEDUCTIONS ALLOWED IN COMPUTING NET INCOME

317.255 Expenses. In computing net income there shall be allowed as a deduction all the ordinary and necessary expenses paid during the taxable year in carrying on business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and rentals or other payments required to be made as a condition to the continued use or possession, for the purposes of the business, of property to which the taxpayer has not taken or is not taking title or in which it has no equity. [Amended by 1953 c 385 §9; 1979 c 517 §1]

317.256 Amounts paid to deferred compensation, pension, profit-sharing or stock bonus plans. There shall be allowed a deduction for the current contributions and for other payments made to a deferred compensation plan, pension, profit-sharing, stock bonus plan, etc., which are allowed under chapter 1, subchapter (D) of the Internal Revenue Code of the United States of America. The amounts that may be deducted are those that are provided in chapter 1, subchapter (D) of the Internal Revenue Code and all of the limitations, exceptions and special qualifications contained therein shall apply to the Oregon corporation excise tax. Any reference in this section to the laws of the United States or to the Internal Revenue Code means the

laws of the United States relating to income taxes or the Internal Revenue Code as they may be in effect for the taxable year of the taxpayer. [1955 c 609 §2; 1979 c 517 §2]

317.260 Interest. In computing net income there shall be allowed as a deduction all interest paid during the taxable year on indebtedness. The interest deductions upon deposits or withdrawable shares in building and loan associations, savings and loan associations and mutual savings banks shall not include the income on nonwithdrawable shares, nor amounts credited to undivided profits or surplus or contingent fund. The net income of each such bank or association, as returned under this chapter, shall not be less than the total amount so credited, or required by the law governing such bank or association to be credited, in the taxable year to such undivided profits, surplus and contingent fund.

317.262 Bond premiums. (1) In computing net income, at the election of the taxpayer as provided in subsection (3) of this section, there shall be allowed as a deduction with respect to a bond the interest on which is taxable under this chapter, the yearly amortizable bond premium.

(2) The amount of the bond premium, in the case of the holder of the bond, shall be determined with reference to the amount of the basis (for determining loss on sale or exchange) of such bond, and with reference to the amount payable on maturity or on earlier call date, with adjustments proper to reflect unamortized bond premium with respect to the bond. In no case shall the amount of the bond premium on a convertible bond include any amount attributable to the conversion features of the bond. The amortizable bond premium of the tax year shall be the amount of the bond premium attributable to such year in accordance with the method of amortizing bond premium regularly employed by the holder of the bond, or if such method is not reasonable, in accordance with regulations prescribing reasonable methods of amortizing bond premium prescribed by the department.

(3) The election authorized in subsection (1) of this section shall be made in accordance with such regulations as the department shall prescribe. If the election is made with respect to any bond of the taxpayer, it shall also apply to all bonds held by the taxpayer at the beginning of the first tax year to which the election applies and to all bonds thereafter acquired by

it and the election shall be binding for all subsequent tax years with respect to bonds of the taxpayer, unless, upon application by the taxpayer, the department permits it, subject to such conditions as the department deems necessary, to revoke such election.

(4) As used in this section, the term "bond" means any bond, debenture, note, or certificate or other evidence of indebtedness, issued by any corporation and bearing interest (including any like obligation issued by a government or political subdivision thereof), with interest coupons or in registered form, but does not include any such obligation which constitutes stock in trade of the taxpayer or any such obligation of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the tax year, or any such obligation held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business.

(5) This section is applicable to tax years beginning after December 31, 1952. [1953 c 385 §9]

317.265 Taxes. (1) In computing net income there shall be allowed as deductions taxes paid during the taxable year, except:

(a) Taxes imposed by this chapter.

(b) Taxes upon or measured by net income or profits and imposed by the United States, any foreign country, this state or any state or territory. However, taxes and license fees imposed by counties, cities and other political subdivisions of this state and other states are deductible regardless of the subject or measure of the tax or license fee. Taxes paid to a foreign country upon dividends, interest or royalties arising from sources within such foreign country are deductible.

(c) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this subsection does not exclude as a deduction so much of such taxes as is properly allocable to maintenance or interest charges.

(d) Taxes which became due and payable before January 1, 1929.

(e) Except as provided in subsection (3) of this section, taxes which became a lien upon property at a date prior to the acquisition of such property by the taxpayer.

(f) Taxes on real property, to the extent that subsection (3) of this section requires such taxes to be treated as imposed on another taxpayer.

