Enron Statement

(Securities and Exchange Commission Release No. 35-27809; 70-10200 dated March 9, 2004, page 8)

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Form 20 Instructions

B. Insulation from Enron

Applicants state that in all material respects Portland General maintains a separate business from Enron. Among other things, Portland General maintains books and records separate from Enron; maintains bank accounts separate from Enron; does not commingle its assets with those of Enron; manages cash separately; holds all of its assets in its own name; conducts its own business in its own name; prepares and maintains separate financial statements; shows its assets and liabilities separate and apart from those of Enron; pays its own liabilities and expenses only out of its own funds; observes all corporate and other organizational formalities; maintains an arm's length relationship with Enron and enters into transactions with Enron only as permitted by state and federal authorities; pays the salaries of its own employees from its own funds; does not guarantee or become obligated for the debts of Enron; does not hold out its credit as available to satisfy the obligations of Enron; uses separate stationery, invoices and checks bearing its own name; does not pledge its assets for the benefit of Enron; maintains its own pension plan; holds itself out solely as a separate entity; corrects any known misunderstanding regarding its separate identity; does not identify itself as a division of Enron; and maintaining adequate capital in light of its contemplated business operations. Portland General, Enron and other affiliates have, however, filed consolidated tax returns and utilized tax-sharing arrangements that are commonly utilized by affiliated corporations that file consolidated tax returns.

Excise tax is a tax for the privilege of doing business in Oregon. It is measured by net income. All interest is included in income, no matter what its source. This includes interest on obligations of the United States, its instrumentalities, and all of the 50 states and their subdivisions.

Excise tax filers are subject to a **$10 minimum tax.**

Corporations with **no business activity** in Oregon, even if incorporated in or registered to do business in the state, are **not** subject to the $10 minimum tax, and are not required to file an excise tax return. You may be subject to Oregon corporation income tax if you have income from an Oregon source.

Form 20-I—Oregon corporation income tax filing requirements

File **Form 20-I,** *Oregon Corporation Income Tax Return,* if your corporation derives income from sources within Oregon, but the income-producing activity does not actually constitute "doing business."

Income is from an Oregon source if it is derived from:

- Tangible or intangible property located in Oregon; or
- Any activity carried on in Oregon, whether intrastate, interstate, or foreign commerce.

Do not use Form 20-I if your corporation **is doing business** in Oregon. Instead, use Form 20, *Oregon Corporation Excise Tax Return.*

There is no minimum tax for corporate income tax filers.

Certain exempt nonprofit corporations and private foundations must file and pay tax on income that is unrelated to the organization's exempt purposes (ORS 317.920). Lobbying expenses are subject to tax under IRC 6033(e). For more information, see "Taxpayer assistance" on page 24 to order the information circular *Information for Tax Exempt Organizations* (150-102-617).

General filing requirements

Oregon has adopted the federal consolidation laws. Corporations that are a part of a unitary group and are included in a consolidated federal return must be included in a consolidated Oregon return. This is true even if these corporations are not doing business in Oregon and do not have income from an Oregon source.

Consolidated returns (ORS 317.705–317.725)

If a corporation is a member of an affiliated group of corporations that filed a consolidated federal return, it must file an Oregon return based on that federal return.

A consolidated Oregon return is required when two or more affiliated corporations are:

- Included in a consolidated federal return;
- Unitary; and
- At least one of the affiliated corporations is doing business in Oregon or has income from Oregon sources.

Unitary business. A unitary business is one that has, directly or indirectly between members or parts of the enterprise, either a sharing or an exchange of value shown by:

- Centralized management or a common executive force.
- Centralized administrative services or functions resulting in economies of scale.
- Flow of goods, capital resources, or services showing functional integration.

Corporations that are not unitary are excluded from the consolidated Oregon return.

Separate returns. Any corporation that files a separate federal return must file a separate Oregon return. Corporations not included in a consolidated federal return must file a separate Oregon return if doing business in Oregon or if the business has income from an Oregon source.

A corporation subject to Oregon taxation must also file a separate Oregon return if it was included in a consolidated federal return, but was not unitary with any of the other affiliates. Oregon taxable income is computed by subtracting the income of the non-unitary affiliates from the taxable income from the consolidated federal return.

Publicly traded partnerships

A "publicly traded partnership" is a partnership treated as a corporation for federal income tax purposes under IRC 7704.

