

**OAR 150-314-0120****Example 1:**

<b>Tax Attribute</b>	<b>Federal</b>	<b>Oregon</b>
Net operating loss	\$ 10,000	\$ 10,000
Business credits	5,000	2,000
Capital loss carryforward	5,000	5,000
Basis of property	64,000	76,000
Passive loss carryforward	25,000	26,000

For federal purposes, Henry absorbs the excluded income by making the following reductions to federal tax attributes, as prescribed by IRC 108:

<b>Tax Attribute</b>	<b>Federal</b>	<b>Attribute Reduction</b>	<b>Remaining Basis</b>	<b>Excluded Income Absorbed</b>
Net operating loss	\$ 10,000	\$ (10,000)	\$ 0	\$ (10,000)
Business credits (*)	5,000	(5,000)	0	(15,000)
Capital loss carryforward	5,000	(5,000)	0	(5,000)
Basis of property	64,000	(60,000)	4,000	(60,000)
Passive loss carryforward	25,000	(0)	25,000	0
Total income exclusion				<u>\$ 90,000</u>

(\*) Credits offset excluded income in a 3:1 ratio.

For Oregon tax purposes, Henry absorbs the excluded income by making the following reductions to Oregon tax attributes:

<b>Tax Attribute</b>	<b>Oregon</b>	<b>Oregon Attribute Reduction</b>	<b>Remaining Oregon Basis</b>	<b>Excluded Income Absorbed</b>
Net operating loss	\$ 10,000	\$ (10,000)	\$ 0	\$ (10,000)
Business credits (**)	2,000	0	2000	0
Capital loss carryforward	5,000	( 5,000)	0	(5,000)
Basis of property	76,000	(75,000)	1,000	(75,000)

Passive loss carryforward	26,000	(0)	26,000	0
Total income exclusion				<u>\$ 90,000</u>

(\*\*) Oregon tax credits are not subject to reduction in the case of discharge of indebtedness.

**Example 2:**

<b>Tax Attribute</b>	<b>Federal</b>	<b>Attribute Reduction</b>	<b>Remaining Basis</b>	<b>Excluded Income Absorbed</b>
Depreciable Property	\$30,000	\$ (30,000)	\$ 0	\$ (30,000)
Net Operating loss	5,000	(5,000)	0	(5,000)
NonDepreciable Property	50,000	(5,000)	45,000	(5,000)
Total Income Exclusion				<u>\$ 40,000</u>

For Oregon purposes, Tom has a net operating loss of \$5,000, a basis in the land of \$50,000 and a basis in the building of \$36,000. Tom absorbs the excluded income by making the following reductions in Oregon tax attributes:

<b>Tax Attribute</b>	<b>Federal</b>	<b>Attribute Reduction</b>	<b>Remaining Basis</b>	<b>Excluded Income Absorbed</b>
Depreciable Property	\$36,000	\$ (36,000)	\$ 0	\$(36,000)
Net Operating loss	5,000	(4,000)	1,000	(4,000)
NonDepreciable Property	50,000	0	50,000	0
Total Income Exclusion				<u>\$ 40,000</u>

**Example 3:**

<b>Tax Attribute</b>	<b>Federal</b>	<b>Oregon</b>
Net Operating Loss	\$4,000,000	\$500,000
Capital Loss Carryforward	1,500,000	300,000
Basis of property	22,500,000	15,000,000

For federal purposes, XYZ absorbs the excluded income by making the following reductions in federal tax attributes:

<b>Tax Attribute</b>	<b>Federal</b>	<b>Attribute Reduction</b>	<b>Remaining Basis</b>	<b>Excluded Income Absorbed</b>
Net Operating Loss	\$4,000,000	\$(4,000,000)	\$ 0	\$(4,000,000)
Capital Loss Carryforward	1,500,000	(1,500,000)	0	(1,500,000)
Basis of Property	25,000,000	(4,500,000)	20,500,000	4,500,000)
Total Income Exclusion				<u>\$ 10,000,000</u>

XYZ absorbs the excluded income by making the following reductions to Oregon tax attributes:

<b>Tax Attribute</b>	<b>Oregon</b>	<b>Oregon Attribute Reduction</b>	<b>Oregon Remaining Basis</b>	<b>Excluded Income Absorbed</b>
Net operating loss	\$ 500,000	\$ 500,000	\$ 0	\$(5,000,000)*
Capital loss carryforward	300,000	300,000	0	(3,000,000)*
Basis of property	15,000,000	2,000,000	13,000,000	(2,000,000)**
Total:				<u>\$ 10,000,000</u>

\* 5,000,000 x 10% (Oregon apportionment percentage) = \$500,000

\* 3,000,000 x 10% (Oregon apportionment percentage) = \$300,000

\*\* \$10,000,000-8,000,000 (previously absorbed) = \$2,000,000