

# Oregon

Part-Year Resident & Nonresident

# 1996

Forms 40N & 40P with Instructions

## Do you need help?

If you have questions or want to order forms, you can call us 24 hours a day. Call:

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

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

Habla Español? En Salem (503) 945-8618

TTY (for nonvoice use only):  
Salem (503) 945-8617  
Toll-free within Oregon  
1-800-886-7204

## How to get your refund faster

- ✓ Use your booklet label if you have one.
- ✓ Be sure to attach your W-2s.
- ✓ Use the correct Social Security number.
- ✓ Double check your math.
- ✓ Make sure you subtract your federal tax liability (see instructions for the correct amount).

## Remember!

Do not attach federal schedules to your Oregon return. See page 2 for details.

Oregon income tax forms and instructions are now available on the Internet. Our address is: <http://www.dor.state.or.us>

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

Oregon Department of Revenue  
955 Center St NE  
Salem OR 97310-2551

Please use this  
label on your  
return



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If you have disabilities and need special accommodations, see page 32 for numbers to call and places to get help.

The following instructions aren't a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. See page 32.

## New information

**Reminder.** Do not file all of your federal return with your Oregon return. File only:

- Oregon Form 40N or 40P with W-2s and all 1099s showing Oregon tax withholding.
- Your payment, attached on top of the W-2 forms.
- Front and back of the federal form (1040, 1040A, 1040EZ, 1040PC).
- If applicable, Oregon Form 10, "Underpayment of Oregon Estimated Tax."
- If applicable, proof to claim "Credit for Income Tax Paid to Another State." See pages 30 and 31.
- If applicable, the form "Oregon Deferral of Reinvested Gain."

Don't attach any federal schedules such as A, B, C, D, Form 2441, etc. We receive some federal schedule information electronically. We may, however, ask you for certain information later.

Oregon law follows federal law as of April 15, 1995. Oregon does not follow federal tax law changes after that date. Differences in Oregon taxable income caused by federal laws passed after April 15, 1995, are considered Oregon "additions" or "subtractions." For the 1996 tax year, most items are treated the same way on your Oregon and federal returns.

## Federal tax law changes

Retirement income. Federal law prohibits Oregon from taxing nonresidents' retirement income benefits received on or after January 1, 1996.

## Depreciation differences

Oregon requires a one-time adjustment in 1996 for certain depreciation differences:

- Election to expense certain tangible property (Section 179 expense). If you claimed an Oregon addition or subtraction for 1993 or 1994 due to the Omnibus Budget Reconciliation Act of 1993, you may amend your 1993 or 1994 Oregon return to increase your Oregon Section 179 expense.

If you choose not to amend your 1993 or 1994 return for these depreciation differences, you must claim the difference as part of the one-time adjustment on your 1996 Oregon return.

- Assets placed in service between 1981 and 1985 (ACRS assets). You must make a one-time adjustment to align your Oregon basis with your federal basis on your 1996 Oregon return.
- Nonresidential real property placed in service in 1993 or 1994. You must amend your 1993 or 1994 Oregon returns to report a change from 31½ years to 39 years. The one-time adjustment does not apply to these assets.

If you need help with these items, see page 32.

## Oregon tax information

Active duty pay income will continue to be subtracted from Oregon income if it was earned outside Oregon from August 1, 1990, through the date the President sets as the end of combat activities in the Persian Gulf. See page 14, "Military active duty."

- Deferral of reinvested gain. Beginning in 1996, you may defer gain on the sale of certain business assets if you reinvest proceeds in qualifying business assets within six months. Attach the form "Oregon Deferral of Reinvested Gain," to your Oregon return. See page 32 for assistance.
- Estimated taxes. Oregon has adopted the federal requirements for making estimated tax payments. Refer to the 1996 Form 10 or 1997 estimated tax instructions. See page 32 for assistance and to order forms.
- Retirement income credit (page 29) and special Oregon medical deduction (page 17). The minimum age requirement is 60.

**Labels.** If you received a label on this tax booklet, please use it on the income tax return you mail to the department. Make sure the label is correct. If it isn't, mark through the incorrect information and make corrections on the label. If someone else prepares your return, ask the preparer to use your label. Your return will be processed faster.

## General information

### Are you self-employed?

If you are self-employed and do business in Washington, Multnomah, or Clackamas counties, you may need to file a Tri-Met Self-Employment tax return. If you are self-employed and do business in Lane County, you may need to file a Lane Transit District Self-Employment tax return. See page 32 to order forms or receive information.

### Residency

Am I a resident, a nonresident, or a part-year resident? The following will help you decide:

**Resident.** You are an Oregon resident, even if you live outside Oregon, if all of the following are true:

- You think of Oregon as your permanent home,
- Oregon is the center of your financial, social, and family life, and
- Oregon is the place you intend to come back to when you are away.

**Nonresident.** You are a nonresident if your permanent home is outside Oregon all year.

**Part-year resident.** You are a part-year resident if you moved into or out of Oregon during 1996. You still are a full-year resident if:

- You temporarily moved out of Oregon, or
- You moved back to Oregon after only a temporary absence.

**Special-case Oregon residents.** File Form 40N if all the following are true:

- You are an Oregon resident who lived outside Oregon the entire year,
- You didn't keep a home in Oregon during any part of the year, and
- You spent less than 31 days in Oregon during the year.

### Military

**Nonresidents.** Oregon doesn't tax your military pay while you are stationed in Oregon. You don't need to file an Oregon return unless you had income from other

Oregon sources. If you do, or if your spouse worked in Oregon, you should file Form 40N.

**Residents stationed in Oregon.** If you are an Oregon resident stationed in Oregon, you should use Form 40 in the full-year booklet.

**Residents stationed outside Oregon.** If you are an Oregon resident stationed outside Oregon, you may file using Form 40N if you meet all of the following requirements:

- You didn't have a personal residence in Oregon for yourself or your family during any part of 1996,
- Your personal residence was outside Oregon during all of 1996, and
- You spent less than 31 days in Oregon during 1996.

Write "Military nonresident" at the top of your return. Use red ink. Include any other income taxable by Oregon.

If you don't meet all three listed requirements, file Form 40 in the full-year resident booklet.

**More information.** Oregon provides more detailed information for military personnel in an information circular. See page 32 to order the circular or for assistance.

### Filing information

Should I file an Oregon return?

File if you have any income taxable by Oregon. Also file if you want a refund of the Oregon tax that was withheld from your wages.

Use Form 40N if:

- You are a nonresident, or
- You are a nonresident filing a joint return, and your spouse is a full-year or part-year resident, or
- You and your spouse are both nonresidents filing jointly.

Use Form 40P if:

- You are a part-year resident, or
- You are a part-year resident filing a joint return, and your spouse is a full-year resident, or
- You and your spouse are both part-year residents filing jointly.

Use Form 40 or 40S if:

- You are a full-year resident, or
- You and your spouse are both full-year residents filing jointly.

Forms 40 and 40S are available at post offices and some banks and libraries in Oregon. See page 32 to order forms.

What income does Oregon tax?

**Full-year residents.** Oregon taxes your income from all sources.

Part-year residents. Oregon taxes your income from all sources earned or received while you were an Oregon resident. Oregon also taxes your income from Oregon sources while you were a nonresident.

Nonresidents. Oregon taxes only your income from Oregon sources.

What does income from Oregon sources include?

It includes income shown on your federal return from:

- Wages, fees, or income for services performed in Oregon, except for interstate transportation wages described in “Interstate transportation wages” below.
- Businesses, S corporations, and partnerships located in or doing business in Oregon.
- Oregon farms.
- Oregon estates and trusts.
- Sales of Oregon property.
- Rents and royalties for use of Oregon property.

If your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \frac{\text{Total wages}}{\text{wages}} = \frac{\text{Oregon wages}}{\text{wages}}$$

Do not include holidays, vacation days, and sick days as actual work days. Do include sick pay, holiday pay, and vacation pay in total wages.

Example. Jordan lives in Washington but works in Oregon. She worked 132 days in Oregon and 88 days in Washington. She earned \$50,000 in wages. She figured her compensation subject to Oregon tax as follows:

Total days paid	260
Less: Vacation days	(27)
Sick days	(5)
Holidays	(8)
Total days worked everywhere	<u>220</u>

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \frac{132}{220} \times \frac{\text{Total Wages}}{\$50,000} = \$30,000$$

Jordan’s compensation reported in the Oregon column of Form 40N is \$30,000.

Community property income. If you are a resident of Oregon and your spouse is a resident of a state with community property laws, you may be subject to tax on part of your spouse’s income.

Community property laws in the state where your spouse lives determine if you are taxed on any of your spouse’s income. For example, Washington law recognizes the right of a husband and wife to keep separate earnings, as long as the earnings don’t involve income from real property. You may need more information from the state where your spouse resides.

What income is not included in Oregon sources?

- Interest and dividends, unless they are from an Oregon business you own.

- Interstate transportation wages from an interstate railroad company, interstate motor carrier, or private motor carrier. You must be a nonresident and have regularly assigned duties in more than one state. You must be a driver, mechanic, freight handler, or someone who directly affects the safety of a commercial motor vehicle. See page 32 to order the information circular, “Interstate Transportation Wages.”
- Retirement income received while you were a nonresident is still considered Oregon source income. However, Oregon is prohibited from taxing it.

May I round off cents to the nearest whole dollar?

Yes. You may round off cents to the nearest whole dollar on your return and schedules. If you round off, do so for all amounts. You may drop amounts less than 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example, \$12.15 becomes \$12 and \$233.50 becomes \$234.

Is my tax return private information?