The partners in a publicly traded partnership are not subject to tax on their distributive shares of partnership income. The publicly traded partnership is subject to corporation excise tax if it is doing business in Oregon or corporation income tax if it has income from an Oregon source.

Real Estate Mortgage Investment Conduits (REMIC) (ORS 314.260)

A REMIC must file Form 20-I if it derives prohibited transaction income from Oregon sources or has any resident holders of a residual interest. Income is from an Oregon source if it is derived from tangible property located in Oregon or from intangible property that is used in an Oregon business.

All REMICs required to file must file Form 20-I and attach a complete copy of federal Form 1066. The REMIC

Have questions? Need forms? See page 24.

- **Safe harbor lease agreements.** Oregon does not tie to the federal safe harbor lease provisions. See OAR 150-317.349-(A) and 150-317.349-(B) for details about the adjustments required for Oregon.
- **Capital construction fund.** Amounts deferred under Section 607 of the Merchant Marine Act of 1936 and IRC 7518 must be added back to income (ORS 317.319).
- **IRC 631(a) treatment of timber is not recognized by Oregon.** Both beginning and ending inventories must be adjusted for IRC 631(a) gain. For Oregon purposes, there is no taxable event until actual sale (ORS 317.362).
- **Federal bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowable for Oregon.** The bad debt method of financial institutions is tied to the federal method. For taxpayers required to use the specific write-off method, an addition must be made if the amortization of the federal reserve is less than the amortization of the Oregon reserve (ORS 317.310).
- **Net federal capital loss deduction.** If the Oregon and federal capital loss deductions are different, add the federal capital loss back to income on this line. The Oregon capital loss will be deducted on either page 1, line 14 (by corporations not required to apportion income); or Schedule AP-2, line 10 (by corporations required to apportion income) (OAR 150-317.013).
- **Percentage depletion in excess of cost.** Percentage depletion is allowed only on metal mines. All other assets are limited to cost depletion (ORS 317.374).
- **Inventory costs.** The costs allocable to inventory are the same as those included in IRC 263A. Differences in depreciation and depletion allocable to inventory result in a modification [ORS 314.287(3)].
- **Losses of non-unitary corporations.** The net losses of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Attach a schedule showing computation of the net loss eliminated. See instructions for line 10 and line 14 [ORS 317.715(2)].
- **Unused business credits.** Unused business credits taken as a federal deduction under IRC 196 must be added back to Oregon income (ORS 317.304).
- **Long-term care insurance premiums.** Premiums deducted on the federal return must be added back if the Oregon credit is claimed under ORS 315.610 (ORS 317.322).
- **Individual development accounts credit.** Donations deducted on the federal return must be added back to Oregon income if the credit is claimed [ORS 315.271(2)].
- **Income from sources outside the United States.** Income not included in federal taxable income under IRC 861 or 864 (ORS 317.625).

Subtractions

Line 8. Work opportunity credit wages not deducted on the federal return. Enter the amount of wages that were not deducted on the federal return because the work opportunity credit was claimed (ORS 317.303).

Line 9. Dividend deduction. A 70 percent deduction is allowed for qualifying dividends regardless of geographic source. An 80 percent deduction is allowed for dividends received from corporations whose stock is owned 20 percent or more. Use the worksheet below to compute the Oregon deduction (ORS 317.267).

Continued on page 17...

WORKSHEET FOR COMPUTING DIVIDEND DEDUCTION

1. Dividends included in federal taxable income prior to "special deductions" .... 1. ____________
2. Subtract:
   a. Dividends described in IRC 243(d) .... 2a. ____________
   b. Dividends described in IRC 245(c) and 246(d) (from FSCs and DISCs) .... 2b. ____________
   c. Other income not treated as dividends under federal law .... 2c. ____________
   d. Dividends from debt financed stock .... 2d. ____________
   e. Dividends from corporations included in consolidated Oregon return .... 2e. ____________
   f. IRC Section 78 Gross-Up .... 2f. ____________
3. Total (add lines 2a through 2f) .... 3. ____________
4. Balance subject to 70% (or 80%) deduction (line 1 minus line 3) .... 4. ____________
5. Percentage deduction .... 5. × 0.7 (0.8)
6. Allowable deduction (line 5 × line 4) .... 6. ____________

 Have questions? Need forms? See page 24.

