

2000

OREGON

NONRESIDENT AND
PART-YEAR RESIDENT

PERSONAL INCOME TAX FORMS
40N & 40P WITH INSTRUCTIONS

How to get your refund faster

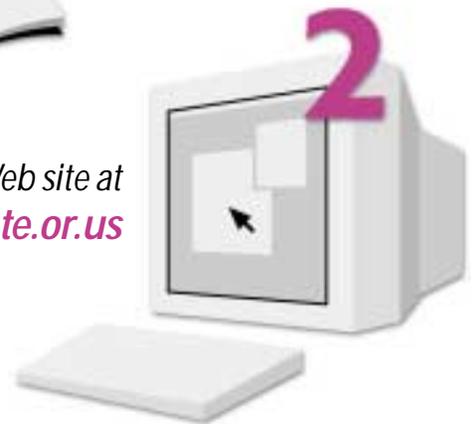
- ✓ Use the correct form.
- ✓ Type or clearly print your name, address, and correct Social Security number.
- ✓ Claim your correct federal tax subtraction.
- ✓ Double-check your math.
- ✓ Sign your return.
- ✓ Attach every Form W-2 and 1099 that shows Oregon tax withheld.
- ✓ Attach a copy of the front and back of your federal return.
- ✓ Mail early.
- ✓ **File electronically.**
See page 3 for details.



*For answers
to your tax questions:*



*Read these instructions
carefully.*



*Search our Web site at
www.dor.state.or.us*

3

If you still have questions, turn to page 36.

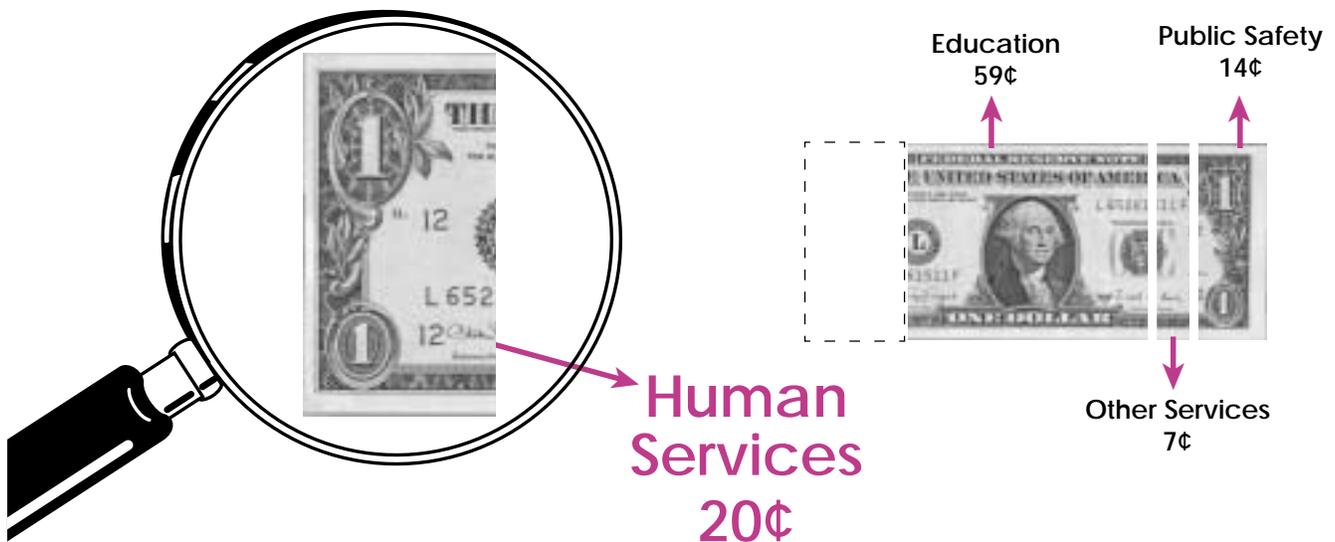
Oregon Department of Revenue
955 Center Street NE
Salem OR 97301-2555

BULK RATE
U.S. POSTAGE
PAID
Oregon Department
of Revenue

Services paid for with your income tax dollar

Two years ago we gave you an overview of the services that are paid for with your tax dollar. We presented four categories: education, human services, public safety, and other services. Last year we gave you more in-depth information about public safety.

This year we would like to spotlight human services. Twenty cents of every tax dollar goes to health and human service programs. The Oregon Department of Human Services (DHS) is the largest of several state human services agencies. It operates more than 150 field offices statewide and served nearly 720,000 Oregonians last year.



Adult and Family Services Division (AFS) helps low-income Oregonians become self-sufficient. Rather than only delivering cash and food benefits, it now focuses on helping people prepare for, find, and keep jobs. AFS places about 1,600 people in employment each month.

Health Division (OHD) works through county health departments to protect, promote, and preserve the health of all Oregonians. Services include ensuring safe food and water and promoting healthy behaviors. OHD works to control disease and prevent epidemics.

Mental Health and Developmental Disability Services Division (MHDDSD) works with county mental health programs. Its charge is to prevent and reduce the disabling effects of mental illness and developmental disabilities.

Office of Alcohol and Drug Abuse Programs (OADAP) works with local partners to prevent alcohol and drug abuse. OADAP reaches about 56,000 Oregonians a year with treatment services. It works to educate the public about the dangers of substance abuse, a leading cause of crime and social problems.

Office of Medical Assistance Programs (OMAP) delivers a basic package of Oregon Health Plan services. The Oregon Health Plan covers 350,000 Oregonians. Today, Oregon has the lowest rate of uninsured people in its history.

Senior and Disabled Services Division (SDSD) provides long-term care services to low-income seniors and persons with disabilities. SDSD assures quality in the long-term care industry and administers the state's adult protective services program.

The State Office for Services to Children and Families (SCF) works to protect children from abuse and neglect. In addition, it secures foster care for those needing it and provides treatment for children with special needs. SCF teaches parents how to care for and protect their children. SCF also arranges adoptions for children who need to be placed in other homes.

Vocational Rehabilitation Division (VRD) works to help disabled Oregonians obtain and keep employment. VRD partners with other agencies and businesses to provide services that promote independence. These include career counseling, physical restoration, skills training, and job placement.

To find out more about these and other state agencies that work to serve Oregon and its 3.2 million citizens, visit Oregon OnLine at www.state.or.us.

These instructions aren't a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. Please see page 36.

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



Electronic filing is a fast, efficient, and accurate way to file. After March 1, 2001, when processing begins, you may receive your

Oregon refund in as few as 10 to 12 business days. You do not need to mail anything to the department unless you owe tax. If you owe tax, you can file your return electronically any time before the due date. You will have until April 16, 2001 to pay the tax.

There are three options for filing your return electronically:

- 1. Tax preparer.** Ask your preparer if he or she offers electronic filing or check the yellow pages to find one located in your area.
- 2. Tax software.** You can purchase tax software that gives you the option to file your return electronically. Read the software package carefully to see if the electronic filing option is available. Additional fees for electronic filing may be charged.
- 3. Internet.** Several companies provide on-line return preparation and transmission for a fee. For a list of companies offering Oregon electronic filing, visit the department's Web site and click on "Electronic Filing."

Free offer. Several software companies will prepare and electronically file your return for free if your income is under a certain level. See our Web site.

Direct deposit—not available. The department cannot provide direct deposit of your refund into a bank account.

Electronic payment—not available. The department cannot accept electronic fund withdrawal, direct debit, debit cards, or credit cards to pay your current tax due.

You must mail a check or money order to the Oregon Department of Revenue to pay any Oregon tax.

Contents

Electronic filing	3
New information	3
Residency	5
Filing information	5
Extensions	6
Estimated tax	6
Elderly Rental Assistance (ERA)	6
Form 40N	7
General instructions for	
Forms 40N and 40P	11
Form 40N instructions	15
Standard deduction	17
Oregon tax	19
Credits	19
Tax payments, penalties, and interest	21
Form 40P instructions	23
Standard deduction	25
Oregon tax	25
Credits	26
Tax payments, penalties, and interest	29
Tax rate charts	30
Form 40P	31
Taxpayer assistance	36
To order forms and publications	36

New information

Federal pension refund filing deadline. The deadline for filing a federal retiree refund claim is **April 16, 2001**. If you paid Oregon personal income tax on federal pension benefits earned prior to October 1, 1991 and have not yet filed a claim, please call 503-224-4200 or 1-800-356-4222 to obtain Form 40F or print one from our Web site (click on "Federal Retirees").

State School Fund. The 1999 Oregon legislature passed a law that allows you to donate your Oregon income tax kicker refund to the State School Fund. The fund is used for public elementary and secondary education. Whether there will be a kicker, and the amount, will be determined in the fall of 2001. If you check the box, any kicker refund that you would have received in 2001 based on your 2000 Oregon income tax will be sent directly to the State School Fund. If you check the box, you cannot change your decision for the 2000 tax year.

Charitable checkoff for other charity. Beginning this year, charities other than the five already listed on the tax forms will be listed in the tax booklet instructions. You may select **one** from those listed in the instructions and donate part or all of your refund to it. You also may donate to any or all of the five listed on the tax form. See pages 29 and 30.

Long-term care insurance premiums credit. Did you purchase long-term care insurance in 2000? If so, you may be eligible for a credit of the **lesser** of 15 percent of the premiums paid or \$500. The credit must be prorated. Visit our Web site.