Yes. Any Oregon Department of Revenue employee who gives out unauthorized information about your return may be convicted of a class C felony.

I’m getting an income tax refund this year. When will I get my check?

- If you file your return before April 1:
  - Labeled returns—allow 4–6 weeks.
  - Unlabeled returns—allow 6–8 weeks.
- If you file your return on or after April 1:
  - Add 2–3 weeks to the above.

Exceptions: If there is a mistake on your return, your refund will be delayed. By law, the Oregon Department of Revenue cannot issue refund amounts less than \$5. Generally, the department cannot issue a refund when your return is filed more than three years after the due date.

When should I file my return?

File as soon as possible. The filing deadline for calendar year 1996 is April 15, 1997.

Returns for other tax periods are due by the 15th day of the fourth month after the close of your tax year.

Should I put my return together in a special order?

Yes. Put your Oregon return in the following order to speed processing. Top to bottom:

1. Form 40N or 40P with W-2s and all 1099s showing Oregon tax withholding stapled to the lower front.
2. Attach any payment on top of the W-2 forms.
3. Copy of federal Form 1040, 1040A, 1040EZ, or 1040PC.
4. If applicable, Oregon Form 10, “Underpayment of Oregon Estimated Tax.”

5. If applicable, proof to claim "Credit for Income Tax Paid to Another State."
6. If applicable, the form "Oregon Deferral of Reinvested Gain."

Note: Be sure the second page of your return is the same form as the first page. Example: If you file Form 40N, be sure that "Page 2—Form 40N 1996" is printed at the top of the second page.

## Extensions

Do you owe tax and need more time to file?

- If you have an extension to file your federal return, Oregon allows you the same extension. If you had a federal extension, check the "Extension Filed" box on your Oregon return when you file.
  - To avoid penalty and interest, pay any tax due by April 15, 1997. Attach payment to a separate copy of your federal extension.
  - Include the amount you paid with your extension on Form 40N, line 62, or Form 40P, line 62, when you file your return.
- If you need an extension of time to file for Oregon only, send us a federal extension form before April 15, 1997. Write "For Oregon only" across the top. Include your payment. Send your extension and payment to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

Check the "Extension Filed" box on your Oregon return when you file. We'll notify you only if your extension is denied.

More time to file doesn't mean more time to pay!

You must pay the tax due when filing your extension. If you don't pay all of the tax due with your extension, you will owe interest after April 15, 1997, until the date you pay. The current interest rate is 10 percent per year (.8333 percent per month). If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

You also will owe a 5 percent penalty if you pay after April 15, 1997.

If you file more than three months late, an additional 20 percent penalty will be added.

Exception: You don't have to pay a penalty if you do all of the following:

1. Get an extension of time to file your return,
2. Pay at least 90 percent of the tax due by April 15, 1997,
3. Pay the balance of tax due at the time you file within the extension period, and

4. Pay interest on the balance of tax due when you file your return or within 30 days of our billing date.

Were you stationed in the Persian Gulf or another designated combat area? Did you receive additional time to file your 1996 federal return? If so, Oregon allows the same additional time to file. Write "Desert Storm" at the top of your form. Use red ink.

Do you need to file an amended Oregon return? File an amended return if you need to correct your Oregon return or if you were audited by the Internal Revenue Service (IRS). You will need to use a nonresident or part-year tax booklet and forms for the year being amended. See page 32 for assistance and to order forms.

## 1997 estimated tax

Who must pay estimated tax?

In most cases, people who expect to owe \$500 or more on their 1997 Oregon income tax return.

The first payment is due April 15, 1997. The estimated tax coupons and instructions and the information circular, "Estimated Tax," have more information. See page 32 to order.

## Fiscal year filers

Write "Fiscal year" in the center at the top of the form. Use red ink. Be sure to fill in the date your fiscal year ended.

## Address section

Label. If you received a label with these tax instructions, please use it on the return you mail to the department.

Make sure the label is correct. If it isn't, mark through the incorrect information and make corrections on the label. If you don't have a label, print or type your name, address, telephone number, and Social Security number on your return.

Social Security number. The request for your Social Security number(s) is authorized by Section 405, Title 42, of the United States Code. You must give us this information. It will be used to establish your identity for tax purposes.

## Elderly Rental Assistance (ERA)

To qualify for an ERA refund, you must be a renter who resided in Oregon on December 31, 1996, be age 58 or older, have household income less than \$10,000, and use more than 20 percent of your household income to pay for rent, fuel, and utilities. If you think you qualify, see page 32 to order an ERA booklet.

# Form 40N instructions

Use Form 40N if:

- You're a nonresident, or
- You meet the exception under "Filing Status" below and choose to file a joint return.

Fill out your federal return, then your Oregon return. You must attach a copy (front and back) of your federal 1040, 1040A, 1040EZ, or 1040PC to your Oregon tax return. Don't attach any federal schedules such as A, B, C, D, Form 2441, etc. Keep a complete copy of both your federal and state returns. Also, keep all receipts, cancelled checks, statements and other papers you used to prepare your return for at least three years. Save records for property and investments you bought for at least three years after you sell the property.

See the instructions on page 5 for "Fiscal year filers" and the "Address section."

## Check the boxes

### Filing status

Check the box next to your filing status. Generally, you must check the same filing status you checked on your federal return.

Exception: If you and your spouse don't have the same residency status, you may file separate returns for Oregon even if you filed your federal return as married filing jointly. See page 32 to order the information circular, "Married Persons Filing Separate Returns." If both spouses are nonresidents and you filed your federal return as married filing jointly, you must file married filing jointly on your Oregon return.

How to file separate returns:

If you are married filing separately, enter your spouse's name and Social Security number by box 3. Don't fill in your spouse's name or Social Security number in the heading of the return.

If you file separate returns for Oregon only, report your own share of income and deductions. Also report your share of any Oregon additions or subtractions. To figure your federal tax subtraction or itemized deductions, use the following formula:

$$\frac{\text{Your share of federal AGI}}{\text{Joint federal AGI}} = \text{Your percentage (not to exceed 100\%)}$$

In the center at the top of the Form 40N, write "MFS for Oregon only." Use red ink. Attach the following to both Oregon returns:

- A federal Form 1040 or 1040A prepared as if you had filed "married filing separately."
- A copy of your joint Form 1040, 1040A, 1040EZ, or 1040PC.

If possible, mail both Oregon returns in the same envelope. Do not staple the returns together.

If filing as head of household, enter the name of the qualifying person from your federal return by box 4.

## Exemptions

**6a and 6b.** Yourself and spouse. Check "Yourself" and other boxes that apply. If you can be claimed as a dependent on someone else's return, you can't claim an exemption for yourself on your Oregon return.

Severely disabled. If you had a severe disability at the end of 1996, you may claim an additional exemption credit. You are considered to have a severe disability if any of the following apply:

- You permanently lost the use of one or both feet.
- You permanently lost the use of both hands.
- You have a permanent condition that, without special equipment or help, limits your ability:
  - To earn a living, or
  - To maintain a household, or
  - To transport yourself.

Special equipment doesn't include such items as glasses, contact lenses, ordinary crutches, or hearing aids.

Generally, a condition caused by the normal aging process does not qualify.

You don't qualify for this exemption if either of the following apply:

- You have a temporary disability from an injury or illness and are expected to recover, or
- Your condition keeps you from doing your former work, but allows you to do other kinds of work without special equipment.

If you have a permanent severe disability, your physician must write a letter describing your disability. Keep the letter with your tax records.

Check the "Severely disabled" exemption box. If your spouse qualifies, he or she may also claim this exemption. You and your spouse may also qualify for the credit for loss of use of limbs. See page 32 for assistance.

**6c.** Dependents. Enter the number of your children claimed as dependents and other dependents in box 6c. In most cases, you must claim the same number of dependents as claimed on your federal return.

**6d.** Disabled child. You may have an additional exemption for your dependent child with disabilities. To qualify, your child must meet all of the following:

- Qualify as your dependent.
- Be age 17 or younger.

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- Be in an Oregon school.
- Be eligible for “early intervention services” or diagnosed with disabilities for special education purposes. Learning disabilities alone don’t qualify for this exemption.
- Your child must have a health-related disability requiring special education as defined by the Oregon Department of Education, such as autism, hearing, visual or orthopedic impairment, trainable mental retardation, serious emotional disturbance, traumatic brain injury, or multiple disabilities.
- Your child must have been diagnosed as of December 31, 1996, through the child’s local school district by a qualified examiner authorized by the Oregon Department of Education.

Keep a copy of the child’s statement of eligibility and cover sheet of your child’s Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP) with your tax records.

Write in your child’s name on the “Disabled children only” line. Also be sure to include the child as an exemption in the total for line 6c.

## 7. Age 65 or older, or blind.

Check the boxes on line 7 if you or your spouse were age 65 or older, or were blind on December 31, 1996. Check the same boxes you checked on your federal return. Use this information to compute your standard deduction. See page 16. If you or your spouse are blind, you may also qualify for an additional exemption credit. See lines 6a and 6b on page 6.

## Line instructions

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

Form 40N has two columns for figures.

The first column on Form 40N is labeled “Federal column.” In this column, lines 8 through 27, fill in the same amounts you reported on your federal return. On lines 30 through 37, fill in the additions and subtractions as they apply to your total federal income.

The second column on Form 40N is labeled “Oregon column.” This column is where you list the amounts that apply to Oregon.

**Nonresidents.** Oregon taxes only your income from Oregon sources. See “What does income from Oregon sources include?” on page 4.

**Full-year residents.** Oregon taxes your income from all sources.

**Part-year residents.** Oregon taxes your income from all sources earned or received while you were an Oregon

resident. Oregon also taxes your income from Oregon sources while you were a nonresident.