. . . Form 20 instructions continued from page 8

Line 10. Income of non-unitary corporations. Net income of non-unitary corporations included in a consolidated federal return must be eliminated from the Oregon return. Net income includes the separate taxable income, as determined under Treasury Regulations adopted for IRC 1502, and any deductions, additions, or items of income, expense, gain, or loss for which consolidated treatment is prescribed. Attach a schedule showing computation of the net income eliminated [ORS 317.715(2)].

Line 11. Other subtractions. Enter the amount by which any item of gross income is less under Oregon law than under federal law or the amount by which any allowable deduction is greater under Oregon law than under federal law. Examples:

- **Gain or loss on the sale of depreciable property.** The difference in gain or loss on the sale of business assets when the Oregon basis is greater than it is for federal purposes (ORS 317.356).
- **Federal investment tax credit on certain assets.** If you take a federal tax credit on certain assets, and your federal basis is less than your Oregon basis, you must refigure the gain or loss on disposal of those assets and subtract the difference (ORS 317.356).
- **IRC Section 78 dividends** (gross-up dividends) must be subtracted in full from federal taxable income (ORS 317.273)
- **Dividends from foreign sales corporations and domestic international sales corporations,** the net income of which was included on line 4 (ORS 317.283 and 317.286).
- **Dividends from corporations included in this consolidated Oregon return** [ORS 317.267(1)].
- **Dividends from debt financed stock** to the extent deductible for federal tax purposes (see IRC 246A) [ORS 317.267(2)].
- **Land donation or bargain sale of land** to educational institutions. Enter the fair market value of land donated or the amount of the reduction in sales price of land sold to a school district. The subtraction is limited to 50 percent of Oregon taxable income (ORS 317.488).
- **Oregon depletion in excess of federal allowance** (ORS 317.374).
- **Oregon bad debt reserve addition of a financial institution to the extent that it exceeds the amount that is allowed on the federal return.** A subtraction is also made if the amortization of the federal reserve is greater than the amortization of the Oregon reserve (ORS 317.310).
- **Inventory costs.** See instructions under line 5.
- **Charitable contribution.** Subtract the amount by which a corporation must reduce its charitable contribution deduction under IRC 170(d)(2)(B) (ORS 317.307).
- **Depreciation differences.** If Oregon basis is higher than federal basis for an asset due to claiming a federal tax credit, subtract the excess of Oregon depreciation over federal depreciation [OAR 150-317.368(1)].
- **Federal credits.** Subtract the amount of expense not deducted on the federal return attributable to claiming any other federal credit taken (ORS 317.303).
- **Farm capital gain.** Farm capital gain taxed at special rate. Enter the amount from line 1 of Worksheet FCG-20, *Farm Liquidation Long-Term Capital Gain Tax Rate* (ORS 317.063).
- **Small city business development exemption.** (ORS 317.391). Subtract income attributable to qualified new facilities sited in certain locations in Oregon. To qualify, facilities must be certified by the Department of Economic and Community Development (ORS 317.391).
- **Losses from outside the United States.** Losses not included in federal taxable income under IRC 861 to 864 (ORS 317.625).

Line 14. Net loss and net capital loss deductions.

- **Net loss deduction.** A net loss is the amount determined under Chapter 1, subtitle A of the Internal Revenue Code, with the modifications specifically prescribed under Oregon law. If you are taxable only by Oregon, the deduction on line 14 will be the sum of unused net losses for preceding taxable years. Net losses occurring in tax years starting on or after January 1, 1987, can be carried forward up to 15 years. **Oregon does not allow net losses to be carried back.**

  For losses and built-in losses occurring before a change in ownership, Oregon is tied to the federal limitations (IRC 382 and 384; ORS 317.476 and 317.478.)

  The total net loss deduction on a consolidated Oregon return is the sum of the net losses available to each of the corporations subject to the limitations in OAR 150-317.476(4).

  Real estate investment trusts if qualified under IRC 856 are not allowed a deduction for a net loss [ORS 317.476(5)].

  If you are taxable both in Oregon and another state, do not complete line 14. Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on Schedule AP-2, line 10.

- **Net capital loss deduction.** For corporations not required to apportion income, use this line to subtract net capital losses carried forward from another year.