Subtraction for scholarships used for housing. Scholarships used for expenses other than tuition are included in taxable income on your federal return. Oregon allows a subtraction for scholarship funds included in federal income that were used to pay for housing. See page 16.

Lottery payments. If you received a prize of more than \$600 from an Oregon Lottery or Powerball ticket purchased in Oregon in 1998 or later, the winnings are subject to Oregon tax. See instructions for line 19 on page 14.

Adoption credit. If you claimed a credit on your federal return for qualified adoption expenses, you also may be eligible for an Oregon credit.

Subtraction for taxable health insurance benefits. If your employer provides health insurance benefits to you and another person who qualifies as your same-sex

domestic partner, you may qualify for a subtraction on the Oregon return. Visit our Web site and click on “Q & A” or call us.

Other. The following items apply to only a few people and are not explained in this booklet. For information visit our Web site and click on “New Information” or call us. See page 36 for numbers to call.

- Individual Development Accounts.
- Payments from Public Safety Memorial Fund Board.
- Land donation to an educational institution.

General information

Visit our Web site at www.dor.state.or.us for more information about Oregon income tax.

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.

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 wages described in the next section.

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. Out of 220 work days, she worked 132 days in Oregon and 88 days from her home 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>

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

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

Other income from Oregon sources:

- Businesses, S corporations, partnerships, and limited liability companies taxed as partnerships located or doing business in Oregon.
- Oregon farms.
- Oregon estates and trusts.
- Sales of Oregon property.
- Rents and royalties for use of Oregon property.
- 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. See page 36 to order the information circular, “Interstate Transportation Wages.”

- Oregon retirement income received while you were a nonresident unless you were domiciled in Oregon. See “Pensions and annuities” on page 13.
- Hydroelectric dam wages, if you are a nonresident federal employee working on a dam that spans the Columbia River between Oregon and Washington.
- Compensation for military active duty of a nonresident.

Residency

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

- You are a full-year **Oregon resident**, even if you live outside Oregon, if **all** of the following are true:
 - You think of Oregon as your permanent home, and
 - 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.
 You are still a **full-year resident** if:
 - You temporarily moved out of Oregon, or
 - You moved back to Oregon after only a temporary absence.
- You are a **nonresident** if your permanent home is outside Oregon all year.
- You are a **part-year resident** if you moved into or out of Oregon during 2000. You are not a part-year resident if:
 - You temporarily moved out of Oregon, or
 - You moved back to Oregon after a temporary absence.

Special-case Oregon residents. You are considered a nonresident if **all** of the following are true:

- You are an Oregon resident who maintained a permanent home outside Oregon the entire year, and
- 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.

Oregon residents living abroad. Generally, if you qualify for the federal earned income or housing exclusion for United States residents living abroad, you will qualify for Oregon nonresident treatment.

Military personnel

Nonresidents stationed in Oregon. Oregon doesn’t tax your military pay while you are stationed in Oregon. File Form 40N if you or your spouse had income from other Oregon sources or to claim a refund of Oregon tax withheld from your military pay. Nonresident members of the Oregon National Guard or reserves may only exclude active duty pay.

Residents stationed in Oregon. If you are an Oregon resident stationed in Oregon, file Form 40 from the *Full-Year Resident* tax booklet.

Residents stationed outside Oregon. If you are an Oregon resident stationed outside Oregon, you may file Form 40N if you meet the requirements for special-case Oregon residents or Oregon residents living abroad.

Write “Military nonresident” at the top left corner of your return in **blue** ink. Include any other income taxable by Oregon.

If you don’t meet the listed requirements, file Form 40 in the *Full-Year Resident* tax booklet.

More information. Oregon provides more detailed information for military personnel in an information circular. See page 36 to order forms and the information circular, “Military Personnel Filing Information.” Or, see the military information under “Q & A” on our Web site.

What form do I use?

Use Form 40N if:

- You are a nonresident, or
- You are a special-case Oregon resident (see “Residency” on this page), or
- You and your spouse are filing a joint return and one (or both) of you is a nonresident, or
- You meet the military nonresident requirements explained above, or
- You qualified as an Oregon resident living abroad for the entire year.

Use Form 40P if:

- You are a part-year resident, or
- You are filing jointly and one spouse is a full-year Oregon resident and one is a part-year resident, or
- You are filing jointly and both spouses are part-year Oregon residents, or
- You qualified as an Oregon resident living abroad for part of the year.

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 on our Web site and at many post offices, banks, and libraries in Oregon and southwest Washington. To order Forms 40S and 40 and instructions, see page 36.

When should I file my return?

File as soon as possible. The filing deadline for calendar year 2000 is **April 16, 2001**. If you can’t pay all of your tax by the due date, file your return anyway to avoid additional penalty. Payment plans are available. See page 22.

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

Do you need more time to file?

Generally, Oregon allows you the same extension you have for your federal return. If you filed a federal extension, check the box on the front of the Oregon return when you file. You are not required to send an extension form to Oregon **unless**:

- You are making a tax payment to Oregon.
 - Send us a copy of the federal extension with your Oregon payment by the filing deadline.
- You are filing an extension for Oregon only.
 - Send us federal extension Form 4868 by the filing deadline. Write “For Oregon Only” across the top and use Oregon amounts on the form. We’ll notify you only if your extension is denied.

Send your extension form and payment by April 16, 2001 to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.

- ✓ Be sure to check the extension filed box on the front of your Oregon return when you file.

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

You must pay any tax you expect to owe when you file your extension. If you don't pay all of the tax due with your extension, you will owe interest on the unpaid balance after April 16, 2001, 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.

Were you stationed in a designated combat zone? Did you receive additional time to file your 2000 federal return? If so, Oregon allows the same additional time to file. Write “combat zone” in **blue** ink at the top of the form.

Penalties

You will owe a 5 percent penalty on any 2000 tax not paid by April 16, 2001.

If you file more than three months after the due date or extension date, an additional 20 percent penalty will be added; that is, you will owe a penalty of 25 percent of any tax not paid.

There is an exception to paying penalty. See the instructions for line 68, page 21.

A 100 percent penalty is charged if you don't file a return for three consecutive years by the due date of the third year including extensions. The penalty is 100 percent of the unpaid tax for each of the three years.

Estimated tax

Oregon estimated tax laws are not the same as federal estimated tax laws. Use Oregon instructions to

determine if you need to make Oregon estimated tax payments for 2001.

You may owe interest on underpayment of estimated tax if:

- You owe \$1,000 or more on your return, or
- You paid less than 90 percent of the tax due on each estimated tax payment date for 2000. Please see the instructions for line 69 on page 21.

You can avoid interest on underpayment of estimated tax for 2001 by paying estimated tax equal to 100 percent of your 2000 Oregon tax liability on the estimated tax due dates.

The first payment is due April 16, 2001. For more information, order the estimated tax coupons and instructions or the information circular, “Estimated Tax.”

Elderly Rental Assistance (ERA)

You may qualify for an ERA refund if: 1) you were a renter who resided in Oregon on December 31, 2000; 2) you were age 58 or older on December 31, 2000; 3) you have household income less than \$10,000; 4) you used more than 20 percent of your household income to pay for rent, fuel, and utilities; and 5) the dwelling you rented was subject to property tax. For more information, see page 36 to order an ERA booklet.

Filing for a deceased person

See “Should I file an Oregon return?” on page 4 to determine if a return must be filed for an individual who is deceased. If you are filing a return and claiming a refund for someone who is now deceased, you may file Form 243, “Claim to Refund Due a Deceased Person,” with the return. This will allow the department to issue the refund check in your name. If you are a court appointed or certified personal representative, the form is not needed.

Federal pension income

If you received federal pension income in 2000, some or all of it may be subtracted from Oregon income. Please carefully follow the instructions on page 23 for line 38 to ensure that your return is processed without unnecessary delays.

Blue ink

Equipment to scan documents cannot read certain colors of ink, especially red. Please use blue ink to make the information on the forms easier to read and make processing faster. We appreciate your cooperation.

Form 40N Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40N Back

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40N Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40N Back

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Instructions for Forms 40N and 40P

Step 1: Select the appropriate form.

Please determine which form was designed for your situation. This will help ensure the proper calculation of your Oregon income, deductions, credits, and tax. The result will be the correct Oregon tax or refund without unnecessary delays. If you are unsure whether to use Form 40N or 40P, please review “What form do I use?” on page 5. If you need more help, please visit our Web site or call us.

Step 2: Fill out your federal form.

Your Oregon tax is determined using the ratio of your Oregon-related income to your entire federal income. **Fill out your federal return first**, then your Oregon return. You must attach a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, or Telefile Tax Record to your Oregon tax return. **Don't attach** federal Schedules A, B, C, D, or Form 2441, etc.

Keep a complete copy of both your federal and state returns. Also, keep all receipts, cancelled checks, statements, and other records you used to prepare your return for at least three years after you file your return. Save records for property and investments you purchased for at least three years after you sell the property.

Step 3: Start the Oregon form.

Fiscal year filers

Write the ending date of your fiscal year in the space provided. We prefer you use **blue** ink.

Address section

Please type or clearly print your name, address, telephone number, and correct 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 only.

ITIN. If the IRS has issued you an Individual Taxpayer Identification Number (ITIN) because you do not have a Social Security number (SSN), enter it on your Oregon tax return wherever your SSN is requested.

Year of birth. Enter the four digits of the year you were born. For example, “1943.”

Filing status

Check the box next to your filing status. If filing as **head of household**, enter the name of the qualifying person from your federal return next to box 4.