## Income

### 8. Wages, salaries, and other pay for work.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Nonresidents—fill in the amount earned while working in Oregon. If that amount differs from the Oregon wages on your W-2 form, you must attach an explanation from your employer to the back of your return. If your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

$$\frac{\text{Days actually worked in Oregon}}{\text{Days actually worked everywhere}} \times \text{Total wages} = \text{Oregon wages}$$

Do not include holidays, vacation days, and sick days as actual work days. Do include sick pay, holiday pay, and vacation pay in total wages. See the example on page 4.

**Full-year and part-year residents**—fill in amounts you earned while an Oregon resident and any amounts you earned working in Oregon while you were a nonresident.

**Exception:** See “Interstate Transportation Wages,” page 4, to see if you qualify to exclude this income.

### 9. Taxable interest and dividend income.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Nonresidents—fill in only interest income from an Oregon business you own. Fill in only the dividends passed through to you from an S corporation or partnership doing business in Oregon. These are dividends your S corporation or partnership received on the stock of another corporation.

**Full-year and part-year residents:**

**9a.** Figure the total interest you received while you were an Oregon resident that is included on your federal return. Add to that your share of interest income received while you were a nonresident on funds used for business activity in Oregon.

**9b.** Figure the total dividends you received while you were an Oregon resident that are included on your federal return. Add to that figure any dividends received while you were a nonresident that were passed through to you from an S corporation that has no business activity outside of Oregon.

Add lines 9a and 9b. Fill in the total amount on line 9 in the Oregon column.

## 10. State and local income tax refunds.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in other state and local income tax refunds for which you claimed a deduction on an Oregon return in a prior year. Fill in your Oregon income tax refund if you included it as income on your federal return. Full-year and part-year residents—fill in state and local income tax refunds received while you were an Oregon resident that are included on your federal return.

## 11. Alimony received.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—fill in any alimony you received while you were an Oregon resident.

## 12. Business income or loss.

Nonresidents must include income from an Oregon activity. This includes apportioned business income and allocated nonbusiness income from sole proprietorships.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in the amount of income or loss from an Oregon business. Full-year and part-year residents—see page 4 for sources of income to report to Oregon.

## 13. Capital gain or loss.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in the amount of gain or loss from Oregon sources and capital gain distributions from Oregon sources. Full-year and part-year residents—see page 4 for sources of income to report to Oregon. Limit net losses to \$3,000 (\$1,500 if married filing separately).

## 14. Other gains or losses.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in the amount of gain or loss from Oregon sources. Full-year and part-year residents—see page 4 for sources of income to report to Oregon.

## 15. Total IRA distributions.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—see page 4

for sources of income to report to Oregon. You may need more information. See page 32 for assistance.

## 16. Pensions and annuities.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—see page 4 for sources of income to report to Oregon. You may need more information. See page 32 for assistance.

## 17. Rents, royalties, partnerships, estates, trusts, etc. from federal Schedule E.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in the amount of rent, royalty, REMIC, partnership, S corporation, estate, and trust income from Oregon sources. Full-year and part-year residents—see page 4 for sources of income to report to Oregon.

## 18. Farm income or loss.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Nonresidents—fill in the amount of income or loss from an Oregon farm. Full-year and part-year residents—see page 4 for sources of income to report to Oregon.

## 19. Unemployment compensation, taxable Social Security, and other taxable income.

Federal column. Fill in the total of these amounts you reported on your federal return.

Oregon column. Nonresidents—fill in any unemployment benefits you got from Oregon while you were a nonresident. Add any other taxable income you got from Oregon sources. Full-year and part-year residents—see page 4 for sources of income to report to Oregon. Don't fill in any amount of your Social Security, Railroad retirement benefits, or Railroad unemployment benefits. Oregon doesn't tax this income.

## Adjustments to income

### 21–22. IRA or Keogh contributions.

Enter your allowable IRA and Keogh contributions on line 21 and your spouse's allowable contributions on line 22. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and Keogh deductions.

Federal column. Fill in the total amounts you reported on your federal return.

Oregon column. Nonresidents—you may be limited in the amount of IRA and Keogh contributions you can

deduct for Oregon. Use the formulas below to figure your deduction.

**IRA.** If you have a federal IRA deduction, you must multiply it by the amount of compensation you earned in Oregon divided by compensation you earned from all sources.

$$\frac{\text{Oregon compensation}}{\text{Total compensation}} \times \text{Federal IRA deduction} = \text{Oregon deduction}$$

**Keogh.** If you have a federal Keogh deduction, you must multiply it by the amount of your earned income from Oregon sources divided by your earned income from all sources.

$$\frac{\text{Oregon earned income}}{\text{Total earned income}} \times \text{Federal Keogh deduction} = \text{Oregon deduction}$$

Full-year and part-year residents will generally deduct the same amount as for federal. But it can't be more than your Oregon income.

### 23. Moving expenses.

**Federal column.** Fill in the same amount you reported on your federal return from Form 3903.

**Oregon column.** Fill in moving expenses only if they are connected with gaining employment in Oregon. Otherwise, enter -0-. For example, if you moved from California to Washington to take a job in Oregon, fill in your allowable moving expenses in the Oregon column. If you left Oregon to take a job in another state, you cannot deduct your moving expenses.

### 24. Deduction for self-employment tax.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Nonresidents—fill in the amount of your self-employment tax on earnings from Oregon sources. Use the following formula:

$$\frac{\text{Oregon self-employment earnings}}{\text{Total self-employment earnings}} \times \text{Federal deduction for self-employment deduction} = \text{Oregon deduction}$$

Full-year and part-year residents—fill in the amount of your federal self-employment tax deduction related to income earned while you were an Oregon resident.

The Oregon deduction cannot exceed the federal deduction.

### 25. Self-employed health insurance deduction.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Nonresidents—fill in the amount of this deduction related to Oregon source income. Full-year

and part-year residents—fill in the amount of this deduction related to income earned while you were an Oregon resident. Use the following formula:

$$\begin{array}{l} \text{Total Oregon} \\ \text{source health} \\ \text{insurance} \\ \text{premiums} \end{array} \times 30\% (.30) = \text{Oregon deduction}$$

Total Oregon source health insurance premiums are those premiums paid for by an Oregon business. The deduction is limited to earned income for which the insurance plan was established.

### 26. Interest penalty on early withdrawal of savings.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Fill in the amount of penalty related to interest taxed by Oregon.

### 27. Alimony paid.

**Federal column.** Fill in the same amount you reported on your federal return.

**Oregon column.** Nonresidents—deduct a percentage of the alimony you paid. The alimony must be taxable income to your former spouse.

Figure your allowable Oregon deduction on a separate sheet of paper. Compute a special Oregon percentage (line 40) which does not include any alimony you paid. Apply that percentage to the total alimony you paid. That will be the amount to be deducted in the Oregon column.

Full-year residents—enter all alimony paid. Part-year residents—see Form 40P instructions, page 27.

## Additions

Oregon treats these items differently than the federal government.

### 30. Interest on government bonds of states other than Oregon.

**Federal column.** If you didn't include this interest in your federal income, fill in the interest you received from state and local governments outside of Oregon.

**Oregon column.** Nonresidents—don't fill in any amount. Full-year and part-year residents—if you didn't include this interest in your federal income, fill in the amount of interest you got from states and local governments outside of Oregon while you were an Oregon resident.

### 31. Federal election on interest and dividends of a minor child. Did you make the election to report the interest and dividends of your minor child on your

federal return? If so, you must add the amount that is subject to the special federal tax to your Oregon income.

Federal column. Fill in the smaller of line 6 or 7 from federal Form 8814, plus \$150.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—fill in interest and dividends received while the minor child was an Oregon resident.

**32.** Other additions. You may qualify for one or more other additions explained below. Identify the addition in the space on the form. If you have more than one, show the type and amount of each addition. Fill in the total amount of "Other additions" on line 32.

- Unused business credits. If you claimed a deduction on your federal return for unused business credits, you must add this amount to Oregon income.
- Difference in depreciation for Oregon. Oregon requires a one-time depreciation adjustment in 1996. See page 2. You may need the Oregon Depreciation Schedule. See page 32 to order the form.

Federal column. Is your Oregon depreciation less than your federal depreciation? If so, on line 32 fill in the amount from the Oregon Depreciation Schedule, line 5. If not, see the instructions for line 37.

Oregon column. On line 32 fill in the amount from the Oregon Depreciation Schedule, relating to income taxable by Oregon.

- The following additions apply to only a few people and are not explained in this booklet. Make the addition in both the federal and Oregon columns. If you need help, see page 32.
  - Gain or loss on the sale of depreciated property.
  - Depletion in excess of basis.
  - Gain on sale of inherited Oregon farm or forest property acquired from a decedent who died before January 1, 1987.
  - Lump sum distributions.
  - Gain on certain involuntary conversions.
  - Passive losses.
  - Fiduciary adjustments from Oregon estates and simple or complex trusts.

## Subtractions

Oregon treats these items differently than the federal government.

**37.** Other subtractions. You may qualify for one or more other subtractions explained below. Identify the subtraction in the space on the form. If you have more than one, show the type and amount of each subtraction. Fill in the total amount of "Other subtractions" on line 37.

- Difference in depreciation for Oregon. Oregon requires a one-time depreciation adjustment in 1996. See page 2. You may need the Oregon Depreciation Schedule. See page 32 for order instructions.

Federal column. Is your Oregon depreciation more than your federal depreciation? If so, on line 37 fill in the amount from the Oregon Depreciation Schedule, line 5. If not, see the instructions for line 32.