Schedule AP instructions

Apportionment and allocation. Apportionment is dividing business income among the states by use of a formula. Allocation is the assignment of specific nonbusiness income to a state. A corporation having unitary business activities both inside and outside Oregon must use the apportionment and allocation methods provided under the Uniform Division of Income for Tax Purposes Act (ORS 314.605 through 314.690) and the rules under ORS 314.280.

The following businesses use modified or different apportionment factors as provided in the following Oregon Administrative Rules (OARs) and laws:

Airlines	OAR 150-314.280-(I)
Financial corporations	OAR 150-314.280-(N)
Health care service contractors	OAR 150-314.280-(E)
Insurance companies	ORS 317.660
Interstate broadcasters	ORS 314.682–314.686 OAR 150-314.684(4) OAR 150-314.686
Interstate river transportation companies	OAR 150-314.280-(L)
Long-term construction contractors	OAR 150-314.615-(F)
Movie and television production companies	OAR 150-314.615-(H)
Railroads	OAR 150-314.280-(H)
Sea transportation companies	OAR 150-314.280-(K)
Title insurance companies incorporated in Oregon	OAR 150-314.280-(E)
Trucking companies	OAR 150-314.280-(J)

Oregon income is the total of the corporation's apportioned and allocated income assigned to Oregon.

Schedule AP must be completed by each corporation carrying on a unitary business both inside and outside Oregon. If another method of assigning income is proposed, Schedule AP still must be completed. A full explanation of the other method must be made.

Schedule AP-1—Apportionment formula

The denominators of the property, payroll, and sales factors include only amounts from corporations that are included in the consolidated federal return and are part of the unitary group. The numerators of the factors must include the Oregon property, payroll, and sales from each of the corporations taxable by Oregon.

A negative amount is not accepted. Enter zero if the factor is less than zero.

Property factor. (1) Value owned property at original cost. Show the average value during the taxable year of real and tangible personal property used in the business. This is the average of property values at the beginning and end of the tax period. An average of the monthly values may be required if a more reasonable value results.

(2) Value rented property at eight times the annual rental value. Reduce the annual rental value by nonbusiness subrentals.

Enter all owned or rented business property in Column B of Schedule AP-1. Enter business property within Oregon in Column A. See ORS 314.655 and administrative rules.

Payroll factor. Assign payroll to Oregon if:

- The services are performed entirely inside Oregon; or
- The services are both inside and outside Oregon but those services outside are only incidental; or
- Some of the services are performed in Oregon and (a) the base of operation or control is located in Oregon, **or** (b) the base of operation or control is not in any state in which the services are performed, and the employee's residence is in Oregon.

See ORS 314.660 and administrative rules.

Sales factor. Assign sales to Oregon if:

- The property is shipped or delivered to a purchaser in Oregon other than the United States Government; or
- The property is shipped from a warehouse or other place of storage in Oregon; and (a) the purchaser is the United States Government or (b) the corporation is not taxable in the state of the purchaser. See ORS 314.665(3) for exception.

See ORS 314.620 and Public Law 86-272 to determine if a corporation is taxable in another state.

Charges for services are Oregon sales to the extent the services are performed in Oregon. See ORS 314.665 and administrative rules.

Gross receipts from the sale, exchange, or redemption of intangible assets cannot be included in the sales factor if not derived from your primary business activity.

The net gain from sales, exchanges, or redemption of intangible assets that are not derived from your primary business activity are included in the sales factor if the gains are business income.

Line 6. Average percent. Divide the sum of the property percentage, the payroll percentage, and two times the sales percentage by 4 if you had all of these factors. Reduce the denominator of 4 by the number of factors with a zero denominator. Example: If you had no payroll anywhere, your payroll percentage would have a zero denominator and the sum of the factors would be divided by 3 (if no sales anywhere, divide by 2).

Have questions? Need forms? See page 24.

Portland General Electric
Summary of Securities Exchange Commission Filings
July 1, 1997 through September 30, 2005
Relating to Taxes Paid and Accrued

Period	Cash Paid Taxes	Provision	Net Income
09-30-05	88	51	73
12-31-04	83	60	92
12-31-03	39	57	58
12-31-02	2	78	66
12-31-01	35	80	34
12-31-00	109	91	141
12-31-99	139	81	128
12-31-98	133	80	137
12-31-97	96	96	126
06-30-97	-73	-62	-76
Sum	651	610	779

Totals Net	779
Totals Provision	610
Income before tax	1389
Effective rate provided	44%
Effective rate paid	47%
Expected rate	39%