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.

How to file separate returns for Oregon:

If you are **married filing separately** (“MFS”), enter your spouse's name and Social Security number next to 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 federal adjusted gross income (AGI) and deductions. Also, report your share of any Oregon additions or subtractions. To figure your share of federal tax subtraction or itemized deductions, determine your adjusted gross income (AGI) and use the following formula:

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

Write “MFS for Oregon only” at the top of the form in **blue** ink. Attach the following to both Oregon returns:

- A federal Form 1040, 1040A, or 1040EZ prepared **as if** you had filed married filing separately, and
- A copy of the joint Form 1040, 1040A, or 1040EZ you **actually** filed.

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

For assistance or to order the information circular, “Married Persons Filing Separate Returns,” see page 36.

Exemptions

6a & **6b** **Yourself and spouse.** Check “Yourself” and other boxes that apply. If someone else can claim you as a dependent, you can't claim an exemption for yourself. Enter “0” in the total box on 6a.

Severely disabled. If you had a severe disability at the end of 2000, 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, or
- You permanently lost the use of both hands, or
- You are permanently blind, or
- You have a permanent condition that, without special equipment or help, limits your ability to:
 - earn a living, or
 - maintain a household, or
 - transport yourself.

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

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

- 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 permanent health 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.

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

6d Child with a disability. You may be entitled to an additional personal exemption for your dependent child who has a disability. To qualify, your child must meet **all** of the following:

- Qualify as your dependent, and
- Be age 17 or younger on December 31, 2000, and
- Be eligible for "early intervention services" or receive special education as defined by the Oregon Department of Education (learning disabilities or communication disorders alone don't qualify), and
- Have been considered to have a disability as of December 31, 2000 under the federal Individuals with Disabilities Education Act and related Oregon laws. Eligible disabilities include:
 - Autism.
 - Visual impairment.
 - Mental retardation.
 - Serious emotional disturbance.
 - Traumatic brain injury.
 - Hearing impairment.
 - Orthopedic impairment.
 - Other health impairment.
 - Multiple disabilities.
 - Deaf-blind.

Get a statement of eligibility that confirms one of the disabilities listed above and the cover sheet from one of the following:

- The child's Individualized Education Program (IEP), or
- The child's Individualized Family Service Plan (IFSP).

Keep the statement and cover sheet with your permanent health records. Write your child's name on "Disabled children only," line 6d. Also be sure to include the child's name on line 6c for "All dependents."

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, 2000. You are entitled to a larger standard deduction. If you or your spouse are blind, you may also qualify for an additional personal exemption credit. See the instructions for lines 6a and 6b.

State School Fund. Check here to donate your Oregon income tax kicker refund to the State School Fund. The fund is used for public elementary and secondary education. Whether there will be a kicker, and the amount, will be determined in the fall of 2001. If you check the box, any kicker refund that you would have received in 2001 based on your 2000 Oregon income tax will be sent directly to the State School Fund. If you check the box, you cannot change your decision for the 2000 tax year.

Step 4: Income line instructions.

The following instructions are for lines 8–30, Form 40N or 40P, if not fully explained on the form.

You may round off cents to the nearest whole dollar. For example, \$12.15 becomes \$12 and \$233.50 becomes \$234.

The forms have two columns for figures. These lines are used to compare the portion of your federal adjusted gross income that Oregon taxes to your total federal adjusted gross income.

Federal column income

The first column is labeled "Federal column." In this column, lines 8 through 28, follow the instructions on the form to fill in the same amounts you reported on your federal return. Line 30, "Income after adjustments," must match your 2000 federal adjusted gross income from Form 1040, line 33; Form 1040A, line 19; Form 1040EZ, line 4; or Telefile Tax Record, line I. If it does not match, please check your figures, then see page 36 for numbers to call.

Oregon column income

The second column is labeled, "Oregon column." List the amount that Oregon taxes in this column.

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**. All amounts included in the federal column should also be included in the Oregon column.

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.

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

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

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

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.

Full-year residents—fill in all income included in the federal column.

Exceptions:

- See “Interstate transportation wages,” page 4, to see if you qualify to exclude this income.
- Nonresident federal employees who work on Bonneville, The Dalles, John Day, or McNary dams should exclude this income from the Oregon column. Write the name of the dam you work on at the top left corner of the return. Please use **blue ink**.

9 Taxable interest and dividend income.

9a. **Interest:** Determine the amount of interest income you received while you were a nonresident on funds used for business activity in Oregon. Add to that any interest included on your federal return that you received during any portion of the year you were an Oregon resident.

9b. **Dividends:** Determine the amount of dividends received from an Oregon business activity source while you were a nonresident. This includes dividends passed through to you from an S corporation or partnership doing business only in Oregon. These are dividends your S corporation or partnership received on the stock of another corporation. Add to that any dividend income included on your federal return that you received during any portion of the year you were an Oregon resident.

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

10 **State and local income tax refunds.** Fill in the portion of the amount reported on your federal return that is: 1) a refund from Oregon or any other state or locality for which you claimed a deduction on an Oregon return in a prior year, or 2) a refund received during any portion of the year you were an Oregon resident.

11 **Alimony received.** Fill in alimony you received for any part of the year you were an Oregon resident.

12 **Business income or loss.** Determine the amount of income or loss from an Oregon business activity. This includes apportioned business income and allocated nonbusiness income from sole proprietorships. Add to that all business income or losses incurred for any portion of the year you were a resident of Oregon.

13 **Capital gain or loss.** Determine the amount of gain or loss from Oregon sources and capital gain distributions from Oregon sources. Add to that the amount of your capital gains and losses received during any portion of the year you were an Oregon resident. Limit losses to \$3,000 (\$1,500 if married filing separately).

14 **Other gains or losses.** Determine the amount of gain or loss from Oregon sources. Add to that the gain received or loss incurred for any portion of the year you were an Oregon resident.

15 **Total IRA distributions.** Determine the amount of any taxable individual retirement arrangement (IRA) distributions received for the portion of the year you were an Oregon resident. Include any amounts you converted from a regular IRA into a Roth IRA while you lived in Oregon. You may need more information. Please see page 36 for telephone numbers to call.

16 **Pensions and annuities.** Report in the Oregon column the amount of taxable pensions and annuities (including federal pensions) that you received while you were an Oregon resident. If you are domiciled in Oregon, you must also include any **Oregon source** pensions that you received. This is true even though you may qualify as a nonresident under the special-case Oregon resident or Oregon resident living abroad tests. See page 5.

For example, if you lived in Oregon before you retired **and have not changed your permanent home to another state**, you must report the pension you earned while you worked in Oregon. If you need more information, see page 36 for numbers to call. If you receive a federal pension, also see the instructions for line 38 on page 23.

17 **Rents, royalties, partnerships, limited liability companies, real estate investment trusts (REITs), estates, trusts, etc. from federal Schedule E.** Determine the amount of income you received from Oregon sources during any portion of the year you were not a resident. Add to that the amount received for any portion of the year you were an Oregon resident. 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’s or S corporation’s year-end, report all of that income or loss to Oregon.

18 **Farm income or loss.** Determine the amount of income or loss received from an Oregon farm while you were a nonresident. Add to that the amount

of farm income or loss received during any portion of the year you were an Oregon resident.

19 Unemployment compensation, taxable Social Security, and all other taxable income. Don't fill in any Social Security, railroad retirement benefits, or railroad unemployment benefits. Oregon doesn't tax this income. Determine the amount of any unemployment benefits and any other taxable income you received during the portion of the year you were an Oregon resident. Add to that figure any unemployment benefits received because of an Oregon job and any other Oregon income you received while you were a nonresident. Include in the Oregon column all payments received from the Oregon Lottery. Oregon Lottery includes Powerball tickets you purchased in Oregon. See "Oregon Lottery" on page 16 to determine whether you can subtract some or all of this amount.

Adjustments to income

21 IRA or Keogh contributions. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and Keogh deductions.

Determine the amount you paid during any portion of the year you were an Oregon resident. Add to that the amount calculated for the time you were a nonresident.

IRA. For any 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.

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

This deduction cannot exceed the amount of Oregon compensation included in the Oregon column.

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.

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

The deduction cannot exceed the amount of earned income included in the Oregon column.

22 Student loan interest. For any part of the year you were a nonresident, multiply your interest paid for that time period by the Oregon income divided by the total income for that same period. Use the formula for Keogh deductions above. Add to that all interest paid during any portion of the year you were an Oregon resident. Enter the lesser of the result or the amount deducted on your federal return.

23 Medical savings account contributions. Use the formula for IRA deductions above to figure

the portion of the federal deduction allowed for Oregon while you were a nonresident. Add to that the federal deduction amount for any part of the year you were an Oregon resident. The deduction can't be more than your Oregon income, Oregon column, line 20.

24 Moving expenses. Fill in moving expenses only if they are connected with gaining employment in Oregon or moving to Oregon to take a job in another state. 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.

25 Deduction for self-employment tax. Determine the amount of your self-employment tax on earnings from Oregon sources for any part of the year you were not a resident. Use the following formula:

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

Add to that the portion of your federal self-employment tax deduction related to income earned during any part of the year you were an Oregon resident.

The Oregon deduction cannot exceed the federal deduction.