(2) If the net income of the taxpayer is computed under an accrual method of accounting, then, at the election of the taxpayer, any real or personal property tax which is related to a definite period of time shall be accrued ratably over that period.

(3) (a) For purposes of subsection (1) of this section, if real property is sold during any real property tax year, so much of the real property tax as is properly allocable to that part of such year which ends on the day before the date of the sale shall be treated as a tax imposed on the seller, and so much of such tax as is properly allocable to that part of such year which begins on the date of the sale shall be treated as a tax imposed on the purchaser.

(b) In the case of any sale of real property, if a taxpayer may not, by reason of its method of accounting, deduct any amount for taxes unless paid, and the other party to the sale is (under the law imposing the real property tax) liable for the real property tax for the real property tax year, then for purposes of subsection (1) of this section the taxpayer shall be treated as having paid, on the date of the sale, so much of such tax as, under paragraph (a) of this subsection, is treated as imposed on the taxpayer. For purposes of the preceding sentence, if neither party is liable for the tax, then the party holding the property at the time the tax becomes a lien on the property shall be considered liable for the real property tax for the real property tax year.

(c) Paragraph (a) of this subsection shall apply to taxable years ending after December 31, 1953, but only in the case of sales after December 31, 1953.

(d) Paragraph (a) of this subsection shall not apply to any real property tax, to the extent that such tax was allowable as a deduction to the seller for a taxable year which ended before January 1, 1954.

(e) In the case of any sale of real property, if the taxpayer's net income for the taxable year during which the sale occurs is computed under an accrual method of accounting, and if no election under subsection (2) of this section applies, then, for purposes of subsection (1) of this section, that portion of such tax which is treated, under paragraph (a) of this subsection, as imposed on the taxpayer, and may not, by reason of the taxpayer's method of accounting, be deducted by the taxpayer for any taxable year, shall be treated as having accrued on the date of the sale.

(4) The 1955 amendments to this section which pertain to the deduction of taxes and license fees imposed by counties, cities and other political subdivisions are applicable to any taxable year the return for which is open to adjustment on August 3, 1955. All other 1955 amendments to this section are applicable to taxable years ending after December 31, 1953.

(5) The 1957 amendments to this section are effective with respect to returns for tax years beginning on or after January 1, 1957.

[Amended by 1955 c 422 §1; subsection (4) derived from 1955 c 422 §2, 1957 c 607 §5; subsection (5) derived from 1957 c 607 §11 and 1957 s s c 5 §1]

317.270 Losses. (1) In computing net income there shall be allowed as deductions losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in business. The basis for determining the amount of deduction for losses sustained under this section shall be computed according to the method prescribed for arriving at the adjusted basis in ORS 317.210 to 317.220.

(2) For purposes of subsection (1) of this section, any loss arising from theft or embezzlement shall be treated as sustained during the taxable year in which the taxpayer discovers such loss. This subsection shall first apply to tax years beginning on or after January 1, 1957. [Amended by 1957 c.88 §1]

317.275 Loss from wash sales of securities. In case of any loss claimed to have been sustained from any sale or other disposition of shares of stock or securities where it appears that, within a period beginning 30 days before the date of such sale or disposition and ending 30 days after such date, the taxpayer has acquired (by purchase or by an exchange upon which the entire amount of gain or loss was recognized by law), or has entered into a contract or option so to acquire, substantially identical stock or securities, then no deduction for the loss shall be allowed, unless the deduction is claimed by a corporation, a dealer in stocks or securities, and with respect to a transaction made in the ordinary course of its business. If the amount of stock or securities acquired (or covered by the contract or option to acquire) is less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities, the loss from the sale or other disposition of which is not deductible, shall be determined under rules and regula-

tions prescribed by the department. If the amount of stock or securities acquired (or covered by the contract or option to acquire) is not less than the amount of stock or securities sold or otherwise disposed of, then the particular shares of stock or securities, the acquisition of which (or the contract or option to acquire which), resulted in the nondeductibility of the loss shall be determined under rules and regulations prescribed by the department.

317.277 Bad debt reserve for federally chartered production credit association. (1) Subject to subsection (2) of this section, in computing net income, a federally chartered production credit association shall be allowed a deduction under this chapter in an amount equal to the amount it is required under federal law to add to its bad debt reserves during the taxable year.

(2) The deduction under this section shall be in lieu of any deduction allowable for the taxable year under ORS 317.280. If a production credit association elects the deduction for additions to bad debt reserves allowed under subsection (1) of this section for any year, the election shall be binding upon the association for all subsequent taxable years unless the department agrees to a termination of the election.

