

<p style="text-align: center;">FORM</p> <h1 style="margin: 0;">IT-1A Oregon Additional Inheritance Tax Return</h1>	For Revenue use only	
	Date received	
	Payment	BIN

This form should be used to report and pay additional inheritance tax imposed by Oregon Revised Statute (ORS) 118.140 for an early disposition or an early cessation of use of qualified natural resource property or commercial fishing property.

Part 1

- Extension of time to **file** is attached.
- Extension of time to **pay** is attached.

Name of property owner		Property owner's Social Security number
Property owner's current mailing address		Property owner's telephone number
Name of decedent	Decedent's date of death	Decedent's Social Security number

Part 2—Description of property (see instructions)

A. Description of the disqualified natural resource property or commercial fishing business property (attach copy of Schedule NRC, 150-103-003)	B. Value upon which credit was calculated (see Schedule NRC, column D)	C. Natural Resource Credit (NRC) related to the value in column B	D. Date of disposition or cessation of use
Totals	B.	C.	

Part 3—Involuntary conversion of property (see instructions)

A. Description of newly acquired natural resource property or commercial fishing property	B. Conversion proceeds	C. Value of replacement property	D. Column B minus column C (if negative, enter zero)
Totals	B.	C.	D.

Part 4—Additional inheritance tax computation

- 1. Enter the credit amount from part 2, column C.
For a partial disposition/cessation of qualifying use, see instructions for Part 2, column B and C..... 1
- 2. Enter the result of: 60 minus the number of months the property was used as natural resource property..... 2
- 3. Divide line 2 by 60 (round to 2 decimal places; do not enter more than 1)..... 3
- 4. Multiply line 1 by line 3 (do not enter more than amount on line 1). If the property was not subject to an involuntary conversion under IRS 1033, this is your additional inheritance tax; skip down to line 9 4

If you had an involuntary conversion under IRS 1033, continue to line 5.

- 5. Portion of proceeds not reinvested in a natural resource property or commercial fishing property farm.
Enter total from part 3, column D..... 5
- 6. Total proceeds from the involuntary conversion. Enter total from part 3, column B 6
- 7. Divide line 5 by line 6 (round to two decimal places)..... 7
- 8. Multiply line 4 by line 7. This is your additional inheritance tax 8
- 9. Penalty due (see instructions) 9
- 10. Interest due (see instructions) 10
- 11. Add lines 4, 9, and 10, or lines 8 through 10 if you had an involuntary conversion. This is your **total due** 11

Part 5—Disposition of property to a decedent’s family member

If you sold or gifted your NRC property to another member of the decedent’s family, complete part 5 (see instructions).

Name of qualifying family member	Social Security number
Relationship to decedent	Telephone number
Address	

Part 6—Signatures

Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the executor, this declaration is based on all information of which the preparer has any knowledge.

Signature of owner X	Date
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Check the box to authorize the following individual(s) to receive and provide confidential tax information relating to this tax return.

Name of preparer	Title		
Signature of preparer X	Telephone number		
Mailing address	City	State	ZIP code

Attach a complete copy of your Schedule NRC and supporting documents.

Mail to:
Oregon Department of Revenue
PO Box 14110
Salem OR 97309-0910

Instructions for Form IT-1A, Oregon Additional Inheritance Tax Return

Definitions

The terms we use in these instructions are defined in Oregon Revised Statute (ORS) 118.140 and Oregon Administrative Rule (OAR) 150-118.140.

“Property” means natural resource property or commercial fishing property used for the natural resource credit on Form IT-1 (ORS 118.140 and OAR 150-118.140).

“Property owner” means you, the person who received property from the decedent.

“Qualified use” means to use the property as a natural resource or commercial fishing business property as defined in ORS 118.140.

“Disqualified property” means property that:

- You disposed of, or stopped qualified use of, before five out of eight calendar years had passed after the decedent’s death.
- Was subject to an involuntary conversion if you did not reinvest all of the proceeds from the involuntary conversion.

“Involuntary conversion” as defined in the Internal Revenue Code (IRC), section 1033.

As the property owner, you are responsible for reporting and paying any additional inheritance tax imposed by ORS 118.140. You must file Oregon Form IT-1A to report the taxable event. The additional tax is limited to the tax credit claimed on Form IT-1. See example 1.

If only a portion of your property becomes disqualified, prorate the additional tax. See example 2.

Taxable events

The property owner causes a taxable event if the property is not used as set out in ORS 118.140.

- The property is disposed of or the qualified use of the property stops before it is used for five out of eight calendar years after the decedent’s death.
- Involuntary conversions—you may owe additional tax if you reinvest only part of the proceeds from the involuntary conversion.

Nontaxable events for disposition to a family member

Property is not disqualified if you transfer the property to:

1. Another member of the decedent’s family; or
2. The decedent’s registered domestic partner; or
3. Another entity eligible for the credit per ORS 118.140.

