



INSTRUCTIONS FOR 1998 FORM 10

Underpayment of 1998 Oregon Estimated Tax

General Information

Oregon law requires some taxpayers to make estimated tax payments. Interest is charged on underpayments or late payments. See Part 1 for exceptions to the interest charges.

File Form 10 to:

- Claim one of the exceptions to the interest charge.
- Show no interest due.
- Figure the amount you underpaid.
- Figure the amount of interest due.

You must file Form 10 if you meet an exception. Be sure to check the box on Form 40 line 50; or Form 40N or 40P, line 69 to indicate that Form 10 is attached to your return.

Do I owe interest on underpayment of 1998 estimated tax payments?

You may owe interest for underpayment of estimated tax if you owe \$500 or more on your 1998 Oregon income tax return (Form 40, line 48; or Form 40N or 40P, line 67),

AND

Your total income tax withheld from 1998 income was less than:

- Method 1—1998 Tax
90 percent of your 1998 net income tax. The net income tax is your Oregon tax after all credits, but before withholding or estimated tax.

OR

- Method 2—1997 Tax
100 percent of the net income tax shown on your 1997 Oregon income tax return (110 percent of net tax if the adjusted gross income shown on that return is more than \$150,000, or if married filing separately for 1998, more than \$75,000). You can't use this method if you didn't file a 1997 Oregon return. Do not reduce your net income tax by the amount of tax withheld from your income, estimated tax payments made, or payments made with an extension request.

OR

- Method 3—Tax on 1998 Annualized Income
90 percent of your tax on 1998 annualized income.

If your 1998 Oregon withholding was at least as much as any of the amounts under these methods, you do not owe interest on underpayment of estimated tax. This is true even if you owe \$500 with your return. To avoid any interest charge, complete Form 10, Part 2 and file with your return.

Instructions (Form 10, page 1)

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

PART 1—Exceptions to paying interest

Exception 1—Farmers and commercial fishers.

If at least two-thirds (66.7 percent) of your 1997 or 1998 total gross income is from farming or fishing, you don't have to pay under-

payment interest. But, you will have to file Form 10 with your 1998 Oregon income tax return to show you meet this exception. Check the box on Form 10 and circle the year that qualifies you. Your Oregon return is not due until April 15, 1999, even if you were required to file your federal return earlier.

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

Farmers. Use the amounts on the following lines of both your 1997 and 1998 federal income tax returns to determine your gross income from farming:

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

Fishers. Use the amounts on the following lines of both your 1997 and 1998 federal income tax returns to determine your gross income from fishing:

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

Exception 2—Prior year.

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

- Your net income tax for 1997 was -0- or you were not required to file a return for 1997.
- You were a full-year Oregon resident in 1997.
- Your tax year was a full 12 months.

1997 net income tax is your Oregon income tax after tax credits, but before withholding, estimated tax payments, or payments made with an extension.

Note: If you were a nonresident or a part-year resident in 1997, you can't use this exception. However, you may be able to use Method 2 to figure your required annual payment. See the instructions in Part 2.

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

You meet this exception if:

- There was reasonable cause for underpaying your estimated tax,
and
— You retired at age 62 or older during 1997 or 1998, or
— You became disabled during 1997 or 1998.

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

Exception 4—Underpayment due to unusual circumstances.

No interest is due if your underpayment is due to a casualty, disaster, or other unusual circumstance. Unusual circumstances will be

determined on a case-by-case basis. The extent of your effort to comply with the law will be considered. The casualty, disaster, or other unusual circumstance must make it unfair to impose interest. Some examples that may qualify: death or serious illness; or books and records destroyed by fire, flood, or other natural disaster. Attach a statement explaining the cause to be considered for the exception. Label the statement "Form 10 Attachment" in the center at the top of the page. We ask that you use blue ink.

Exception 5—S corporation shareholders.

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

- The underpayment was attributable to S corporation income, and
 - The income is for the first year in which S corporation status is elected,
- and
- You are a nonresident for 1998, or
 - You are a full-year resident for 1998 and you were a part-year resident for 1997.

PART 2—Figure your required annual payment

Line 1. Fill in your net income tax after tax credits but before withholding and estimated tax payments (Form 40, line 43; or Form 40N or 40P, line 62).

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

Line 5. Enter the tax shown on your 1997 return (110 percent of that amount if the adjusted gross income shown on that return is more than \$150,000. If you are married filing separately for 1998, use 110 percent of your 1997 tax if your 1997 adjusted gross income is more than \$75,000). Use the 1997 tax after credits shown on your 1997 tax return. (This is the amount shown on: Form 40S, line 23; Form 40, line 43; Form 40N, line 62; or Form 40P, line 61.)

"Adjusted gross income" for 1997 is the amount shown on: Form 40, line 8; or Form 40N or 40P, line 29b.

If you did not file a return for 1997, or if your 1997 tax year was less than 12 months, do not complete line 5. Instead, enter the amount from line 2 on line 6. Note: Individuals who were part-year residents or nonresidents in 1997 generally have "tax years" of 12 months and may use the tax shown on their 1997 Form 40N or 40P.

PART 3—Figure your underpayment

Line 7. You have two options:

Option 1. Divide line 6 by four and enter the amount in each column.

Did you move in or out of Oregon in 1998? If so, use the columns that correspond to the dates you lived in Oregon. Divide the amount on line 6 by the number of periods you were a resident of Oregon. Example: if you moved to Oregon on July 1, divide line 6 by two. Fill in columns C and D only.