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

Use the following formula:

$$\frac{\text{Total Oregon source health insurance premiums}}{\text{Total Oregon source health insurance premiums}} \times 60\% (.60) = \text{Oregon deduction}$$

27 Penalty on early withdrawal of savings. Fill in the amount of penalty related to savings used by an Oregon business.

28 Alimony paid. Determine if the alimony you pay is taxable (for federal purposes) to your former spouse. If so, for any part of the year you were not an Oregon resident, figure the Oregon deduction as follows:

$$\frac{\text{Oregon source income}}{\text{Total income}} \times \frac{\text{Alimony paid}}{\text{paid}} = \text{Oregon deduction}$$

Add the alimony you paid while you were a resident. Enter the total on line 28 in the Oregon column.

40P filers go to page 23 to complete Form 40P.

40N filers continue on next page (15).

Form 40N, lines 31–81 instructions

For general Form 40N instructions and lines 1 through 30, see page 11.

Additions

Oregon treats these items differently from the federal government.

31 Interest and dividends on government bonds of states other than Oregon.

Federal column. If you didn't include this income 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 on line 9 of the Oregon column, fill in the amount of interest you received from state and local governments outside of Oregon while you were an Oregon resident.

32 Federal election on interest and dividends of a minor child.

Did you choose 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 7 or 8 from federal Form 8814.

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. This includes interest and dividends from state and local governments other than Oregon that your child received while an Oregon resident.

33 Other additions.

You may need to report one or more other additions explained below. Please identify the addition(s) in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each addition. Fill in the total amount of other additions on line 33.

- **Unused business credits** [UBC]. If you claimed a deduction on your federal return for unused business credits, you must add this amount to Oregon income. Include it in both the federal and Oregon columns.
- **Difference in depreciation for Oregon** [Dif dep]. You may need the Oregon Depreciation Schedule. See page 36 to order the schedule.

Federal column. Is your Oregon depreciation less than your federal depreciation? If so, on line 33, fill in

the amount from the Oregon Depreciation Schedule, line 2. If not, see the instructions for line 38.

Oregon column. On line 33, 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 additions in **both** the federal and Oregon columns. If you need help, see page 36 for telephone numbers to call.
 - Gain or loss on the sale of depreciated property with an Oregon basis that is different from the federal basis [Basis dif].
 - Depletion in excess of basis [Depl].
 - Gain on sale of inherited Oregon farm or forest property acquired from a decedent who died before January 1, 1987 [Inher F/F].
 - Long-term care insurance premiums [LTCIP].
 - Lump-sum distributions [Lump-sum].
 - Passive activity losses [PAL].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Federally deferred gain taxed by Oregon; for example, like-kind exchanges [Fed defer].
 - Individual Development Account [IDA].

Subtractions

Oregon treats these items differently from the federal government.

37 Subtract Social Security and tier 1 railroad retirement benefits only if you included them on line 19.

38 Other subtractions.

You may qualify for one or more other subtractions explained below. Please identify the subtraction in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each subtraction. Fill in the total amount of "**Other subtractions**" on line 38.

- **Federal pension** [Fed Pen]. If you have federal pension income, see page 23 for Form 40P, line 38 instructions.
- **Difference in depreciation for Oregon** [Dif dep]. You may need the Oregon Depreciation Schedule. See page 36 to order the schedule.

Federal column. Is your Oregon depreciation more than your federal depreciation? If so, on line 38a, fill in the amount from the Oregon Depreciation Schedule, line 2. If not, see the instructions for line 33.

Oregon column. On line 38b, fill in the amount from the Oregon Depreciation Schedule, line 2, relating to income taxable by Oregon.

- **Military active duty pay** [Military]. Did you report U.S. military active duty pay in income on line 8? If so, you may qualify for a subtraction.

Reserve summer camp is active duty pay. However, drills and weekend meetings of reserve units aren't active duty. If you are in the guards or reserves and your Form W-2 doesn't show a separate amount for active duty, contact your paymaster.

Federal column. From the wages you reported on line 8 of the federal column you may subtract:

- All active duty pay earned outside of Oregon, and
- Up to \$3,000 active duty pay earned in Oregon.

Oregon column. Nonresidents—don't fill in any amount. Military active duty pay of a nonresident is not Oregon source income and should not be reported. There is nothing to subtract. Full-year and part-year residents—from the wages you reported on line 8 of the federal column you may subtract:

- All active duty pay earned outside of Oregon, and
- Up to \$3,000 active duty pay earned in Oregon.

Drill pay and weekend meeting pay for members of the Oregon National Guard or Reserves may not be subtracted. Report that pay in the Oregon column, line 8.

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

- **Interest and dividends from the U.S. government** [US int].

Federal column. Fill in interest and dividends from the U.S. government that you included on your federal return. Include U.S. government interest you received 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. Don't include interest on federal tax refunds in either column.

If you elected to report interest or dividends of your minor child on your federal return, you may subtract any U.S. government interest included.

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 38.

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

- **Scholarship awards used for housing expenses** [Sch housing]. You may subtract the amount of scholarship that:

- You included in your federal gross income, and
- You included in the Oregon column, and
- You did not deduct on your federal return, and
- You used for your housing expenses.

Federal column. Fill in the amount of scholarship income included in federal income that you used for your housing expenses.

Oregon column. Fill in the amount of scholarship income included in the Oregon column.

- **Local government bond interest** [LGBI].

Federal column. The U.S. government taxes certain types of local government bond interest such as private activity bond interest. If you included income from Oregon bonds on your federal return, deduct it on this line.

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** [OR ref]. 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.

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

- **Railroad retirement benefits** [RR].

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.

Oregon column. Don't fill in any amount. These are not included in Oregon income. See page 14, line 19. Oregon does not tax railroad retirement benefits or railroad unemployment benefits.

- **Oregon Lottery** [OR lott]. Oregon does not tax Oregon Lottery winnings of \$600 or less. Prizes over \$600 from each single ticket may be taxable. Oregon Lottery includes Powerball tickets you purchased in Oregon.

Federal column and Oregon column. From the winnings you reported on line 19 you may subtract:
— Winnings of \$600 or less from each single ticket purchased in Oregon on January 1, 1998 or later, and
— Prizes of any amount from tickets purchased prior to 1998.

You cannot subtract any winnings of more than \$600 if you bought the tickets in 1998 or later.

Are you claiming gambling losses as an itemized deduction? If so, you also may need to reduce them. See instructions for line 46, page 18. If you need help, see page 36 for telephone numbers to call.

- 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.
 - Logging and construction commuting costs [LCCC].
 - 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 [Indian].
 - Gain or loss on the sale of depreciated property with an Oregon basis that is different from the federal basis [Basis dif].
 - Business expenses reduced because of federal tax credits (e.g., targeted jobs, work opportunities) [Fed exp].
 - Passive activity losses [PAL].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Certain pension distributions when the contributions were taxed by another state [Prev tax].
 - Federal gain previously taxed by Oregon; for example, like-kind exchange [Fed gain].
 - Underground storage tank pollution grants [Tank].
 - Individual Development Accounts [IDA].
 - Payments from Public Safety Memorial Fund [Memorial].
 - Land donation to an educational institution [Land].
 - Taxable health insurance benefits of a same-sex domestic partner [Partner].

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

	Oregon percentage		
Example	Line 39b	Line 39a	Line 40
1	\$8,000 ÷	\$30,000 =	.266666 Round to .267 (26.7%)
2	(1,000) ÷	15,000 =	-0- (0%)
3	20,000 ÷	15,000 =	1.000 (100.0%)

Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger, but not both.

41 Itemized deductions. Generally, you may claim your total itemized deductions after federal limitations shown on federal Schedule A, line 28. You may itemize for Oregon even if you don't have enough deductions to itemize on your federal return. **If you**

itemize for Oregon only, fill out a federal Schedule A. Use your federal adjusted gross income to figure the Schedule A limitations. Keep the 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 11. You may separate each spouse's itemized deductions if you can clearly identify 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, line 5. Also, if you claim a credit for income taxes 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 part-year instructions for line 59 on page 28.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI) exceeded \$128,950 (\$64,475 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 36 to order the information circular, "Limit on Itemized Deductions."

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 someone else can claim you as a dependent, your standard deduction is limited to the **greater** of:

1. Your earned income plus \$250, but no more than the maximum allowed for your filing status as shown above, or
2. \$700.

The limit applies even if you can be, but are not, claimed as a dependent on another person's return.

Also: Each taxpayer and each spouse who is age 65 or older is allowed an additional deduction amount. Each taxpayer and each spouse who is blind is also allowed an additional deduction amount. The additional amount is based on your filing status, as follows:

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

45 2000 federal tax liability. Carefully follow the instructions below. Don't confuse your **federal**

tax liability from your federal return with the **federal tax withheld** on your Form(s) W-2. They aren't the same.

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

1. Fill in your federal tax liability from 1. _____
Form 1040, line 51; Form
1040A, line 33; Form 1040EZ, line 10;
or Telefile Tax Record, tax from
second box, line K.
2. Fill in \$3,000 (\$1,500 if married filing 2. _____
separately).
3. Fill in the lesser of line 1 or line 3. _____
2 here and on line 45.

Did you have tax on qualified retirement plans, Form 1040, line 54? If so, include it in your federal tax subtraction amount on line 1 above.

Caution: Don't add:

- Self-Employment tax, Form 1040, line 52.
- Social Security and Medicare tax on tips, Form 1040, line 53.
- Advance earned income credit payments, Form 1040, line 55, or Form 1040A, line 34.
- Household employment taxes, Form 1040, line 56.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 11. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 2000 because you were audited or you filed an amended return? If so, read the instructions for line 46, "Other deductions and modifications."

