

**PART-YEAR
RESIDENT**

**AND
NONRESIDENT**

The February 3, 2004, special election will affect how you prepare and file your return.

**Before Filing
Your Taxes**

Please wait to file your return until after the February 3, 2004, special election results are known.

- If Measure 30 PASSES, follow the GREEN instructions inside.
- If Measure 30 FAILS, follow the ORANGE instructions inside.

For more information, see page 2.

Oregon 2003

Individual Income Tax Forms **40N** and **40P** with Instructions

Take a look at our new **personal income tax** pages at

www.dor.state.or.us/tax

Quick Links

- 2003 Oregon Tax Forms
- Income Tax Calculator
- Payment Coupons
- Newsroom
- Español

Oregon Personal Income Tax
Information and resources about the Oregon personal income tax program

Forms and Publications
Forms, publications, information and downloads

My Taxes
Information about preparing and filing your income taxes

More, searchable Oregon income tax information

Quick links to hot topics and important news

New tools including calendars and calculators

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Important dates for income tax programs

Student Web Site
Working students: Fill out your return in five easy steps

Other Site Checkoffs
Fill out your return the easy way with our Checkoff program



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New information

Possible new legislation. There will be a special election on February 3, 2004. If Measure 30 passes, the following personal income tax laws will go into effect:

- **Certain sport utility vehicles, trucks, and vans: addition for depreciation.** If you used a sport utility vehicle, truck, or van in your business, you may have an addition for the depreciation deducted on your federal return.
- **Special Oregon medical deduction.** The age requirement for this deduction is age 63. The deduction is limited based on your federal adjusted gross income.
- **Surcharge.** The surcharge is a percentage of your tax after credits.

Rounding cents to the nearest whole dollar. You must round all amounts to the nearest whole dollar. You will no longer enter cents on your Oregon return. Drop amounts less than 50 cents. Increase amounts from 50 to 99 cents to the next dollar. For example, \$12.15 becomes \$12 and \$233.50 becomes \$234.

Working family child care credit. Beginning in 2003, this credit for low-income families with qualifying child care expenses is refundable. You must complete

and attach Schedule WFC-N/P to claim this credit. See page 33.

Federal law. Oregon is tied to the December 31, 2002, federal definition of taxable income. Oregon will not automatically adopt federal changes after December 31, 2002.

Oregon remains permanently tied to federal law for depreciation of assets, pension plans, and tax-exempt or tax-deferred savings programs. Oregon has not adopted all of the provisions of the Military Family Tax Relief Act of 2003. Contact us for more information.

Oregon residents living in a foreign country. 1999 legislation allowed some nonresidents to amend returns back to 1995 in order to exclude certain income. The time to amend is coming to a close. You must amend by December 31, 2004, in order to receive this special treatment.

Federal tax subtraction. The federal tax subtraction limit has increased to \$3,500 (\$1,750 for married persons filing separately). See page 25.

Standard deduction amounts. The standard deduction amounts have changed for 2003. The amount is indexed each year. See page 25.

General information

These instructions aren't a complete statement of laws and Oregon Department of Revenue rules. You may need more information or forms. See page 40.

Should I file an Oregon return?

You must file an Oregon income tax return if your Oregon source income and income received while an Oregon resident is more than your standard deduction.

If your Oregon income is less than your standard deduction, you are not required to file a return for Oregon.

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.

Filing thresholds

You must file an Oregon income tax return if:		
Your filing status is:	Age:	And your Oregon income is more than:
Single, can be claimed on another's return	Any	\$750*
Single	Under 65	\$1,670
	65 or over	\$2,870
Head of household	Under 65	\$2,695
	65 or over	\$3,895
Married, joint return	Both under 65	\$3,345
	One 65 or over	\$4,345
	Both 65 or over	\$5,345
Married, separate return	Under 65	\$1,670
	65 or over	\$2,670
If spouse claims standard deduction	Any	\$0
If spouse itemizes deductions	Under 65	\$3,345
	65 or over	\$4,345

* The larger of \$750 or your earned income plus \$250, up to your standard deduction amount.

What does income from Oregon sources include?

It includes income shown on your federal return from wages, fees, or for services performed in Oregon.

If you have wages from an Oregon employer for services performed in Oregon and another state while you were a nonresident and your Oregon wages are not stated separately on your W-2, compute your Oregon source income using the following formula:

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

Do not include holidays, vacation days, and sick days as actual work days. **However, you must** include sick pay, holiday pay, and vacation pay in total wages. You **must** attach an explanation from your employer. If Oregon is the only state you worked in, do not use this formula; all of your earnings are taxable and must be reported in the Oregon column.

Example: Savannah lives in Idaho but works in Oregon. Out of 260 total days, she worked 132 days in Oregon and 88 days from her home in Idaho. She received 27 days vacation pay, five days of sick pay, and eight days of holiday pay. She earned \$50,000 in wages. She figured the amount subject to Oregon tax as follows:

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

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

Savannah'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.
- Unemployment compensation received because of an Oregon job.
- Severance pay you received because of an Oregon job.
- 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 taxed 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. You may need more information from the state where your spouse resides. Visit our Web site for links to other states' tax Web sites.

What income is not included in Oregon sources?

- Interest and dividends. If they are from an Oregon business you own or they are received during the part of the year you were a resident, you must include them.
- Interstate transportation wages from an interstate railroad company, interstate motor carrier, air carrier, or motor private carrier. You must be a nonresident and have regularly assigned duties in more than one state. Visit our Web site for more information about interstate transportation wages. Or, see page 40 to order the information circular, *Amtrak Act (Interstate Transportation Wages)*.
- Oregon retirement income received while you were a nonresident unless you were domiciled in Oregon. See "Pensions and annuities" on page 19.
- Waterway or hydroelectric dam compensation, if you are a nonresident:
 - Working as crew or pilot on a vessel on a river between Oregon and another state, or
 - Working on a dam that spans a river between Oregon and another state.
- Military pay 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 a temporary absence.

You may also be considered a full-year resident if you spent more than 200 days in Oregon during the tax year or if you are a nonresident alien.

- You are a **nonresident** if your permanent home was outside Oregon all year.

Instructions continued on page 13

[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]

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[Form 40P back]

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- You are a **part-year resident** if you moved into or out of Oregon during 2003. 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.

Note: A recreational vehicle (RV) is not considered a permanent home outside of Oregon.

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

Filing status

Generally, you must use the same filing status for your Oregon and federal returns.

Exceptions for married persons when spouses are:

- **Full-year resident and part-year resident.** You may file separate Oregon returns. If you file separate returns for Oregon, you **must** use the married filing separately status. The full-year resident files Form 40, and the part-year resident files Form 40P. If you choose to file a joint return for Oregon, use Form 40P.
- **Full-year resident and nonresident.** You may file separate Oregon returns. If you file separate returns for Oregon, you **must** use the married filing separately status. The full-year resident files Form 40, and the nonresident files Form 40N. If you choose to file a joint return for Oregon, use Form 40N.
- **Part-year resident and nonresident.** You may file separate Oregon returns. If you file separate returns for Oregon, you **must** use the married filing separately status. The part-year resident files Form 40P, and the nonresident files Form 40N. If you choose to file a joint return for Oregon, use Form 40N.

Need more information? Visit our Web site. Or, see page 40 to order the full-year resident tax booklet or the information circular, *Married Persons Filing Separate Returns*.

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.

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. See "Residency" on page 4. File Form 40 from the *Full-Year Resident* tax booklet if you don't meet the listed requirements.

Military Family Tax Relief Act. Oregon has not adopted all of the provisions of this act. Contact us for more information.

Need more information? Visit our Web site. Or, see page 40 to order forms and the information circular, *Military Personnel Filing Information*.

Filing for a deceased person

See "Should I file an Oregon return?" on page 3 to determine if a return must be filed for a deceased individual. If you are filing a return and claiming a refund for someone who is now deceased, 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. Call the department to order this form. If you are a court-appointed or certified personal representative, Form 243 is not needed.

What form do I use?

Use Form 40N if any ONE of the following is true:

- You are a nonresident, or
- You are a special-case Oregon resident (see "Special-case Oregon residents" earlier 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 on this page, or
- You qualified as an Oregon resident living abroad for the entire year.

Use Form 40P if any ONE of the following is true:

- 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 any ONE of the following is true:

- 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 40.

When should I file my return?

File your return after the February 3, 2004, special election results are known. The filing deadline for calendar year 2003 is **April 15, 2004**. If you can't pay all of your tax by the due date, file your return anyway to avoid a late-filing penalty. Payment plans are available. Contact the department to make payment arrangements. See page 40.

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

What if I need more time to file?

Generally, Oregon allows you the same extension you have for your federal return. However, in some cases, you will need to file the **Oregon extension form**, Form 40-EXT. Download it from our Web site or see page 40 to order this form. The following will help you decide when you need to file Oregon Form 40-EXT:

- If you filed a federal extension, Form 4868, and you expect to get a refund for Oregon:
 - You do not need to file Form 40-EXT.
 - Check box 7b on Form 40N or Form 40P when you file your return.
 - Keep a copy of your federal extension in your records. You are not required to send us a copy of your federal extension.
- If you did not file a federal extension but need more time to file for Oregon only and you expect an Oregon refund:
 - File Oregon Form 40-EXT. Enter -0- in the payment amount box on the 40-EXT payment coupon and mail the entire form to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.
 - Check box 7b on Form 40N or Form 40P when you file your return.
 - Keep a copy of Form 40-EXT in your records.
- If you need more time to file for Oregon and you need to make a tax payment to Oregon:
 - File Oregon Form 40-EXT with your check or money order. Detach the payment coupon from Form 40-EXT. Send your Form 40-EXT payment coupon and your check or money order by April 15, 2004, to: Extension Clerk, Oregon Department of Revenue, PO Box 14950, Salem OR 97309-0980.
 - Check box 7b on Form 40N or Form 40P when you file your return.
 - Keep a copy of Form 40-EXT in your records.

