



INSTRUCTIONS FOR 1996 FORM 10

Underpayment of 1996 Oregon Estimated Tax



General Information

Oregon law requires some taxpayers to pay estimated tax. Interest is charged on underpayments or late payments. There are some exceptions to the interest charge (see Part 1 below).

You must file Form 10 if you meet an exception. Also, check the box on line 48, Form 40; or line 67 on either Form 40N or Form 40P to indicate that Form 10 is attached to your return.

Who should have paid estimated tax?

You should have paid estimated tax if you owe \$500 or more on your 1996 Oregon income tax return (the tax you owe is your income tax after subtracting your tax credits and your Oregon withholding),

AND

Your total income tax withheld from 1996 income was less than:

- **Method 1—1996 Tax**
90 percent of your 1996 net income tax. The net income tax is your Oregon tax after all credits, but before withholding or estimated tax.

OR

- **Method 2—1995 Tax**
100 percent of the tax shown on your 1995 Oregon income tax return (110 percent of that amount if the adjusted gross income shown on that return is more than \$150,000, or if married filing separately for 1996, more than \$75,000). You can't use this method if you didn't file a 1995 Oregon return. Do not reduce your net income tax by tax withheld from your income, estimated tax payments made, or payments made with an extension request.

OR

- **Method 3—Tax on 1996 Annualized Income**
90 percent of your tax on 1996 annualized income.

File Form 10 to:

- Claim one of the exceptions to the interest charge.
- Figure the amount you underpaid.
- Figure the amount of interest due.

Instructions (Form 10, page 1)

The following instructions are for lines not fully explained on the form.

PART 1—Exceptions to paying interest

Exception 1—Farmers and commercial fishers.

If at least two-thirds (66.7 percent) of your 1995 or 1996 total gross income is from farming or fishing, you don't have to pay underpayment interest. But you will have to file Form 10 with your 1996 Oregon income tax return to show you meet this exception. Check the box on Form 10 and circle the year that qualifies you. Your Oregon return is not due until April 15, 1997, even if you were required to file your federal return earlier.

Gross income includes items such as wages, interest, and dividends. It also includes gross profit from rentals, royalties, businesses, farming, fishing, and the sale of property. Don't subtract expenses, except cost of goods sold, when figuring gross profit. Do subtract basis or cost to figure profit on the sale of property.

Farmers. Use the amounts on the following lines of both your 1995 and 1996 federal income tax returns to determine your gross income from farming:

- Federal Schedule F, line 11;
- Federal Schedule E, line 41;
- Federal Form 4797, line 20. (Include only gains from sales of draft, breeding, dairy, or sporting livestock.)

Fishers. Use the amounts on the following lines of both your 1995 and 1996 federal income tax returns to determine your gross income from fishing:

- Federal Schedule C, line 5;
- Federal Schedule C-EZ, line 1;
- Federal Schedule E, line 41.

Exception 2—Prior year.

You meet this exception if all of the following are true:

- Your net income tax for 1995 was -0- or you were not required to file a return for 1995.
- You were a full-year Oregon resident in 1995.
- Your tax year was a full 12 months.

1995 net income tax is your Oregon income tax after tax credits, but before withholding, estimated tax payments, or payments made with an extension.

Note: if you were a nonresident or a part-year resident in 1995, you can't use this exception. However, you can use Method 2 to figure your required annual payment. See the instructions in Part 2.

Exception 3—Retired or disabled, and have a reasonable cause.

You meet this exception if:

- There was reasonable cause for underpaying your estimated tax,

and

- You retired at age 62 or older during 1995 or 1996, or
- You became disabled during 1995 or 1996.

Reasonable cause will be decided on a case-by-case basis. Examples: unexpected absence from the state prior to the due date of the estimated payment or reasonable reliance on incorrect facts or advice. The extent of your effort to comply with the law will be considered. Attach a statement explaining the cause to be considered for the exception. Label the statement "Form 10 Attachment" in the center at the top of the page. Use red ink.

Exception 4—Underpayment due to unusual circumstances.

