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CITY OF PORTLAND

OFFICE OF MANAGEMENT AND FINANCE

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Reporting of Income from Pass-through Entities Policy

Generally, pass-through entities include partnerships and S corporations and the tax attributes (income, deductions, etc.) of these entities are reported on the tax returns of their owners. For the direct and indirect owners (i.e., partners or shareholders) of pass-through entities, the City/County reporting of the income and deductions from these pass-through entities depends on several factors, including the tax entity of the owner.

INDIVIDUALS

Generally, pass-through income and deductions from partnerships (including joint ventures and tenants-in-common arrangements) and S corporations will not be included on the owner's Combined Tax Return. The owner will not include the gross income from the pass-through entity in either the numerator or denominator of the apportionment factor. The owner will also exclude this gross income when determining whether the gross receipts exemption is available to them.

PARTNERSHIPS, CORPORATIONS AND S CORPORATIONS

If the owner of the pass-through entity is domiciled in the City/County or otherwise doing business in the City/County, it is required to file a Combined Tax Return unless it is exempt under the Business License Tax or Business Income Tax Law.

If the pass-through incomes/deductions are from a partnership or an S corporation that is doing business in the City and/or County, the gross and net incomes are not included on the owner's Combined Tax Return pursuant to Administrative Rule 600.94-1 (Treatment of Currently Taxed Pass-Through Income). A schedule should be attached to the owner's Combined Tax Return to reconcile the variance between the City/County report and the federal tax return.

All other pass-though incomes (gross and net) must be included on the Combined Tax Return of the owner. The owner must include the gross incomes from any pass-through entities in the denominator of the apportionment fraction. They must also include this gross income when determining whether the gross income exemption is available to them. This gross income would generally* not be included in the numerator of the apportionment fraction as it is not derived from Portland/Multnomah County source activity.

*An exception would be gross income from publicly-traded partnerships and similar investments. This type of “portfolio” income would generally be apportioned to commercial domicile pursuant to Administrative Rule 610.93-4A (Apportionment of Gross Income from Business Activities Other than Sales of Tangible Personal Property).

6/28/11	Thomas Lannom
Date	Director, Revenue Bureau

Adopted 6-28-2011