An extension does not 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 the tax due with your extension, you will owe interest on the unpaid balance after April 15, 2004, to the date of your payment. The 2004 interest rate is 6 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 10 percent per year. You also may owe a late-payment penalty.

Were you stationed in a designated combat zone?

Did you receive additional time to file your 2003 federal return and pay your 2003 tax? If so, Oregon allows the same additional time to file and pay. Write "combat zone" in **blue or black** ink at the top of your return when you file it. Contact the department if you were stationed in a contingency area. Or, visit our Web site for more information.

Penalties

You will owe a 5 percent late-payment penalty on any 2003 tax not paid by April 15, 2004.

If you file more than three months after the due date or extension due date, a 20 percent late-filing 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 70, page 31.

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.

Interest on underpayment of estimated tax

You may owe interest on underpayment of estimated tax if:

- You owe \$1,000 or more on your return after credits and withholding; and
- You paid less than 90 percent of the tax due on each estimated tax payment date for 2003.

See the instructions for line 71 on page 32.

2004 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 estimated tax payments for 2004.

Estimated tax is the amount of tax you expect to owe after credits and Oregon tax withheld when you file your 2004 Oregon individual income tax return.

Who must make estimated tax payments?

In most cases, **people who expect to owe \$1,000 or more** on their 2004 Oregon income tax return after

credits and withholding must make estimated payments. You may need to make estimated payments if:

- You are self-employed and don't have Oregon tax withheld from your income.
- You received Oregon Lottery winnings under \$5,000.
- You receive income such as pensions, interest, or dividends, and Oregon tax is not withheld.
- You are a wage earner and expect to owe tax of \$1,000 or more on your 2004 return. You may want to increase the amount your employer withholds from your Oregon wages. If you and your spouse both work, visit our Web site to download the information circular, *Oregon Income Tax Withholding: Some Special Cases*. Or, call the department to order it. See page 40.

When do I pay?

The due dates are April 15, 2004*; June 15, 2004; September 15, 2004; and January 18, 2005.

Send your payment with Form 40ES. Visit our Web site to download the form. Or, see page 40 to order estimated tax coupons, instructions, and the information circular.

* *Please send your 2004 Oregon Form 40ES and payment in a different envelope from your 2003 Oregon income tax return. This will help us credit your payment more efficiently.*

What if I am self-employed?

If you are self-employed and do business in Multnomah, Clackamas, or Washington counties, you may also need to file Form TM, *TriMet 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*. Visit our Web site to download either form. Or, contact the department to order. See page 40.

Frequently asked questions

Is my tax return private information?

Yes. All information provided on the return is confidential. Any Oregon Department of Revenue employee who gives out unauthorized information about your return may be convicted of a class C felony.

I'm moving. Will my refund check be forwarded to me?

Yes. If you move after you mail your return, let us know your new address. You can download a change of address form from our Web site. Or, write to: Address Change, Oregon Department of Revenue, 955 Center St NE, Salem OR 97301-2555. Or, you can call

one of the numbers listed on page 40. Remember to file a change of address form at your local post office.

What tax records do I need to keep?

You need to keep:

- A complete copy of both your federal and state returns.
- The original of all receipts, canceled checks, statements, and other records you used to prepare your return. **Save these records for at least three years from the due date of the return or three years from the date you file your return, whichever is later.**
- All records from the sale or purchase of property and investments. Keep these records for at least three years after you report the gain or loss on the property or investment.

Visit our Web site for more information about record-keeping requirements. Or, see page 40 to order the information circular.

What if I need to change my Oregon return after filing?

File an amended return anytime you need to correct your Oregon return. Use Form 40P to correct a part-year resident return or Form 40N to correct a nonresident return. Write "Amended" in blue or black ink at the top of the form. You are allowed three years from the due date of the return or the date the return was filed, whichever is later, to file an amended return to claim a refund. If you amend your federal or another state's return, usually you will need to amend your Oregon return. Call us for more information. See page 40 for the numbers to call.

What if I'm audited by the IRS or another state?

If changes are made that increase your Oregon income tax, file an amended return to report and pay additional tax. If the changes reduce Oregon tax, you have two years from the date of the audit report to claim a refund.

Electronic filing

Electronic filing (e-file) is a fast, efficient, and accurate way to file.



You do not need to mail anything to the department unless you owe tax. If you owe tax, you can file your return electronically before the due date without making a payment. You will have until April 15, 2004, to pay the tax in full. Please send your payment with Form RPC, the payment coupon.

For more information about how electronic filing works, visit our Web site. Or, see page 40 to order the information circular, *Electronic Filing for Oregon*.

Direct deposit

The Department of Revenue can deposit your refund directly into your account at most banks or other financial institutions. If you choose direct deposit, contact your bank to make sure that your deposit will be accepted and to get your correct routing and account numbers. The Department of Revenue is not responsible if your bank rejects your deposit. We will issue you

a paper check if your bank rejects your direct deposit. See page 38 for more information.

Blue or black ink

Please use blue or black ink for easier reading and faster processing. Equipment used to scan documents cannot read certain types and colors of ink, especially gel pens and red ink. Thank you.

Instructions for Forms 40N and 40P

Step 1: Select the appropriate form.

See page 13 to decide whether to use Form 40N or 40P.

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, 1040NR, or TeleFile Tax Record to your Oregon tax return. **Don't attach** federal Schedule A, B, C, or D, or Form 2441, etc.

Step 3: Start the Oregon form.

Fiscal year filers

Write the ending date of your fiscal year in the space provided. Write "Fiscal year" at the top of the return. Please use **blue or black ink**.

Name and address

Please type or clearly print your name, address, telephone number, and correct Social Security number on your return.

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

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

Birth year. Enter the four digits of the year you were born. For example, "1963."

Check the boxes

Filing status

① – ⑤ Check the box next to your filing status. If filing as **head of household**, enter the

name of the person who qualifies you for head of household filing status next to box 4.

You must check the **same filing status** you checked on your federal return. **Exception:** If you and your spouse don't have the same residency status, you may file separate returns for Oregon even if you filed your federal return as married filing jointly. See page 13 to determine which form to use based on the filing status you choose for Oregon.

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 the federal tax subtraction or itemized deductions, determine your federal 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 or black ink**. Attach the following to both Oregon returns:

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

If possible, mail both spouses' 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 40.

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 unless you have a severe disability.

Severely disabled. Did you have a severe disability at the end of 2003? If so, you may claim an additional exemption credit. You may qualify for the severely disabled exemption even if someone else can claim you as a dependent. 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 outside help, limits your ability to:
 - Earn a living, or
 - Maintain a household, or
 - Transport yourself.

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

You don't qualify for this exemption if:

- 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 loss of use of limbs credit. Call the department for more information.

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

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

- Qualified as your dependent for 2003; and
- Was age 17 or younger on December 31, 2003; and
- Was eligible for "early intervention services" or received special education as defined by the Oregon Department of Education (learning disabilities or communication disorders alone don't qualify); and
- Was considered to have a disability as of December 31, 2003, under the federal Individuals with Disabilities

Education Act and related Oregon laws. Eligible disabilities include:

- Autism.
- Deaf-blind.
- Hearing impairment.
- Mental retardation.
- Multiple disabilities.
- Orthopedic impairment.
- Other health impairment.
- Serious emotional disturbance.
- Traumatic brain injury.
- Visual impairment.

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

Keep the statement and cover sheet with your permanent health records. Write your child's name on line 6d, "Child(ren) with a disability." Also be sure to include the child's name on line 6c for "All dependents."

7a **Age 65 or older, or blind.** Check the boxes on line 7a if you or your spouse were age 65 or older or were blind on December 31, 2003. You are entitled to a larger standard deduction on Form 40N, line 44; or Form 40P, line 45. If you or your spouse are blind, you may also qualify for the severely disabled exemption credit. See the instructions for lines 6a and 6b, page 16.

7b **Extension.** If you filed an extension of time to file, check the box on line 7b. See page 14.

7c **Deferral of gain.** Did you file federal Form 8824 because you are deferring gain on exchanged property? If so, check the box on line 7c. Also, complete and attach Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*. Download it from our Web site or see page 40 to order.

Step 4: Income line instructions.

The following instructions are for Form 40N or 40P, lines 8–84, if not fully explained on the form.

You must 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 section

The first column is labeled “Federal column.” In this column, lines 8–28, fill in the same amounts you reported on your federal return.

Line 30, “Income after adjustments,” must match your 2003 federal adjusted gross income from Form 1040, line 34; Form 1040A, line 21; Form 1040EZ, line 4; Form 1040NR, line 33; or TeleFile Tax Record, line I. If it does not match, please check that you transferred your federal figures correctly. If you need help, see page 40 for numbers to call.

