THE OREGON SOCIETY OF CERTIFIED P

OREGON LEGIS

TAX GUIDE

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Tax Year 2012

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The Oregon Society of Certified Public Accountants and our nearly 4,800 members are pleased to present you with a personal copy of the *Oregon Legislators Tax Guide – Tax Year 2012.*

The guide was prepared specifically for elected officials in the State of Oregon. It should aid in answering questions you have concerning income tax laws that affect you as an elected official. Personal tax matters that do not relate to you as an elected official (such as medical expenses, interest, charitable contributions, business income and expense, capital gains and losses and rental income) are not addressed. If your tax questions are not answered in this guide, or if you require assistance in the preparation of your tax returns, I would encourage you to contact a member of the Oregon Society of CPAs.

The Oregon Society of CPAs can be a most valuable resource to you as a state legislator. Within our ranks we have a broad range of expertise available as you confront the state's economic issues. In addition to taxation, our members become involved in budgeting and other forms of financial management in the daily course of counseling their clients. We have systems in place to respond to your technical questions.

If you have a question or need assistance that your CPA cannot provide, call our Legislative Counsel, Rob Douglas at 503-370-8416 and he will work with our staff to respond to your question.

Sincerely,

Deborah J Hollingsworth

Deborah J. Hollingsworth, CPA
2012-13 OSCPA Chair

OREGON LEGISLATORS' TAX GUIDE

Tax Year 2012

Provided by

Oregon Society of Certified Public Accountants
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www.orcpa.org/legislators_taxguide

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PREFACE

The CPA Profession Today

Today's CPA occupies a central position in business management, whether in government, industry, education, or in the traditional role of a public accountant. Fields of expertise include: taxation and tax planning; estate, trust and retirement planning; auditing; budgeting; management advisory services; financial management; financial forecasting; and review and compilation of financial statements.

The highest professional standards and integrity in the practice of accountancy are maintained by holders of the Certified Public Accountant certificate issued by the State of Oregon or by other states.

To be licensed for public practice, a CPA must:

- Have fulfilled stringent education requirements.
- Have passed a comprehensive examination covering auditing and attestation, financial accounting and reporting, regulations and business environment and concepts.
- Have a minimum of two years of supervised experience.
- Obtain a minimum of 80 hours of continuing professional education during each biennium.
- Abide by the profession's Code of Professional Conduct.

Founded in 1908, the Oregon Society of CPAs has nearly 4,800 members statewide. Members hold CPA certificates issued by Oregon or other states. They subscribe to the rules of professional conduct embodied in the OSCPA's bylaws and subject themselves to discipline thereunder.

I. FEDERAL PROVISIONS – 2012

Introduction

We would like to congratulate you on your election to the Oregon State Legislature. Regardless of whether you are a newly elected legislator or a returning legislator, you may have questions about how the income and expenses associated with your elected office will affect your personal income tax return. This guide is to provide answers to most of your questions.

This publication provides guidance on the federal income tax laws as of January 2013. Periodically, tax laws will change. Relevant changes enacted during recent years have been considered. However, Congress may enact laws that could affect the income and deductions associated with your elected office.

Reporting income

As a legislator, you are an employee of the State of Oregon. As such, you receive a *Form W-2* from the State of Oregon, which will show the income you will need to report on your income tax return. This income is reported as "wages, salaries, tips, etc." on your individual income tax return. While the income side of being a legislator may be straightforward, the expense side can be quite complex.

Deducting Business Expenses

Unreimbursed expenses are deducted as itemized deductions, but the deduction is grouped into the category of "miscellaneous itemized deductions." Miscellaneous itemized deductions are only deductible to the extent they exceed 2 percent of your adjusted gross income. Adjusted gross income is the number at the bottom of page one of your income tax return. It includes all your income decreased by some special deductions such as IRA contributions and retirement plan contributions. The tax benefit of these deductions may also be limited by the Alternative Minimum Tax. Consult your tax advisor about the effects of these deductions and the Alternative Minimum Tax.

If the employee has properly documented and reported the expenses to his or her employer, the employee reports neither the reimbursement as income nor the expense as a deduction. For the employee, the reimbursement and the expense are ignored on the tax return. The IRS became concerned about abuse from treating payments as reimbursements. A set of rules were developed that require an "accounting" from the employee to the employer for a payment to be considered a reimbursement. The reimbursement can only be for the actual expenses incurred. However, if the employer gives an employee a flat expense allowance and does not require an accounting or the return of excess payments, the payment is not a reimbursement but is income to the employee. The employee must then deduct the expenses as miscellaneous itemized deductions subject to the 2 percent limit. Generally, these expenses are reported on *Form 2106*, *Employee Business Expenses*, which flows through to the itemized deduction schedule on your income tax return.

See discussions within the various types of expenses regarding inclusion or exclusion of reimbursements and allowances.

Auto and Travel Expenses

The deduction for the use of your personal vehicle can be calculated by one of two methods: standard mileage rate or actual expenses. The only way to determine which method is more beneficial is to actually do the computations. Both methods require that you document the use of your personal vehicle for business purposes. Because legislators are considered employees of the State of Oregon all deductions for business mileage expenses or automobile expenses are reported on *Form 2106*, *Employee Business Expenses*. (See example of *Form 2106* on pages 24 and 25 of this booklet.)

Standard Mileage Rate

For 2012, the standard mileage rate generally allows you to deduct 55.5 cents per mile for all miles of use for business purposes. For 2013, the standard mileage rate is 56.5 cents per mile. (See discussion below on choosing methods of calculating the deduction for auto expenses.) A portion of the standard mileage rate is considered to be depreciation. For 2012, the adjusted basis of your vehicle will be reduced by 23 cents per mile for each mile for which you use the standard mileage rate; for 2013, the basis reduction is 23 cents per mile. This is important to keep track of because when you go to sell the vehicle, you may have taxable gain.

Actual Auto Expenses

You may deduct the business percentage of your actual automobile expenses. The business percentage is computed by dividing your total business miles by total miles driven during the year in a given automobile.

The deductible amount of actual auto expense is computed by applying the business percentage determined above to your total auto expense. Examples of deductible auto expenses are:

- Gasoline and oil
- Repairs and tires
- Vehicle insurance
- License plates
- Supplies
- Lease payments
- Depreciation or other cost recovery

If you leased a car for more than 30 days, you may have to reduce your deduction for lease payments by an amount called the "inclusion amount." The inclusion amount is based on the fair market value on the first day of the lease. If the fair market value of a vehicle leased in 2012 is more than $18,500, you may have an inclusion amount. The inclusion amount tables and other information are located in *IRS Publication 463* which can be found on the IRS website at *www.irs.gov*. A copy of the table for vehicles leased in 2012 is included for your reference. For autos first leased in 2009, 2010 and 2011, the inclusion amounts apply to autos with a fair market value of more than $18,500.