No interest is due if your underpayment is due to a casualty, disaster, or other unusual circumstance. Unusual circumstances will be determined on a case-by-case basis. The extent of your effort to comply with the law will be considered. The casualty, disaster, or other unusual circumstance must make it unfair to impose interest. Some examples that may qualify: death or serious illness; or books and records destroyed by fire, flood, or other natural disaster. Attach a statement explaining the cause to be considered for the exception. Label the statement "Form 10 Attachment" in the center at the top of the page. Use red ink.

Exception 5—S corporation shareholders.

No interest is due on your underpayment attributable to S corporation income in which you are a shareholder if:

- The underpayment was attributable to S corporation income, and
 - The income is for the first year in which S corporation status is elected,
- and
- You are a nonresident for 1996, or
 - You are a full-year resident for 1996 and you were a part-year resident for 1995.

PART 2—Figure your required annual payment

Line 1. Fill in your net income tax after tax credits but before withholding and estimated tax payments (line 41, Form 40; or line 60 on either Form 40N or Form 40P).

Line 3. Fill in only your Oregon income tax withheld from income. Don't include any estimated tax payments.

Line 5. Enter the tax shown on your 1995 return (110 percent of that amount if the adjusted gross income shown on that return is more than \$150,000. If you are married filing separately for 1996, use 110 percent of your 1995 tax if your 1995 adjusted gross income is more than \$75,000). Use the 1995 tax after credits shown on your 1995 tax return. (This is the amount shown on: Form 40S, line 23; Form 40, line 41; Form 40P or 40N, line 60.)

"Adjusted gross income" for 1995 is the amount shown on: Form 40, line 8; Form 40P or Form 40N, line 29b.

If you did not file a return for 1995, or if your 1995 tax year was less than 12 months, do not complete line 5. Instead, enter the amount from line 2 on line 6. Note: individuals who were part-year residents or nonresidents in 1995 generally have "tax years" of 12 months and may use the tax shown on their 1995 Form 40P or Form 40N.

PART 3—Figure your underpayment

Line 7. You have two options:

Option 1. Fill in one-fourth of the amount on line 6 in each column.

Did you move in or out of Oregon in 1996? If so, use the columns that correspond to the dates you lived in Oregon. Divide the amount on line 6 by the number of periods you were a resident of Oregon. Example: if you moved to Oregon on July 1, divide line 6 by two. Fill in columns C and D only.

Option 2. Annualize your income using the Annualized Income Worksheet on the back of Form 10. This method may benefit those who don't receive their income evenly throughout the year and part-year residents.

Line 8. Fill in estimated tax payments and income taxes withheld from your wages, pension, etc. Withholding is considered to be paid in equal amounts on the required payment dates (usually four), unless you prove otherwise. If you worked all year, fill in one-fourth of your withholding in each column.

Complete lines 9 through 12 of the first column before going to the next column. Example: complete lines 9 through 12 of column A before going to column B.

Column A:

Line 9. Don't enter an amount here.

Line 10. Enter the amount from line 8, column A. Is line 10 more than line 7? If yes, go to line 11. If no, go to line 12.

Line 11. You paid more than the required installment for this period. Subtract line 7 from line 10 and enter that amount here. Enter the same amount on line 9 of column B and go to the instructions for column B.

Line 12. You have an underpayment for this period. Subtract line 10 from line 7 and enter that amount here. Enter -0- on line 9 of column B and go to the instructions for column B.

Column B:

Line 9. Enter the amount (if any) from line 11 of column A.

Line 10. Add lines 8 and 9 and enter the amount here. Is line 10 more than line 7? If yes, go to line 11. If no, go to line 12.

Line 11. You paid more than the required installment for this period. Subtract line 7 from line 10 and enter that amount here. Enter the same amount on line 9 of column C and go to the instructions for column C.

Line 12. You have an underpayment for this period. Subtract line 10 from line 7 and enter that amount here. Enter -0- on line 9 of column C and go to the instructions for column C.

Column C:

Line 9. Enter the amount (if any) from line 11 of column B.

Line 10. Add lines 8 and 9 and enter the amount here. Is line 10 more than line 7? If yes, go to line 11. If no, go to line 12.

Line 11. You paid more than the required installment for this period. Subtract line 7 from line 10 and enter that amount here. Enter the same amount on line 9 of column D and go to the instructions for column D.