(3) The department shall adopt rules for treatment of amounts attributable to the recovery by the association during the taxable year of bad debts, or parts of bad debts. The rules shall treat such recoveries in a manner consistent with the treatment accorded bad debt recoveries under this chapter. [1977 c 506 §2]

317.280 Bad debts. (1) In computing net income there shall be allowed as a deduction any debt which becomes worthless within the taxable year, and charged off in accordance with regulations prescribed by the department (or, in the discretion of the department, a reasonable addition to a reserve for bad debts).

(2) When satisfied that the debt is recoverable only in part, the department may allow as a deduction an amount not in excess of the part of such debt charged off within the taxable year.

(3) The basis for determining the amount of the deduction for a bad debt shall be the adjusted basis provided in ORS 317.220 for determining the loss from the sale or other disposition of property.

(4) The 1953 amendments to this section are applicable to any taxable year the return for which is open to adjustment on July 21, 1953.

(5) The 1955 amendments to this section are applicable to taxable years beginning after December 31, 1954. [Amended by 1953 c.385 §9; 1955 c 584 §1]

317.285 Depreciation. (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 subsection (6) of this section and with regulations prescribed by the department 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 department.

(3) The regulations prescribed by the department 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, except that, for those taxable years that begin on or after January 1, 1981, and prior to January 1, 1983, any federal law changes or changes in federal regulations regarding the deduction for depreciation which become operative after December 31, 1980, shall not be given consideration by the department.

(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) For tax years beginning on and after January 1, 1977, the first year depreciation allowance provided by section 179 of the Internal Revenue Code, as amended, shall be allowed for that property described in subsection (d) of section 179, under the restrictions and limitations described in section 179, including the initial deduction of such first year allowance from basis before the computation of any other depreciation deduction. [Amended by 1957 ss c 15 §9; 1971 c 724 §1, 1977 c 89 §1, 1981 c 613 §4]

317.287 [1961 c 608 §4; repealed by 1975 c 705 §12]

317.290 Depletion. (1) In computing net income there shall be allowed as a deduction, in the case of mines, oil and gas wells, and other natural deposits, except in the case of metal mines as provided in subsection (3) of this section, a reasonable allowance for depletion according to the peculiar conditions in each case. Such reasonable allowance in all cases shall be computed on the cost of the property, and in the case of property acquired prior to January 1, 1929, the basis shall be the cost less depletion properly chargeable against the property to January 1, 1929.

(2) In the case of timber, a reasonable allowance shall be allowed for depletion according to the peculiar conditions in each case. In the case of timber acquired prior to January 1, 1929, the basis for depletion shall be the fair market value on that date; in the case of timber acquired after December 31, 1928,

the allowance for depletion shall be computed on the cost of the property.

(3) In the case of metal mines, a taxpayer may deduct an amount equal to 15 percent of the gross income from the property during the taxable year, but such deduction shall not in any case exceed 50 percent of the net income of such taxpayer (computed without allowance for depletion) from the property. In its first return made under this chapter (for a taxable year beginning after December 31, 1938), the taxpayer must state as to each property with respect to which the taxpayer has any item of income or deduction (in case of metal mines), whether it elects to have depletion allowance for each such property for the taxable year computed with or without reference to percentage depletion. An election once exercised under this section cannot thereafter be changed by the taxpayer, and the depletion allowance in respect to each such property will for all succeeding taxable years be computed in accordance with the election so made.

317.292 Soil and water conservation expenditures. (1) A taxpayer engaged in the business of farming may treat expenditures which are paid or incurred by it during the tax year for the purpose of soil or water conservation in respect of land used in farming, or for the prevention of erosion of land used in farming, as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction.

(2) The amount deductible under subsection (1) of this section for any tax year shall not exceed 25 percent of the gross income derived from farming during the tax year. If for any tax year the total of the expenditures treated as expenses which are not chargeable to capital account exceeds 25 percent of the gross income derived from farming during the tax year, such excess shall be deductible for succeeding tax years in order of time; but the amount deductible under this section for any one such succeeding tax year (including the expenditures actually paid or incurred during the tax year) shall not exceed 25 percent of the gross income derived from farming during the tax year.