These expenses are reported on *Form 2106*, Part II, Section C.

Certain auto expenses are deductible only on Schedule A. They include certain casualty and theft losses. No auto interest expense is deductible as employee business expense on *Form 2106*.

Standard Mileage Rate Method vs. Actual Expense Method

It is necessary to list your automobile expenses and then compare them to your tax deduction under the standard mileage allowance (55.5 cents per business mile for 2012 or 56.5 cents for 2013) to determine which method gives you the largest deduction.

The standard mileage rate may be used only if you elected to use it in the first year. You may not change from the actual expense method to the standard rate method. You may, however, use the actual expense method in a later year even if you started out with the standard mileage rate method. Use of the standard mileage rate in the first year of business use is considered an election to exclude the automobile from the accelerated MACRS depreciation method.

Methods Of Depreciation (Cost Recovery)

Business assets are depreciated using the Modified Accelerated Cost Recovery System (MACRS). MACRS is an accelerated method of depreciation, which means the annual depreciation deduction is greater in early years and then decreases. However, there are limits for the amount that can be deducted for autos. A summary of the methods and limitations are as follows:

Date Placed into Service	Allowable Method	Life	Additional Limitations
1/1/06–12/31/06	MACRS	5	$2,960 first year, $4,800 second year, $2,850 third year, and $1,775 for each succeeding year, reduced by the personal use portion.
1/1/07–12/31/07	MACRS	5	$3,060 first year, $4,900 second year, $2,850 third year, and $1,775 for each succeeding year, reduced by the personal use portion.
1/1/08–12/31/09	MACRS	5	For original use cars only, $10,960 is the maximum depreciation for the first year reduced by personal use portion; that is $2,960 plus $8,000 of bonus depreciation, $4,800 second year, $2,850 third year, and $1,775 for each succeeding year, reduced by the personal use portion.
1/1/10–12/31/10	MACRS	5	For original use cars only, $11,060 is the maximum depreciation for the first year reduced by personal use portion; that is $3,060 plus $8,000 of bonus depreciation, $4,900 second year, $2,950 third year and $1,775 for each succeeding year reduced by the personal use portion.
1/1/11–12/31/11	MACRS	5	For original use cars only, $11,060 is the maximum depreciation for the first year reduced by personal use portion; that is $3,060 plus $8,000 of bonus depreciation, $4,900 second year, $2,950 third year and $1,775 for each succeeding year reduced by the personal use portion.
1/1/12–12/31/12	MACRS	5	For original use cars only, $11,060 is the maximum depreciation for the first year reduced by personal use portion; that is $3,060 plus $8,000 of bonus depreciation, $5,100 second year, $3,050 third year and $1,875 for each succeeding year reduced by the personal use portion.

If your automobile was placed in service before 2006, consult your tax advisor regarding the depreciation limitations.

Exempt Vehicles

Vehicles which have an unloaded gross vehicle weight (GVW) greater than 6,000 pounds are exempt from the additional limitations listed above. However, there are additional limitations. If you are using a vehicle with a GVW greater than 6,000 pounds, you should discuss this with your tax advisor.

Less Than 50 Percent Business Use

If the business percentage applicable to a vehicle placed into service after June 18, 1984 is not greater than 50 percent, the vehicle is not eligible for MACRS depreciation, and straight line depreciation must be used. The 50 percent test is applied each tax year. Recapture of deductions may be required in the year that a vehicle ceases to be used over 50 percent for business.

Section 179 Deduction

You may elect to deduct a portion of the cost of an automobile purchased and used for business in the year it is purchased. The amount you may deduct depends upon the percentage of business use. The total of this deduction added to any allowable depreciation deduction may not exceed the first year limits above. Recapture of a Section 179 deduction may be required if a subsequent year's business percentage drops to 50 percent or less. Recapture of the Section 179 deduction is also required when a vehicle is sold or converted to personal use before the end of its useful life. Consult your tax advisor regarding recapture of the Section 179 deduction.

For heavy sports utility vehicles, placed in service after October 22, 2004, the law now limits the amount of Section 179 expense deduction to $25,000. Heavy sports utility vehicles are those weighing more than 6,000 pound and less than 14,000 pounds. This limitation is further reduced if the vehicle is used less than 100 percent for business.

Bonus Depreciation

For 2012 and 2013, a bonus first-year depreciation allowance applies to "qualified property." The allowance is 50 percent of the cost of the property. The property must be originally used and acquired by you, i.e. generally "new property." To qualify for bonus depreciation, your business use must be greater than 50 percent. The total of this deduction added to any allowable depreciation deduction may not exceed the first year limits above. For qualified property placed in service after January 1, 2012 and before December 31, 2013, you may claim a 50 percent bonus depreciation allowance. You may elect to not take bonus depreciation. An election must be filed with your return. Recapture of bonus depreciation may be required in the year that a vehicle ceases to be used over 50 percent for business.

Other Deductible Transportation Expenses

Certain other expenses may be deducted in addition to the standard mileage rate or the business portion of actual auto expense. Examples are parking fees, tolls, and local transportation such as taxi cabs or buses. These expenses are reported on line 2, Part I of *Form 2106*. Auto interest expense is not deductible as an employee business expense. Fines and traffic citations are also not deductible.

Other Transportation Expense

The cost of other transportation such as buses, airplanes, or trains that are incurred while traveling on business may be deducted. If you ride with someone else and do not directly incur any travel expense, no mileage expense for that trip may be claimed. These expenses are reported on line 2 or line 3, Part I of *Form 2106*, depending on whether the travel involves an overnight stay or not.

Business Mileage

Not all mileage you might consider related to your legislative duties constitutes business mileage. The Internal Revenue Code specifically states that commuting and campaign mileage is not deductible. However, business mileage does include the following:

1. Home District Mileage

- Travel to meetings where you will speak or which are important to attend because of your political position.
- Travel to attend civic functions, political functions, or other meetings related to your legislative duties.

- Non-reimbursed travel between two places of business (State Legislature or another business or occupation) provided such trips are necessary in discharging business at both locations.
- Mileage incurred in making an investigation to ascertain facts, which result in a legislative proposal and enactment.

2. Legislative Session Mileage

Legislators with a tax home outside of the Salem area may deduct as travel expense mileage from their Salem living quarters to either the Capitol building or any other place as long as the purpose of the travel is directly related to the business of being a member of the legislature. (See discussion of tax home under *Living Expenses* on page 12.)

Commuting Mileage

Commuting mileage is considered a personal expense and is not deductible. Commuting mileage includes the following:

- Mileage from your personal residence to your place of business such as your office in your home district.
- Mileage between your personal residence and the state capitol if they are in the same area.

Documentation Required

A diary or log of business use of your personal vehicle indicating the time, place, business purpose, and related mileage is required.

