

# Low-income taxpayer information



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[www.oregon.gov/DOR](http://www.oregon.gov/DOR)

Oregon provides certain tax benefits for low-income individuals. Below is an introduction to these items. For more information, please go to our website at [www.oregon.gov/DOR](http://www.oregon.gov/DOR) or call us in Salem at 503-378-4988 or toll free from an Oregon prefix 1-800-356-4222.

## Earned income credit

You are allowed an Oregon earned income credit only if you qualify for the earned income credit on your federal return. The Oregon earned income credit is now refundable. Your Oregon credit is 5 percent of your federal credit. For example, if your federal credit is \$400, your Oregon credit is \$20 ( $\$400 \times .05$ ). If the credit is more than your tax liability, the difference will be refunded to you.

## Working family child care credit

The working family child care credit is available to low-income working families with qualifying child care expenses.

To qualify, **all of the following must be true.**

You had at least \$7,100 of earned income from Oregon sources, and

- You had \$2,800 or less of investment income (such as interest, dividends, and capital gains), and
- Your adjusted gross income was less than the limits for your household size shown on the back of Form WFC or WFC-N/P, and
- You paid qualifying child care expenses so you (and your spouse, if married filing jointly) could work or attend school, and
- You paid qualifying child care expenses for your qualifying child. A qualifying child is your child, step child, grandchild, step grandchild, brother, sister, stepbrother, stepsister, nephew, niece, step nephew, step niece, or eligible foster child who:
  - can be claimed as a dependent on your federal return, or
  - could have been claimed on your return except, as the custodial parent, you released the exemption to the child's other parent under a decree of

- divorce or separate maintenance or written declaration such as federal Form 8332, and
  - was under the age of 13, or
  - was a child you can claim the additional child with a disability exemption credit, and
  - did not provide more than one-half of their own support during the year, and
- Your child care provider was not the child's parent or guardian, or your relative or step relative under age 19.

**Note:** If you are married filing separately, you must be legally separated or permanently living apart on December 31, 2006 to qualify.

The working family child care credit is refundable. This credit is claimed in the payments and refundable credits section of your Oregon return. If this credit is more than your tax, you will receive the difference as a refund. If you qualify for both, you may claim this credit and the child and dependent care credit.

You must attach **Schedule WFC** to your return if you claim this credit. Please go to our website or call us to get a copy of Schedule WFC, *Oregon Working Family Child Care Credit for Form 40 and Form 40S Filers* (or Schedule WFC-N/P for Form 40N and Form 40P filers). See page 2. Schedule WFC includes a section for computation of the credit.

## Child and dependent care credit

You are allowed an Oregon credit only if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you cannot use all of your federal credit. In most cases, you cannot claim the credit if you are married filing separately. Did you pay any of your prior-year child care expenses in the current year? If so, you may be able to use that amount to increase your Oregon child and dependent care credit for the current year.

Your total child and dependent care credit cannot be more than your tax liability for Oregon. You can carry forward any unused credit over the next five years. If you do not use the credit within five years, it is lost.

## Retirement income credit

If you were age 62 or older on December 31, 2006, and receiving retirement income, you may qualify for a credit. You may qualify for this credit if:

- Your household income is less than \$22,500 (\$45,000 if married filing jointly), **and**
- Your Social Security and/or Tier 1 Railroad Retirement Board benefits are less than \$7,500 (\$15,000 if married filing jointly), **and**
- Your household income plus your Social Security and Tier 1 Railroad Retirement Board benefits is less than \$22,500 (\$45,000 if married filing jointly).

Retirement income includes payments reported in Oregon taxable income from:

- U.S. government pensions (includes military).
- State or local government pensions.
- Employee pensions.
- Individual retirement plans.
- Deferred compensation plans including defined benefit, profit sharing, and 401(k).
- Employee annuity plans.

The credit cannot be more than your tax liability for Oregon. Any credit not used during the year is lost. You may claim this credit or the credit for the elderly or the disabled, but not both.

## Credit for the elderly or disabled

The Oregon credit is 40 percent of the federal credit. You may claim an Oregon credit only if you qualify for the federal credit—refer to federal Schedule R. You may claim this credit or the retirement income credit, but not both.