Oregon column. On line 37 fill in the amount from the Oregon Depreciation Schedule, line 5, relating to income taxable by Oregon.

- Military active duty pay. You may qualify for three different subtractions.

1. You can subtract active duty pay earned outside of Oregon from January 1 through the date the President sets as the end of combat activities in the Persian Gulf. The date was not set when these instructions were published.

Federal column. Fill in the amount of active duty pay earned outside of Oregon that is included in federal income, line 8, federal column. Write "Desert Storm" in the center at the top of your return. Use red ink.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—fill in your U.S. military active duty pay earned outside of Oregon which is included in line 8, Oregon column.

2. If you were an Oregon resident who entered the military for the first time in 1996 or left the military during 1996, you may subtract active duty pay earned outside of Oregon.

Federal column. Fill in the amount of active duty pay earned outside of Oregon that is included in federal income, line 8.

Oregon column. Nonresidents—don't fill in any amount. Full-year and part-year residents—fill in your U.S. military active duty pay earned outside of Oregon that is included in line 8, Oregon column.

3. Whether or not you are eligible for the other military subtractions, you may still subtract up to \$3,000 of active duty pay.

Federal column. Fill in your U.S. military active duty pay included in your federal income. The subtraction for each spouse receiving active duty pay is limited to \$3,000. Reserve summer camp is active duty. However, drills and weekend meetings of reserve units aren't active duty. If you are in the National Guard or reserves and your W-2 doesn't show a separate amount for active duty pay, contact your paymaster.

Oregon column. Nonresidents—don't fill in any amount. Drill pay and weekend meeting pay for

nonresident members of the Oregon National Guard or reserves may not be subtracted. Report that pay in the Oregon column, line 8. Full-year and part-year residents—fill in your U.S. military active duty pay that is included in line 8, Oregon column.

Note: Your total active duty pay subtractions cannot exceed your total active duty pay income.

- Interest and dividends from the U.S. government.

Federal column. Fill in interest and dividends from the U.S. government you included on your federal return. Include U.S. government interest you got through partnerships or grantor trusts. Examples: interest from U.S. Series EE and HH bonds, and Treasury bills and notes. You may also subtract interest and dividends paid to you by organizations that invest in U.S. government securities. Check the information on your Form 1099. The payer may have given the percentage of interest and dividends from U.S. government securities. U.S. government interest must be reduced by any interest expense relating to U.S. government obligations you deducted on your federal Schedule A.

Oregon column. If you included interest and dividends from the U.S. government on line 9 of the Oregon column, fill in this amount of U.S. government interest on line 37.

Note: When you sell or dispose of a U.S. government obligation, you must include any gain or loss in income.

- Local government bond interest.

Federal column. The U.S. government taxes certain types of local government bond interest (e.g., private activity bonds). If you included income from Oregon bonds on your federal return, deduct it on this line. Label it “Local government bond interest.”

Oregon column. Fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- Oregon tax refund included in federal income. This subtraction is for Oregon income tax refunds only.

Federal column. Fill in your Oregon income tax refund only if you included it on line 10 of the federal column. Label the subtraction “Oregon refund.”

Oregon column. Fill in your Oregon income tax refund only if you included it on line 10 of the Oregon column.

- Railroad retirement benefits.

Federal column. Fill in your Tier 2, supplemental, windfall, and dual-vested Railroad retirement benefits included on line 16 of the federal column. Fill in Railroad unemployment benefits included on line 19. Subtract Tier 1 Railroad retirement benefits on line 36.

Oregon column. Don't fill in any amount. Oregon does not tax Railroad retirement benefits or Railroad unemployment benefits.

- Oregon Lottery. Oregon Lottery and Powerball winnings are not taxed by Oregon.

Federal column. If you included these winnings as income on line 20a, enter that amount here.

Oregon column. If you included these winnings as income on line 20b, enter that amount here. Label the line “Oregon Lottery.”

You may also need to reduce your gambling losses claimed on Schedule A. See instructions for line 46. If you need help, see page 32.

- The following subtractions apply to only a few people and are not explained in this booklet. Make the subtraction in both the federal and Oregon columns if the related income was included in both columns. See page 32 for assistance.

- Logging and construction commuting costs.
- Income earned by an enrolled member of an American Indian tribe while living on and working on an Oregon reservation or land held in trust by the United States for a tribe.
- Gain or loss on the sale of depreciated property.
- Business expenses reduced because of federal tax credits (e.g., targeted jobs, work opportunities).
- Deferral of reinvested gain on Oregon business property.
- Passive losses.
- Fiduciary adjustments from Oregon estates and simple or complex trusts.
- Certain pension distributions when the contributions were taxed by another state.
- Underground storage tank pollution grants.
- Gain on certain involuntary conversions previously reported.
- JOBS Plus Program payments.

## Oregon percentage

**40.** Oregon percentage. Divide the amount on line 39b by the amount on line 39a. Write the percentage on line 40. Don't fill in more than 100 percent or less than -0-. Carry your decimal to three places to figure your percentage.

Example	Line 39a	Line 39b	Oregon percentage Line 40
1	\$30,000	\$10,000	.333
2	15,000	(1,000)	-0-
3	15,000	20,000	1.000

## Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger.

**41. Itemized deductions.** Generally, you may claim your total itemized deductions shown on federal Schedule A, line 28. But there is an exception. If you itemize for Oregon only, fill out a separate Schedule A. You may itemize for Oregon even if you took the federal standard deduction on your federal return. Use your federal adjusted gross income to figure the Schedule A limitations. Keep Schedule A with your tax records.

Note: Married people filing separate returns must itemize deductions if their spouse itemizes. Are you filing separate returns for Oregon only? If so, determine your share of itemized deductions by multiplying your total joint deductions by the percentage you figured on page 6. You may separate each spouse's itemized deductions if you can clearly show your own itemized deductions.

**42. State income tax claimed as an itemized deduction.** Fill in the amount of Oregon income tax you claimed as an itemized deduction on federal Schedule A. Also, if you claim a credit for income tax paid to another state, include the other state's tax after credits or the other state's tax claimed as an itemized deduction, whichever is less. See instructions for line 57, page 30.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI) exceeded \$117,950 (\$58,975 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon income tax to subtract from itemized deductions. See page 32 to order the information circular, "Limit on Itemized Deductions," 150-101-611.

**43. Net Oregon itemized deductions.** Subtract line 42 from line 41.

**44. Standard deduction.** Generally, your standard deduction is based on your filing status, as follows:

Single	\$1,800
Married filing jointly	3,000
Married filing separately	1,500
Head of household	2,640
Qualifying widow(er)	3,000

Caution: If you can be claimed as a dependent on another person's return, your standard deduction is limited to the greater of:

1. \$500, or
2. Your earned income. This is limited to the maximum allowed for your filing status as shown above. The limit applies even if the other person can, but does not, claim you as a dependent on their return.

Also: You are allowed an additional deduction if you or your spouse are age 65 or older or blind. The additional amount is based on your filing status:

Single or head of household—	\$1,200
All others—	\$1,000

**45. 1996 federal tax liability.** Caution: Carefully follow the instructions below. Don't confuse your federal tax liability from your federal return with the federal tax withheld on your W-2. They aren't the same.

You may deduct up to \$3,000 of your total federal income tax liability. Don't fill in less than -0- or more than \$3,000 (\$1,500 if married filing separately).

Fill in your federal tax liability from:

- Form 1040, line 44 minus line 54, or
- Form 1040A, line 25 minus line 29c, or
- Form 1040EZ, line 10 minus line 8.

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 46?
- Recapture taxes included on Form 1040, line 51?
- Tax on qualified retirement plans, Form 1040, line 48?

If so, include these in your federal tax subtraction.

Caution: Don't add:

- Self-employment tax, Form 1040, line 45.
- Social Security and Medicare tax on tips, Form 1040, line 47.
- Advance earned income credit payments, Form 1040, line 49, or Form 1040A, line 26.
- Household employment taxes, Form 1040, line 50, or Form 1040A, line 27.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 6. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 1996 because you were audited or you filed an amended return? If so, read the instructions for line 46, "Federal tax from a prior year."

## Other deductions and modifications

Only a few people have other deductions and modifications. Some of these items are multiplied by the Oregon percentage. They go on Form 40N, line 46. Others are not multiplied by the Oregon percentage. They go on line 49.

**46. Other deductions and modifications.** Identify the deduction or modification in the space on the form. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. You need to net the total amount of these items and enter that amount on this line.

- Federal tax from a prior year. Did you pay additional federal tax in 1996 because you were audited or because you amended a prior year return? If so, you may be able to deduct the additional tax. This deduction applies only to additional tax you paid because your return was changed. It doesn't include the

tax you paid on the original return or interest or penalties you paid.

To figure your deduction for federal tax from a prior year, follow these steps:

Step 1: From \$3,000 (\$1,500 if married filing separately) subtract your federal tax, line 45, Form 40N or Form 40P.

Step 2: On line 46, Form 40N or Form 40P, fill in the lesser of:

- The amount you figured in step 1, or
- Your additional federal tax from a prior year.

Label the line "Prior year's federal tax."

- Foreign tax. Did you pay tax to a foreign country in 1996? You may deduct this tax if you:
  - Took a foreign tax credit on your federal return, or
  - Didn't take a foreign tax credit and didn't itemize deductions on your federal return.

To figure your foreign tax deduction, follow these steps:

Step 1: From \$3,000 (\$1,500 if married filing separately) subtract:

- Your federal tax, line 45, Form 40N or Form 40P, and
- Your federal tax from a prior year (see instructions above).