Expense Reimbursements

The State of Oregon pays you certain allowances for mileage and travel expenses. These reimbursements may or may not need to be included in your gross income. If you account to the state for expenses that are otherwise deductible, and your reimbursements are equal to your expenses, you are not required to report either the expenses or the reimbursements on your return.

If you do not account to the state for your expenses, then your allowances must be included in taxable income and your expenses deducted on your return. Reimbursements are reported in the following manner:

- Use *Form 2106,* line 7 for allowances not reported to you on *Form W-2*, box 1.
- Use *Form 2106,* line 7 for allowances reported to you on *Form W-2*, box 12 under code "L".
- Use *Form 1040*, line 7 for allowances reported to you on *Form W-2*, box 1.

Expenses are reported on *Form 2106*, lines 1 through 6. An example of *Form 2106* has been included on pages 24 and 25.

Living Expenses

For federal income tax purposes, you are allowed to deduct certain living expenses incurred while away from home on business. Your tax home is generally your place of business or employment.

Determining Your Tax Home

Your tax home is the location of your principal place of business. When you are engaged in two or more trades or businesses, your principal business is determined by all the facts, including the amount of time spent in each, the income earned in each, and the degree of activity in each. The following examples will help guide you in determining your tax home:

2. If sessions of the legislature are relatively short or are held only biennially, the district which the member represents in the legislature will generally be treated as the principal place of business if the legislator is not in fact required to spend most of the time at Salem because of committee assignments or for similar business reasons.
3. If a member's duties usually require a presence in Salem most of the year, Salem must be treated as the tax home. Thus, living expenses while in Salem are not deductible.
4. The mere fact that a state legislator in an unusual year has to spend more than six months in Salem does not automatically convert what is normally a minor place of business into a principal place of business for that particular year (*I.T. 3842, 1947-1 CB 11*).
5. If a state legislator lives more than 50 miles from his or her Salem office he or she can elect on a timely filed return to treat his or her residence within his or her district as his or her tax home (*IRC Sec. 162(h)*). This election must be made each year that it is to be effective.

You may also refer to the IRS publication number 17, which establishes general rules for determining your tax home. This publication is available online at *www.irs.gov*.

Deductible Living Expenses

You are allowed to deduct the actual amounts you paid for accommodations in hotels, motels, etc., and for meals and other subsistence items, such as cleaning and tips, incurred while you are away from your tax home. See *Entertainment and Meal Expenses* on page 17 for discussion of limitations. You are required to retain records to show that you have paid for such expenses. As with auto expenses, if you receive an expense allowance and are not required to account to the state for its use, then such allowance must be reported in gross income.

Even though a legislator is in Salem for long periods of time, the costs of travel, meals, and living accommodations for a spouse and children are not deductible. However, if it can be established that the spouse's presence served a bona fide business purpose, then the costs for the spouse may be deducted. This same rule applies if the spouse accompanies the legislator on a trip for a legislative conference. You should discuss this issue in greater detail with your tax advisor.

Special Election to Use Standard Amounts

A special election is found in Internal Revenue Code Section 162(h), which allows a state legislator to claim a standard amount instead of actual substantiated out-of-pocket expenditures for living expenses while away from home on business. Under this election, the state legislator is deemed to have expended for business purposes, an amount equal to the individual's "legislative days" multiplied by the greater of the federal per diem, or the state per diem (but not greater than 110 percent of the federal per diem) in effect for "legislative days." For the year ended October 1, 2012, the per diem rate for Salem was $123 maximum, which included $70 for lodging and $46 for meals and incidentals. For the year ending October 1, 2013, the per diem rate for Salem is $123, which includes $77 for lodging and $46 for meals and incidentals. Other cities in Oregon have different rates. Consult your tax advisor for the rates in other cities.

The above election is not available to legislators whose residence within his or her legislative district is 50 miles or less from the state capitol building. A "legislative day" is defined as any day during the taxable year on which the legislature:

1. Was in session (including any day in which it was not in session for a period of four

consecutive days or less), or

2. Was not in session, but the legislator's physical presence was formally recorded at a meeting of a committee of the legislature.

If a state legislator elects under Section 162(h) to use the statutory per diem for travel expenses away from home, any excess expense over the amount actually reimbursed to the legislator must be allocated between meals and other travel expense. The portion allocated to meals is 50 percent nondeductible.

Office at Home

Since many of your duties as a legislator may be carried on at your residence, such as receiving and making telephone calls, reading and analyzing legislation, writing letters, seeing constituents and performing other legislatively related projects in your home, a portion of your home office expense may be deductible as a business expense.

Exclusive Use Requirement

Deductions for business use of a legislator's residence are allowable only to the extent that such deductions are allocable to a portion of the residence which is exclusively used on a regular basis as the taxpayer's principal place of legislative business or is used for meetings or dealings with constituents, fellow legislators, or others in the normal course of legislative duties. A specific portion of the house must be used solely for the purpose of carrying on a trade or business in order to satisfy the exclusive use test. Such requirements are not met if the portion is used for both business and personal purposes.

In the Taxpayer Relief Act of 1997, Congress effectively overturned the U.S. Supreme Court's decision in *N. E. Soliman* which restricted an individual's principal place of business to the place where the primary income-generating functions were performed. For tax years beginning after 1998, the definition of "principal place of business" has been expanded so that a home office qualifies as a taxpayer's principal place of business if: (1) the office is used to conduct administrative or management activities of the taxpayer's trade or business; and (2) there is no other fixed location of the business where the taxpayer conducts substantial administrative or management activities of the business. You can also refer to *Internal Revenue Publication 587, Business Use of Your Home.* You should consult a competent tax advisor before taking such deductions.

Office Deductions

If you qualify to deduct expenses related to an office in the home, you may be allowed to deduct the following items:

1. **Depreciation or rent**: Depreciation is computed by taking the cost of your home (or its fair market value, if it is lower than cost, when your home or part of it is converted to business use) deducting the land cost and applying the depreciable life and method allowable at the time the office is placed in service. When your home is sold, the amount of depreciation taken will be subject to depreciation recapture. Compute the percentage of space in your home used exclusively for business purposes compared to the total space in your home. This percentage is applied to the total annual depreciation, and the resulting portion of depreciation may be deducted on your tax return. If you are renting a home or an apartment, the business portion (percentage) of your residence is applied to your annual rent to determine the deduction.

2. **Other expenses**: Utilities and insurance related to maintaining an office in your home may be apportioned based on the percentage of square footage of your home or apartment that is used as an office. Also, if a designated space or a particular room in your home is used for an office, any maintenance expenses to keep up this particular room or area may be deducted as a

business expense for that particular year. Examples of such items would be cleaning and painting. Carpentry work to install bookcases or other improvements of this nature would be capital expenditure, and should be depreciated.