46 Other deductions and modifications. Only a few people have other deductions and modifications. Some of these items are multiplied by the Oregon percentage. Enter these amounts on Form 40N, line 46. Others are not multiplied by the Oregon percentage. Enter these amounts on line 49. Please identify the deduction or modification in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. Net the total amount of these items and enter that amount on this line. If it is an addition, please clearly bracket it. For example, "[200]."

- **Federal tax from a prior year** [Prior fed]. Did you pay additional federal tax in 2000 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, Form 40N, line 45, or Form 40P, line 46.

Step 2: On Form 40N, line 46, or Form 40P, line 47, fill in the lesser of:
— The amount you figured in step 1, **or**
— Your additional federal tax from a prior year.

- **Foreign tax** [Foreign]. Did you pay tax to a foreign country in 2000? 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, Form 40N, line 45, or Form 40P, line 46, **and**
— Your federal tax from a prior year (see instructions above).

Step 2: On Form 40N, line 46, or Form 40P, line 47, fill in the lesser of:
— The amount you figured in step 1, **or**
— Your 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 and your federal tax deduction can't be more than \$3,000.

- **Gambling losses claimed as an itemized deduction** [Gambling]. Did you have winnings from the Oregon Lottery and claim gambling losses on your federal Schedule A? If so, fill in and clearly bracket on line 46 the gambling losses that exceed gambling winnings **taxed** by Oregon.
- **Federal income tax refunds** [Fed ref]. Did you get a federal tax refund in 2000 because you filed an amended federal return for a prior year or you were audited? If so, fill in and clearly bracket the amount on line 46 if you subtracted that amount on a prior Oregon return.
- **Special Oregon medical deduction** [OR med]. You may qualify for an additional Oregon itemized deduction for medical expenses. You or your spouse must be age 62 or older by December 31, 2000. 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. Label it "Charitable art donation" or [Art]. To order the

information circular, "Art Contribution Subtraction," please call us. See page 36 for telephone numbers.

Oregon tax

52 Oregon tax. Figure the tax on your Oregon taxable income, line 51. Use the rate charts on page 30. 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
Subtract	-12,200
	<u>7,300</u>
Multiply by 9%	× .09
	<u>657</u>
Then add	+ 756
Their Oregon tax is	<u>\$ 1,413</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.

See page 26, Form 40P, line 52 instructions for more information. 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:

- Personal exemption.
- Earned income.
- Working family.
- Child and dependent care.
- Elderly or the disabled.
- Long-term care insurance premiums.
- Adoption.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Residential energy devices.
- Rural medical practitioners, dentists, or optometrists.

56 Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for and claim the earned income credit on your federal return. Your Oregon credit is 5 percent of your federal credit. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$).

Use the following formula to compute your credit:

1. Enter your federal earned income credit (Form 1040EZ, line 8a; Form 1040A, line 38a; Form 1040, line 60a; or Telefile Tax Record, line L). 1. _____
2. Decimal amount. 2. .05
3. Multiply line 1 by line 2. Enter result here. 3. _____
4. Multiply line 3 by the Oregon percentage (Form 40N, line 40). Enter here and on Form 40N, line 56. 4. _____

The Oregon earned income credit is limited to your tax liability. You cannot carry over any amount that exceeds your tax liability.

57 Working family credit. This credit is available to low-income families with **qualifying child care expenses**. You qualify for this credit if **all** the following are true:

- Your adjusted gross income (Form 40N, line 30a) is less than the limit for your household size (see tables on page 27), and
- Your expenses are for your child under age 13, (or for your child with a disability, see page 12), and
- Care is not provided by the child's parent or guardian (unless provided in a licensed or registered child care facility), and
- Care is not provided by the qualifying child's brother or sister under age 19, and
- You have earned income of at least \$6,300, and
- You have less than \$2,400 of investment income (investment income is generally interest, dividends, and capital gains), and
- If you are married filing separately, you must be legally separated or living apart on December 31, 2000.

Use the following worksheet to figure your credit:

Household size

1. Enter the number of exemptions reported on your federal return. 1. _____
2. Add your children who live with you whose exemption is claimed by the other parent. 2. _____
3. Line 1 plus line 2. This is your household size. 3. _____

Credit amount

4. Enter your adjusted gross income from Form 40N, line 30a. 4. _____
5. Enter total child care expenses you paid in 2000. 5. _____
6. Enter the decimal amount from the correct table on page 27. The tables are based on household size (line 3 above). For example, if the amount on line 3 is 7, use Table 7. 6. _____

7. Multiply line 5 by line 6. 7. _____
 8. Multiply line 7 by the Oregon percentage (Form 40N, line 40). 8. _____
 Enter here and on Form 40N, line 57.

The working family credit is limited to your tax liability. You cannot carry over any amount that exceeds your tax liability. This credit may be claimed in addition to the child and dependent care credit.

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

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

See page 28 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.

59 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. In most cases, you cannot claim the credit if you are married filing separately. Use the following worksheet to figure your credit for Oregon.

1. Enter the amount from federal Form 2441, line 6, or Form 1040A, Schedule 2, line 6. 1. _____
 2. Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 39, or Form 1040A, line 25 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 amount on line 1 by the decimal amount on line 2. Enter here. 3. _____
 4. Multiply line 3 by the Oregon percentage from Form 40N or Form 40P, line 40. Enter the result on Form 40N, line 59, or Form 40P, line 58. 4. _____

Note: Did you pay 1999 child care expenses in 2000? If so, you may be able to use that amount to increase your 2000 Oregon child and dependent care credit.

Carryforward. Your total 2000 child care credit can't be more than your 2000 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 60.

60 Other credits. You may qualify for other credits explained below. Please identify the credit in the space on line 60 using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each credit.

- **Retirement income credit [RIC].** Nonresidents are eligible for this credit **only** if they are including an Oregon source pension in the Oregon column. The credit can be claimed by an eligible full-year or part-year resident when filing jointly with a nonresident spouse on Form 40N. See part-year instructions, line 57, on page 28.
- **Child and dependent care credit carryover from prior years [C/O-CDC].** Fill in the amount of the carryover on Form 40N or Form 40P, line 60. 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 [PCC].** Include 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 2000. They must have been donations of money to any of the following: a political party; a qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon; or a political action committee certified in Oregon.
- **Credit for the elderly or the disabled [OR CED].** 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 percent (.40). Then multiply the result by the Oregon percentage on Form 40N, line 40. You may claim this credit or the retirement income credit, but not both.

The following credits apply to only a few people. Some are prorated and some aren't.

- Adoption [Adopt].
- Bone marrow donation program [Marrow].
- Business energy [Bus en].
- Child development [Ch dev].
- Crops donated to gleaning cooperatives [Crops].
- Dependent care assistance [DCA].
- Farmworker housing [Farm hsng].
- First Break Program [1 break].
- Fish habitat improvements [Fish hab].

- Fish screening devices [Fish scrn].
- Gain from the sale of your house also taxed by another state or country [Hse gain].
- Home care for the elderly [HCE].
- Involuntary moving of an Oregon mobile home [Mobile hm].
- Long-term care insurance premiums [LTCIP].
- Loss of use of limbs [Limbs].
- Pollution control facilities [Poll fac].
- Pollution prevention credit [Poll prev].
- Reclaimed plastics (investment in capital assets) [Rec plas].
- Reforestation of underproductive forest lands [Reforest].
- Residential energy devices [Res en].
- Rural medical practitioners, dentists, or optometrists [Rural med].

Tax payments, penalties, and interest

63 Oregon income tax withheld. Fill in the total Oregon tax withheld from your wages and other income. That's the amount shown on your Form(s) W-2 or 1099. Don't use the FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple a readable copy of your Form W-2 from each job and any 1099 showing Oregon income tax withheld to the lower front of your return.

If you don't have a Form W-2 or 1099, you must provide other proof of Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2001, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

64 Estimated tax payments for 2000. Fill in the total Oregon estimated tax payments you made before filing your 2000 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1999 income tax return.

68 Penalty and interest. Your return is due April 16, 2001, unless you file for an extension.

Penalty. Include a penalty payment if you:

- Mail your tax payment after April 16 (even if you have an extension), or
- File your return showing tax-to-pay after the due date or extension due date.

The penalty is 5 percent of the unpaid balance of your tax. If you file more than three months after the due date or the due date on your extension, 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 16, 2001.
3. Pay the balance of tax due when you file by the extension deadline.
4. Pay the interest on the balance of tax when you file or within 30 days of our billing date.

Interest. If you are paying your tax after April 16, 2001, include interest on any unpaid tax. An interest period is each full month starting with the day after the due date. For example, April 17, 2001 through May 16, 2001 is a full month. The current interest rate is .8333 percent per month (10 percent per year).

Interest is figured daily for periods of less than a month.

Tax × .000274 × number of days

If the tax is not paid within 60 days of our bill, the interest rate increases to 14 percent per year.

69 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 36 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 \$1,000 tax on your 2000 return after you subtract your credits and Oregon tax withheld.

71 Amount-you-owe. Make your check or money order payable to "**Oregon Department of Revenue.**" Write your Social Security number and "2000 Oregon Form 40N" on it. Please use **blue** ink. Do not use red ink. Do not make your payment out to "IRS," "Treasury," or "Internal Revenue Service." **Don't send cash or a postdated check.** Staple your payment to your return on top of the Form(s) W-2. If the amount is less than \$1, no payment is required.

Special instructions. Do you owe interest on line 69 and have an overpayment on line 66? If your overpayment is less than the interest due, fill in the result of line 70 minus line 66.