(3) For purposes of subsection (1) of this section:

(a) The term "expenditures which are paid or incurred by it during the tax year for the purpose of soil or water conservation in respect of land used in farming, or for the prevention of the erosion of land used in farm-

ing" means expenditures paid or incurred for the treatment or moving of earth, including (but not limited to) leveling, grading and terracing, contour furrowing, the construction, control and protection of diversion channels, drainage ditches, earthen dams, water courses, outlets and ponds, the eradication of brush and the planting of windbreaks. Such term does not include the purchase, the construction, installation or improvement of structures, appliances or facilities which are of a character which is subject to the allowance for depreciation provided in ORS 317.285, or any amount paid or incurred which is allowable as a deduction without regard to this section. Notwithstanding the preceding sentences, such term also includes any amount, not otherwise allowable as a deduction, paid or incurred to satisfy any part of an assessment levied by a soil or water conservation or drainage district to defray expenditures made by such district which, if paid or incurred by the taxpayer, would without regard to this sentence constitute expenditures deductible under this section.

(b) The term "land used in farming" means land used (before or simultaneously with the expenditures described in paragraph (a) of this subsection) by the taxpayer or its tenant for the production of crops, fruits or other agricultural products or for the sustenance of livestock.

(4) The taxpayer may, without the consent of the department, adopt the method provided in this section for any tax year beginning on or after January 1, 1957, and for which expenditures described in subsection (1) of this section are paid or incurred, but once adopted, the method provided in this section shall apply to all expenditures described in subsection (1) of this section, and shall be adhered to in computing taxable income for all subsequent tax years unless, with the approval of the department and in conformity with its regulations, a change to a different method is authorized with respect to a part or all of such expenditures. [1957 c 19 §2]

317.295 Contributions and gifts. (1) In computing net income there shall be allowed as deductions, to an amount not in excess of five percent of the taxpayer's net income as computed without the benefit of this section and ORS 317.320, contributions or gifts made within the tax year by the taxpayer:

(a) To the United States, the State of Oregon or any political subdivision thereof for

use exclusively for public purposes within the State of Oregon.

(b) To corporations or associations operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(c) To a corporation, trust, community chest, fund or foundation operated exclusively for religious, charitable, scientific or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(d) To posts or organizations of war veterans (including their auxiliary units and societies) located in the State of Oregon, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

(e) To a domestic fraternal society, order or association operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children or animals.

(2) A corporation reporting its taxable income on the accrual basis may also elect to treat such a contribution as made within the tax year by claiming it as a deduction on the return for such tax year provided the board of directors authorized it during the tax year and payment of such contribution is made on or before the 15th day of the third month following the close of such tax year.

(3) Contributions or gifts described in subsection (1) of this section shall be allowable as deductions only if verified under rules and regulations prescribed by the department.

(4) The 1971 amendments to this section shall apply to all tax years beginning on or after January 1, 1971, and for prior tax years the law applicable to such tax years shall continue to apply. [Amended by 1953 c.385 §9; 1955 c 722 §1; 1961 c 565 §1, subsection (4) enacted as 1961 c 565 §2, 1971 c.246 §1]

317.297 Net losses of prior years. (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 deductible 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 department 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 department 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 ss c 15 §§11, 12, 1959 c.92 §2]

317.298 Disallowance of ORS 317.255 and 317.260 deductions. (1) For tax years, the returns of which are subject to audit on August 9, 1961, and thereafter, no deduction shall be allowed for expenses, otherwise deductible under ORS 317.255, or interest, otherwise deductible under ORS 317.260, if:

(a) Within the period consisting of the taxable year of the taxpayer and two and one-half months after the close thereof such expenses or interest are not paid or constructively received, and the amount thereof is not includable in gross income of the person to whom the payment is to be made;

(b) By reason of the method of accounting of the person to whom the payment is to be made, the amount thereof is not, unless paid or constructively received, includable in the

gross income of such person for the taxable year in which or with which the taxable year of the taxpayer ends; and

(c) At the close of the taxable year of the taxpayer or at any time within two and one-half months thereafter, both the taxpayer and the person to whom the payment is to be made are persons specified in any one of the paragraphs of subsection (2) of this section.

(2) The persons referred to in subsection (1) are:

(a) An individual and a corporation more than 50 percent in value of the outstanding stock of which is owned, directly or indirectly, by or for such individual;

(b) Corporations more than 50 percent in value of the outstanding stock of each of which is owned, directly or indirectly by or for the same individual, or corporation; or

(c) A fiduciary of a trust and a corporation more than 50 percent in value of the outstanding stock of which is owned, directly or indirectly, by or for the trust or by or for the person who is a grantor of a trust.