3. **Limitation of deductions**: There is an overall limit on the amount of deductions you may take for business use of your home even though you use the area regularly and exclusively for legislative purposes. The allowable expenses attributable to the legislative use of the home may not exceed the amount of gross income from legislative activities reduced by all allowable expenses including the business use portion of deductions which are allowed without regard to their connection to legislative activity (e.g., mortgage interest and real estate tax). In addition, if you lease a portion of your home to your employer, you cannot take a deduction for expenses that would otherwise be allowable as home office expenses during the time you use your home while performing services as an employee of your employer.

If you choose to maintain a rented office in your district for the purpose of serving your constituency and the office is being used exclusively for legislative purposes, all expenses related to this office – rent, utilities, depreciation on improvements and equipment, etc. – are 100 percent deductible. If the office, during campaign time, is used for campaign purposes, you would have to exclude the office expenses attributable to the campaign. Detailed records should always be maintained. See *Political Campaign Funds* on page 18.

As with other unreimbursed employee business expenses, office deductions will be deductible as miscellaneous itemized deductions subject to the 2 percent of adjusted gross income limitation. Expenses for an office in home are reported using *Form 8829* on page 26.

Other Depreciation

You may purchase equipment or furniture for use in your duties as a legislator. You will be allowed a depreciation deduction for the equipment used for this purpose. This deduction should be reported on your *Form 2106* with your other business deductions.

Automobiles and computers are considered listed property. Substantiation of business use of automobiles is discussed in the *Auto and Travel Expenses* section. For computers, you will need to keep a log of usage and limit depreciation to only business use if it is not used 100 percent for business.

Office equipment and furniture, such as a desk, file cabinet, adding machine, personal digital assistant and similar items used by a legislator will be depreciated over the life of the asset.

Computers, peripheral equipment, typewriters, calculators, adding and accounting machines, copiers and other duplicating equipment can be depreciated over a five-year life using the MACRS depreciation method. Office furniture can be depreciated over a seven-year life using the MACRS method. Office furniture includes desks, chairs, files, safes, and communication equipment.

When equipment is sold, the amount of depreciation taken is subject to recapture. This recapture could result in ordinary taxable income.

Section 179 Deduction

You may elect to deduct all or a portion of the cost of equipment or furniture purchased and used for business in the year it is purchased. The election to deduct the cost of equipment as an expense in the year that the equipment is purchased is called Section 179 depreciation. There is a $500,000 maximum deduction that can be taken in 2012 and 2013. The amount you may deduct depends upon the amount of other Section 179 property you have purchased during the year. If you have placed more than $2,000,000 of property in place during the year, the amount of your deduction will be further limited.

Please consult your tax advisor about these limits.

Bonus Depreciation

For 2012 and 2013, a bonus first-year depreciation allowance applies to "qualified property." The allowance is 50 percent of the cost of the property. The property must be originally used and acquired by you, generally "new property." You may elect to not take bonus depreciation. That election must be filed with your return.

Please consult your tax advisor.

Advertising Expenses

Advertising in trade journals, ad books or magazines circulated by organizations in your district is deductible as a business expense on your tax return when these ads are: 1) paid by you, 2) incurred to maintain relations with your constituency or promote your name, and 3) a necessary part of your business. If these ads appear during a re-election campaign period, see discussion under *Political Campaign Funds* on pages 18-19.

Calendars, pens and similar items imprinted with your address and phone number are deductible because they are directly related to your business of adequately and properly serving your constituency.

Telephone and Other Expenses

Telephone

The basic cost of the telephone is an expense that you would incur whether or not you were in your position as a member of the legislature. If you are charged for calls in excess of the basic rate and they directly relate to state business or your position as a member of the legislature, they are a deductible expense. If a separate telephone is installed exclusively for the purpose of your legislative business, the entire cost of this telephone including the base cost is a valid business expense. The costs of long distance telephone calls, cellular phone charges and telegrams that relate to state business are deductible expenses. Cell phone usage must be apportioned between personal and business use.

Use of an answering service or an answering machine in your home is also a deductible expense if it is directly related to your position as a member of the legislature. It is important to remember that any reimbursements or allowances made to you personally must be reported as income.

Payroll

If you hire someone to assist you in legislative matters and to handle constituent communications such as a full-time or part-time secretary, the compensation and related payroll taxes paid are deductible. If an individual is on your payroll, you must obtain federal and state identification numbers, pay the proper payroll taxes and file the required reporting forms. For the details on the proper accounting and tax reporting, contact your certified public accountant. If you have student help or volunteer help and no out-of-pocket expense is incurred by you, then, of course, there is no tax deduction. Your payroll deduction also does not include assistants chosen by you and who are themselves employees of the state.

As of 2011, you must deposit federal and Oregon payroll taxes electronically.

Miscellaneous

There are many other deductible expenses you may incur as a result of your position as a member of the legislature. Some of these expenses would include the following:

1. Stationery and postage relating to mail concerning your business as a member of the legislature.
2. Any other supplies such as pens, paper clips, pencils, etc. that are necessary to maintain your office and service your constituency.
3. Deductions for club dues are no longer permitted except for dues for professional trade associations and civic or public service organizations. See the section on *Lobbying Expenses* on page 17.
4. Newspapers and magazines. The costs of obtaining additional publications because of your position as a state legislator are deductible. These publications may include special weekly papers in your district, publications relating to politics, or other related areas of government. The costs of publications purchased for personal use are not deductible.
5. The cost of Christmas or other greeting cards sent to constituents or community leaders is a deductible advertising expense, since it directly relates to your business as a member of the legislature. You may deduct the cost of the cards, envelopes and postage.
6. Costs of newsletters sent to constituents.
7. Fees paid to a certified public accountant or other professional related to your business as a member of the legislature.

Lobbying Expenses

No deduction is allowed for lobbying expenses. In addition, no deduction is allowed for any portion of dues allocable to lobbying expenses. Organizations that are active in lobbying are subject to strict reporting requirements. Organizations are required to notify you of the nondeductible portion of dues. Lobbying expenses are defined as expenditures in connection with influencing legislation, participation in any political campaign, influencing certain executive branch officials, and influencing the general public with respect to certain political matters.

Entertainment and Meal Expenses

50 Percent Disallowance

Beginning in 1994, only 50 percent of business-related meal and entertainment expenses (including those incurred while away from home on business) are eligible for deduction. This 50 percent portion, to the extent it is not reimbursed, will be included as a miscellaneous itemized deduction. The total of all your miscellaneous deductions in excess of 2 percent of adjusted gross income will be allowed as a deduction on your return.

No deduction is allowed for any meal expense to the extent such expense is lavish or extravagant under the circumstances. Deductions for business meals, where no actual business discussions occur, are similarly disallowed, unless they precede or follow a substantial business discussion.