Oregon column—Income section

The second column is labeled “Oregon column.” Use the Oregon column to list the amount from the federal column that Oregon taxes.

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

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. 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.

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

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:

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

Do not include holidays, vacation days, and sick days as days actually worked. **However, you must** include sick *pay*, holiday *pay*, and vacation *pay* in total wages. See the example on page 4. If Oregon is the only state you worked in, do not use this formula; all of your earnings are taxable and should be reported in the Oregon column.

Exceptions:

- If you are a nonresident with interstate transportation wages, you may qualify for special treatment under the Amtrak Act. Visit our Web site for more information about interstate transportation wages. Or, see page 40 to order the information circular, *Amtrak Act (Interstate Transportation Wages)*.
- Nonresidents 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 or black ink**.
- Nonresidents who work as crew or pilots on a vessel on the Columbia River or Snake River waterway should exclude this income from the Oregon column. Write “Waterway” at the top left corner of the return. Please use **blue or black ink**.

9 **Taxable 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 the part of the year you were an Oregon resident.

10 **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 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 the part of the year you were an Oregon resident.

11 **State and local income tax refunds.** Fill in the amount reported on your federal return that is:

- 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
- A refund received during the part of the year you were an Oregon resident.

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

13 **Business income or loss.** For the part of the year you were a nonresident, determine the amount of income or loss from an Oregon business activity. Add to that all business income or losses incurred for the part of the year you were a resident of Oregon.

14 **Capital gain or loss.** For the part of the year you were a nonresident, 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 the part of the year you were an Oregon resident. Limit losses to \$3,000 (\$1,500 if married filing separately).

15 Other gains or losses. For the part of the year you were a nonresident, determine the amount of gain or loss from Oregon sources. Add to that the gain received or loss incurred for the part of the year you were an Oregon resident.

16 IRA distributions. Determine the amount of any taxable individual retirement arrangement (IRA) distributions received for the part 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. If you lived in another state when you made contributions to your IRA, you may need more information. Please see page 40 for taxpayer assistance.

17 Pensions and annuities. Report in the Oregon column the amount of taxable pensions and annuities (including federal pensions) you received while you were an Oregon resident. If you are domiciled in Oregon, you must also include any Oregon source pensions 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 13.

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 40 for telephone numbers to call. If you receive a federal pension, see the instructions for line 38 on page 22.

18 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 the part of the year you were not a resident. Add to that the amount received during the part of the year you were an Oregon resident. Partners and S corporation shareholders may need more information. See page 40 for taxpayer assistance.

19 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 the part of the year you were an Oregon resident.

20 Unemployment compensation, taxable Social Security, and all other taxable income. Determine the amount of any unemployment compensation and any other taxable income you received during the part of the year you were an Oregon resident. Add to

that figure any unemployment compensation or severance pay received because of an Oregon job and any other Oregon income you received while you were a nonresident. Don't fill in any Social Security, Railroad Retirement Board benefits, or Railroad Retirement Board unemployment benefits in the Oregon column; Oregon doesn't tax this income.

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 23 to determine whether you can subtract some or all of this amount on line 38.

Adjustments to income

22 IRA or self-employed SEP and SIMPLE contributions. Oregon follows the federal definition of earned income and compensation used to calculate your IRA and other retirement plan deductions. Determine the amount you paid during the part of the year you were an Oregon resident. Add to that the amount calculated for the time you were a nonresident.

- **IRA.** For the part of the year you were a nonresident, determine your deduction using the following formula:

$$\frac{\text{Oregon compensation while a nonresident}}{\text{Total compensation while a nonresident}} \times \begin{matrix} \text{IRA} \\ \text{contributions} \\ \text{made while a} \\ \text{nonresident} \end{matrix} = \text{Nonresident deduction}$$

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

- **Self-employed SEP, SIMPLE, and qualified plans.** For the part of the year you were a nonresident, determine your allowable deduction using the following formula:

$$\frac{\text{Oregon earned income while a nonresident}}{\text{Total earned income while a nonresident}} \times \begin{matrix} \text{Contributions} \\ \text{made while a} \\ \text{nonresident} \end{matrix} = \text{Nonresident deduction}$$

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

23 Education deductions. See the instructions below to help you figure the amounts you can claim on your Oregon return.

- **Educator expenses deduction** from federal Form 1040, line 23; or Form 1040A, line 16.

For the part of the year you were a nonresident, determine the amount of qualified educator expenses you paid while working in an Oregon elementary or secondary school. Add to that the amount you paid for qualified educator expenses during the part of the year you lived in Oregon. Enter the smaller of

the result or the amount deducted on your federal return up to \$250.

- **Student loan interest deduction** from federal Form 1040, line 25; or Form 1040A, line 18.

For any part of the year you were a nonresident, calculate your deduction using the following formula:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income from all sources while a nonresident}} \times \text{Student loan interest paid while a nonresident} = \text{Nonresident deduction}$$

Add to that all interest paid during the part of the year you were an Oregon resident. Enter the smaller of the result or the amount deducted on your federal return.

- **Tuition and fees deduction** from federal Form 1040, line 26; or Form 1040A, line 19.

For any part of the year you were a nonresident, calculate your deduction using the following formula:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income while a nonresident}} \times \text{Qualified tuition and fees paid while a nonresident} = \text{Nonresident deduction}$$

Add to that the amount of qualified education expenses you paid during the part of the year you were an Oregon resident. Enter the smaller of the result or the amount deducted on your federal return, but no more than \$3,000.

Add together your educator expense deduction, student loan interest deduction, and tuition and fees deduction. Enter the total on line 23.

- 24** **Moving expenses.** Fill in moving expenses only if:

- You qualified to take them on your federal return, and
- They are connected with gaining employment in Oregon, or
- You paid the qualified moving expenses after moving to Oregon to take a job in another state.

Otherwise, enter -0-.

Example 1: If you moved from California to Washington to take a job in Oregon, fill in your allowable moving expenses in the Oregon column.

Example 2: If you left Oregon to take a job in another state, you cannot deduct your moving expenses.

Example 3: Camille moved from Michigan to Oregon on May 23, 2003, to begin work in Washington. She paid her moving expenses on June 30, 2003. While the expenses are not related to Oregon employment, Camille can deduct them because they were paid after she became a resident of Oregon.

- 25** **Deduction for self-employment tax.** Determine the amount of your self-employment tax on earnings taxed by Oregon using the following formula:

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

The Oregon deduction cannot be more than the federal deduction.

- 26** **Self-employed health insurance deduction.** Oregon allows a deduction for 100 percent of your health insurance premiums related to your self-employment for the part of the year you were an Oregon resident. Add to that the health insurance premiums paid by your Oregon business while a nonresident. Your total Oregon deduction cannot be more than your federal deduction.

- 27** **Penalty on early withdrawal of savings.** Fill in the amount of penalty related to savings used by an Oregon business. Add to that the amount of penalty for early withdrawal while an Oregon resident.

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

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income while a nonresident}} \times \frac{\text{Alimony paid while a nonresident}}{\text{Alimony paid while a nonresident}} = \text{Nonresident deduction}$$

Add to that amount the alimony you paid while you were a resident.

Additions

Additions are items the federal government does not tax but Oregon does. Additions increase the income taxed by Oregon.

- 31** **Interest and dividends on state and local government bonds outside of Oregon.**

Federal column. If you didn't include this income in your federal income, fill in the amount of interest and dividends 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 income on line 9 or 10 of the Oregon column, fill in the amount of interest and dividends 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 report interest or dividends of your minor child on your federal return? If so, you must add to Oregon income the amount that is subject to the special federal tax.

Federal column. Fill in the smaller of line 7 or 8 from federal Form 8814. Add to that any interest or dividends your child received from state and local governments outside of Oregon.

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. Include 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 line 33 using the abbreviation shown in brackets. If you have more than one addition, show the type and amount of each on the form. Fill in the total amount of "other additions" on line 33.

**If Measure 30
FAILS**

Certain sport utility vehicles, trucks, or vans: Section 179 expense or depreciation deduction. If the measure fails, there is no addition. Skip the green section above.

- **Difference in depreciation for Oregon [Dif dep].** Is your depreciation for Oregon purposes different from your depreciation for federal purposes? If so, you will need the Oregon Depreciation Schedule. Part-year residents and nonresidents may need two schedules. See page 40 to order. Or, download it from our Web site.

Federal column. Complete an Oregon Depreciation Schedule for all assets. If the Oregon depreciation is less than your federal depreciation, fill in the amount from the Oregon Depreciation Schedule, line 2 on Form 40N or 40P, line 33.

Oregon column. Complete an Oregon Depreciation Schedule only for property you owned while an Oregon resident or property used to produce Oregon income. If the Oregon depreciation is less than your federal depreciation, fill in the amount from the Oregon Depreciation Schedule, line 2 on Form 40N or 40P, line 33.

- **Unused business credits [UBC].** Did you claim a deduction on your federal return for unused business credits? If so, you must add this amount to Oregon income. Include it in both the federal and Oregon columns.
- 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 40 for taxpayer assistance.
 - Claim of right [COR].
 - Depletion in excess of basis [Depl].
 - Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
 - Gain or loss on the sale of depreciable property with an Oregon basis that is different from the federal basis [Basis dif].
 - Gain on sale of inherited Oregon farm or forest property acquired from a decedent who died before January 1, 1987 [Inher F/F].
 - Individual Development Account [IDA].
 - Long-term care insurance premiums [LTCIP].
 - Lump-sum distributions [Lump-sum].
 - Military Family Tax Relief Act provisions [MFTRA].
 - Non-Oregon source net operating loss [NOL].
 - Non-qualified withdrawal from an Oregon 529 College Savings Network plan [QTSP].
 - Passive activity losses [PAL].

