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NEWSLETTER

Oregon Nonresident Requirements for Pass-Through Entities

This letter explains the new requirements for nonresident owners in Oregon pass-through entities which go in effect for tax years beginning on or after January 1, 2006. Under the new rules, a nonresident owner has the following options.

1. The entity may file a composite tax return for those nonresident owners that elect to join in the composite return.
2. If the nonresident owner elects to not participate in the composite return, the entity is required to withhold tax on the member's share of the distributive income from Oregon sources. The withholding must be made in the form of a quarterly payment.

There are several exceptions to the withholding requirement. They are as follows:

1. The owner's share of Oregon distributive income from the entity is (or is anticipated to be) less than \$1,000;
2. The owner made estimated tax payments the prior tax year based on the owner's share of Oregon source distributive income from the entity and continues to make estimated tax payments for the current tax year; or
3. The owner files a signed affidavit with the department stating that the owner agrees to file the owner's Oregon income or excise tax return and make timely payments of all taxes imposed with respect to the owner's share of the Oregon income of the entity and that the owner is subject to the personal jurisdiction of the State of Oregon for purposes of collection of unpaid income tax, penalties, and interest. Per an Oregon Department of Revenue representative, the affidavit form is in the final stages and will be posted upon its completion to their website. The estimated completion date for the form is the end of January.

We hope this information is beneficial to you. Please call our office if you have any further questions.