For a meal expense to be deductible under the 50 percent limitation noted above, you must be able to demonstrate that it is directly related to your legislative position and there is a specific business purpose for the meeting. This business purpose requirement will be met if the business discussion precedes or follows the meal.

Entertainment Facilities

Amounts paid for membership in any club organized for business, pleasure, recreation, or other social purpose are not deductible. This includes dues paid to country clubs, golf clubs, tennis clubs, athletic clubs, etc. Meals or other expenses that are otherwise deductible are not affected by this ban. There is an exception for dues paid to service clubs such as Rotary Clubs.

Documentation Required

The regulation defines specific record keeping that must be maintained in order to deduct meal and entertainment expenses. You are required to maintain a receipt or an expense diary documenting:

1. The amount of such expense;
2. The time and place of the meal or entertainment;
3. The business purpose of the expense;
4. The business relationship of the taxpayer to the persons entertained; and,
5. The nature of the business discussed or transacted.

Note that receipts must be retained for any expenses exceeding $75 in total cost. However, we suggest that receipts are retained for items less than $75 as proof that costs were actually incurred.

Meeting with Constituents and/or Other Elected Officials

A frequent question legislators ask is whether meal or entertainment expenses are deductible if incurred as part of a meeting with constituents or other elected officials. The current rules provide that such expense will be deductible (in accordance with the 50 percent limits) if the expense is directly related to your legislative position and you can show the business purpose for the entertainment or meeting.

Business entertainment is deductible only if business is transacted before, during or just after the entertainment. Here again, it is necessary that you keep an itemized record to indicate the date, place, who was there, and the business purpose of the meeting together with receipts for expenses in excess of $75 per meeting. The locations of the entertainment must also be conducive to business discussions.

Political Campaign Funds

Generally, campaign contributions received directly or indirectly by a candidate for political office do not constitute taxable income if the contributions are used for expenses of the political campaign. However, if the funds are diverted for personal use by the candidate, they are taxable in the year of such use. Contributions are considered used for political campaign purposes if they are:

1. Utilized for generally recognized campaign expenses regardless of when incurred;
2. Used to reimburse the candidate for out-of-pocket expenses related to the campaign; or,
3. Contributed to a national or state committee of the candidate's party.

Detailed records of receipts and disbursements should be kept. Commingling of political funds with personal funds in a manner that makes tracing impossible may create the presumption of personal use.

In 2000, Code Section 527 was amended to require more strict reporting and disclosure requirements for political organizations. On November 4, 2002, President Bush signed a bill amending Section 527 to reduce notification and return requirements for candidate committees and other similar organizations. The law changes are retroactive to July 1, 2000 when the reporting requirements became mandatory. The IRS has outlined the new reporting requirements that exempt many state and local political organizations from filing certain tax forms. For further information, you can access the IRS website *at www.irs.gov/charities/political.*

Income, Gains and Losses

As stated above, the contributions received generally do not constitute taxable income. Earnings of assets held by the fund, however, generally do constitute taxable income. Examples of taxable amounts include:

1. Interest on bank accounts.
2. Dividends received on securities.
3. Gains and losses from sales of purchased or contributed securities.
4. Income derived from selling or leasing of mailing lists.

In determining gains and losses on contributed securities, basis is determined by referencing to the basis of the transferor, increased by any gain recognized by the transferor due to the transfer (IRC Section 84).

Expenses

Expenses for political campaign purposes are generally not deductible, just as contributions are generally not taxable. Expenses incurred in connection with the production of taxable income items, however, are deductible. Expenses incurred in connection with the sale of securities should be taken into account in determining gain or loss on their sale.

Returns

A political organization must file *Form 1120-POL* if it has any political organization taxable income. The return is due by the 15th day of the 3rd month after the end of the tax year. The tax year is the same as the annual accounting period the organization uses to keep its records and report its income and expenses. For example, if the annual accounting period is a calendar year, the return is due by March 15th. You should consult a competent tax advisor regarding the filing requirements and preparation of returns.

Other reports and returns may be required. These forms include *Form 8871*, *Form 8872* and *Form 990*. You should consult your tax advisor to determine if your campaign organization is required to file any of these forms.

Exceptions

As previously stated, campaign expenses are generally not deductible. This is true whether the funds are paid from contributed funds or from personal funds, or whether the expenses are incurred in seeking election or re-election to the same position. This general rule stems from the position that such expenses are neither incurred in connection with an ongoing business nor incurred in a transaction entered into for profit. Only in unusual circumstances might political campaign expenses be considered deductible business expenses. Deductions have been allowed in the situation where expenses were incurred in defending a candidate's right to an attained, elected-office, by waging a defense against a recall.

Record Keeping

The following discussion regarding record keeping will assist you in determining how to best secure tax deductions for your travel, entertainment and gifts.

In General

Section 274(d) of the Internal Revenue Code provides that no deduction shall be allowed for the following unless adequately documented:

1. Any traveling expense (including meals and lodging while away from home);
2. Any item with respect to any activity which is of a type generally considered to constitute entertainment, amusement, or recreation, or with respect to a facility used in connection with such an activity;
3. Any expense for gifts; or,
4. With respect to any listed property, such as automobiles, computers or cellular telephones.

Elements of Expenditure – In General

No deduction shall be allowed for any expenditure for travel, entertainment or gifts unless the taxpayer substantiates the following elements:

1. Amount.
2. Time and place of travel or entertainment (or use of a facility with respect to entertainment), or date and description of a gift.
3. Business purpose.
4. Business relationship to the taxpayer of each person entertained, using an entertainment facility or receiving a gift. An exception to the substantiation requirement is made for living expenses when an election is made under Section 162(h) of the IRC. See discussion of IRC 162(h) in *Living Expenses* on pages 12-14.
5. In order to qualify as a bona fide business meeting, the business discussion must be during, preceding or following the meal or entertainment.

Elements of Expenditure for Travel

1. **Amount** – Amount of each separate expenditure for traveling away from home, such as cost of transportation or lodging, except that the daily cost of the traveler's own breakfast, lunch, or dinner, and of expenditures incidental to such travel may be aggregated, if set forth in reasonable categories, such as for meals, for gasoline and oil, and for taxi fares.
2. **Time** – Dates of departure and return for each trip away from home, and number of days away from home spent on business.
3. **Place** – Destinations or locality of travel, described by name of city or town or other similar designation.
4. **Business purpose** – Business reason for travel or nature of the business benefit derived or expected to be derived as a result of travel.

Elements of Expenditure for Entertainment

1. **Amount** – Amount of each separate expenditure for entertainment, except that such incidental items as taxi fares or telephone calls may be aggregated on a daily basis.
2. **Time** – Time and date of entertainment and business meeting that must be transacted before, during or following the entertainment activity.
3. **Place** – Name, if any, address or location, and designation of type of entertainment, such as dinner or theater, if such information is not apparent from the designation of the place.
4. **Business purpose** – Business reason for the entertainment or nature of business derived or expected to be derived as a result of the entertainment and, except in the case of business meals furnished on premises to employees, the nature of any business discussion or activity.
5. **Business relationship** – Occupation or other information relating to the person or persons entertained, including name, title, or other designation, sufficient to establish business relationship to the taxpayer.