(3) For purposes of determining the ownership of stock in applying subsection (2) of this section, section 267, Internal Revenue Code of 1954 respecting related taxpayers, shall apply.

(4) Deductions for expenses which have been disallowed on audit, pursuant to subsections (1) to (3) of this section, shall be allowed as tax deductions in the tax year in which the amounts of the deductions have been actually paid and included in the gross income of the person to whom payment is made. [1961 c 505 §2, 3; 1969 c.493 §95, 1979 c 580 §2]

317.299 Net losses of domestic insurer in prior years. In computing net income, a domestic insurer shall be allowed as a deduction an amount equal to the aggregate net losses of prior years as defined in ORS 317.297 and where necessary as modified by ORS 314.675. [1969 c 600 §8]

317.300 Items not deductible. In computing net income no deduction shall be allowed for:

(1) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property.

(2) Any amount expended in restoring property or in making good the exhaustion

thereof for which an allowance is or has been made

(3) Premiums paid on any life insurance policy covering the life of any officer or employe, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy.

(4) Amounts paid or accrued for such taxes and carrying charges as, under regulations prescribed by the department, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such regulations, to treat such taxes or charges as so chargeable. This subsection is applicable to tax years beginning after December 31, 1952, but the determination as to whether or not a taxpayer has properly charged to capital account any tax or carrying charge incurred prior to December 31, 1952, shall be made as if this subsection had not been enacted and without inferences drawn from the fact that this subsection was not expressly made applicable to tax years beginning before January 1, 1953. [Amended by 1953 c.385 §9]

317.305 Election to amortize organizational expenditures. (1) The organizational expenditures of a corporation may, at the election of the corporation (made in accordance with the regulations prescribed by the department), be treated as deferred expenses. In computing taxable income, such deferred expenses shall be allowed as a deduction ratably over such period of not less than 60 months as may be selected by the corporation (beginning with the month in which the corporation begins business).

(2) As used in this section, "organizational expenditures," means any expenditure which is:

(a) Incident to the creation of the corporation;

(b) Chargeable to capital accounts; and

(c) Of a character which, if expended incident to the creation of a corporation having a limited life, would be amortizable over such life.

(3) The election provided by subsection (1) of this section may be made for any taxable year beginning after December 31, 1956, but only if made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof). The period so elected shall be adhered to in computing the taxable income of the corpora-

tion for the taxable year for which the election is made and all subsequent taxable years. The election shall apply only with respect to expenditures paid or incurred after December 31, 1956. [1957 c 74 §2]

317.320 Treatment of distributed and undistributed net income of certain small business corporations. Distributed and undistributed taxable income of an electing small business corporation under section 1373 of the Internal Revenue Code, shall be deductible from gross income under this chapter and net operating losses of such corporation, to the extent attributed or made available to a shareholder, shall not be used by the corporation for further tax benefit. [1969 c 493 §73, 1973 c.402 §23]

317.325 Dividends paid by qualifying real estate investment trust. (1) In computing the net income for the taxable year of a business trust which qualifies as a "real estate investment trust" under sections 856, 857 and 858 of the Internal Revenue Code of 1954, there shall be allowed as a deduction the amount allowed as a deduction in the taxpayer's federal income tax return for the corresponding year for dividends paid, or considered as having been paid, during the taxable year pursuant to sections 856, 857 and 858 of the Internal Revenue Code of 1954.

(2) In computing the net income for the taxable year of a business trust which is allowed the deduction provided by subsection (1) of this section, the deductions pertaining to net operating losses contained in ORS 317.297 and 318.046 are not allowed.

(3) Each reference in this section to sections 856, 857 and 858 of the Internal Revenue Code of 1954 means such sections or successor sections as they may be in effect for the taxable year of the taxpayer. [1973 c.115 §5]

317.328 Deduction for cost of renovation project facilitating access by handicapped persons. (1) As used in this section, unless the context otherwise requires:

(a) "Building, facility or transportation vehicle" means a building, facility or transportation vehicle, or part thereof, which is intended to be used, and is actually used by the taxpayer or the general public in the trade or business of the taxpayer.

(b) "Elderly individual" means an individual who is 65 years of age or older.

(c) "Handicapped individual" means any individual who has a physical or mental disability which for the individual constitutes or results in a functional limitation to employment, or who has any physical or mental impairment which substantially limits one or more major life activities of such individual.