Stop here on the form.

72 Refund. You must have a refund of \$1 or greater on line 72 to use lines 73-79.

73 Estimated tax. If your refund on line 72 is \$1 or more, you may apply part or all of it to your 2001 estimated tax. Fill in the amount you want to apply. But don't fill in less than \$1 or more than the amount on line 72.

74 – 79 Charitable checkoff. You may donate all or part of your refund to the charities listed below. Donations will reduce your refund. You may donate to any or all of the charities on lines 74–78. You also may donate to one of the charities on line 79. If you don't have a refund on line 72 but you want to contribute, mail your donations to the addresses shown on page 29.

74 Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat.

75 Child Abuse Prevention. Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect.

76 Alzheimer's Disease Research. Your donation goes to the Alzheimer's Research Alliance of Oregon for research on Alzheimer's disease and related disorders.

77 Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.

78 AIDS/HIV Research, Education, and Services. Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.

79 Other charity. You may donate all or part of your refund to one of the charities listed below. Enter the code of the charity on line 79. Only one code may be entered. Check the box for the amount you want to donate and write it on line 79.

Or, you can mail your donations to the addresses shown on page 30.

Habitat for Humanity (Code 1). Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.

Oregon Head Start Association (Code 2). Your donation will help Head Start provide services to the lowest-income, highest-need children and families.

81 Net refund. You must **reduce your refund** by any amounts applied to 2001 estimated tax and donations on lines 73–79. By law, the Oregon Department of Revenue cannot refund amounts less than \$1. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

Preparer signature block. Any person who prepares, advises, or assists in the preparation of personal income tax returns for another person in exchange for payment, gifts, or other compensation must be licensed. Contact

these agencies for more information on licensing or to check the status of your Oregon tax practitioner:

- State Board of Tax Service Examiners at 503-378-4034 for licensed tax consultants.
- State Board of Accountancy at 503-378-4181 for Public Accountants and Certified Public Accountants.

License number. Licensed tax consultants please enter your license number. Certified Public Accountants please enter your certificate number. Tax-Aide volunteers please enter your TCE site number.

To avoid processing delays, remember to:

File electronically. See page 3.

Type or clearly print your name, address, and correct Social Security number on the return.

Double-check your math calculations and other figures, including your Social Security number. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Please double-check the tax you figured. Errors will slow the processing of your return.

Sign your return (both spouses must sign a joint return).

Staple readable copies of Form(s) W-2 and 1099 showing Oregon tax withheld to the front of the return.

See "Before you file" on page 35.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) and be sure to use enough postage.

Mail refund returns or no-tax-due returns to:

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14555
Salem OR 97309-0940

Payment Plans

If you can't pay in full now, we will work with you to set up a payment plan. File now and pay what you can. Write your Social Security number and tax year on your check. You will receive a billing notice showing tax, penalty, interest, and the balance due. When you receive the billing notice, immediately call the telephone number on the notice to set up your payment plan. Otherwise, collection activity may begin.

Form 40P, lines 31–81 instructions

For general Form 40P instructions and lines 1 through 30, see page 11.

Additions

Oregon treats these items differently from the federal government.

31 Interest and dividends on government bonds of states other than Oregon.

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

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

32 Federal election on interest and dividends of a minor child.

Did you elect to report the interest and dividends of your minor child on your federal return? If so, see instructions for line 32 on page 15.

33 Other additions.

You may need to report one or more other additions explained below. Please identify the addition in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each addition. Fill in the total amount of other additions on line 33.

Difference in depreciation for Oregon [Dif dep]. Did you move into Oregon with depreciable property located in another state? You may need the "Oregon Depreciation Schedule." See page 36 to order it.

There are also additions that apply to only a few people. They are listed on page 15 of the 40N instructions. Make the addition in **both** the federal and Oregon columns. If you need help, see page 36 for telephone numbers to call.

Subtractions

Oregon treats these items differently from the federal government.

37

Subtract Social Security and tier 1 railroad retirement benefits **only** if you included them on line 19.

38 Other subtractions.

You may qualify for one or more other subtractions explained below. Please identify the subtraction in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and

amount of each subtraction. Fill in the total amount of **"Other subtractions"** on line 38.

- **Federal pension income** [Fed pen]. You may be able to subtract some or all of the federal pension income included in 2000 federal income. This includes benefits paid to the retiree or to the surviving spouse. The subtraction amount is based on the number of months of federal service before and after October 1, 1991. Subtract your entire federal pension if all your months of federal service occurred before October 1, 1991. If you have no months of service before October 1, 1991, you cannot subtract any federal pension. If your service was both before and after October 1, 1991, you will subtract a percentage of your pension income. Once you have determined the percentage, it will not change from year to year.

Example: Quang began working for the U.S. Postal Service February 5, 1965 and retired November 16, 1995. He worked 320 months before October 1, 1991 and a total of 370 months. Quang moved to Oregon May 31, 2000. He can subtract 86.5 percent ($320 \div 370$) of his federal pension included in the Oregon column. He will continue to subtract 86.5 percent of his federal pension from Oregon income in future years.

Use the following worksheet to determine your subtraction amount:

Federal column

1. Federal pension included in federal column. 1. _____
2. Divide months of service before October 1, 1991 by total months of service. 2. _____
3. Multiply line 1 by line 2. Enter here and on line 38a. 3. _____

Oregon column

4. Federal pension included in Oregon column. 4. _____
5. Percentage from line 2 above. 5. _____
6. Multiply line 4 by line 5. Enter here and on line 38b. 6. _____

To avoid processing delays or adjustments, attach your federal return that reports your federal pension amount.

- **Difference in depreciation for Oregon** [Dif dep]. Did you move into Oregon with depreciable property located in another state? You may need the "Oregon Depreciation Schedule." See page 36 to order the form.
- **Military active duty pay** [Military]. Military active duty pay qualifies for a subtraction. See page 16 of the Form 40N instructions.

- **Interest and dividends from the U.S. government** [US intl]. If you received interest and dividends from the U.S. government that you included on your federal return, see page 16 of Form 40N instructions.

- **Local government bond interest** [LGBI].

Federal column. The U.S. government taxes certain types of local government bond interest such as private activity bond interest. If you included income from Oregon bonds on your federal return, deduct it on this line.

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

- **Scholarship awards used for housing expenses** [Sch housing]. You may subtract the amount of scholarship that:

- You included in your federal gross income, and
- You included in the Oregon column, and
- You did not deduct on your federal return, and
- You used for your housing expenses.

See page 16 of the Form 40N instructions.

- **Oregon tax refund included in federal income** [OR ref]. 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.

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

- **Railroad retirement benefits** [RR].

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.

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

- **Oregon Lottery** [OR lott]. Oregon does not tax Oregon Lottery winnings of \$600 or less. Prizes over \$600 from each single ticket may be taxable. Oregon Lottery includes Powerball tickets you purchased in Oregon.

Federal column and Oregon column. From the winnings you reported on line 19 you may subtract:

- Winnings of \$600 or less from each single ticket purchased in Oregon on January 1, 1998 or later, and
- Prizes of any amount from tickets purchased prior to 1998.

You cannot subtract any winnings of more than \$600 if you bought the tickets in 1998 or later.

You may also need to reduce your gambling losses claimed on Schedule A. See instructions for line 47 on page 25.

There are also subtractions that apply to only a few people. They are listed on page 17 of Form 40N instructions. Make the subtraction in **both** the federal and Oregon columns if the related income was included in both columns.

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

	Oregon percentage		
Example	Line 39b	Line 39a	Line 40
1	\$8,000 ÷	\$30,000 =	.266666 Round to .267 (26.7%)
2	(1,000) ÷	15,000 =	-0- (0%)
3	20,000 ÷	15,000 =	1.000 (100.0%)

Deductions and modifications

You may claim either net itemized deductions or Oregon's standard deduction, whichever is larger, but not both.

42 Itemized deductions. Generally, you may claim your total itemized deductions after federal limitations as shown on federal Schedule A, line 28. You may itemize for Oregon even if you don't have enough deductions to itemize on your federal return. **If you itemize for Oregon only**, fill out a federal Schedule A. 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 11.

43 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, line 5. Also, if you claim a credit for income taxes 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 59, page 28.

Did you limit itemized deductions on your federal return because your adjusted gross income exceeded \$128,950 (\$64,475 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 36 to order the information circular, "Limit on Itemized Deductions."

45 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 someone else can claim you as a dependent, your standard deduction is limited to the **greater** of:

1. Your earned income plus \$250, but no more than the maximum allowed for your filing status as shown above, **or**
2. \$700.

The limit applies even if you can be, but are not, claimed as a dependent on another person's return.

Also: Each taxpayer and each spouse who is age 65 or older is allowed an additional deduction amount. Each taxpayer and each spouse who is blind is also allowed an additional deduction amount. The additional amount is based on your filing status, as follows:

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

46 2000 federal tax liability. Carefully follow the instructions below. Don't confuse your **federal tax liability** from your federal return with the **federal tax withheld** on your Form(s) W-2. They aren't the same.

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

1. Fill in your federal tax liability from Form 1040, line 51; Form 1040A, line 33; Form 1040EZ, line 10; or Telefile Tax Record, tax from second box, line K. 1. _____
2. Fill in \$3,000 (\$1,500 if married filing separately). 2. _____
3. Fill in the lesser of line 1 or line 2 here and on line 46. 3. _____

Did you have tax on qualified retirement plans, Form 1040, line 54? If so, include it in your federal tax liability on line 1 above.