Elements of Expenditure for Gifts

Elements to be proved with respect to expenditure for gifts are:

1. **Amount** – Cost of the gift to the taxpayer.
2. **Time** – Date of the gift.
3. **Description** – Description of the gift.
4. **Business purpose** – Business reason for the gift or nature of business benefit derived or expected to be derived as a result of the gift.
5. **Business relationship** – Occupation or other information relating to the recipient of the gift, including name, title, or other designation, sufficient to establish business relationship to the taxpayer.

NOTE: There is a special limit on gift deductions. NO DEDUCTION shall be allowed for business gifts made directly or indirectly by a taxpayer to the extent that such expense exceeds $25 per recipient per year.

Substantiation by Adequate Records – In General

To meet the adequate records requirement of the Code, a taxpayer shall maintain an account book, diary, statement of expense, or similar record. The documentary evidence when combined with a diary is sufficient to establish each element of an expenditure specified by regulation. It is not necessary to record information in an account book, diary, statement of expense or similar record that duplicates information reflected on a receipt.

Account Book, Diary

The records are required to be contemporaneous. An account book, diary, statement of expenses or similar record must be prepared in such a manner that each recording of an element of an expenditure is made at or near the time of the expenditure.

All Additional Documentary Evidence

Documentary evidence such as receipts, bills paid or similar evidence sufficient to support an expenditure shall be required for any expenditure away from home and any other expenditure of $75 or more, except for transportation charges. While not required, we recommend that you also retain receipts as additional documentation for items less than $75.

Substantiation by Other Sufficient Evidence

If the taxpayer fails to establish, to the satisfaction of the IRS, that he or she has substantially complied with the "adequate records" requirement, the taxpayer must establish such elements by a personal statement (whether written or oral) containing specific identification and information in detail as to support such element; and by other corroborative evidence to sufficiently establish such element.

Substantiation – Loss of Records Due to Circumstances Beyond Control of the Taxpayer

Through circumstances beyond the taxpayer's control, such as destruction by fire, flood, earthquake, or other casualty, the taxpayer has the right to substantiate the deduction by reasonable reconstruction of the expenditures.

Substantiation: Special Rules, Separate Expenditures – In General

Each separate payment by the taxpayer should ordinarily be considered to constitute a separate expenditure. The account book, diary, statement of expenses, or other similar record required for substantiation shall be maintained with respect to each separate expenditure and not with respect to aggregate amounts for two or more expenditures.

Employees

Where the employer reimburses, the employee should also maintain the substantiation requirements and report as the difference between actual expenses and reimbursement as additional income or deduction. See discussion earlier in connection with accounting to the employer under *Deducting Business Expenses* on page 8.

Discussion

A record made at or near the time of expenditure, supported by sufficient documentary evidence, has a high degree of credibility not present with respect to a statement prepared subsequent thereto, when generally there is a lack of accurate recall.

Retention of Records

The taxpayer must retain the records and related documentary evidence in support of travel, entertainment and gift deductions during the period that the tax return is subject to audit. Normally, this period is three years from the date of filing the tax return on which the deduction is claimed. However, the statute of limitations is longer if the taxpayer consents to an extension, or if there has been a substantial omission from gross income.

II. OREGON PROVISIONS – 2012

Oregon is now permanently tied to federal law for the definition of taxable income. Most items, therefore, will be treated the same on your Oregon and federal return. The major exceptions are related to the deduction for domestic production and prior year bonus depreciation and Section 179 Expense elections. Consult your tax advisor for specific limitations.

Auto, Travel And Living Expenses – Oregon Differences

Oregon's rules for living expenses follow the federal rules with one exception concerning the expense allowances of legislators. The allowances you received are excluded from gross income, as are the related expenditures excluded in computing deductions (See ORS 171.072). These allowances are:

- The per day allowance (not to exceed the amount authorized under IRS guidelines) during a legislative session;
- The $400 per month allowance for periods that the legislature is not in session;
- The per day allowance for mileage, meals and lodging for each day of attendance as a member at meetings of interim and statutory committees, including advisory committees and subcommittees thereof and task forces.

If expenses incurred related to these items, in total, are in excess of the allowances described above, the legislator may claim a deduction for the excess.

If the allowances were not included in federal income, no modification may be necessary to your Oregon return. If the allowances were included in your federal income, a modification to your Oregon return may be required. Consult your tax advisor.

Political Contribution Credit – Oregon Differences

Oregon law allows a credit against an individual's tax liability for qualifying political contributions (the federal credit was repealed effective in 1987). The amount of credit is 100 percent of the contribution, not to exceed the tax liability or $100 on a joint return and $50 on a single or separate return.

Qualifying contributions include contributions to:

- A candidate for nomination or election to a federal, state or local elective office in any primary, general or special election. To qualify, at least one of the following must occur in Oregon in the same year as the contribution.
- A political action committee registered in Oregon unless it is registered with the Federal Elections Commission and not required to register in Oregon.
- A major or minor political party, qualified under state law or a committee of the political party.
- A candidate must be listed on an election ballot.
- A prospective petition for nomination, declaration of candidacy must be filed by or for the candidate.
- A certificate of nomination must be filed by or for the candidate.
- A designation of a principal campaign committee must be filed with the Oregon Secretary of State's Office.

Form **2106**

Department of the Treasury
Internal Revenue Service (99)

Employee Business Expenses

▶ Attach to Form 1040 or Form 1040NR.

▶ Information about Form 2106 and its separate instructions is available at *www.irs.gov/form2106*.

OMB No. 1545-0074

2012

Attachment Sequence No. 129

Your name	Occupation in which you incurred expenses	Social security number

Part I **Employee Business Expenses and Reimbursements**

Step 1 Enter Your Expenses		**Column A** Other Than Meals and Entertainment	**Column B** Meals and Entertainment
1 Vehicle expense from line 22 or line 29. (Rural mail carriers: See instructions.)	1		
2 Parking fees, tolls, and transportation, including train, bus, etc., that **did not** involve overnight travel or commuting to and from work .	2		
3 Travel expense while away from home overnight, including lodging, airplane, car rental, etc. **Do not** include meals and entertainment .	3		
4 Business expenses not included on lines 1 through 3. **Do not** include meals and entertainment	4		
5 Meals and entertainment expenses (see instructions)	5		
6 **Total expenses.** In Column A, add lines 1 through 4 and enter the result. In Column B, enter the amount from line 5	6		

Note: *If you were not reimbursed for any expenses in Step 1, skip line 7 and enter the amount from line 6 on line 8.*