Line 12. You have an underpayment for this period. Subtract line 10 from line 7 and enter that amount here. Enter -0- on line 9 of column D and go to the instructions for column D.

Column D:

Line 9. Enter the amount (if any) from line 11 of column C.

Line 10. Add lines 8 and 9 and enter the amount here. Is line 10 more than line 7? If yes, go to line 11. If no, go to line 12.

Line 11. You paid more than the required installment for this period. Subtract line 7 from line 10 and enter that amount here. Go to the instructions for line 13.

Line 12. You have an underpayment for this period. Subtract line 10 from line 7 and enter that amount here. Go to the instructions for line 13.

Line 13. To figure the amount of interest you owe, complete the Interest Worksheet on page 4.

Instructions For Annualized Income Worksheet (Form 10, page 2)

Note: Part-year residents—you need to start with the column that corresponds to the date you moved to Oregon.

Line 1. Enter your adjusted gross income earned or received during the dates shown at the top of each column.

Example 1: Scott received wages for the entire year of 1996. He also received a lump sum distribution of \$25,000 from his IRA on July 19, 1996. Scott would include the total amount of the distribution in column C and column D only. He would include the wages he earned during the dates shown in the corresponding column.

Example 2: Same situation as in example 1, except Scott received the lump sum distribution on April 25, 1996. In this case, he would enter the distribution in columns B, C, and D.

Line 2. Enter the amount of Oregon additions received or incurred during the dates shown at the top of each column.

Example: Carol has an Oregon addition of \$6,000 for California bond interest received on September 5, 1996. Carol would enter the \$6,000 in column D. However, if she received the bond interest at \$500 a month, she would enter \$1,500 (for 3 months) in column A, \$2,500 (for 5 months) in column B, \$4,000 (for 8 months) in column C, and the \$6,000 in column D (for 12 months).

Line 6. Enter the amount of Oregon subtractions received or incurred during the dates shown at the top of each column.

Line 9. Compute your federal tax subtraction on your annualized income using the Federal Tax Subtraction Worksheet below.

Line 11. Enter only the amount of your Oregon itemized deductions incurred during the dates shown at the top of each column. Your total Oregon itemized deductions are on line 25, Form 40.

Example 1: Generally, home mortgage interest is a deduction paid evenly throughout the year. Therefore, you would have 3 months of home mortgage interest in column A (January, February, and March), 5 months in column B, 8 months in column C, and all 12 months of interest in column D.

Example 2: Medical deductions claimed for medical expenses are not incurred evenly throughout the tax year. For example, Jill has a total hospital bill of \$16,216 for the entire year. After subtracting 7.5 percent (the nondeductible portion), she will deduct a total of \$15,000 on her income tax return. On April 26, 1996 she paid \$4,324, \$4,000 of which is deductible. On June 15, 1996 she paid another \$5,405, \$5,000 of which is deductible. On October 7, 1996 she paid the remaining balance of \$6,487, of which \$6,000 is deductible. Jill will enter the April \$4,000 deductible portion in column B. The April payment plus the June \$5,000 payment (totaling \$9,000) will go in column C. In column D she will enter \$15,000 (the total deductible amount of all three payments).

Line 14. If you are married filing separately, and your spouse itemizes deductions, the amount on this line is -0-. You must itemize your deductions.

Line 18. Use the tax tables or the tax rate chart from the Oregon tax booklet. Line 17 is your annualized taxable income for each column.

Line 20. Enter credit amounts that apply only to each period.

Example: Sam installed an alternative energy device on September 4. He qualifies for a credit of \$160. Sam would include \$160 in column D only.