Subtractions

Subtractions are items the federal government taxes but Oregon does not. Subtractions reduce the income taxed by Oregon.

37 **Social Security and tier 1 Railroad Retirement Board.** Subtract Social Security and tier 1 Railroad Retirement Board benefits **only** if you included them in the federal column on line 20.

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

- **Claim of right [COR].** Were you taxed in a prior year on income that you are repaying, such as unemployment compensation? If so, you may be able to claim a subtraction for the income you repaid. Contact the department for more information. See page 40.
- **Difference in depreciation for Oregon [Dif dep].** Is your depreciation for Oregon purposes different from your depreciation for federal purposes? If so, you will need the Oregon Depreciation Schedule. Part-year residents and nonresidents may need two schedules. See page 40 to order. Or, download it from our Web site.

Federal column. Complete an Oregon Depreciation Schedule for all assets. If the Oregon depreciation is more than your federal depreciation, fill in the amount from the Oregon Depreciation Schedule, line 2 on Form 40N or 40P, line 38.

Oregon column. Complete an Oregon Depreciation Schedule only for property you owned while an Oregon resident or property used to produce Oregon income. If the Oregon depreciation is more than your federal depreciation, fill in the amount from the Oregon Depreciation Schedule, line 2 on Form 40N or 40P, line 38.

- **Federal pension income [Fed pen].** You may be able to subtract some or all of your pension included in 2003 federal income. This includes benefits paid to the retiree or to the beneficiary. The subtraction amount is based on the number of months of federal service before and after October 1, 1991:
 - **If all of your months of federal service occurred before October 1, 1991,** subtract 100 percent of the taxable amount of federal pension income you reported on your federal return.
 - **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 the taxable federal pension income you reported on your federal return. To determine your percentage, divide your months of service before October 1, 1991, by your total months of service. Once you have determined the percentage, it will not change from year to year.

Example: Delaney began working for the U.S. Forest Service May 27, 1971, and retired January 7, 2003. She worked 244 months before October 1, 1991, and a total of 379 months. Delaney moved to Oregon May 31, 2003. She can subtract 64.4 percent ($244 \div 379$) of her taxable federal pension included in the Oregon column. She will continue to subtract 64.4 percent of her taxable 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 on front of form. 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, double-check that you reported your pension income on the correct line and attach your federal return.

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

Federal column. On line 38a, 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:

- You may subtract interest from U.S. Series EE and HH bonds and Treasury bills and notes.
- You may 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. If you are unsure if you can subtract the interest or dividends you earned, visit our Web site for more information about interest and dividends

on U.S. bonds and notes. Or, contact us to order the information circular. See page 40.

- You must reduce U.S. government interest 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 reported 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 lines 9 and 10 of the Oregon column, fill in this amount of U.S. government interest on line 38b.

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

- **Local government bond interest [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, subtract it on line 38a.

Oregon column. On line 38b, fill in Oregon local government bond interest if you included it in Oregon income on line 9.

- **Military 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. 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 pay of a nonresident is not Oregon source income and should not be reported on line 8. There is nothing to subtract.

Full-year and part-year residents—from the wages you reported on line 8 of the Oregon column you may subtract:

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

Don't subtract drill pay and weekend meeting pay for members of reserve units or the National Guard. Report that pay in the Oregon column, line 8.

Note: Your total military pay subtractions cannot be more than your total military pay.

- **Oregon 529 College Savings Network [QTSP].** You may subtract contributions you made to an Oregon 529 College Savings plan in 2003, but not more than \$2,000 (\$1,000 if married filing separately). Keep a copy of your account statement with your tax records. For information about savings plans in Oregon, call 503-378-2882. Or, visit the network's Web site at www.oregon529network.com.

Federal column and Oregon column. Subtract the qualified contributions you made during the year to an Oregon 529 College Savings plan.

- **Oregon Lottery [OR lott].** Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket, however, the federal government does. Oregon Lottery includes Powerball tickets you purchased in Oregon.

Federal column and Oregon column. From the winnings you reported on line 20 you may subtract:

- Winnings of \$600 or less from each single ticket or play, and
- Annual payments from tickets purchased prior to 1998.

Example 1: Cheryl had winnings of \$200 playing an Oregon Lottery scratch-off ticket in 2003. This income is included in her federal adjusted gross income. Oregon does not tax Oregon Lottery winnings of \$600 or less per single ticket or play, so Cheryl can subtract the \$200 she won on the scratch-off ticket from both columns of her return.

Example 2: David won two prizes in 2003. He won \$1,000 playing Oregon Lottery video poker and \$500 playing an Oregon Lottery Keno game. David must include \$1,500 in his federal income, however, Oregon will not tax him on the \$500 he won playing Keno. He can subtract \$500 on his Oregon return in both columns because the winnings were from a single game and below the \$600 limit. He cannot subtract any of the \$1,000 he won playing video poker, because the prize was more than \$600 and is fully taxable to Oregon.

Are you claiming gambling losses as an itemized deduction? If so, you also may need to reduce them. See instructions for Form 40N, line 46; or Form 40P, line 47, page 26. If you need help, see page 40 for telephone numbers to call.

- **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 11 of the federal column.

Oregon column. Fill in your Oregon income tax refund **only** if you included it on line 11 of the Oregon column.

• **Railroad Retirement Board benefits [RR].**

Federal column. Fill in your tier 2, supplemental, windfall, and vested dual Railroad Retirement Board benefits included on line 20 of the federal column. Fill in railroad unemployment benefits included on line 20.

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

• **Tuition and fees deduction [High Ed].** Did you claim a Hope or lifetime learning credit on your federal return? If so, you were not allowed a tuition and fees deduction because you claimed the federal credit. Because Oregon does not have credits similar to the Hope or lifetime learning credits, you can take the federal tuition and fees deduction on your Oregon return as a subtraction. For 2003, the maximum amount you can claim is the smaller of \$3,000 or your actual expenses.

For any part of the year you were a nonresident, calculate your subtraction using the following formula:

$$\frac{\text{Oregon source income while a nonresident}}{\text{Total income while a nonresident}} \times \frac{\text{Qualified tuition and fees paid while a nonresident}}{\text{Total income while a nonresident}} = \text{Nonresident deduction}$$

Add to that the amount of qualified education expenses you paid during the part of the year you were an Oregon resident. Enter the smaller of the result or the amount you would have deducted on your federal return, but no more than \$3,000.

• **The following subtractions** apply to only a few people and are not explained in this booklet. Visit our Web site or see page 40 for taxpayer assistance. Make the subtraction in **both** the federal and Oregon columns if the related income was included in both columns.

- American Indian [Amer Ind].
- Business expenses reduced because of federal tax credits (e.g., targeted jobs, work opportunities) [Fed exp].
- Certain pension distributions when the contributions were taxed by another state [Prev tax].
- Domestic partner benefits [Partner].
- Federal gain previously taxed by Oregon [Fed gain].
- Fiduciary adjustments from Oregon estates and simple or complex trusts [Fid].
- Gain or loss on the sale of depreciable property with an Oregon basis that is different from the federal basis [Basis dif].
- Individual Development Accounts [IDA].
- Land donation to an educational institution [Land].

- Logger and construction worker commuting costs [LCCC].
- Passive activity losses [PAL].
- Public Safety Memorial Fund Board payments [Memorial].
- Scholarship awards used for housing expenses [Sch housing].

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-.**

Example	Line 39b	Line 39a	Oregon percentage 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	= 1.333 Limited to 1.000 (100.0%)

If the amount on line 39b is **greater than** the amount on line 39a, your Oregon percentage is 100 percent. This is true even when line 39b is a negative number.

Deductions and modifications

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



Itemized deductions.

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 for Oregon purposes. Use your federal adjusted gross income to figure the Schedule A limitations. Keep the Schedule A with your tax records.

Note: If you are married filing separately, you must itemize deductions if your 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 16. You may separate each spouse's itemized deductions if you can clearly identify your own itemized deductions.



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. Are you claiming a credit for income taxes paid to another state? If so, 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 58, page 29.

Did you limit itemized deductions on your federal return because your adjusted gross income (AGI)

exceeded \$139,500 (\$69,750 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. Visit our Web site for more information about the limits on itemized deductions. Or, see page 40 to order the information circular.



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

Single.....	\$1,670
Married filing jointly.....	3,345
Married filing separately	
If spouse claims standard deduction	1,670
If spouse claims itemized deductions...	-0-
Head of household.....	2,695
Qualifying widow(er).....	3,345

Standard deduction—Age 65 or older, or blind. If you or your spouse are age 65 or older, or blind, you are entitled to a larger standard deduction amount. Use the chart below to determine your larger standard deduction.