Step 2 Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1

7 Enter reimbursements received from your employer that were **not** reported to you in box 1 of Form W-2. Include any reimbursements reported under code "L" in box 12 of your Form W-2 (see instructions).	7		

Step 3 Figure Expenses To Deduct on Schedule A (Form 1040 or Form 1040NR)

8 Subtract line 7 from line 6. If zero or less, enter -0-. However, if line 7 is greater than line 6 in Column A, report the excess as income on Form 1040, line 7 (or on Form 1040NR, line 8)	8		
Note: *If **both columns** of line 8 are zero, you cannot deduct employee business expenses. Stop here and attach Form 2106 to your return.*			
9 In Column A, enter the amount from line 8. In Column B, multiply line 8 by 50% (.50). (Employees subject to Department of Transportation (DOT) hours of service limits: Multiply meal expenses incurred while away from home on business by 80% (.80) instead of 50%. For details, see instructions.)	9		
10 Add the amounts on line 9 of both columns and enter the total here. **Also, enter the total on Schedule A (Form 1040), line 21** (or on **Schedule A (Form 1040NR), line 7**). (Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities: See the instructions for special rules on where to enter the total.) . . . . . . ▶		10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11700N Form **2106** (2012)

Part II Vehicle Expenses

Section A—General Information (You must complete this section if you are claiming vehicle expenses.)

			(a) Vehicle 1	(b) Vehicle 2
11	Enter the date the vehicle was placed in service	11	/ /	/ /
12	Total miles the vehicle was driven during 2012	12	miles	miles
13	Business miles included on line 12	13	miles	miles
14	Percent of business use. Divide line 13 by line 12	14	%	%
15	Average daily roundtrip commuting distance	15	miles	miles
16	Commuting miles included on line 12	16	miles	miles
17	Other miles. Add lines 13 and 16 and subtract the total from line 12	17	miles	miles

18 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

19 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

20 Do you have evidence to support your deduction? ☐ Yes ☐ No

21 If "Yes," is the evidence written? ☐ Yes ☐ No

Section B—Standard Mileage Rate (See the instructions for Part II to find out whether to complete this section or Section C.)

22 Multiply line 13 by 55.5¢ (.555). Enter the result here and on line 1 . . . 22

Section C—Actual Expenses

			(a) Vehicle 1		(b) Vehicle 2	
23	Gasoline, oil, repairs, vehicle insurance, etc.	23				
24a	Vehicle rentals	24a				
b	Inclusion amount (see instructions)	24b				
c	Subtract line 24b from line 24a	24c				
25	Value of employer-provided vehicle (applies only if 100% of annual lease value was included on Form W-2—see instructions)	25				
26	Add lines 23, 24c, and 25.	26				
27	Multiply line 26 by the percentage on line 14	27				
28	Depreciation (see instructions)	28				
29	Add lines 27 and 28. Enter total here and on line 1	29				

Section D—Depreciation of Vehicles (Use this section only if you owned the vehicle and are completing Section C for the vehicle.)

			(a) Vehicle 1		(b) Vehicle 2	
30	Enter cost or other basis (see instructions)	30				
31	Enter section 179 deduction and special allowance (see instructions)	31				
32	Multiply line 30 by line 14 (see instructions if you claimed the section 179 deduction or special allowance).	32				
33	Enter depreciation method and percentage (see instructions)	33				
34	Multiply line 32 by the percentage on line 33 (see instructions)	34				
35	Add lines 31 and 34	35				
36	Enter the applicable limit explained in the line 36 instructions	36				
37	Multiply line 36 by the percentage on line 14	37				
38	Enter the **smaller** of line 35 or line 37. If you skipped lines 36 and 37, enter the amount from line 35. Also enter this amount on line 28 above	38				

Form **8829**

Department of the Treasury
Internal Revenue Service (99)

Expenses for Business Use of Your Home

▶ File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.

▶ Information about Form 8829 and its separate instructions is at *www.irs.gov/form8829.*

OMB No. 1545-0074

2012

Attachment Sequence No. 176

Name(s) of proprietor(s) | Your social security number

Part I Part of Your Home Used for Business

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions)	1	
2	Total area of home	2	
3	Divide line 1 by line 2. Enter the result as a percentage	3	%
	For daycare facilities not used exclusively for business, go to line 4. All others go to line 7.		
4	Multiply days used for daycare during year by hours used per day — 4: hr.		
5	Total hours available for use during the year (366 days x 24 hours) (see instructions) — 5: 8,784 hr.		
6	Divide line 4 by line 5. Enter the result as a decimal amount — 6:		
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3 ▶	7	%

Part II Figure Your Allowable Deduction

			(a) Direct expenses	(b) Indirect expenses		
8	Enter the amount from Schedule C, line 29, **plus** any gain derived from the business use of your home and shown on Schedule D or Form 4797, minus any loss from the trade or business not derived from the business use of your home and shown on Schedule D or Form 4797. See instructions				8	
	See instructions for columns (a) and (b) before completing lines 9–21.					
9	Casualty losses (see instructions)	9				
10	Deductible mortgage interest (see instructions)	10				
11	Real estate taxes (see instructions)	11				
12	Add lines 9, 10, and 11	12				
13	Multiply line 12, column (b) by line 7			13		
14	Add line 12, column (a) and line 13				14	
15	Subtract line 14 from line 8. If zero or less, enter -0-				15	
16	Excess mortgage interest (see instructions)	16				
17	Insurance	17				
18	Rent	18				
19	Repairs and maintenance	19				
20	Utilities	20				
21	Other expenses (see instructions)	21				
22	Add lines 16 through 21	22				
23	Multiply line 22, column (b) by line 7			23		
24	Carryover of operating expenses from 2011 Form 8829, line 42			24		
25	Add line 22, column (a), line 23, and line 24				25	
26	Allowable operating expenses. Enter the **smaller** of line 15 or line 25				26	
27	Limit on excess casualty losses and depreciation. Subtract line 26 from line 15				27	
28	Excess casualty losses (see instructions)			28		
29	Depreciation of your home from line 41 below			29		
30	Carryover of excess casualty losses and depreciation from 2011 Form 8829, line 43			30		
31	Add lines 28 through 30				31	
32	Allowable excess casualty losses and depreciation. Enter the **smaller** of line 27 or line 31				32	
33	Add lines 14, 26, and 32				33	
34	Casualty loss portion, if any, from lines 14 and 32. Carry amount to **Form 4684** (see instructions)				34	
35	**Allowable expenses for business use of your home.** Subtract line 34 from line 33. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions ▶				35	

Part III Depreciation of Your Home

36	Enter the **smaller** of your home's adjusted basis or its fair market value (see instructions)	36	
37	Value of land included on line 36	37	
38	Basis of building. Subtract line 37 from line 36	38	
39	Business basis of building. Multiply line 38 by line 7	39	
40	Depreciation percentage (see instructions)	40	%
41	Depreciation allowable (see instructions). Multiply line 39 by line 40. Enter here and on line 29 above	41	