Caution: Don't add:

- Self-Employment tax, Form 1040, line 52.
- Social Security and Medicare tax on tips, Form 1040, line 53.
- Advance earned income credit payments, Form 1040, line 55, or Form 1040A, line 34.
- Household employment taxes, Form 1040, line 56.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by

the percentage calculated on page 11. Each spouse is limited to a maximum subtraction of \$1,500.

Did you pay additional federal tax in 2000 because you were audited or you filed an amended return? If so, read the instructions for line 47, "Other deductions and modifications."

47 Other deductions and modifications. Please identify the deduction or modification in the space on the form using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each. Modifications can be either additions or subtractions. Net the total of these items and enter that amount on this line. If the net amount is an addition, please clearly bracket it. For example, "[200]."

- **Federal tax from a prior year** [Prior fed]. If you paid additional federal tax in 2000 because you were audited or you amended a prior year return, you may be able to deduct the additional tax. See page 18, Form 40N, line 46 instructions, to figure your deduction.
- **Foreign tax** [Foreign]. If you paid tax to a foreign country in 2000, you may be able to deduct these taxes. See page 18, Form 40N, line 46 instructions.
- **Artists who make a charitable art donation** [Art].
- **Federal income tax refunds** [Fed ref]. Did you get a federal tax refund in 2000 because you filed an amended federal return for a prior year or you were audited? If so, fill in and clearly bracket the amount on line 47 if you subtracted that amount on a prior Oregon return. For example, "[150]."
- **Gambling losses claimed as an itemized deduction** [Gambling]. Did you have winnings from the Oregon Lottery and claim gambling losses on your federal Schedule A? If so, fill in and clearly bracket on line 47 the gambling losses that exceed gambling winnings taxed by Oregon. For example, "[300]."
- **Special Oregon medical deduction** [OR med]. You may qualify for an additional medical expense deduction for Oregon. See page 18, Form 40N, line 46 instructions to figure your deduction.

Oregon tax

50 Tax. Figure the tax on taxable income, line 49. Use the rate charts on page 30. Fill in the amount of tax on line 50. Please double-check the tax you figured.

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

Taxable income	\$19,500
Subtract	- 6,100
	13,400
Multiply by 9%	× .09
	1,206
Then add	+ 378
Their tax is:	<u>\$ 1,584</u>

4. Multiply line 3 by the Oregon percentage (Form 40P, line 40). Enter here and on Form 40P, line 55. 4. _____

The Oregon earned income credit is limited to your tax liability. There is no carryover.

52 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.

- For the part of the year that you were a nonresident, use only those installment obligations that arose from dispositions of Oregon property.
- 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 52.

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:

- Personal exemption.
- Earned income.
- Working family.
- Child and dependent care.
- Elderly or the disabled.
- Long-term care insurance premiums.
- Adoption.
- Farmworker housing.
- Fish habitat improvements.
- Fish screening devices.
- Residential energy devices.
- Rural medical practitioners, dentists, or optometrists.

55 Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for and claim the earned income credit on your federal return. Your Oregon credit is 5 percent of your federal credit. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$).

Use the following formula to compute your credit:

- Enter your federal earned income credit (Form 1040EZ, line 8a; Form 1040A, line 38a; Form 1040, line 60a; or Telefile Tax Record, line L). 1. _____
- Decimal amount. 2. .05
- Multiply line 1 by line 2. Enter result here. 3. _____

56 Working family credit. This credit is available to low-income families with qualifying child care expenses. You qualify for this credit if **all** the following are true:

- Your adjusted gross income (Form 40P, line 30a) is less than the limit for your household size (see tables on page 27), and
- Your expenses are for your child under age 13 (or for your child with a disability, see page 12), and
- Care is not provided by the child's parent or guardian (unless provided in a licensed or registered child care facility), and
- Care is not provided by the qualifying child's brother or sister under age 19, and
- You have earned income of at least \$6,300, and
- You have less than \$2,400 of investment income (investment income is generally interest, dividends, and capital gains), and
- If you are married filing separately, you must be legally separated or living apart on December 31, 2000.

Use the following worksheet to figure your credit:

Household size

- Enter the number of exemptions reported on your federal return. 1. _____
- Add your children who live with you whose exemption is claimed by the other parent. 2. _____
- Line 1 plus line 2. This is your household size. 3. _____

Credit amount

- Enter your adjusted gross income from Form 40P, line 30a. 4. _____
- Enter total child care expenses you paid in 2000. 5. _____
- Enter the decimal amount from the correct table on page 27. The tables are based on household size (line 3 above). For example, if the amount on line 3 is 7, use Table 7. 6. _____
- Multiply line 5 by line 6. 7. _____
- Multiply line 7 by the Oregon percentage (Form 40P, line 40). Enter here and on Form 40P, line 56. 8. _____

The working family credit is limited to your tax liability. You cannot carry over any amount that exceeds your tax liability. This credit may be claimed in addition to the child and dependent care credit.

Working Family Credit—2000 Tables

Table 1, household size = 1

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$12,550	.40
\$12,550	13,350	.36
13,350	14,200	.32
14,200	15,050	.24
15,050	15,850	.16
15,850	16,700	.08
16,700	—	.00

Table 2, household size = 2

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$16,900	.40
\$16,900	18,000	.36
18,000	19,150	.32
19,150	20,250	.24
20,250	21,400	.16
21,400	22,500	.08
22,500	—	.00

Table 3, household size = 3

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$21,250	.40
\$21,250	22,650	.36
22,650	24,050	.32
24,050	25,450	.24
25,450	26,900	.16
26,900	28,300	.08
28,300	—	.00

Table 4, household size = 4

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$25,600	.40
\$25,600	27,300	.36
27,300	29,000	.32
29,000	30,700	.24
30,700	32,400	.16
32,400	34,100	.08
34,100	—	.00

Table 5, household size = 5

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$29,950	.40
\$29,950	31,900	.36
31,900	33,900	.32
33,900	35,900	.24
35,900	37,900	.16
37,900	39,900	.08
39,900	—	.00

Table 6, household size = 6

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$34,300	.40
\$34,300	36,550	.36
36,550	38,850	.32
38,850	41,150	.24
41,150	43,400	.16
43,400	45,700	.08
45,700	—	.00

Table 7, household size = 7

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$38,650	.40
\$38,650	41,200	.36
41,200	43,800	.32
43,800	46,350	.24
46,350	48,950	.16
48,950	51,500	.08
51,500	—	.00

Table 8, household size = 8

If the amount on line 4 is:		Enter this decimal amount on line 6:
at least—	but less than—	
—	\$43,000	.40
\$43,000	45,850	.36
45,850	48,700	.32
48,700	51,550	.24
51,550	54,450	.16
54,450	57,300	.08
57,300	—	.00

57 Retirement income credit. If you were age 62 or older on December 31, 2000 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 contained in Oregon taxable income from:

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

Use the following worksheet to figure your credit.

1a. Enter the retirement income of the eligible individual(s) from the Oregon column, lines 15 and 16.	1a. _____
1b. Enter any federal pension income subtracted on line 38b.	1b. _____
1c. Net Oregon taxable pension. Line 1a minus line 1b.	1c. _____
2. Enter \$7,500 (\$15,000 if married filing jointly).	2. _____
3. Enter both spouses' total 2000 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. See below to determine your household income.	5. _____
6. Household income base. Enter \$15,000 (\$30,000 if married filing jointly).	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 1c or line 8.	9. _____
10. Multiply line 9 by 9% (.09). Enter the result here and on Form 40P, line 57, or Form 40N, line 60.	10. _____

What is included in household income? Household income includes all taxable and nontaxable income of each spouse, except Social Security and tier 1 railroad retirement benefits. Include gross income reduced by adjustments on the federal form. Do not include your state tax refund, pension income excluded from federal AGI that is a return of contributions, or pensions that are rolled over into an IRA. Any losses claimed are limited to \$1,000 for each activity. Depreciation is limited to \$5,000. If you need help, see page 36 for numbers to call.

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.

58 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 20 of Form 40N instructions to figure your credit.

59 Credit for income taxes paid to another state. If you paid 2000 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 2000.

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

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 36 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 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 benefit from the itemized deduction for the tax paid to the other state. 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 43 (Form 40N, line 42).

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

60 Other credits. You may qualify for one or more of the credits explained below. Please identify the credit(s) you are claiming on line 60 using the title shown in bold or the abbreviation shown in brackets. If you have more than one, show the type and amount of each credit. Fill in the amount of all "Other credits" on line 60.

- **Political contribution credit [PCC].** 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 2000. They must have been donations of money to any of the following: a political party; a qualified candidate (or the candidate's principal campaign committee) for federal, state, or local office to be voted for in Oregon; or a political committee certified in Oregon.
- **Child and dependent care credit carryover from prior years [C/O-CDC].** If you have a child and dependent care credit carryover, see page 20 of Form 40N instructions.
- **Credit for the elderly or the disabled [OR CED].** The credit is 40 percent of the federal credit. You may claim this credit or the retirement income credit, but not both.

- | | |
|---|---------------|
| 1. Enter the amount from federal Schedule R, line 20; or Form 1040A, Schedule 3, line 20. | 1. _____ |
| 2. Decimal amount. | 2. <u>.40</u> |
| 3. Multiply line 1 by line 2. Enter result here. | 3. _____ |

Multiply the result by the Oregon percentage on Form 40P, line 40.