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

Line 8. Fill in estimated tax payments and income taxes withheld from your wages, pension, etc. Withholding is considered to be paid

in equal amounts on the required payment dates (usually four), unless you prove otherwise. If you worked all year, divide your withholding by four and enter the amount in each column.

Complete lines 9 through 12 of the first column before going to the next column.

Column A:

Line 9. Don't enter an amount here.

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

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

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

Column B:

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

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

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

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

Column C:

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

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

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

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

Column D:

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

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

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

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

Line 13. To figure the interest you owe, use the amounts from line 12 to complete the Interest Worksheet on page 4.

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

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

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

Example 1: Scott received wages for the entire year of 1998. He also received a lump sum distribution of \$25,000 from his IRA on July 19, 1998. Scott would include the total amount of the distribution in columns C and D only. He would include the wages he earned during the dates shown in the corresponding column.

Example 2: Same situation as in example 1, except Scott received the lump sum distribution on April 25, 1998. In this case, he would enter the distribution in columns B, C, and D.

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

Example: Carol has an Oregon addition of \$6,000 for California bond interest received in September 1998. Carol would enter the \$6,000 in column D. However, if she received the bond interest at \$500 a month, she would enter \$1,500 (for 3 months) in column A, \$2,500 (for 5 months) in column B, \$4,000 (for 8 months) in column C, and the \$6,000 in column D (for 12 months).

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

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

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

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

Example 2: Medical expenses claimed as medical deductions are not incurred evenly throughout the tax year. For example, Jill had a hospital bill that she made deductible payments on in 1998. She made a payment of \$990 in April, another of \$1,995 in June, and the final payment of \$2,271 in October. (All amounts are after the 7.5 percent federal AGI limitation.) Jill will enter the \$990 payment in column B. The April payment plus the June \$1,995 payment (totaling \$2,985) will go in column C. In column D, she will enter \$5,256, the total deductible amount of all three payments.

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

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

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

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

Federal Tax Subtraction Worksheet (Line 9)	(A) Jan 1 to Mar 31	(B) Jan 1 to May 31	(C) Jan 1 to Aug 31	(D) Jan 1 to Dec 31
1. Enter the amount of your federal AGI for each period..... 1				
2. Annualization amounts 2	4	2.4	1.5	1
3. Multiply line 1 by line 2 3				
4. Actual federal itemized deductions for each period. If you do not itemize, skip to line 7 of this worksheet 4				
5. Annualization amounts 5	4	2.4	1.5	1
6. Multiply line 4 by line 5 6				
7. Enter the full amount of your 1998 federal standard deduction in each column 7				
8. Enter line 6 or line 7, whichever is larger 8	()	()	()	()
9. Line 3 minus line 8 9				
10. 1998 Federal exemption amount (Form 1040, line 38, or Form 1040A, line 23) 10	()	()	()	()
11. Line 9 minus line 10 11				
12. Compute the federal tax for each period using the federal tax tables 12				
13. Enter \$1,500 if you are married filing separately, or \$3,000 for any other filing status 13				
14. Enter the lesser of line 12 or line 13. Also enter this amount in each column on line 9 of the Annualized Income Worksheet 14				

Interest Worksheet and Instructions (keep this worksheet for your records)

Line 3. Enter the date you paid the underpayment of estimated tax. Your payment will be applied to the oldest underpayment first. The latest date that can be entered in each column is the due date of the return, April 15, 1999.

If you paid the underpayment before the due date of the return, enter the date you made the payment. If you paid the underpayment after the due date of the return, enter April 15, 1999.

Lines 4 and 8. Enter the number of full months from the payment period due date on line 1 of this worksheet to the date on line 3.

Lines 6, and 10. Enter the number of remaining days left until the date you made your payment.

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

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

May 16 to June 8 = 24 days (this number is on line 6, column A)

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

	A April 15, 1998	B June 15, 1998	C Sept. 15, 1998	D Jan. 15, 1999
1. Payment period—due date	1			
2. Amount of underpayment for each period (line 12, Form 10)	2			
3. Date you paid underpayment or April 15, 1999, whichever is earlier	3			
4. Number of full months before January 16, 1999	4			
5. Multiply line 4 × the amount on line 2 × .008333	5			
6. Number of remaining days before January 16, 1999	6			
7. Multiply line 6 × the amount on line 2 × .000274	7			
8. Number of full months after January 15, 1999	8			
9. Multiply line 8 × the amount on line 2 × .0075	9			
10. Number of remaining days after January 15, 1999	10			
11. Multiply line 10 × the amount on line 2 × .000247	11			
12. Add lines 5, 7, 9 and 11	12			
13. Total interest due. Add the amounts in columns A through D on line 12. Fill in here and on Form 10, line 13	13			

Taxpayer assistance

Do you need help?

Telephone: Salem **503-378-4988**

Toll-free within Oregon **1-800-356-4222**

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

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

Once you're in the system, push:

- 1** For current year 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:

Monday–Friday*	7:30 A.M.–5:10 P.M.
*Except Wednesday	9 A.M.–5:10 P.M.
April 1–April 15, Monday–Friday	7 A.M.–7 P.M.
Closed on holidays	

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? Línea de mensaje. 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.

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

To get forms

Internet: www.dor.state.or.us

Income tax booklets are available at many post offices, banks, and libraries. Or write to: Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990.

Forms and assistance are available at these offices. Don't send your return to these addresses.

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

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

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

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