Part IV Carryover of Unallowed Expenses to 2013

42	Operating expenses. Subtract line 26 from line 25. If less than zero, enter -0-	42	
43	Excess casualty losses and depreciation. Subtract line 32 from line 31. If less than zero, enter -0-	43	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13232M Form **8829** (2012)

Form 1120-POL U.S. Income Tax Return for Certain Political Organizations

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0129

2012

For calendar year 2012 or other tax year beginning , 2012, and ending , 20

Check the box if this is a section 501(c) organization . . . ▶ ☐

Check if:	Name of organization	Employer identification number
☐ Final return ☐ Name change ☐ Address change ☐ Amended return	Number, street, and room or suite no. (If a P.O. box, see instructions.) City or town, state, and ZIP code	**Candidates for U.S. Congress Only** If this is a principal campaign committee, and it is the ONLY political committee, check here . . . ☐ If this is a principal campaign committee, but is NOT the only political committee, check here and attach a copy of designation (see instructions.) . . . ☐

Income

1	Dividends (attach statement)	1	
2	Interest	2	
3	Gross rents	3	
4	Gross royalties	4	
5	Capital gain net income (attach Schedule D (Form 1120))	5	
6	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
7	Other income and nonexempt function expenditures (see instructions)	7	
8	**Total income.** Add lines 1 through 7	8	

Deductions

9	Salaries and wages	9	
10	Repairs and maintenance	10	
11	Rents	11	
12	Taxes and licenses	12	
13	Interest	13	
14	Depreciation (attach Form 4562)	14	
15	Other deductions (attach statement)	15	
16	**Total deductions.** Add lines 9 through 15	16	
17	Taxable income before specific deduction of $100 (see instructions). Section 501(c) organizations show:		
a	Amount of net investment income ▶		
b	Aggregate amount expended for an exempt function (attach statement) ▶	17c	
18	Specific deduction of $100 (not allowed for newsletter funds defined under section 527(g))	18	

Tax

19	**Taxable income.** Subtract line 18 from line 17c. (If line 19 is zero or less, see the instructions.)	19	
20	**Income tax.** (see instructions)	20	
21	**Tax credits.** (Attach the applicable credit forms.) (see instructions)	21	
22	Total tax. Subtract line 21 from line 20	22	
23	Payments: **a** Tax deposited with Form 7004 — 23a		
	b Credit for tax paid on undistributed capital gains (attach Form 2439) — 23b		
	c Credit for federal tax on fuels (attach Form 4136) — 23c		
	d **Total payments.** Add lines 23a through 23c	23d	
24	**Tax due.** Subtract line 23d from line 22. See instructions for depository method of payment	24	
25	**Overpayment.** Subtract line 22 from line 23d	25	

Additional Information

1 At any time during the 2012 calendar year, did the organization have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? (see instructions) ☐ Yes ☐ No
If "Yes," enter the name of the foreign country ▶

2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the organization may have to file Form 3520 ☐ Yes ☐ No

3 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $

4 Date organization formed ▶

5a The books are in care of ▶ **b** Enter name of candidate ▶

c The books are located at ▶ **d** Telephone No. ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer | Date | Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

For Paperwork Reduction Act Notice, see instructions. Cat. No. 11523K Form **1120-POL** (2012)

REV. PROC. 2012-23

REV. PROC. 2012-23 TABLE 5

DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES(THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2012

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
$18,500	$19,000	2	4	5	6	8
19,000	19,500	2	4	7	7	9
19,500	20,000	2	5	8	8	10
20,000	20,500	3	5	9	10	11
20,500	21,000	3	6	9	12	12
21,000	21,500	3	7	10	12	14
21,500	22,000	3	8	11	13	16
22,000	23,000	4	8	13	15	17
23,000	24,000	4	10	15	17	20
24,000	25,000	5	11	17	19	23
25,000	26,000	6	12	19	21	26
26,000	27,000	6	14	20	24	28
27,000	28,000	7	15	22	26	31
28,000	29,000	7	16	25	28	33
29,000	30,000	8	18	25	32	35
30,000	31,000	9	19	27	34	38
31,000	32,000	9	20	30	36	41
32,000	33,000	10	21	32	38	43
33,000	34,000	10	23	33	41	46
34,000	35,000	11	24	35	43	49
35,000	36,000	12	25	37	45	52
36,000	37,000	12	27	39	47	54
37,000	38,000	13	28	41	49	57
38,000	39,000	13	29	43	52	59
39,000	40,000	14	30	45	54	62
40,000	41,000	14	32	47	56	65
41,000	42,000	15	33	49	58	68
42,000	43,000	16	34	51	61	70
43,000	44,000	16	36	52	63	73
44,000	45,000	17	37	54	66	75
45,000	46,000	17	38	57	67	78
46,000	47,000	18	39	59	70	80
47,000	48,000	19	40	61	72	83
48,000	49,000	19	42	62	75	86
49,000	50,000	20	43	64	77	89
50,000	51,000	20	45	66	79	91
51,000	52,000	21	46	68	81	94
52,000	53,000	21	47	70	84	96
53,000	54,000	22	48	72	86	99
54,000	55,000	23	49	74	88	102
55,000	56,000	23	51	76	90	104
56,000	57,000	24	52	78	92	107
57,000	58,000	24	54	79	95	110
58,000	59,000	25	55	81	97	113
59,000	60,000	26	56	83	100	115
60,000	62,000	26	58	86	103	119
62,000	64,000	28	60	90	108	124
64,000	66,000	29	63	94	112	129
66,000	68,000	30	66	97	117	135
68,000	70,000	31	68	102	121	140
70,000	72,000	32	71	105	126	145
72,000	74,000	33	74	109	130	151
74,000	76,000	35	76	113	135	156
76,000	78,000	36	78	117	140	161
78,000	80,000	37	81	120	145	166
80,000	85,000	39	86	127	152	176
85,000	90,000	42	92	137	163	189
90,000	95,000	45	98	147	175	202
95,000	100,000	48	105	155	187	215
100,000	110,000	52	115	170	203	235
110,000	120,000	58	127	189	227	262
120,000	130,000	64	140	208	250	288
130,000	140,000	70	153	227	272	315
140,000	150,000	75	166	246	296	340
150,000	160,000	81	179	265	318	368
160,000	170,000	87	192	284	341	394
170,000	180,000	93	204	304	364	420
180,000	190,000	99	217	323	387	446
190,000	200,000	105	230	342	409	473
200,000	210,000	111	243	361	432	499
210,000	220,000	116	256	380	455	526
220,000	230,000	122	269	399	478	552
230,000	240,000	128	282	418	501	578
240,000	And up	134	294	437	524	605