Federal Tax Subtraction Worksheet (Line 9)	(A) Jan 1 to Mar 31	(B) Jan 1 to May 31	(C) Jan 1 to Aug 31	(D) Jan 1 to Dec 31
1. Enter the amount of your federal AGI for each period..... 1				
2. Annualization amounts..... 2	4	2.4	1.5	1
3. Multiply line 1 by line 2..... 3				
4. Actual federal itemized deductions for each period. If you do not itemize, skip to line 7 of this worksheet..... 4				
5. Annualization amounts..... 5	4	2.4	1.5	1
6. Multiply line 4 by line 5..... 6				
7. Enter the full amount of your 1996 federal standard deduction in each column..... 7				
8. Enter line 6 or line 7, whichever is larger..... 8	()	()	()	()
9. Line 3 minus line 8..... 9				
10. 1996 Federal exemption amount (Form 1040, line 36, or Form 1040A, line 21)..... 10	()	()	()	()
11. Line 9 minus line 10..... 11				
12. Compute the federal tax for each period using the federal tax tables..... 12				
13. Enter \$1,500 if you are married filing separately, or \$3,000 for any other filing status..... 13				
14. Enter the lesser of line 12 or line 13. Also enter this amount in each column on line 9 of the Annualized Income Worksheet..... 14				

Instructions for Interest Worksheet

Line 3. Enter the date you paid the underpayment of estimated tax. Your payment will be applied to the oldest underpayment first. The latest date that can be entered in each column is the due date of the return, April 15, 1997.

If you paid the underpayment before the due date of the return, enter the date you made the payment. If you paid the underpayment after the due date of the return, enter April 15, 1997.

Line 4. Enter the number of full months from the payment period due date on line 1 of this worksheet to the date on line 3.

Line 5. Enter the number of remaining days left until the date you made your payment.

Example: if you didn't pay the amount that was due on April 15 until June 8, count this way:

April 16 to May 15 = 1 month (this number would be on line 4, column A)

May 16 to June 8 = 24 days (this number would be on line 5, column A)

Line 6. The interest rate is .8333 percent per month.

Line 7. The interest rate is .0274 percent per day.

Line 9. Enter this amount on Form 10, line 13.

Interest Worksheet

(Keep this worksheet for your records)

	A	B	C	D
	April 15, 1996	June 17, 1996	Sept. 16, 1996	Jan. 15, 1997
1. Payment period—due date	1			
2. Amount of underpayment for each period (line 12, Form 10)	2			
3. Date you paid underpayment or April 15, 1997, whichever is earlier	3			
4. Number of full months	4			
5. Number of remaining days	5			
6. Multiply line 4 × the amount on line 2 × .008333	6			
7. Multiply line 5 × the amount on line 2 × .000274	7			
8. Add lines 6 and 7	8			
9. Total interest due. Add the amounts in columns A through D on line 8. Fill in here and on Form 10, line 13	9			

Taxpayer Assistance

Do you need help?

Call: Salem (503) 378-4988
Toll-free within Oregon 1-800-356-4222

The toll-free number is only available January through April.

Voice response system

For touchtone phones, our telephone voice response system has recorded tax information about many of your Oregon tax questions. You can also order tax forms. This service is available 24 hours a day.

Once you're in the system, push:

- 1—For personal income tax refund information (beginning March 1).
- 2—To order current year or amended forms.
- 6—For other information.
- 0—For assistance from a representative.

Representatives are available: 7:30 A.M.–5:10 P.M. Monday–Friday, except Wednesday when the hours are 9 A.M.–5:10 P.M. Closed on holidays. From April 1–April 15, representatives are available from 7 A.M. until 7 P.M., Monday–Friday.

TTY (hearing or speech impaired only): These numbers are answered by machine only and are not for voice use. The year-round toll-free number within Oregon is 1-800-886-7204. In Salem, the number is (503) 945-8617.

Habla Español? Las personas que necesitan asistencia en Español pueden dejar un mensaje. El número disponible todo el año en Salem es (503) 945-8618.

To get forms

Income tax booklets are available at post offices and some banks and libraries. Or write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990. Our Internet address is: <http://www.dor.state.or.us>

The offices below provide forms and answer questions. Don't send your return to these addresses.

Salem*	Portland**
Revenue Building	Federal Building Lobby
First floor, Room 135	1220 SW Third Ave.
955 Center St. NE	Portland Oregon
Salem Oregon	

* 7:45 A.M.–5 P.M. Monday–Friday, except holidays.

** We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays, January 2–April 15 only.

Correspondence. Use the Salem address above. Include your Social Security number and a daytime telephone number. Including both will allow us to help you faster.

In compliance with the Americans with Disabilities Act (ADA), this information is available in alternative formats upon request by calling (503) 378-4988.