1. Are you:..... 65 or older? Blind?
 If claiming spouse's exemption,
 is your spouse: 65 or older? Blind?

If your filing status is...	And the number of boxes checked above is...	Then your standard deduction is...
Single	1	\$ 2,870
	2	4,070
Head of household	1	3,895
	2	5,095
Qualifying widower	1	4,345
	2	5,345
Married filing jointly	1	4,345
	2	5,345
	3	6,345
	4	7,345
Married filing separately	1	2,670
	2	3,670
	3	4,670
	4	5,670

Fill in the total standard deduction on Form 40N, line 44; or Form 40P, line 45.

Standard deduction—Dependents. If someone else can claim you as a dependent, your standard deduction is limited to the **larger** of:

- Your earned income plus \$250, up to the maximum allowed for your filing status as shown above; or
- \$750.

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

Use the following worksheet to figure your standard deduction:

- | | | |
|---|-----|-------|
| 1. Enter your earned income. | 1. | _____ |
| 2. Additional \$250. | 2. | 250 |
| 3. Add lines 1 and 2. | 3. | _____ |
| 4. Minimum standard deduction set amount. | 4. | 750 |
| 5. Enter the larger of line 3 or line 4. | 5. | _____ |
| 6. Basic standard deduction for single. | 6. | 1,670 |
| 7. Enter the smaller of line 5 or line 6. | 7. | _____ |
| 8. If you are under age 65, enter -0-.
If you are age 65 or older, enter \$1,200. | 8. | _____ |
| 9. If you are not blind, enter -0-. If you are blind, enter \$1,200. | 9. | _____ |
| 10. Add lines 7, 8, and 9. Enter the total here and on Form 40N, line 44; or Form 40P, line 45. | 10. | _____ |

This is your standard deduction.

Standard deduction—Nonresident aliens. The standard deduction for nonresident aliens is -0-.



2003 federal tax liability. Carefully follow the instructions below. Don't

confuse your **federal tax liability** on 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 \$3,500. Don't fill in less than -0- or more than \$3,500 (\$1,750 if married filing separately).

- | | | |
|---|----|-------|
| 1. Enter your federal tax liability from Form 1040EZ, line 10; Form 1040A, line 36; Form 1040, line 54; Form 1040NR, line 50; or TeleFile Tax Record, tax from line K, box 2. | 1. | _____ |
| 2. Enter tax on qualified retirement plans, Form 1040, line 57; or Form 1040NR, line 53, and recapture taxes included on Form 1040, line 60. | 2. | _____ |
| 3. Add lines 1 and 2. | 3. | _____ |
| 4. Enter the amount of your 2003 advanced child tax credit you received or the amount you were credited (before offsets). | 4. | _____ |
| 5. Subtract line 4 from line 3. Enter result here. | 5. | _____ |

Worksheet continued on next page

6. Enter \$3,500 (\$1,750 if married filing separately). 6. _____
7. Enter the smaller of line 5 or line 6 here and on Form 40N, line 45; or Form 40P, line 46. 7. _____

Caution: Don't add:

- Self-employment tax.
- Social Security and Medicare tax on tips.
- Advance earned income credit payments.
- Household employment taxes.

If you file married filing separately for Oregon only, multiply your joint federal tax liability (after credits) by the percentage calculated on page 16. Each spouse is limited to a maximum subtraction of \$1,750.

Did you pay additional federal tax in 2003 because you were audited or you filed an amended return? If so, read the instructions for Form 40N, line 46; or Form 40P, line 47.



Other deductions and modifications. Only a few people have other

deductions and modifications. These items are multiplied by the Oregon percentage. Identify the deduction or modification in the space on the form using the abbreviation shown in brackets. If you have more than one, show the type and amount of each on the form. Modifications can be either additions or subtractions. Net the total amount 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 income tax refunds [Fed ref].** Did you get a federal tax refund in 2003 because you were audited or because you amended a prior year return? If so, fill in and clearly bracket the amount on Form 40N, line 46; or Form 40P, line 47, if you subtracted that amount on a prior Oregon return.
- **Federal tax from a prior year [Prior fed].** Did you pay additional federal tax in 2003 because you were audited or because you amended a prior year's 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 from 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 \$3,500 (\$1,750 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 smaller of:

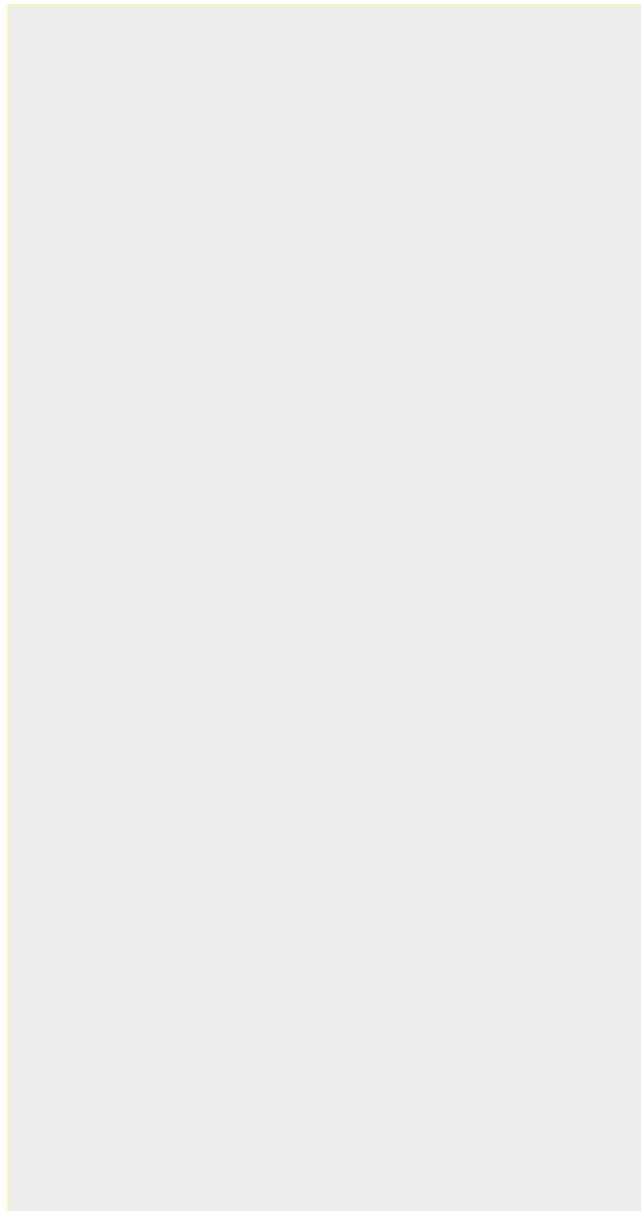
- The amount you figured in step 1, or
- Your additional federal tax from a prior year.

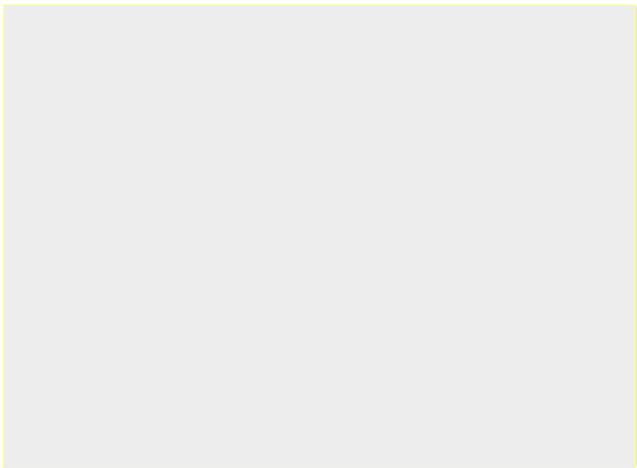
- **Foreign tax [Foreign].** Did you pay tax to a foreign country in 2003? You may deduct this tax if you:
 - Took a foreign tax credit on your federal return, **or**
 - Didn't take a foreign tax credit **and** didn't itemize deductions on your federal return.

This subtraction is limited to \$3,000 (\$1,500 if married filing separately).

If you think you qualify, visit our Web site. Or, contact the department for more information. See page 40.

- **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 Form 40N, line 46; or Form 40P, line 47, the gambling losses claimed as an itemized deduction that exceed gambling winnings taxed by Oregon.





If Measure 30 FAILS

Special Oregon medical deduction [OR Med]. Were you or your spouse **age 62 or older** on December 31, 2003? If so, your deduction is the smaller of line 1 or line 3 from your federal Schedule A. To claim this deduction, you must itemize your deductions for Oregon. You can do this by filling out a Schedule A for both federal and Oregon or filling out one for Oregon only. Keep your Schedule A with your tax records.

- **Part-year residents only: Artists who make a charitable art donation [Art].** Call the department to order the information circular, *Artist's Charitable Contribution Subtraction*. Nonresidents, see Form 40N, line 48 instructions.

Form 40N 47

Allowable deductions and modifications. Complete the worksheet below to determine the deductions and modifications you are entitled to claim.

1. Enter amount from either Form 40N, line 43; **or** Form 40N, line 44, whichever is larger. 1. _____
2. Enter amount from Form 40N, line 45. 2. _____
3. Enter amount from Form 40N, line 46. 3. _____

Worksheet continued in next column

4. Add together amounts from lines 1, 2, and 3 above. Enter result here. 4. _____
5. Enter your Oregon percentage from Form 40N, line 40, here. 5. _____
6. Multiply the amount from line 4 by the amount on line 5 above. Enter result here and on Form 40N, line 47. 6. _____

Form 40N 48

Nonresidents only: Artists who make a charitable art donation [Art]. Artists who make a charitable art donation may take a full deduction. Label it "[Art]." Visit our Web site or call the department to order the information circular, *Artist's Charitable Contribution Subtraction*.