Note: Oregon has some credits that apply to only a few people. These credits are listed on page 20.

Tax payments, penalties, and interest

63 Oregon income tax withheld. Fill in the total Oregon tax withheld from your wages and other income. That's the amount shown on your Form(s) W-2 or 1099. Don't use the FICA (Social Security) tax withheld from your pay. Don't use tax withheld from your wages by other states. Staple a readable copy of your Form W-2 from each job and any 1099 showing Oregon income tax withheld to the lower front of your return.

If you don't have a Form W-2 or 1099, you must provide other proof of Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer. If you file before February 1, 2001, we can accept only Form(s) W-2 or 1099 as proof of Oregon tax withheld.

64 Estimated tax payments for 2000. Fill in the total Oregon estimated tax payments you made before filing your 2000 Oregon return. Include any payments made with your extension. Also, include any refund applied from your 1999 income tax return.

68 Penalty and interest. See 40N instructions on page 21.

69 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 40N instructions on page 21.

71 Amount-you-owe. Make your check or money order payable to "**Oregon Department of Revenue.**" Write your Social Security number and "2000 Oregon Form 40P" on it. Please use **blue** ink. Do not use red ink. Do not make your payment out to "IRS," "Treasury," or "Internal Revenue Service." **Don't send cash or a postdated check.** Staple your payment to your return on top of the Form(s) W-2. If the amount is less than \$1, no payment is required.

Special instructions. Do you owe interest on line 69 and have an overpayment on line 66? If your overpayment is less than the interest due, fill in the result of line 70 minus line 66.

Stop here on the form.

72 Refund. You must have a refund of \$1 or greater on line 72 to use lines 73-79.

73 Estimated tax. If your refund on line 72 is \$1 or more, you may apply part or all of it to your 2001 estimated tax. Fill in the amount you want to apply. Don't fill in less than \$1 or more than the amount on line 72.

74 - 79 Charitable checkoff. You may donate all or part of your refund to the charities listed below. Donations will reduce your refund. You may donate to any or all of the charities on lines 74-78. You also may donate to one of the charities listed on line 79. If you don't have a refund on line 72 but you want to contribute, mail your donations to the addresses shown.

74 Oregon Nongame Wildlife. Your donation will fund the protection of nongame wildlife and its habitat.

Oregon Department of Fish and Wildlife
PO Box 59
Portland OR 97207

75 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
1410 SW Morrison St, Suite 502
Portland OR 97205

76 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 97296

77 Stop Domestic and Sexual Violence. Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.

OCADSV
659 Cottage St NE
Salem OR 97301

78 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
1650 NW Naito Parkway, Suite 185
Portland OR 97209-8428

79 Other charity. You may donate all or part of your refund to one of the charities listed below. Enter the code of the charity on line 79. Only one code may be entered. Check the box for the amount you want to donate and write it on line 79. Or, you can mail your donations to the addresses shown.

Habitat for Humanity of Oregon (Code 1). Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.

Habitat for Humanity of Oregon
PO Box 3402
Salem OR 97302-9998

Oregon Head Start Association (Code 2). Your donation will help Head Start provide services to the lowest-income, highest-need children and families.

Oregon Head Start Association
Administrative Services
PO Box 1455
Tualatin OR 97062

81 Net refund. You must **reduce your refund** by any amount applied to your 2001 estimated tax and donations on lines 73-79. By law, the Oregon Department of Revenue cannot refund amounts less than \$1. Generally, the department cannot issue a refund when the return is filed more than three years after the due date of the return.

Preparer signature block. Any person who prepares, advises, or assists in the preparation of personal income tax returns for another person in exchange for payment, gifts, or other compensation must be licensed. Contact these agencies for more information on licensing or to check the status of your Oregon tax practitioner:

- State Board of Tax Service Examiners at 503-378-4034 for licensed tax consultants.
- State Board of Accountancy at 503-378-4181 for Public Accountants and Certified Public Accountants.

...instructions continued on page 35

Tax Rate Charts for Form 40N and Form 40P Filers

For persons filing Single, or Married filing separately

Tax Rate Chart A:

If your taxable income is:

Not over \$2,450

Over \$2,450, but not over \$6,100

Over \$6,100

To figure your tax:

Multiply your taxable income by .05 (5%).

Subtract \$2,450 from your taxable income. Multiply the result by .07 (7%). Then add \$123.

Subtract \$6,100 from your taxable income. Multiply the result by .09 (9%). Then add \$378.

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

Tax Rate Chart B:

If your taxable income is:

Not over \$4,900

Over \$4,900, but not over \$12,200

Over \$12,200

To figure your tax:

Multiply your taxable income by .05 (5%).

Subtract \$4,900 from your taxable income. Multiply the result by .07 (7%). Then add \$245.

Subtract \$12,200 from your taxable income. Multiply the result by .09 (9%). Then add \$756.

Form 40P Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Back

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Front

The tax forms are a separate download. You will find them at:
<http://www.dor.state.or.us/formspit.html>

Form 40P Back

The tax forms are a separate download. You will find them at:

<http://www.dor.state.or.us/formspit.html>

To avoid processing delays, remember to:

File electronically. See page 3.

Type or clearly print your name, address, and correct Social Security number on the return.

Double-check your math calculations and other figures, including your Social Security number. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Please double-check the tax you figured. Errors will slow the processing of your return.

Sign your return (both spouses must sign a joint return).

Staple readable copies of Form(s) W-2 and 1099 showing Oregon tax withheld to the front of the return.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) and be sure to use enough postage.

Mail refund returns or no-tax-due returns to:

REFUND
PO Box 14700
Salem OR 97309-0930

Mail tax-to-pay returns to:

Oregon Department of Revenue
PO Box 14555
Salem OR 97309-0940

Payment Plans

If you can't pay in full now, we will work with you to set up a payment plan. File now and pay what you can. Write your Social Security number and tax year on your check. You will receive a billing notice showing tax, interest, penalty, and the balance due. When you receive the billing notice, immediately call the telephone number on the notice to set up your payment plan. Otherwise, collection activity may begin.

Before you file

Should I put my return together in a special order?

Yes. To speed processing, put your Oregon return together as follows:

1. Start with Form 40N or Form 40P.
2. Staple Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your Form 40N or Form 40P.
3. Staple your payment on top of Form(s) W-2.

4. Place a copy of the front and back of federal Form 1040, 1040A, 1040EZ, or Telefile Tax Record behind your Form 40N or Form 40P.
5. If applicable, place Oregon Form 10, "Underpayment of Oregon Estimated Tax" behind your federal form.
6. If applicable, place proof to claim credit for income taxes paid to another state behind the entire packet.
7. Staple all pages of your return together in the top left-hand corner.

Don't attach extension requests or federal Schedules A, B, C, D, or Form 2441, etc. We receive some federal information from the IRS. We may ask you for copies of schedules or additional information later.

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 2000" is printed at the top of the second page.

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

- If you file your return electronically:
 - After processing begins March 1, you may receive your refund in as few as 10 to 12 business days.
- If you file your return before April 1:
 - Allow 6–8 weeks.
- If you file your return on or after April 1:
 - Allow 8–11 weeks.

If there is a mistake on your return, your refund will be delayed.

By law, the Department of Revenue cannot issue a refund if the amount is less than \$1 or if your return is filed more than three years after the due date.

Are you self-employed?

If you are self-employed and do business in Washington, Multnomah, or Clackamas counties, you may need to file Form TM, Tri-Met Self-Employment tax return. If you are self-employed and do business in Lane County, you may need to file Form LTD, Lane Transit District Self-Employment tax return. See page 36 to order forms or for more information.

Who must make estimated payments?

In most cases, people who expect to owe Oregon income tax of \$1,000 or more after credits and Oregon tax withheld on their 2001 Oregon income tax return must make estimated tax payments.

The first payment is due April 16, 2001. For more information, order the estimated tax coupons and instructions, or order the information circular, "Estimated Tax."

Taxpayer assistance

Do you need help?

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

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

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 February 1).

2 **To order current year forms and instructions 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 2–April 16, Monday–Friday 7 A.M.–7 P.M. **
 Closed on holidays.
 **Wait times may be 20 minutes or more.

TTY (hearing or speech impaired only). **These numbers are answered by machine only and are not for voice use.** The 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 on the front of this booklet. Include your Social Security number and a daytime telephone number for faster service.

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.**

Bend—951 SW Simpson, Suite 100

Eugene—1600 Valley River Dr, Suite 310

Medford—24 West 6th St

Portland—800 NE Oregon St, 5th floor

Portland*—Federal Building Lobby
 1220 SW Third Ave

Salem—Revenue Building, First floor, Room 135
 955 Center St NE

Salem—4275 Commercial St SE
 Building 2, Suite 180

Tualatin—6405 SW Rosewood St

* January 2–April 16: We'll provide walk-in help from 9 A.M.–4 P.M., Monday–Friday, except holidays.



Printed information (free)

State forms and publications only

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

- Amended Form 40X and instructions ... 150-101-046
- Computing Interest on Tax You Owe ... 150-800-691
- Credit for Income Taxes Paid to Another State 150-101-646
- Depreciation form 150-101-025
- Elderly Rental Assistance booklet 150-545-002
- Estimated Tax circular 150-101-648
- Estimated Tax coupons 150-101-026-2
- Estimated Tax instructions 150-101-026
- 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
- Long-term Care Insurance Credit 150-101-622
- 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
- Residential Energy Tax Credit 150-101-641
- 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 _____