Step 2: On line 46, Form 40N or Form 40P, fill in the lesser of:

- The amount you figured in step 1, or
- Your foreign tax.

Label the line "Foreign tax."

**Caution:** If you claim foreign tax as an itemized deduction on your federal return, don't claim an additional deduction on your Oregon return.

The sum of your foreign tax deduction on line 46 and your federal tax deduction on line 45 can't be more than \$3,000.

- Gambling losses claimed as an itemized deduction. Did you have winnings from the Oregon Lottery or Powerball and claim gambling losses on your federal Schedule A? If so, fill in and bracket on line 46 the gambling losses that exceed gambling winnings taxed by Oregon.
- Federal income tax refunds. Did you get a federal tax refund in 1996 because you filed an amended federal return for a prior year or you were audited? If so, fill in and bracket the amount on line 46 if you subtracted that amount on a prior Oregon return. If you need help, see page 32.

- Medical expense. You may qualify for an additional Oregon itemized deduction for medical expenses. You or your spouse must be age 60 or older by December 31, 1996. You must itemize your deductions for Oregon. Fill in the lesser of line 1 or line 3 from your federal Schedule A.

**49.** Deductions and modifications not multiplied by the Oregon percentage. Artists who make a charitable art donation may take a full deduction. To order the information circular "Art Contribution Subtraction," see page 32.

## Oregon tax

**52.** Oregon tax. Figure the tax on your Oregon taxable income, line 51. Use the rate charts on page 18. Fill in the amount of tax on line 52.

**Example.** A married couple's Oregon taxable income, line 51, is \$19,500. They are filing jointly. They use chart B for married filing jointly. They figure their tax like this:

Oregon taxable income:	\$19,500
Tax on first \$11,100 of taxable income	\$689
Tax on next \$8,400 of taxable income (.09 × \$8,400)	+ 756
Their Oregon tax is	<u>\$1,445</u>

**53.** Interest on certain installment sales. Do you have installment sales on which you were required to pay interest on the deferred tax liability for federal purposes? If so, you must also compute interest for Oregon. The amount due for Oregon is computed the same way as for federal. The current interest rate is 10 percent per year.

As a nonresident, consider only those installment obligations that arose from dispositions of property in this state. Enter the amount on line 53.

## Credits

You must prorate some Oregon credits on your return. This means you need to multiply your total credit by your Oregon percentage, line 40, to figure the amount you can claim on your Oregon return. The credits that must be prorated are:

- Exemption.
- Child and dependent care.
- Alternative energy devices.
- Elderly or the disabled.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Rural medical practitioners or rural dentists.

**56.** Credit for income tax paid to another state. Oregon will allow a credit for tax paid to another state on Form 40N if you meet all of the following:

- a. You are a nonresident of Oregon,
- b. You are a resident of Arizona, California, Indiana, or Virginia, and
- c. You have income that is taxed by both Oregon and your resident state.

See pages 30 and 31 of the Form 40P instructions to figure your credit.

If your income is taxed by Oregon and a state not listed above, you may be eligible for a credit from your resident state. For more information, contact your resident state.

**57. 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 can't use all of your federal credit. Use the following worksheet to figure your credit for Oregon.

1. Enter the amount from federal Form 2441, line 7, or Form 1040A, Schedule 2, line 7. 1. \_\_\_\_\_
2. Enter the decimal amount from the following table. 2.  $\times$  \_\_\_\_\_

If your federal taxable income from Form 1040, line 37, or Form 1040A, line 22 is:		Your decimal amount is:
Over—	But not over—	
—	\$ 5,000	.30
\$ 5,000	10,000	.15
10,000	15,000	.08
15,000	25,000	.06
25,000	35,000	.05
35,000	45,000	.04
45,000	—	.00

3. Multiply the child care expenses on line 1 by the decimal amount on line 2. Enter the result here. 3. \_\_\_\_\_
4. Multiply your 1995 child and dependent care expenses that you included in the computation of your federal 1996 credit by the decimal amount that applies to your 1995 federal taxable income. Enter the result. 4. \_\_\_\_\_
5. Add the amounts on lines 3 and 4. 5. \_\_\_\_\_

Multiply line 5 by the Oregon percentage from line 40, Form 40N, or line 39, Form 40P. Enter the result on line 57, Form 40N, or line 55, Form 40P.

Carryforward. Your total 1996 child care credit can't be more than your tax liability for Oregon. Any excess can be carried forward over the next five years. If the excess isn't used within five years, it's lost. See instructions for line 58.

**58. Other credits.** You may qualify for other credits explained below. Identify the credit in the space on line 58. If you have more than one, show the type and amount of each credit.

- Retirement income credit. If you were age 60 or older on December 31, 1996, and receiving retirement income, you may qualify for a credit. See part-year instructions, line 54, on pages 29 and 30.
- Child and dependent care credit carryover from prior years. Fill in the amount of the carryover on line 58, Form 40N or Form 40P. Label the line "Child care credit carryover." The amount of prior year carryover plus your current year's credit can't exceed your Oregon tax liability. If it does, the excess credit can be carried forward over the next five years. If the excess isn't used within five years, it's lost.
- Political contribution credit. Fill in your total political contributions but not more than \$100 on a joint

**Tax rate charts for Form 40N and Form 40P filers**

**Tax rate chart A:**

**For persons filing Single, or Married filing separately**

If your taxable income is:	Your tax is:
Not over \$2,200 .....	5% of taxable income
Over \$2,200 but not over \$5,550 .....	\$110 plus 7% of excess over \$2,200
Over \$5,550 .....	\$345 plus 9% of excess over \$5,550

**Tax rate chart B:**

**For persons filing Jointly, Head of household, or Qualifying widow(er) with dependent child**

If your taxable income is:	Your tax is:
Not over \$4,400 .....	5% of taxable income
Over \$4,400 but not over \$11,100 .....	\$220 plus 7% of excess over \$4,400
Over \$11,100 .....	\$689 plus 9% of excess over \$11,100

return, or \$50 on all others. The contributions must have been made during 1996. They must have been donations of money to any of the following:

- A political party recognized by Oregon.
  - A qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon.
  - A political committee organized only to support or oppose ballot measures to be voted on in Oregon.
- Credit for the elderly or the disabled. The credit is 40 percent of the federal credit. Multiply the amount from federal Schedule R, line 20, or Form 1040A, Schedule 3, line 20, by 40% (.40). Then multiply the result by the Oregon percentage on line 40, Form 40N.

The following credits apply to only a few people. Some are prorated and some aren't. See page 32 for more information.

These credits are:

- Alternative energy devices.
- Bone marrow donation programs.
- Business energy.
- Child development.
- Crops donated to gleaning cooperatives.
- Dependent care assistance.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Gain from the sale of your house also taxed by another state or country.
- Home care for the elderly.
- Reclaimed plastics (investment in capital assets).
- Involuntary moving of an Oregon mobile home.
- Loss of use of limbs.
- Pollution control facilities.
- Pollution prevention credit.
- Reforestation of underproductive forest lands.
- Rural medical practitioners or rural dentists.
- Youth apprenticeship programs.

## Tax payments made in 1996

**61.** Oregon income tax withheld from income. Fill in the total amount of Oregon tax withheld from your wages. That's the amount shown on your W-2 or 1099R forms. Don't use FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple readable copies of your W-2 or 1099R forms to the lower front of your return.

If you don't have a W-2, you must provide other proof of any tax withheld from your income. Proof may include a final paycheck stub or a letter from your employer. We can't accept anything but W-2 forms until after February 1, 1997. Attach copies of your 1099 forms if they show any Oregon state tax withheld.

**62.** Estimated tax payments for 1996. Fill in the total Oregon estimated tax payments you made before filing

your 1996 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1995 income tax return.

## 66. Penalty and interest.

**Due date.** Your return is due April 15, 1997, unless you get an extension.

**Penalty.** Include a penalty payment if you:

- Mail your tax-to-pay after April 15 (even if you have an extension).
- File your income tax return showing tax-to-pay after the due date (including any extension).

The penalty is 5 percent of the unpaid balance of your tax.

If you file more than three months late, add an additional 20 percent penalty.

**Exception:** You don't have to pay a penalty if you do all of the following:

1. Get an extension of time to file your return.
2. Pay at least 90 percent of the tax due by April 15, 1997.
3. Pay the balance of tax due at the time you file within the extension period.
4. Pay the interest on the balance of tax due at the time you file your return or within 30 days of our billing date.

**Interest.** If you are filing your return or paying your tax after April 15, 1997, include interest on any unpaid tax. The current interest rate is 10 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

Interest is figured daily for periods of less than a month. A full month, for example, is April 16 to May 15. Here's how to figure daily interest:

$$\text{Tax} \times .000274 \times \text{number of days}$$

**67.** Interest on underpayment of estimated tax. You have an underpayment if you pay less than 90 percent of the tax due on each estimated tax payment date. If you have an underpayment, you must file Oregon Form 10, "Underpayment of Oregon Estimated Tax." See page 32 to order this form.

Use Form 10 to figure the amount of interest you owe or to see if you qualify for an exception to the payment of this interest.

You don't have an underpayment if you owe less than \$500 tax on your 1996 return.

The tax you owe is net income tax less your Oregon withholding.

**69.** Amount-you-owe. Attach a check or money order to your return on top of the W-2s. Make it payable to "Oregon Department of Revenue." Do not make

your check out to “IRS” or “Internal Revenue Service.” Write your Social Security number and “1996 Oregon Form 40N” on your check. Don’t send cash or postdated checks. Mail your return to: Oregon Department of Revenue, PO Box 14555, Salem OR 97309-0940. Stop here on the form.