(d) "Renovation project" means the repair or remodeling of an existing building, facility or transportation vehicle owned or leased by the taxpayer at the time of the repair or remodeling if the purpose of the repair or remodeling is:

(A) To permit handicapped or elderly individuals to enter or leave such building, facility or transportation vehicle;

(B) To increase the access that handicapped or elderly individuals would have to such building, facility or transportation vehicle; or

(C) To allow handicapped or elderly individuals more effective use of such building, facility or transportation vehicle.

(2) In computing net income, there shall be allowed as a deduction the cost of a renovation project. The deduction shall be allowed for the taxable year in which the renovation project is completed and is in addition to any depreciation or amortization of the cost of the renovation project. The deduction for any taxable year shall not exceed \$25,000.

(3) If any building, facility or transportation vehicle is owned by more than one person, a taxpayer may deduct a portion of the costs of the renovation project apportionate to the interest in such building, facility or transportation vehicle which is owned by the taxpayer.

(4) In order to qualify for the subtraction allowed by this section, a building or facility must, after renovation, meet any applicable state standards and specifications developed under ORS 447.210 to 447.280 or other state law. In absence of state standards, applicable federal standards shall be used. [1979 c.414 §4]

317.330 [1973 c.753 §5; repealed by 1979 c 414 §7]

317.335 [1973 c.753 §6; repealed by 1979 c 414 §7]

SPECIAL PROVISIONS APPLICABLE TO CENTRALLY ASSESSED CORPORATIONS

317.350 Special provisions applicable to centrally assessed corporations. (1) The provisions of ORS 317.216, relating to basis of property, and the provisions of ORS 317.285,

relating to depreciation, shall be applicable to every centrally assessed corporation, the property of which is assessed by the Department of Revenue under ORS 308.505 to 308.730, except that wherever the date "December 31, 1928" appears therein, there shall be substituted "December 31, 1958," and wherever the date "January 1, 1929" appears therein, there shall be substituted "January 1, 1959"; provided, however, that in the case of specific property acquired by a centrally assessed corporation before January 1, 1959, upon submission to the department of an affidavit showing that a determination of basis therefor, pursuant to ORS 317.216 and 317.285 as modified by this section as to dates, would be unduly onerous, expensive or impossible, it may elect to use the original cost or substituted basis established by it for federal income tax purposes under the federal Internal Revenue Code, Title 26, U.S.C., in determining depreciation and gain and loss.

(2) The provisions of ORS 317.220, relating to adjusted and substituted basis, shall be applicable to every centrally assessed corporation, except that in ORS 317.220 (2)(b) the date "January 1, 1959" shall be substituted for "January 1, 1929," and the date "August 3, 1955" shall be substituted for "December 31, 1928."

(3) Taxes deductible by centrally assessed corporations in computing net income for taxable years beginning on or after January 1, 1959, shall include ad valorem taxes paid by them even though the measure of such taxes is affected by the earning power of the centrally assessed corporation. [1959 c.631 §§4, 5]

RETURNS AND PAYMENT OF TAX

317.355 [Repealed by 1957 c 632 §1 (314.385 enacted in lieu of 316.545 and 317 355)]

317.360 [Repealed by 1975 c.760 §3]

317.365 [Repealed by 1957 c 632 §1 (314 365 enacted in lieu of 316 550 and 317 365)]

317.370 [Repealed by 1957 c 632 §1 (314.420 enacted in lieu of 316 620, 317 370 and 317 420)]

317.375 [Repealed by 1957 c.632 §1 (314.295 enacted in lieu of 316 560 and 317.375)]

317.380 [Repealed by 1957 c 632 §1 (314 380 enacted in lieu of 316.565 and 317 380)]

317.390 [Amended by 1957 c 607 §6; 1959 c 156 §2; subsection (3) derived from 1959 c 156 §3, repealed by 1969 c 166 §8]

317.395 Date return considered filed or advance payment considered made. A return filed before the last day prescribed by law for the filing thereof shall be considered as filed on the last day. An advance payment of any portion of the tax made at the time the return was filed shall be considered as made on the last day prescribed by law for the payment of the tax. The last day prescribed by law for filing the return or paying the tax shall be determined without regard to any extension of time granted the taxpayer by the department. [Amended by 1957 c.607 §7]

317.405 [Amended by 1955 c 587 §1, repealed by 1957 c 632 §1 (314.405 enacted in lieu of 316 605 and 317 405)]

317.410 [Amended by 1953 c 385 §9, 1955 c 581 §2, 1957 c 20 §1; repealed by 1957 c 632 §1 (314 410 enacted in lieu of 316.610 and 317.410)]