See example 3.

Even if you don’t owe tax, you must complete and file Form IT-1A to notify us of a change in property ownership. Complete only parts 1, 2, 5, and 6 of this form.

Nontaxable involuntary conversions

If you reinvest all of the involuntary conversion proceeds in qualified replacement property, you don’t owe additional inheritance tax. You will also need to complete part 3—even though there is no tax—to notify us that an involuntary conversion took place. See example 4.

Partially taxable involuntary conversions

If you paid less for the qualified replacement property than you received in the involuntary conversion or you don’t reinvest the entire amount received in the conversion, then the conversion is partially taxable. See example 5.

When to file and pay the additional inheritance tax

File Form IT-1A and pay any additional taxes due within six months after you disposed of the property or ended the qualifying use.

Extensions to file or pay

You may request an extension of time to file the additional inheritance tax return or an extension to pay the additional tax. Use federal Form 4768; at the top of the form, write “For Oregon Form IT-1A.” If you request an extension of time to pay, you must include a detailed explanation of the reason you can’t pay the tax within six months of the disqualifying event.

We must receive your extension request before the original filing and payment due date. We will notify you in writing if your extension request is approved or denied. Check the corresponding extension box on Form IT-1A.

You must specifically request an extension to file or an extension to pay. Extensions to pay will be as set forth in ORS 118.225. Interest accrues on unpaid tax during the extension period.

Interest and penalty

Interest owed on additional inheritance tax starts the day after the due date of Form IT-1A, excluding extensions. If you don’t pay the tax within 60 days of our billing notice, the interest rate increases by 4 percent per year, whether or not you have an approved extension.

Interest accrues on any unpaid tax during an extension of time to file. Here’s how to calculate the interest due:

$$\begin{aligned} & \text{Tax} \times \text{Annual interest rate} \times \text{Number of full years.} \\ & \text{Tax} \times \text{Monthly interest rate} \times \text{Number of months.} \\ & \text{Tax} \times \text{Daily interest rate} \times \text{Number of days.} \end{aligned}$$

For periods beginning	Annual	Monthly	Daily
January 1, 2012	5%	0.4167%	0.0137%
January 1, 2011	5%	0.4167%	0.0137%
January 1, 2010	5%	0.4167%	0.0137%

If you file within three months of the due date—including an extension of time to file—add a late filing penalty of 5 percent to the tax amount. If you file more than three months after the due date or the extended filing due date, add an additional 20 percent penalty for a total penalty of 25 percent.

If your tax is unpaid as of the due date, including any approved extension of time to pay, add a late payment penalty of 5 percent of the tax.

What to file

- Form IT-1A for each property owner.
- Copy of extension, Form 4768.
- Copy of Schedule NRC.
- Copy of sales document as applicable.
- Supporting documentation for involuntary conversion of property.
- Form IT-V, *Oregon Inheritance Tax Payment Voucher*—make sure you check the “IT-1A return” box, include your name and Social Security number on the payment voucher.
- Payment—make your check or money order payable to the Oregon Department of Revenue. Include your name, Form IT-1A, and the year the qualified use of the property stopped.

Line instructions

Specific line instructions are provided for lines not fully described on Form IT-1A.

Part 1—Property owner information

Enter the name of the property owner, SSN, address, and telephone number.

If you have applied for an extension to file or extension to pay, check the corresponding boxes.

Enter the name of the decedent from whom you inherited the property. Enter the decedent’s date of death and SSN.

Part 2—Description of property

Column A—Enter the description of the disqualified property.

Column B—Enter the value of the property listed in column A that was used to calculate the Natural Resource Credit (NRC). **This amount is from Schedule NRC, column D. If only part of the property is disqualified, enter only the value of that portion of the property.**

Column C—Enter the credit based on the property value on column B. For partial disposition/end of qualifying use, enter only the value and the credit of the partial disposition of the property. For example, if the NRC claimed on Form IT-1 was \$38,800 based on two pieces of property with a value of \$550,000 each, and one of the properties was sold, you would enter \$550,000 on column B and \$19,400 on column C.

Column D—Enter the date the property became disqualified.

Part 3—Involuntary conversion of property

Column B—Enter the total amount of proceeds received for the property listed in part 2, column A.

Column C—Enter the value of the property you acquired listed in column A.

Column D—Subtract amount in column C from amount in column B. Do not enter less than zero.

Examples

Example 1

Jack inherited natural resource property from his father who passed away February 23, 2008. On the original Form IT-1, the estate claimed a NRC of \$85,200. Jack used the property as farming land for a total of 25 months until it was sold on March 23, 2010.