Special instructions. Do you owe interest on line 67 and have an overpayment on line 64? If your overpayment is less than the interest due, fill in the result of line 68 minus line 64.

**70.** Refund. You must have a refund of \$5 or greater on line 70 to use lines 71–76. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

**71.** Estimated tax. If your refund is \$5 or more, you may apply part or all of your refund (line 70) to your 1997 estimated tax. Fill in the amount you want to apply. But don’t fill in more than the amount on line 70.

**72–76.** You may donate part or all of your refund to the charitable organizations listed on the form. Each charity is described on page 31. A donation will reduce your refund. If you don’t have a refund on line 70 but want to contribute, mail your donations to the addresses shown on page 31.

**78.** Net refund. You must reduce your refund by any amounts applied to 1997 estimated tax and donations on lines 72–76. By law, the Oregon Department of Revenue cannot refund amounts less than \$5. Mail your return to: Refund, PO Box 14700, Salem OR 97309-0930.

## Form 40P instructions

Use Form 40P if:

- You’re a part-year resident, or
- You meet the exception below and choose to file a joint return.

Fill out your federal return, then your Oregon return. You must attach a copy (front and back) of your federal 1040, 1040A, 1040EZ, or 1040PC to your Oregon tax return. Don’t attach any federal schedules such as A, B, C, D, Form 2441, etc. Keep a complete copy of your federal and state returns. Also, keep all receipts, cancelled checks, statements, and other papers you used to prepare your return for at least three years. Save records for property and investments you bought for at least three years after you sell the property.

See page 5 for instructions for “Fiscal year filers” and the “Address section.”

### Check the boxes

#### Filing status

Check the box next to your filing status. Generally, you must check the same filing status you checked on your federal return.

Exception: If you and your spouse don’t have the same residency status, you may file separate returns for Oregon even if you filed married filing jointly for federal. See page 32 to order the information circular, “Married Persons Filing Separate Returns.”

How to file separate returns:

If you are married filing separately, see page 6 of the Form 40N instructions.

If possible, mail your Oregon returns in the same envelope. Do not staple the returns together.

If filing as head of household, enter the name of the qualifying person from your federal return by box 4.

#### Exemptions

**6a and 6b.** Yourself and spouse. Check “Yourself” and other boxes that apply. If you can be claimed as a dependent on someone else’s return, you can’t claim an exemption for yourself on your Oregon return.

Severely disabled. If you had a severe disability at the end of 1996, you may qualify for an additional exemption credit. See “Severely disabled” on page 6 of the Form 40N instructions.

**6c.** Dependents. Enter the number of your children claimed as dependents and other dependents in box 6c. In most cases, you must claim the same number of dependents as claimed on your federal return.

**6d.** Disabled child. If your child had a disability at the end of 1996, you may qualify for an additional exemption credit. See “Disabled child,” pages 6 and 11 of the Form 40N instructions for qualifications.

**7.** Age 65 or older, or blind.

If you or your spouse are age 65 or older, or blind, see page 11.

#### Line instructions

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

Form 40P has two columns for figures.

The first column on Form 40P is labeled “Federal column.” In this column, lines 8 through 27, fill in the same amounts you reported on your federal return. On lines 30 through 37, fill in the additions and subtractions as they apply to your total federal income.

The second column on Form 40P is labeled "Oregon column." This column is where you list the amounts that apply to Oregon. Oregon taxes your income from all sources earned or received while you were an Oregon resident. Oregon also taxes your income from Oregon sources while you were a nonresident.

## Income

### 8. Wages, salaries, and other pay for work.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount you earned while an Oregon resident. Add to that figure any amount earned while working in Oregon as a nonresident. See page 11 to calculate Oregon wages while a nonresident. If an amount differs from your Oregon wages on your W-2 form, you must attach an explanation from your employer to the back of your Oregon return.

Exception: See "Interstate Transportation Wages," page 4, to see if you qualify to exclude this income.

### 9. Taxable interest and dividend income.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column.

9a. Figure the total interest you received while you were an Oregon resident that is included on your federal return. Add to that your share of interest income received while you were a nonresident on funds used for business activity in Oregon.

9b. Figure the total dividends you received while you were an Oregon resident that are included on your federal return. Add to that figure any dividends received while you were a nonresident that were passed through to you from an S corporation that has no business activity outside Oregon.

Add lines 9a and 9b. Fill in the total on line 9 in the Oregon column.

### 10. State and local income tax refunds.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in state and local income tax refunds for which you claimed a deduction on an Oregon return in a prior year. Fill in your Oregon income tax refund if you included it as income on your federal return.

### 11. Alimony received.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in any alimony you received while you were an Oregon resident.

### 12. Business income or loss.

Nonresidents must include income from any Oregon activity. This includes apportioned business income and allocated nonbusiness income.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount of your business income or loss while you were an Oregon resident. Add to that figure the amount from an Oregon business while you were a nonresident.

### 13. Capital gain or loss.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount of your capital gain or loss and capital gain distributions received while you were an Oregon resident. Add to this figure the amount received from Oregon sources while you were a nonresident. Limit net losses to \$3,000 (\$1,500 if married filing separately).

### 14. Other gains or losses.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount of gain or loss received while you were an Oregon resident. Add to that figure the amount from Oregon sources while you were a nonresident.

### 15. Total IRA distributions.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in any taxable individual retirement arrangement (IRA) distributions received while an Oregon resident. You may need more information. See page 32 for assistance.

### 16. Pensions and annuities.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in any taxable pensions and annuities received while an Oregon resident. You may need more information. See page 32 for assistance.

### 17. Rents, royalties, partnerships, estates, trusts, etc. from federal Schedule E.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount of rent, royalty, estate, and trust income you received while an Oregon resident. Add any Schedule E income you received from Oregon sources while you were a nonresident.

Partnership and S corporation income is generally considered earned and received on the last day of the partnership or S corporation's taxable year. If you were an Oregon resident at the partnership or S corporation's year end, report all of that income or loss to Oregon.

**18. Farm income or loss.**

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Figure the amount of farm income or loss while you were an Oregon resident. Add to that figure the amount from an Oregon farm while you were a nonresident.

**19. Unemployment compensation, taxable Social Security, and other taxable income.**

Federal column. Fill in the total amounts you reported on your federal return.

Oregon column. Fill in any unemployment benefits and any other taxable income you got while you were an Oregon resident. Add to that figure any unemployment benefits and any other income you got from Oregon sources while you were a nonresident. Don't fill in any amount of your Social Security, Railroad retirement benefits, or Railroad unemployment benefits. Oregon doesn't tax this income.

**Adjustments to income**

**21–22. IRA or Keogh contributions.**

Enter your allowable IRA and Keogh contributions on line 21 and your spouse's allowable contributions on line 22. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and Keogh deductions.

Federal column. Fill in the total amounts you reported on your federal return.

Oregon column. You may be limited in the amount of your IRA and Keogh contributions you can deduct for Oregon. Figure the amount you paid while you were an Oregon resident. Add to that the amount calculated below when you were a nonresident. The deduction in the Oregon column is subject to:

1. The federal limitations, and
2. Income included in the Oregon column.

IRA. For the part of the year you were a nonresident, multiply your federal IRA deduction by the amount of compensation earned in Oregon divided by your compensation from all sources.

$$\frac{\text{Oregon compensation}}{\text{Total compensation}} \times \text{Federal IRA deduction} = \text{Oregon deduction}$$

Keogh. For the part of the year you were a nonresident, multiply your federal Keogh deduction by the amount of earned income from Oregon sources divided by your earned income from all sources.

$$\frac{\text{Oregon earned income}}{\text{Total earned income}} \times \text{Federal Keogh deduction} = \text{Oregon deduction}$$

**23. Moving expenses.**

Federal column. Fill in the same amount you reported on your federal return from Form 3903.

Oregon column. Enter moving expenses only if they are connected with gaining employment in Oregon. Otherwise, enter -0-. For example, if you moved from California to Oregon to take a job in Oregon, your allowable moving expenses should be entered in the Oregon column. If you left Oregon to take a job outside of Oregon, your expenses are not deductible.

**24. Deduction for self-employment tax.**

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in the amount of your federal self-employment tax deduction related to earnings from Oregon sources while you were a nonresident and earnings from all sources while you were a resident. The Oregon deduction cannot exceed the federal deduction. Use the following formula:

$$\frac{\text{Oregon self-employment earnings while a nonresident} + \text{self-employment earnings while a resident}}{\text{Total self-employment earnings}} \times \text{Federal deduction for self-employment tax} = \text{Oregon deduction}$$

**25. Self-employed health insurance deduction.**

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. Fill in the deduction amount related to self-employment earnings taxable to Oregon. Use the following formula:

$$\text{Total Oregon source health insurance premiums} \times 30\% (.30) = \text{Oregon deduction}$$

Total Oregon source health insurance premiums are those premiums paid for by an Oregon business while you were a nonresident plus premiums paid for by any qualifying business while you were a resident.

The deduction is limited to earned income for which the insurance plan was established.

**26. Interest penalty on early withdrawal of savings.**

Federal column. Fill in the same amount you reported on your federal return.

Continued on page 27

Continued from page 22

Oregon column. Fill in the amount of penalty related to interest taxed by Oregon.

### **27.** Alimony paid.

Federal column. Fill in the same amount you reported on your federal return.

Oregon column. For the portion of the year that you were a resident, all of the alimony you paid is deductible.