Oregon tax

Form 40N 51

Form 40P 50

Tax from tax rate charts. Figure the tax on your Oregon taxable income.

Most people go directly to the rate charts below. Fill in the amount of tax on Form 40N, line 51; or Form 40P, line 50. Please double-check the tax you figured.

Go to line 52 if:

- You sold or exchanged farm assets to get out of a farming business, or
- You want to use farm income averaging to compute your Oregon tax.

Example: A married couple's Oregon taxable income is \$29,500. They are filing jointly. They will use chart J for married filing jointly. They figure their tax like this:

		Chart J
Oregon taxable income		\$29,500
Subtract	-	12,700
		16,800
Multiply by 9%	×	.09
		1,512
Then add	+	787
Their Oregon tax is		\$2,299

2003 Tax Rate Charts

S Tax Rate Chart
For persons filing
Single or Married filing separately

<i>If your taxable income is:</i>	<i>Your tax is:</i>
Not over \$2,550.....	5% of taxable income
Over \$2,550 but not over \$6,350	\$128 plus 7% of the excess over \$2,550
Over \$6,350.....	\$394 plus 9% of the excess over \$6,350

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

<i>If your taxable income is:</i>	<i>Your tax is:</i>
Not over \$5,100.....	5% of taxable income
Over \$5,100 but not over \$12,700	\$255 plus 7% of the excess over \$5,100
Over \$12,700.....	\$787 plus 9% of the excess over \$12,700

you can compute your Oregon tax using one of the following methods:

Farm income averaging method. You can use the federal farm income averaging method to compute your Oregon tax even if you didn't use farm income averaging on your federal return. Only Oregon source farm income is considered elected farm income.

Use Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*, or Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents*, to calculate your tax on your farm income and your other Oregon income. Visit our Web site to download the form and instructions. Or, see page 40 to order.

1. Enter the tax amount from Form FIA-40N, line 19; or Form FIA-40P, line 18, on Form 40N or Form 40P, line 52.
2. Check the box labeled "Form FIA-40N" or "Form FIA-40P."
3. Attach a copy of Form FIA-40N or Form FIA-40P to your return.

Farm asset capital gain method. Did you sell or exchange capital assets primarily used in farming because you were getting out of a farming business? Or, did you sell or exchange a farming partnership, corporation, or other farming entity in which you held at least a 10 percent ownership interest? If the sale or exchange was not to a family member and you were getting out of a farming business completely, you may be eligible for a reduced tax rate on the net capital gain from the proceeds of the sale or exchange.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and your other Oregon income. Visit our Web site to download the worksheet. Or, call the department to order.

Nonresidents. Enter the tax amount from Worksheet FCG, line 7, on Form 40N, line 52.

Part-year residents. Enter the tax amount from Worksheet FCG, line 8, on Form 40P, line 52.

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 interest rate for 2003 is 7 percent per year (.005833 per month).

Nonresidents—Use only those installment obligations that arose from dispositions of Oregon property while you were a nonresident of Oregon.

Credits

- When claiming an Oregon tax credit, you must claim the maximum credit allowed each year, up to your tax liability.
- 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.

56 Earned income credit. You are allowed an Oregon earned income credit **only** if you qualify for the earned income credit on your federal return. You must prorate this credit. Your Oregon credit is 5 percent of your federal credit multiplied by your Oregon percentage. For example, if your federal credit is \$400, your Oregon credit is \$20 ($\$400 \times .05$) multiplied by your Oregon percentage from line 40.

Use the following formula to compute your credit:

- | | |
|---|---------------|
| 1. Enter your federal earned income credit from Form 1040EZ, line 8; Form 1040A, line 41; Form 1040, line 63; or TeleFile Tax Record, line L. | 1. _____ |
| 2. Decimal amount. | 2. <u>.05</u> |
| 3. Multiply line 1 by line 2. Enter result here. | 3. _____ |
| 4. Multiply line 3 by the Oregon percentage (Form 40P or Form 40N, line 40). Enter here and on Form 40P or Form 40N, line 56. | 4. _____ |

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

57 Child and dependent care credit. You are allowed an Oregon credit **only** if you qualify for the federal child and dependent care credit. You may still be able to claim the Oregon credit even if you can't use all of your federal credit. In most cases, you cannot claim the credit if you are married filing separately. You must prorate this credit. 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 <i>taxable</i> income from Form 1040, line 40; or Form 1040A, line 27 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 above 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 here and on Form 40N or Form 40P, line 57. 4. _____

Did you pay 2002 child care expenses in 2003? If so, multiply your 2002 expenses that you paid in 2003 included in the computation of your federal credit by the decimal amount that applies to your 2002 federal taxable income.

Multiply this amount by the Oregon percentage from your 2002 return. Enter the result on Form 40N or Form 40P, line 57. See page 40 for taxpayer assistance information.

Carryforward. Your total 2003 child and dependent care credit can't be more than your 2003 tax liability for Oregon. You can carry forward any excess over the next five years. If the excess isn't used within five years, it's lost. See instructions for line 59.

58 Credit for income taxes paid to another state. If you paid 2003 income tax to another state or U.S. territory on income also taxed by Oregon, you may claim a credit.

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 states: Arizona, California, Indiana, or Virginia. See our Web site for links to other states' tax Web sites.

This credit is only for state income tax. You can't claim this credit for city or county income tax, sales tax, alternative minimum tax (AMT), 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 40 to order the information circular.

Your credit is the **smallest** 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 modified adjusted gross income (MAGI) taxed by both states by your total MAGI. Your total MAGI 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.

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

Formula 2: Divide your MAGI 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.

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

Enter the credit amount on Form 40P or Form 40N, line 58.

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 Form 40P, line 43; or Form 40N, line 42.

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

You may be allowed this credit even if Oregon and another state taxes the same income in different years. Call us for more information. See page 40.

59 Other credits. You may qualify for other credits explained below. Identify the credit(s) you are claiming in the space on line 59 using the abbreviation shown in brackets. If you have more than one credit, show the type and amount of each on the form. Fill in the total amount of "other credits" on line 59.

- **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 59. The amount of prior year carryover plus your current year's credit can't exceed your Oregon tax liability. If it does, you can carry forward the excess credit over the next five years. If the excess isn't used within five years, it's lost.

- **Elderly or the disabled [OR CED].** The Oregon credit is 40 percent of the federal credit. You may claim an Oregon credit only if you qualify for 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 or Form 40P, line 40. You may claim this credit or the retirement income credit, but not both.
- **Political contribution [PCC].** Fill in your total political contributions, but not more than \$100 on a joint return or \$50 on all others. You must have made contributions of money during 2003 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.
 - A political action committee certified in Oregon.

Visit our Web site for more information. Or, call the department to order the information circular, *Political Contributions Tax Credit*. See page 40.

- **Retirement income credit [RIC].** If you were age 62 or older on December 31, 2003, and receiving retirement income, you may qualify for a credit. You qualify for this credit if:
 - Your household income is less than \$22,500 (\$45,000 if married filing jointly); **and**
 - Your Social Security benefits and/or tier 1 Railroad Retirement Board benefits are less than \$7,500 (\$15,000 if married filing jointly); **and**
 - Your household income plus your Social Security and/or tier 1 Railroad Retirement Board benefits is less than \$22,500 (\$45,000 if married filing jointly).

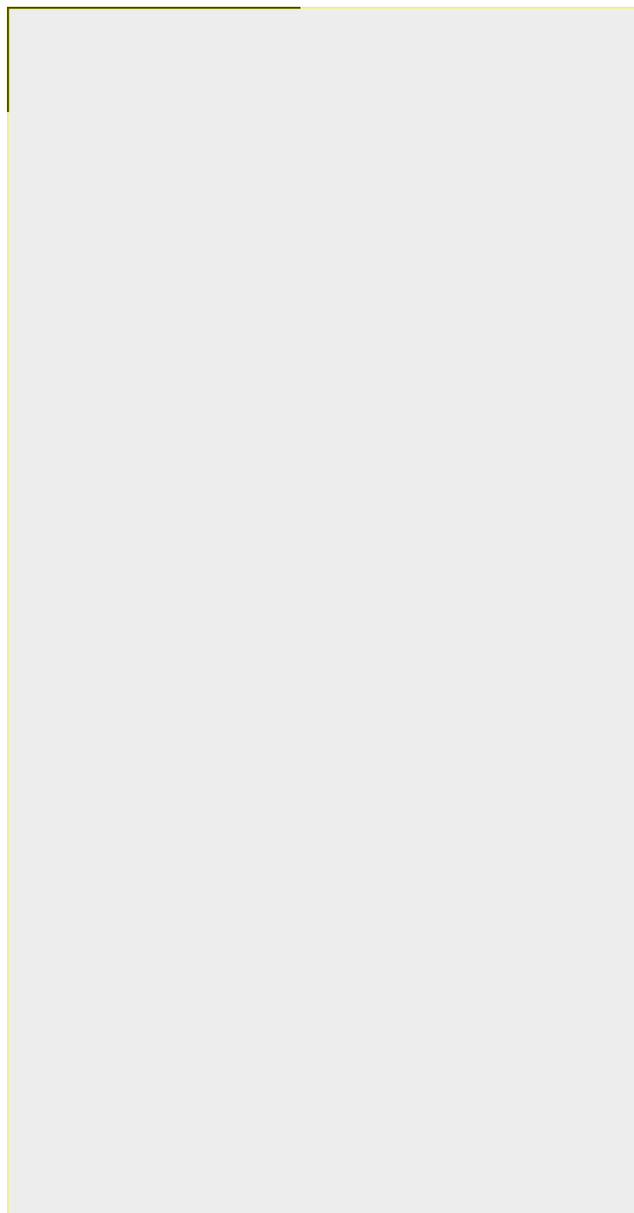
If you think you qualify, contact us for more information. See page 40.