317.415 [Amended by 1953 c 385 §9, 1955 c 581 §1; repealed by 1957 c 632 §1 (314 415 enacted in lieu of 316.615 and 317 415)]

317.420 [Amended by 1955 c.356 §1, repealed by 1957 c 632 §1 (314.420 enacted in lieu of 316 620, 317 370 and 317.420)]

317.425 [Repealed by 1957 c 632 §1 (314 425 enacted in lieu of 316 625 and 317.425)]

317.430 [Repealed by 1957 c 632 §1 (314.430 enacted in lieu of 316 630 and 317 430)]

317.435 [Repealed by 1957 c 632 §1 (314 435 enacted in lieu of 316.635 and 317 435)]

317.440 [Repealed by 1957 c 632 §1 (314 440 enacted in lieu of 316 640, 317 440 and 317 445)]

317.445 [Repealed by 1957 c 632 §1 (314 440 enacted in lieu of 316 640, 317.440 and 317 445)]

317.450 [Amended by 1957 c 607 §8, 1961 c 504 §4, repealed by 1969 c 166 §8]

317.455 [Repealed by 1957 c 632 §1 (314 445 enacted in lieu of 316 650 and 317.455)]

317.460 [Repealed by 1957 c.632 §1 (subsections (1) and (2) of 314.450 enacted in lieu of 316.655 and 317 460)]

317.465 [Repealed by 1957 c.632 §1 (314.455 enacted in lieu of 316.660 and 317.465)]

317.470 [Amended by 1953 c 385 §9, 1955 c 585 §1, repealed by 1957 c.632 §1 (314 460 enacted in lieu of 316.665 and 317.470)]

317.475 [Repealed by 1957 c.632 §1 (314 465 enacted in lieu of 316 670 and 317 475)]

317.480 [Repealed by 1957 c.632 §1 (314 470 enacted in lieu of 316.675 and 317.480)]

317.505 [Repealed by 1957 c 632 §1 (314 805 enacted in lieu of 316.705 and 317.505; and 314 815 enacted in lieu of 316 720 and 317.505)]

317.510 Requiring additional reports and information. The department may order additional reports or such other information it deems necessary in addition to the regular reports provided in this chapter. All reports and returns, as provided in this chapter, shall be upon standard forms, adopted by the department, with no more detailed information relating to the taxpayer's business than is necessary to enable the department to administer fully the provisions of this chapter.

317.515 Paying collections to State Treasurer. All collections by the department shall be paid over by it at least weekly to the State Treasurer.

317.520 [Repealed by 1957 c 632 §1 (314 820 enacted in lieu of 316 725 and 317 520)]

317.525 [Repealed by 1957 c 632 §1 (314 825 enacted in lieu of 316 730 and 317 525)]

317.530 [Repealed by 1957 c 632 §1 (314 830 enacted in lieu of 316 735 and 317 530)]

317.535 [Amended by 1957 c 76 §1, repealed by 1957 c 632 §1 (314 835 enacted in lieu of 316 740 and 317 535)]

317.540 [Repealed by 1957 c.632 §1 (314 840 enacted in lieu of 316 745 and 317 540)]

317.545 [Repealed by 1957 c.632 §1 (314 845 enacted in lieu of 316 750 and 317 545)]

317.550 [Repealed by 1957 c 632 §1 (314 855 enacted in lieu of 316 760 and 317 550)]

317.590 Disposition of revenue. (1) The net revenue from the tax imposed by this chapter, after deduction of refunds, 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 unrecipited revenue from the tax imposed by this chapter may be retained for the payment of refunds, but such working balance shall not at the close of any fiscal year exceed the sum of \$500,000.

(2) The amendment of this section by the Forty-seventh Legislative Assembly shall first apply to the state levy of taxes for the fiscal year 1953-54. [Amended by 1953 c.309 §2; 1955 c 35 §1; 1957 c 528 §4]

317.605 [Amended by 1953 c.331 §2, renumbered 314 210]

317.610 [Renumbered 314 220]

317.615 [Renumbered 314.230]

UNRELATED BUSINESS INCOME OF CERTAIN EXEMPT CORPORATIONS

317.910 Definitions for ORS 317.910 to 317.950. As used in ORS 317.910 to 317.950:

(1) "Unrelated business taxable income" means, in the case of any corporation subject to the tax imposed by ORS 317.920, the gross income derived from any unrelated trade or business, as defined in subsection (2) of this section, regularly carried on by it, less the deductions allowed by this chapter which are directly connected with such trade or business, both computed with the exceptions, additions and limitations provided in ORS 317.930.