For the portion of the year that you were a nonresident, you may deduct a percentage of the alimony you paid. The alimony must be taxable income to your former spouse. Figure your allowable Oregon deduction by computing a special Oregon percentage on a separate sheet of paper as follows:

1. Divide Oregon source income from when you were a nonresident by your total income while you were a nonresident;
2. Multiply this percentage by the alimony you paid while you were a nonresident, and
3. Add the amount computed while you were a nonresident and the amount paid while you were a resident. Enter this amount on line 27 in the Oregon column.

## **Additions**

Oregon treats these items differently than the federal government.

### **30.** Interest on government bonds of states other than Oregon.

Federal column. If you didn't include this interest in your federal income, fill in the interest you received from state and local governments outside of Oregon.

Oregon column. Fill in the amount of interest you got from states and local governments outside of Oregon while you were an Oregon resident.

### **31.** Federal election on interest and dividends of a minor child. Did you make the election to report the interest and dividends of your minor child on your federal return? If so, see instructions on pages 13 and 14.

### **32.** Other additions. You may qualify for one or more other additions explained below. Identify the addition in the space on the form. If you have more than one, show the type and amount of each addition. Fill in the total amount of "Other additions" on line 32.

Difference in depreciation for Oregon. There are special instructions for 1996. See page 2.

There are also additions which apply to only a few people. They are listed on page 14 of the 40N instructions. Make the addition in both the federal and Oregon columns. If you need help, see page 32 for assistance.

## **Subtractions**

Oregon treats these items differently than the federal government.

### **37.** Other subtractions. You may qualify for one or more other subtractions explained below. Identify the subtraction in the space on the form. If you have more than one, show the type and amount of each subtraction. Fill in the total amount of "Other subtractions" on line 37.

- Difference in depreciation for Oregon. There are special instructions for 1996. See page 2.
- Military active duty pay. Military active duty pay qualifies for a subtraction. See page 14 of the Form 40N instructions.
- Interest and dividends from the U.S. government. If you received interest and dividends from the U.S. government that you included on your federal return, see page 15 of the Form 40N instructions.
- Local government bond interest.

Federal column. The U.S. government taxes certain types of local government bond interest (e.g., private activity bonds). If you included income from Oregon bonds on your federal return, deduct it on this line. Label it "Local government bond interest."

Oregon column. Fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- Oregon tax refund included in federal income. This subtraction is for Oregon income tax refunds only.

Federal column. Fill in your Oregon income tax refund only if you included it on line 10 of the federal column. Label the subtraction "Oregon refund."

Oregon column. Fill in your Oregon income tax refund only if you included it on line 10 of the Oregon column.

- Railroad retirement benefits.

Federal column. Fill in your Tier 2, supplemental, windfall, and dual-vested Railroad retirement benefits included on line 16 of the federal column. Fill in Railroad unemployment benefits included on line 19. Subtract Tier 1 Railroad retirement benefits on line 36.

Oregon column. Don't fill in any amount. Oregon does not tax Railroad retirement or Railroad unemployment benefits.

- Oregon Lottery. Oregon Lottery and Powerball winnings are not taxed by Oregon.

Federal column. If you included these winnings as income on line 20a, enter that amount here.

Oregon column. If you included these winnings as income on line 20b, enter that amount here. Label the line "Oregon Lottery."

You may also need to reduce your gambling losses claimed on Schedule A. See instructions for line 46. If you need help, see page 32.

There are also subtractions which apply to only a few people. They are listed on page 15 of the 40N instructions. Make the subtraction in both the federal and Oregon columns if the related income was included in both columns.

## Oregon percentage

**39.** Oregon percentage. Divide the amount on line 38b by the amount on line 38a. Write the percentage on line 39. Don't fill in more than 100 percent or less than -0-. Carry your decimal to three places to figure your percentage.

Example	Line 38a	Line 38b	Oregon percentage Line 39
1	\$30,000	\$10,000	.333
2	15,000	(1,000)	-0-
3	15,000	20,000	1.000

## Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger.

**41.** Itemized deductions. Generally, you may claim your total itemized deductions shown on federal Schedule A, line 28. If you itemize for Oregon only, fill out a separate Schedule A. You may itemize for Oregon even if you took the federal standard deduction on your federal return. Use your federal adjusted gross income to figure the Schedule A limitations. Keep Schedule A with your tax records.

Note: Married people filing separate returns must itemize deductions if their spouse itemizes. Are you filing separate returns for Oregon only? If so, see Form 40N instructions, page 6.

**42.** State income tax claimed as an itemized deduction. Fill in the amount of Oregon income tax you claimed as an itemized deduction on federal Schedule A. Also, if you claim a credit for income tax paid to another state, include the other state's tax after credits or the other state's tax claimed as an itemized deduction, whichever is less. See instructions for line 57, pages 30 and 31.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$117,950 (\$58,975 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon

income tax to subtract from itemized deductions. See page 32 to order the information circular, "Limit on Itemized Deductions," 150-101-611.

**43.** Net Oregon itemized deductions. Subtract line 42 from line 41.

**44.** Standard deduction. Generally, your standard deduction is based on your filing status, as follows:

Single	\$1,800
Married filing jointly	3,000
Married filing separately	1,500
Head of household	2,640
Qualifying widow(er)	3,000

Caution: If you can be claimed as a dependent on another person's return, your standard deduction is limited to the greater of:

1. \$500, or
2. Your earned income. This is limited to the maximum allowed for your filing status as shown above. The limit applies even if the other person can, but does not, claim you as a dependent on their return.

Also: You are allowed an additional deduction if you or your spouse are age 65 or older or blind. The additional amount is based on your filing status:

Single or head of household—	\$1,200
All others—	\$1,000

**45.** 1996 federal tax liability. Caution: Carefully follow the instructions below. Don't confuse your federal tax liability from your federal return with the federal tax withheld on your W-2. They aren't the same.

You may deduct up to \$3,000 of your total federal income tax liability. Don't fill in less than -0- or more than \$3,000 (\$1,500 if married filing separately).

Fill in your federal tax liability from:

- Form 1040, line 44 minus line 54, or
- Form 1040A, line 25 minus line 29c, or
- Form 1040EZ, line 10 minus line 8.

On your federal return did you have:

- Alternative minimum tax, Form 1040, line 46?
- Recapture taxes included on Form 1040, line 51?
- Tax on qualified retirement plans, Form 1040, line 48?

If so, include these in your federal tax subtraction.

Caution: Don't add:

- Self-employment tax, Form 1040, line 45.
- Social Security and Medicare tax on tips, Form 1040, line 47.
- Advance earned income credit payments, Form 1040, line 49, or Form 1040A, line 26.
- Household employment taxes, Form 1040, line 50, or Form 1040A, line 27.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 6. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 1996 because you were audited or you filed an amended return? If so, read the instructions for line 46, "Federal tax from a prior year."

**46. Other deductions and modifications.** Identify the deduction or modification in the space on the form. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. You need to net the total amount of these items and enter that amount on this line.

- Federal tax from a prior year. If you paid additional federal tax in 1996 because you were audited or you amended a prior year return, you may be able to deduct the additional tax. See pages 16 and 17, Form 40N instructions, to figure your deduction.
- Foreign tax. If you paid tax to a foreign country in 1996, you may be able to deduct these taxes. See page 17 of the Form 40N instructions.
- Artists who make a charitable art donation. To order the information circular, "Art Contribution Subtraction," see page 32.
- Federal income tax refunds. Did you get a federal tax refund in 1996 because you filed an amended federal return for a prior year or you were audited? If so, fill in and bracket the amount on line 46 if you subtracted that amount on a prior Oregon return. If you need help, see page 32.
- Gambling losses claimed as an itemized deduction. Did you have winnings from Oregon Lottery or Powerball and claim gambling losses on your federal Schedule A? If so, fill in and bracket on line 46 the gambling losses that exceed gambling winnings taxed by Oregon.
- Medical expense. You may qualify for an additional medical expense deduction for Oregon if you meet the tests. See page 17 of the Form 40N instructions to figure your deduction.

## Oregon tax

**49. Tax.** Figure the tax on your Oregon taxable income, line 48. Use the rate charts on page 18. Fill in the amount of tax on line 49.

Example. A single taxpayer's Oregon taxable income is \$19,500. Use tax rate chart A for single taxpayers. The tax is figured like this:

Oregon taxable income:	\$19,500
Tax on first \$5,550 of taxable income	\$ 345
Tax on next \$13,950 of taxable income (.09 × \$13,950)	+ 1,256
Oregon tax	<u>\$ 1,601</u>

**51. Interest on certain installment sales.** Do you have installment sales on which you were required to pay interest on the deferred tax liability for federal purposes? If so, you must also compute interest for Oregon. The amount due for Oregon is computed the same way as for federal. The current interest rate is 10 percent per year.

- a. For the part of the year that you were a nonresident, use only those installment obligations that arose from dispositions of property in this state.
- b. For the part of the year that you were a resident, consider all installment obligations.

Enter the total of parts a and b on line 51.

## Credits

You must prorate some Oregon credits on your return. This means you need to multiply your total credit by your Oregon percentage, line 39, to figure the amount you can claim on your Oregon return. The credits that must be prorated are:

- Exemption.
- Child and dependent care.
- Alternative energy devices.
- Elderly or the disabled.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Rural medical practitioners or rural dentists.

**54. Retirement income credit.** If you were age 60 or older on December 31, 1996, and receiving retirement income, you may qualify for a credit. You don't qualify for this credit if your household income is \$22,500 or more (\$45,000 or more if married filing jointly), or if you received more than \$7,500 (\$15,000 if married filing jointly) in Social Security and/or Tier 1 Railroad retirement benefits. Retirement income includes payments included in federal taxable income from:

- A U.S. government pension (includes military).
- A state or local government public pension.
- An employee pension.
- An individual retirement plan.
- An employee annuity plan.
- A deferred compensation plan including defined benefit, profit sharing, and 401(k).