- **The following credits** apply to only a few people. Some are prorated using your Oregon percentage and some aren't. Visit our Web site for more information or see page 40 for telephone numbers to call for instructions.
 - Adoption expenses [Adopt].*
 - Advanced telecommunications facilities [ATF].*
 - Bone marrow donation program [Marrow].
 - Business energy [Bus en].
 - Child Care Division contributions [CCD].
 - Claim of right [COR].
 - Dependent care assistance [DCA].
 - Donated crops [Crops].*
 - Electronic commerce zone investment [ECZI].
 - Employer scholarship [Emp Sch].*
 - Farmworker housing [Farm hsng].*
 - First Break Program [1 break].*
 - Fish screening devices [Fish scrn].*

- Gain from the sale of your house also taxed by another state or country [Hse gain].
- Long-term care insurance premiums [LTCIP].*
- Loss of use of limbs [Limbs].
- Low-income caregiver credit [HCE].
- On-farm processing machinery and equipment [On-farm].*
- Oregon Cultural Trust [OCT].*
- Pollution control facilities [Poll fac].
- Reforestation of underproductive forest lands [Reforest].
- Reservation enterprise zone [Tribal EZ].*
- Residential energy [Res en].*
- Rural medical practitioners [Rural med].*

*Prorated credit (multiplied by Oregon percentage).

Surcharge



Penalty. Include a penalty payment if you:

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

The late-payment penalty is 5 percent of the unpaid balance of your tax. If you file more than three months after the due date or extension due date, a 20 percent late-filing penalty will be added; that is, you will owe a 25 percent penalty of any tax not paid.

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; and
2. Pay at least 90 percent of the tax due by April 15, 2004; and
3. Pay the balance of tax due when you file by the extension deadline; and
4. Pay the interest on the balance of tax when you file or within 30 days of our billing date.

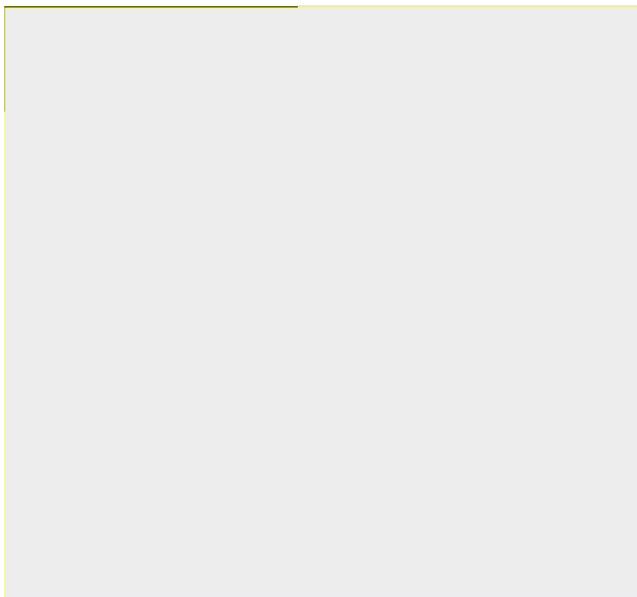
Interest. If you are paying your tax after April 15, 2004, include interest on any unpaid tax. An interest period is each full month starting with the day after the due date. For example, April 16, 2004, through May 15, 2004, is an interest period. The 2004 interest rate is 6 percent per year (0.5 percent per month).

Interest is figured daily for periods of less than a month. Here's how to figure daily interest:

$$\text{Tax} \times .000164 \times \text{number of days}$$

If the tax is not paid within 60 days of our bill, the interest rate increases to 10 percent per year.

Note: Do not calculate interest if you file late and expect a refund. It may delay processing of your refund.



If Measure 30
FAILS

71

Interest on estimated tax underpayment. For 2003, you have an underpayment if you paid less than 90 percent of the tax due on each estimated tax payment date.

You don't have an underpayment if:

- You owe less than \$1,000 tax on your 2003 tax return after credits, including your working family child care credit and Oregon tax withheld, or
- You didn't have an underpayment for any 2003 estimated tax period.

Use Form 10, *Underpayment of Oregon Estimated Tax*, to determine if you have an underpayment. If you do or if you meet an exception, you **must** file Oregon Form 10 with your return. Visit our Web site to download the form. Or, see page 40 to order.

On Form 40N or 40P, line 71, fill in the amount of interest due from Form 10 and check the box. Attach Form 10 to the back of your return.

73 Amount you owe.

- Make your check or money order payable to "**Oregon Department of Revenue.**" Do not make your payment out to "IRS," "Treasury," or "Internal Revenue Service."
- Write your Social Security number and "2003 Oregon Form 40N" or "2003 Oregon Form 40P" on your check.
- Please use **blue or black** ink. Do not use gel pens or red ink.
- **Don't send cash or a postdated check.**
- Staple your payment and Form RPC, the payment coupon on page 31, to your return on top of your Form(s) W-2.

Payment plan. If you can't pay in full now, we will work with you to set up a payment plan for the amount you don't pay with your return. Contact the department. See page 40.

Instructions continued on page 37

Schedule WFC-N/P

Oregon Working Family Child Care Credit for Form 40N and Form 40P Filers

2003

The working family child care credit is available to low income families with child care expenses. To qualify, **all of the following must be true:**

- Your child care expenses must be paid by you or your employer to allow you and your spouse to work or attend school; **and**
- Your child care expenses must be for your child under the age of 13 (or for a child with a disability); **and**
- Your child care must be provided by someone other than the child's parent, guardian, or a brother or sister under age 19; **and**
- Your adjusted gross income is less than the limit for your household size; **and**
- You have at least \$6,600 of earned income; **and**
- You have less than \$2,600 of investment income (interest, dividends, and capital gains).

Note: If you are married filing separately, you must be legally separated or permanently living apart on December 31, 2003 to qualify.

Child Care Expense Paid in 2003

Name of Care Provider	Social Security No.(SSN)/FEIN	Address of Care Provider	Amount Paid
1.			
2.			
3.			
4. Add lines 1 through 3. Enter this amount on line 18 below			Total Child Care Expense 4

Household Size

Your household size is generally the number of individuals living in your home that you claim on your federal return. Parents who share custody of their children have different rules.

Custodial parent: Enter the exemption information from your federal return on lines 5–12. Also enter the information for any child who lived with you, but whom you allowed the other parent to claim on his or her tax return.

Noncustodial parent: Enter the exemption information from your federal return on lines 5–12. **DO NOT** enter the exemption information for any child who did not live with you more than half the year even though the child's other parent may have allowed you to claim the exemption on your tax return. Enter that child's information on lines 14–16.

To determine your household size, provide the following information:

Your First and Last Name	Your SSN	Note: Noncustodial parents may not increase household size based on a dependency exemption given to you by the custodial parent.			
5.					
Spouse's Name, if Joint Return	Spouse's SSN	Dependent's Date of Birth	Check if you did not claim this dependent on your federal return	Number of months this dependent lived with you	Relationship
6.					
Names of Dependents Who Lived With You	Dependent's SSN				
7.			<input type="checkbox"/>		
8.			<input type="checkbox"/>		
9.			<input type="checkbox"/>		
10.			<input type="checkbox"/>		
11.			<input type="checkbox"/>		
12.			<input type="checkbox"/>		
13. Add the number of names listed on lines 5 through 12					Total Household Size 13

Noncustodial Parent

Enter on lines 14–16 the information for any child who did not live with you for more than half the year.

Child's First and Last Name	Child's SSN	Child's Date of Birth	Relationship
14.			
15.			
16.			