## Low-income caregiver credit (for home care of a low-income person age 60 or older)

You may be eligible for this credit if you pay expenses for the care of a person age 60 or older that keeps them from being placed in a nursing home. You may claim the credit only if your household income is less than \$17,500. Household income is the total taxable and nontaxable income of a husband and wife living in the same household. The person receiving care must meet all of the following requirements:

- Is at least 60 years old, and
- Is not in a nursing home, rehabilitation facility, or other long-term skilled care facility, and
- Does not receive medical assistance from the state Seniors and People with Disabilities Division, and

- Qualified for Oregon Project Independence during the tax year (contact the Oregon Department of Human Services for more information at 1-800-282-8096 or visit [www.oregon.gov/DHS](http://www.oregon.gov/DHS)), and
- Does not receive services from Oregon Project Independence. Services include housekeeping, homemaking, and home health care, and
- Has household income of \$7,500 or less. The support you gave the person is considered a gift. The total gifts received by the person, less \$500, must be included in their household income.

The credit is equal to the smaller of (1) \$250 or (2) 8 percent of the qualifying expenses paid or incurred during the tax year.

Qualifying expenses include food, clothing, medical, and transportation expenses you paid during the year. Transportation expenses for medical and personal needs, such as shopping, qualify. The amount you paid for lodging does not qualify.

To claim the credit, the Oregon Department of Human Services must certify that the person qualifies. Go to our website to get Form 150-101-024, *Low-Income Caregiver Credit*, or contact us to order it.

## Individual Development Account subtraction

Oregon allows a subtraction for contributions you make to your Oregon Individual Development Account (IDA) through the Enterprise Foundation. This special account is for low-income Oregonians. Your deposits will be matched with private donations.

Funds are tax-free when withdrawn for:

- Paying higher education expenses,
- Purchasing a primary residence, or
- Starting your own business.

Your subtraction is the amount of deposits you made and interest you received that is included in your federal taxable income.

Contact Oregon Housing and Community Services in Salem at 503-986-2000 or go to [www.oregon.gov/OHCS](http://www.oregon.gov/OHCS) to find out more about this program.

If you make an unqualified withdrawal during the tax year, you will need to report the amount of the withdrawal as an “other addition” on your Oregon income tax return.

## Withdrawal Credit

Beginning in 2006, a tax credit is available to IDA account holders for withdrawals from an IDA. The withdrawal must be used for settlement, financing, or other closing costs incurred in purchasing a primary residence. This credit is in addition to the subtraction for contributions to the IDA.

The credit is the smaller of:

1. The amount withdrawn from the IDA,
2. The qualifying closing costs to purchase a primary residence,
3. The tax liability for the year, or
4. \$2,000.

Any credit not used during the year is lost.

## Elderly Rental Assistance

Elderly Rental Assistance is available for low-income people who rent in Oregon and meet all of the following qualifications.

- You or your spouse was age 58 or older on December 31, 2006.
- Your total household income was less than \$10,000.
- You paid more than 20 percent of your household income for rent, fuel, and utilities.
- If you and your spouse were under 65, the value of your household assets was not more than \$25,000.

If you or your spouse were age 65 or older, there is no limit on the value of your household assets.

- You paid rent in Oregon in 2006.
- The property you rented was subject to property tax.
- You lived in Oregon on December 31, 2006.
- You did not own your residence and land on December 31, 2006. You did not have to be renting on that date to qualify for a rent refund. But you cannot claim an ERA refund if you owned your home and land on December 31, 2006.

You must file Form 90R to receive an ERA check. The assistance is based on your income, assets, and the amount of rent, fuel, and utilities you paid.

## Taxpayer assistance

**General tax information** ..... [www.oregon.gov/DOR](http://www.oregon.gov/DOR)  
Salem ..... 503-378-4988  
Toll-free from an Oregon prefix ..... 1-800-356-4222

### Asistencia en español:

Salem ..... 503-378-4988  
Gratis de prefijo de Oregon..... 1-800-356-4222

### TTY (hearing or speech impaired; machine only):

Salem ..... 503-945-8617  
Toll-free from an Oregon prefix ..... 1-800-886-7204

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