Note: The credit can't be more than your tax liability. There is no carryforward. You may claim this credit or the credit for the elderly or the disabled, but not both.

Use the following worksheet to figure your credit.

1. Enter the retirement income of the eligible individual from the federal column, lines 15 and 16. 1. \_\_\_\_\_
2. Enter \$7,500 (\$15,000 if married filing jointly). 2. \_\_\_\_\_
3. Enter both spouses' total Social Security and Tier 1 Railroad retirement benefits. 3. \_\_\_\_\_
4. Line 2 minus line 3, but not less than -0-. 4. \_\_\_\_\_
5. Enter your household income. Household income is the taxable and nontaxable income of a husband and wife. Don't include Social Security or Tier 1 Railroad retirement benefits. Losses claimed are limited to \$1,000. 5. \_\_\_\_\_
6. Household income base. Enter \$15,000 (\$30,000 if married filing a joint return). 6. \_\_\_\_\_
7. Line 5 minus line 6, but not less than -0-. 7. \_\_\_\_\_
8. Line 4 minus line 7, but not less than -0-. 8. \_\_\_\_\_
9. Enter the lesser of line 1 or line 8. 9. \_\_\_\_\_
10. Multiply line 9 by 9% (.09). 10. \_\_\_\_\_
11. Enter Oregon source retirement income from the federal column (lines 15 and 16). Add retirement income from other sources received while you were a resident that is included in the Oregon column (lines 15 and 16). 11. \_\_\_\_\_
12. Enter the amount from line 1 of this schedule. 12. \_\_\_\_\_
13. Divide line 11 by line 12. 13. \_\_\_\_\_
14. Multiply line 10 by line 13. Enter the result here and on Form 40P, line 54, or Form 40N, line 58. 14. \_\_\_\_\_

**55.** Child and dependent care credit. You are allowed an Oregon credit only if you qualify for the federal child and dependent care credit. Use the worksheet on page 18 of the Form 40N instructions to figure your credit.

**56.** Political contribution credit. Fill in your total political contributions but not more than \$100 on a joint return, or \$50 on all others. The contributions must have been made during 1996. They must have been donations of money to any of the following:

- A political party recognized by Oregon.
- A qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon.

- A political committee organized only to support or oppose ballot measures to be voted on in Oregon.

**57.** Credit for income tax paid to another state. If you paid 1996 income tax to another state on income also taxed by Oregon, you may claim a credit. You must have income that is taxed by both Oregon and the other state during 1996. Your 1996 income tax includes all payments made for the 1996 tax year.

You must claim the credit on your nonresident return if the income is taxed by both Oregon and one of the following: Arizona, California, Indiana, or Virginia.

If you were a resident of Oregon and paid tax to another state for a prior year on mutually taxed income, amend that year's Oregon return to claim the credit. See page 32 to get amended forms and instructions.

This credit is only for state income tax. You can't claim this credit for city or county income tax, sales tax, property tax, school tax, or building funds.

If you are a shareholder in an Oregon S corporation that paid taxes to another state, you may qualify for this credit. See page 32 to order the information circular.

Your credit is the lesser of the following:

- The other state's tax after credits.
- Your Oregon tax after all other credits.
- The amount figured using Formula 1.
- The amount figured using Formula 2.

**Formula 1:** Divide your adjusted gross income (AGI) taxed by both states by your modified AGI. Your modified AGI is your income on Form 40P, line 38b, or Form 40N, line 39b. Multiply the result by your Oregon tax after all other credits. The result can't be more than your Oregon tax after credits.

$$\frac{\text{Your AGI taxed by both states}}{\text{Your modified AGI}} \times \text{Your Oregon tax after all other credits}$$

**Formula 2:** Divide your AGI taxed by both states by your total income on the other state's return. Multiply the result by the other state's tax after all other credits. "Total income" means income before subtracting itemized deductions and exemptions.

The result can't be more than the other state's tax after credits.

$$\frac{\text{Your AGI taxed by both states}}{\text{Your total income on the other state's return}} \times \text{The other state's tax after all other credits}$$

**Caution:** You can't claim this credit and also claim the tax you paid to the other state as an itemized deduction. If you claim the tax as an itemized deduction, fill

in either your tax liability to the other state or the amount of that state's tax claimed as an itemized deduction, whichever is less, on line 42.

Attach a copy of the other state's return and proof of payment to the back of your Oregon return.

**58.** Other credits. You may qualify for other credits explained below. Identify the credit in the space on line 58. If you have more than one, show the type and amount of each credit. Fill in the amount of all "Other credits" on line 58.

- Child and dependent care credit carryover from prior years. If you have a child and dependent care credit carryover, see page 18 of the Form 40N instructions.
- Credit for the elderly or the disabled. The credit is 40 percent of the federal credit. You may claim this credit or the retirement income credit, but not both.

Multiply the amount from federal Schedule R, line 20, or Form 1040A, Schedule 3, line 20, by 40% (.40). Then multiply the result by the Oregon percentage on line 39, Form 40P.

Note: Oregon has some credits which apply to only a few people. These credits are listed on page 19.

## Tax payments made in 1996

**61.** Oregon income tax withheld from income. Fill in the total amount of Oregon tax withheld from your wages. That's the amount shown on your W-2 or 1099R forms. Don't use FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple readable copies of your W-2 or 1099R forms to the lower front of your return.

If you don't have a W-2, you must provide other proof of any tax withheld from your income. Proof may include a final paycheck stub or a letter from your employer. We can't accept anything but W-2 forms until after February 1, 1997. Attach copies of your 1099 forms if they show any Oregon state tax withheld.

**62.** Estimated tax payments for 1996. Fill in the total Oregon estimated tax payments you made before filing your 1996 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1995 income tax return.

**66.** Penalty and interest. See 40N instructions on page 19.

**67.** Interest on underpayment of estimated tax. See 40N instructions on page 19.

**69.** Amount-you-owe. Attach a check or money order to your return on top of the W-2s. Make it payable

to "Oregon Department of Revenue." Do not make your check out to "IRS" or "Internal Revenue Service." Write your Social Security number and "1996 Oregon Form 40P" on your check. Don't send cash or postdated checks. Mail your return to: Oregon Department of Revenue, PO Box 14555, Salem OR 97309-0940. Stop here on the form.

Special instructions. Do you owe interest on line 67 and have an overpayment on line 64? If your overpayment is less than the interest due, fill in the result of line 68 minus line 64.

**70.** Refund. You must have a refund of \$5 or greater on line 70 to use lines 71-76. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

**71.** Estimated tax. If your refund is \$5 or more, you may apply part or all of your refund (line 70) to your 1997 estimated tax. Fill in the amount you want to apply. But don't fill in more than the amount on line 70.

**72-76.** You may donate all or part of your refund to the charitable organizations listed on the form. A donation will reduce your refund. If you don't have a refund on line 70 but want to contribute, mail your donations to the addresses shown below.

**72.** Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat. Oregon Department of Fish and Wildlife, Attention: Fiscal Manager, PO Box 59, Portland OR 97207.

**73.** Child Abuse Prevention. Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect. Children's Trust Fund, 800 NE Oregon St., Suite 1140, Portland OR 97232.

**74.** Alzheimer's Disease Research. Your donation goes to the Alzheimer's Research Alliance of Oregon for research on Alzheimer's disease and related disorders. Alzheimer's Research Alliance, PO Box 10051, Portland OR 97210.

**75.** Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence. OCADSV, 520 NW Davis, Suite 310, Portland OR 97209.

**76.** AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund. The Research and Education Group, PO Box 40104, Portland OR 97240.

**78.** Net refund. You must reduce your refund by any amounts applied to your 1997 estimated tax and donations on lines 72-76. By law, the Oregon Department of Revenue cannot refund amounts less than \$5. Mail your return to: Refund, PO Box 14700, Salem OR 97309-0930.

# 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.

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. (Some federal forms available.)
- 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.

A message line is available all year for those who need assistance in Spanish. The number in Salem is (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 OR 97310	

\* 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.



### Printed information (free) State forms only

(Check individual boxes to order. Clip on the dotted line, then mail in the entire list with your return address. These forms and circulars are also available on the Internet.)

- Alternative Energy Devices 150-101-641
- Computing Interest on Tax You Owe 150-800-691
- Credit for Income Tax Paid to Other States 150-101-646
- Oregon Deferral of Reinvested Gain 150-101-614
- Depreciation form 150-101-025
- Elderly Rental Assistance booklet 150-545-002
- Estimated Tax circular 150-101-648
- Estimated Tax coupons and instructions 150-101-026-2
- Home Care for the Elderly Credit 150-101-653
- Interest and Dividends on U.S. Bonds and Notes 150-101-615
- Interstate Transportation Wages 150-101-601
- Limit on Itemized Deductions 150-101-611
- Married Persons Filing Separate Returns 150-101-656
- Military Personnel Filing Information 150-101-657

- Oregon Income Tax Withholding: Some Special Cases 150-206-643
- Political Contributions 150-101-662
- Record Keeping Requirements 150-101-608
- Retirement Income 150-101-673
- Senior Citizen's Property Tax Deferral 150-310-675
- What To Do if You are Audited 150-101-607
- Your Rights as an Oregon Taxpayer 150-800-406
- List of other printed information: Forms/Publications Request 150-800-390

Send to: Forms  
Oregon Department of Revenue  
PO Box 14999  
Salem OR 97309-0990

Please print

Your name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ ZIP \_\_\_\_\_