Jack will file Form IT-1A to report and pay additional inheritance tax because he sold the property before using it for five out of the eight years following the death of his father. Jack will pay additional inheritance tax of \$49,416 calculated as follows:

1. NRC claimed on Form IT-1, line 18.	\$85,200
2. Enter the result of: 60 minus the number of months the property was used as natural resource property.	35
3. Divide line 2 by 60 (round to 2 decimal places; do not enter more than 100.00).	0.58
4. Multiply line 1 by line 3 (do not enter more than amount on line 1). This is Jack’s additional tax.	<u>\$49,416</u>

Example 2

Abe died September 7, 2007; his estate included an Oregon farm with a \$1,200,000 date-of-death value. Abe’s three sons, David, Henry, and Joseph, each inherited one-third share (\$400,000) of the family farm. They claimed the natural resource credit on the 2007 Form IT-1 based on the \$1,200,000 value for a total credit of \$45,200.

The brothers continued farming the land until December 15, 2009, when David and Henry stopped farming their shares, which removed their portions from qualified use. David and Henry maintained the farm in qualified use for 28 out of 60 months. David and Henry will each calculate their additional inheritance tax based on their share of the property. Joseph continued to farm his inherited share of the farm.

David’s additional inheritance tax is computed on the next page.

On Form IT-1A, part 2, column B, David will enter \$400,000, the value of his share of the farm. On part 2, column C, David will enter \$15,067, the portion of NRC based on his share of the farm.

- | | |
|--|----------------|
| 1. NRC claimed in part 2, column C. | \$15,067 |
| 2. Enter the result of: 60 minus the number of months the property was used as natural resource property. | 32 |
| 3. Divide line 2 by 60 (round to 2 decimal places; do not enter more than 100.00). | 0.54 |
| 4. Multiply line 1 by line 3 (do not enter more than amount on line 1). If the property was not subject to an involuntary conversion under IRS 1033, this is David's additional tax. | <u>\$8,136</u> |

David and Henry are required to pay additional tax on their shares of the farm that were disqualified from use as natural resource property. Since Joseph continued to use his property for qualifying purposes, he doesn't have a taxable event and will not file Form IT-1A.

Example 3

Assume the same facts as in example 2, except that David and Henry each sold their portion of the inherited farm land to their brother Joseph. Because the property was sold to a family member, no taxable event occurred per ORS 118.140.

David and Henry will each complete and file Form IT-1A, parts 2, 5, and 6, to report the sale of the NRC property to family member.

Example 4

Anthony inherited a farm with value of \$1,200,000 from his great aunt Vanessa, who passed away June 12, 2008. The estate claimed an NRC of \$45,200 on Form IT-1. On April 12, 2010, the city annexed the farm and paid Anthony \$950,000. Anthony decided to reinvest all of the proceeds from the involuntary conversion and purchased another farm for \$950,000. Anthony doesn't have to pay additional inheritance tax because he reinvested all the proceeds from the involuntary conversion on another farm. Anthony will file Form IT-1A and complete parts 3 and 6 to notify the Department of Revenue that the involuntary conversion took place.

Example 5

Assume the same facts as example 4, except that Anthony purchased another farm for \$800,000 and purchased an RV for personal use for \$150,000. Anthony would need to pay additional tax on the \$150,000 because he didn't reinvest that portion of the proceeds. He would calculate his additional inheritance tax as follows:

- | | |
|--|-----------------|
| 1. NRC claimed on Form IT-1, line 18. | \$45,200 |
| 2. Enter the result of: 60 minus the number of months the property was used as natural resource property. | 38 |
| 3. Divide line 2 by 60 (round to 2 decimal places; do not enter more than 100.00). | 0.63 |
| 4. Multiply line 1 by line 3 (do not enter more than amount on line 1). If the property was not subject to an involuntary conversion under IRS 1033, stop here. This is your additional tax. | <u>\$28,476</u> |

Anthony will need to calculate the additional tax based on the proceeds not reinvested on the new farm. See below.

- | | |
|--|----------------|
| 5. Portion of proceeds not reinvested on a natural resource property or commercial fishing property. | \$150,000 |
| 6. Total proceeds from the involuntary conversion. | \$950,000 |
| 7. Divide line 5 by line 6 (round to 2 decimal places); do not enter more than 100.00). | 0.16 |
| 8. Multiply line 4 by line 7. This is Anthony's additional inheritance tax. | <u>\$4,556</u> |

Have questions? Need help?

E-mail estate.help.dor@state.or.us
This e-mail address is not secure and confidentiality cannot be ensured. General tax and policy questions only. We ask that professional tax preparers and attorneys research questions before contacting us.

Write to Estate Audit, Business Division
 Oregon Department of Revenue, PO Box 14110, Salem OR 97309-0910. *Include the estate's BIN or the decedent's SSN and a daytime telephone number for faster service.*

General tax information www.oregon.gov / dor
 Salem 503-378-4988
 Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
 En Salem o fuera de Oregon 503-378-4988
 Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
 Salem area or outside Oregon 503-945-8617
 Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers above for information in alternative formats.