(2) "Unrelated trade or business" means any trade or business the conduct of which is not substantially related (aside from the need of such corporation for income or funds or the use it makes of the profits derived) to the exercise or performance of its purpose or function constituting the basis of its exemption under ORS 317.080, except that such term does not include:

(a) A trade or business carried on by the corporation primarily for the convenience or training of its members, students, patients or employees.

(b) The selling of merchandise, all of which has been received by the organization as gifts or contributions. [1959 c 356 §3]

317.920 Tax imposed on unrelated business income of certain exempt corporations. Notwithstanding the provisions of ORS 317.080, the following corporations shall be subject to the tax imposed by and in accordance with the provisions of this chapter, but only as to their unrelated business taxable income, as defined in ORS 317.910:

(1) For taxable years beginning on and after January 1, 1960, a corporation otherwise exempt from tax under ORS 317.080 (1), (4), (5) or (6).

(2) For taxable years beginning on and after January 1, 1975, a corporation otherwise exempt from tax under ORS 317.080 (12). [1959 c 356 §2, 1975 c 652 §90]

317.930 Exceptions and limitations. The following exceptions and limitations shall be applicable in determining the unrelated business taxable income:

(1) There shall be excluded all dividends, interest and annuities and all deductions

allowed under this chapter directly connected with such income.

(2) There shall be excluded, in the case of any school, college or university, which rents real property to its students or faculty, all rents derived therefrom, providing that such property is actually a part of the school and that the continued presence of the students and faculty thereon is necessary to the educative function of the institution.

(3) There shall be excluded all income derived from the research performed for the United States, or any of its agents or instrumentalities, or for any state or political subdivision thereof; and there shall be excluded all deductions connected with such income.

(4) In the case of any organization operated primarily for the purpose of carrying on fundamental research, the results of which are freely available to the general public, there shall be excluded all income derived from such research and all deductions connected with such income.

(5) There shall be excluded all gains or losses from the sale or exchange of property of a kind which would properly be included in the computation of income under ORS 317.206 to 317.236, 317.241 to 317.247, 317.249 and 317.250; but there shall be included gains or losses upon the sale or other disposition of stock in trade or other property of a kind properly includable in the inventory of the organization at the close of the taxable year or property held primarily for sale to customers in the ordinary course of the trade or business.

(6) There shall be excluded from unrelated business taxable income the modifications allowed under section 512(b)(3) of the Internal Revenue Code of 1954 in the case of rents and deductions directly connected with such rents.

(7) The amount of unrelated business taxable income with respect to debt-financed property and allowable deductions thereunder shall be determined and applied in a manner consistent with sections 512 and 514 of the Internal Revenue Code of 1954.

(8) There shall be allowed a specific deduction of \$1,000.

(9) In the case of debt-financed property the inclusion of gross income derived from an unrelated trade or business and the allowable

deductions therefrom shall be determined as provided by section 512(b)(4) of the Internal Revenue Code of 1954. [1959 c 356 §4, 1979 c 580 §3]

317.940 Special provisions applicable to partnerships. If a trade or business is regularly carried on by a partnership of which a corporation described by ORS 317.080 is a member and such trade or business is unrelated with respect to the corporation, such corporation in computing its unrelated business net income shall, subject to the exceptions and limitations contained in ORS 317.930, include its share (whether distributed or not) of the gross income of the partnership from such unrelated trade or business and its share of the partnership deductions directly connected with such gross income. If the taxable year of the corporation is different from that of the partnership, the amounts so included or deducted in computing the unrelated business taxable income shall be based upon the income and deductions of the partnership for any taxable year of the partnership ending within the taxable year of the corporation. [1959 c.356 §5]

317.950 Assessment of deficiency. If the department finds that unrelated business taxable income, or any portion thereof, has not been assessed, it may, at any time within three years after the return was filed, or in case no return was filed within five years from the time the return should have been filed, compute the tax and give notice to the corporation of the amount due, including penalty and interest thereon. These limitations to the assessment of such tax or additional tax, including penalty and interest thereon, do not apply to the assessment of additional taxes, and penalty and interest thereon, upon false or fraudulent returns or in cases where with a fraudulent intent no return has been filed. ORS 314.410 is also applicable to the extent that it is not inconsistent with the provisions of this section. [1959 c 356 §6]

317.990 [Repealed by 1957 c 632 §1 (314 991 enacted in lieu of 316 990 and 317.990)]