Computation of Credit

17. Enter your federal adjusted gross income (Form 40N or Form 40P, line 30a)	17	
18. Enter the total qualifying child care expense paid in 2003 from line 4 above	18	
19. Enter the decimal amount from the Working Family Child Care Credit table on the back (use the table that matches your household size from line 13 above). For example, if the amount on line 13 is 4, use Table 4	19	X .
20. Multiply the amount on line 18 by the decimal amount on line 19 and enter here	20	
21. Multiply line 20 by the Oregon Percentage (Form 40N or Form 40P, line 40). Enter the result here and on Form 40N or Form 40P, line 66. This is your working family child care credit	21	

Working Family Child Care Credit—2003 Tables

Table 1, household size = 1		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$17,950	.40
\$17,950	18,850	.36
18,850	19,750	.32
19,750	20,650	.24
20,650	21,550	.16
21,550	22,450	.08
22,450	—	.00

Table 2, household size = 2		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$24,250	.40
\$24,250	25,450	.36
25,450	26,650	.32
26,650	27,900	.24
27,900	29,100	.16
29,100	30,300	.08
30,300	—	.00

Table 3, household size = 3		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$30,500	.40
\$30,500	32,050	.36
32,050	33,550	.32
33,550	35,100	.24
35,100	36,600	.16
36,600	38,150	.08
38,150	—	.00

Table 4, household size = 4		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$36,800	.40
\$36,800	38,650	.36
38,650	40,500	.32
40,500	42,300	.24
42,300	44,150	.16
44,150	46,000	.08
46,000	—	.00

Table 5, household size = 5		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$43,100	.40
\$43,100	45,250	.36
45,250	47,400	.32
47,400	49,550	.24
49,550	51,700	.16
51,700	53,850	.08
53,850	—	.00

Table 6, household size = 6		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$49,350	.40
\$49,350	51,850	.36
51,850	54,300	.32
54,300	56,750	.24
56,750	59,250	.16
59,250	61,700	.08
61,700	—	.00

Table 7, household size = 7		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$55,650	.40
\$55,650	58,400	.36
58,400	61,200	.32
61,200	64,000	.24
64,000	66,750	.16
66,750	69,550	.08
69,550	—	.00

Table 8, household size = 8*		
If the amount on line 17 is:		Enter this decimal amount on line 19:
at least:	but less than:	
—	\$61,900	.40
\$61,900	65,000	.36
65,000	68,100	.32
68,100	71,200	.24
71,200	74,300	.16
74,300	77,400	.08
77,400	—	.00

* If your household size is larger than eight, please contact the department for the tables you need. See page 40 for taxpayer assistance information.

Schedule WFC-N/P

See previous two pages.

WFCCC Tables

See previous two pages.

Special instructions. Do you owe interest on line 70 and have an overpayment on line 68? If the interest you owe is more than your overpayment, you have an amount due. Subtract line 68 from line 70 and enter the result on line 73.

Charitable donations. If you don't have a refund but want to contribute to a charity listed on lines 76–81, mail your donation to the charity's address shown below and on page 38. Please do not mail your donation to the Department of Revenue.

Go to the signature block section on page 38 to finish your return.

74 Refund. You must have a refund on line 74 to use lines 75–81.

75 Estimated tax. If you have a refund on line 74, you may apply part or all of it to your 2004 estimated tax. Fill in the amount you want to apply. Don't fill in more than the amount on line 74.

Charitable checkoffs

You may choose to 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 76–80. You also may donate to **one** of the charities listed under the instructions for line 81. Or, you can mail your donations to the addresses shown.

76 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

77 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 Street, Suite 502
Portland OR 97205

78 Alzheimer's Disease Research. Your donation goes to the Alzheimer's Association for research on Alzheimer's and related disorders.

Alzheimer's Association
1311 NW 21st Avenue
Portland OR 97209

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

OCADSV
115 Mission St SE, Ste 100
Salem OR 97302

80 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

81 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 81. **Enter only one code.** Check the box for the amount you want to donate and write it on line 81. 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
3300 NW 185th #214
Portland OR 97229

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
2705 E Burnside, Suite 108
Portland OR 97214

American Diabetes Association (Code 3). Your donation will help continue diabetes research and advocacy programs in Oregon.

American Diabetes Association
380 SE Spokane Street, Suite 110
Portland OR 97202

Oregon Coast Aquarium (Code 4). Your donation will help fund educational programs, conservation efforts, and animal rehabilitation.

Oregon Coast Aquarium
2820 SE Ferry Slip Road
Newport OR 97365

SMART (Code 5). Your donation will help fund the Start Making A Reader Today early literacy program for Oregon's most vulnerable children.

Oregon Children's Foundation/SMART
219 NW 12th Avenue, Suite 203
Portland OR 97209

SOLV (Code 6). Your donation helps fund thousands of projects to clean up beaches, forests, rivers, and neighborhoods across Oregon.

SOLV
PO Box 1235
Hillsboro OR 97123

St. Vincent de Paul Society of Oregon (Code 7). Your donation will help provide services leading to self-sufficiency for low-income Oregonians.

St. Vincent de Paul Society of Oregon
PO Box 24608
Eugene OR 97402

The Nature Conservancy (Code 8). Your donation will help purchase and restore critical habitats for Oregon's at-risk plants, fish, and wildlife.

The Nature Conservancy
821 SE 14th Avenue
Portland OR 97214

Doernbecher Children's Hospital Foundation (Code 9). Your donation will fund a critical expansion of the cancer treatment facilities at Doernbecher.

Doernbecher Children's Hospital Foundation
1121 SW Salmon, Suite 201
Portland OR 97205-2021

The Oregon Humane Society (Code 10). Your donation will help save pets' lives through rescue, sheltering, adoption, education, cruelty investigation, and advocacy.

The Oregon Humane Society
PO Box 11364
Portland OR 97211

The Salvation Army—Oregon (Code 11). Your donation to the Salvation Army ensures help for the neediest children and their families throughout Oregon.

The Salvation Army
1785 NE Sandy Blvd
Portland OR 97232

The Oregon Veterans' Home (Code 12). Your donation will improve the quality of life for veterans receiving nursing care at the Oregon Veterans' Home.

Oregon Veterans' Home Donations
700 Summer Street NE
Salem OR 97301-1285

Planned Parenthood of Oregon (Code 13). Your donation will fund family planning services and reproductive health education programs.

Planned Parenthood of Oregon
3231 SE 50th Avenue
Portland OR 97206

83 **Net refund.** You must **reduce your refund** by any amounts applied to 2004 estimated tax and donations on lines 76–81. The department cannot issue a refund when the return is filed more than three years after the due date of the return. Do not send in Form RPC, the payment coupon, with your return if you are claiming a refund.

Direct deposit

84 Complete line 84 if you want us to deposit your refund directly into your bank account instead of mailing you a check.

1. **Contact your bank** to make sure your deposit will be accepted and to get your correct routing and account numbers.
2. **Check the appropriate box** for account type. Check **either** checking or savings, but not both.
3. **Enter your nine-digit routing number.** The routing number must begin with 01 through 12, or 21 through 32.
4. **Enter the account number** of the account into which you want your refund deposited. The account number can be up to 17 characters (both numbers and letters). Do not include hyphens, spaces, or special symbols. Enter the number left to right and leave any unused boxes blank.

Signature block

Authorization box. Check the box if you wish to authorize the Department of Revenue to discuss information about the initial processing of your tax return with your preparer. Otherwise, leave it blank.

Signature(s). Be sure to sign and date your return. If you are filing a joint return, both spouses must sign.

Minor child's return. If your child must file a tax return, you may sign the child's name as his or her legal agent. Sign the child's name and then write "By [your signature], parent (or other legal guardian) for minor child."

Preparer signature. 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 and must sign the return. Contact these agencies for more information on licensing or to check the status of your Oregon tax practitioner:

- State Board of Tax Practitioners at 503-378-4034 for licensed tax consultants and licensed tax preparers.
- 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.

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 below line 7 on the lower front of your Form 40N or Form 40P.
3. Staple your payment and your completed Form RPC, the payment coupon, on top of the Form(s) W-2 and/or 1099.
4. Place a copy of the front and back of federal Form 1040, 1040A, 1040EZ, 1040NR, or TeleFile Tax Record behind your Form 40N or Form 40P.
5. If applicable, place these items in the following order behind the federal form:
 - Schedule WFC-N/P, *Oregon Working Family Child Care Credit for Part-Year and Nonresidents*. See page 33.
 - Oregon Form 10, *Underpayment of Oregon Estimated Tax*.
 - Proof required to claim credit for taxes paid to another state. See page 29.
 - Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*.
 - Form FIA-40P, *Oregon Farm Income Averaging for Part-Year Residents*, or Form FIA-40N, *Oregon Farm Income Averaging for Nonresidents*.
 - *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe*.
6. Staple all pages of your return together in the top left-hand corner.

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—2003 Form 40N” is printed at the top of the second page.

Don't attach extension requests; federal Schedule A, B, C, or 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.

How long do I have to file my return and get a refund?

You have three years from the due date of the return to file a claim for a refund. By law, the Department of Revenue cannot issue a refund if your return is filed more than three years after the due date.

Can I make payments?

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, tax year, and “Form 40P” or “Form 40N” on your check. Be sure you also use Form RPC, the payment coupon, on page 31. Call the department as soon as possible to set up a payment plan. If you do not call, collection activity may begin.

To avoid processing delays, remember to:

Wait to file your return until the February 3, 2004, special election results are known.

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.

If you have tax to pay, read line 73 instructions.

Verify your bank account information if you are requesting direct deposit.

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.

Attach Form RPC, the payment coupon, with your payment to the front of your return.

Attach your federal return.

Mail your return in a stamped envelope. Use a business envelope (4 × 9½ inches) and be sure to use enough postage. Please do not use a smaller envelope—it delays processing.

Tax return mailing addresses

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

After you file

I'm getting a refund, but I heard there will be delays this year. How long will it take to get my check?

This year, refunds will be delayed because of the February 3, 2004, special election. If Measure 30 passes, the law (see page 2) will go into effect March 4, 2004. The department cannot issue refunds before the law goes into effect. If Measure 30 fails, the department will begin processing returns as soon as the election results are certified.

This year, allow six weeks **after** the election results are certified before you call to check on the status of your refund.

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

Taxpayer assistance

Printed information (free)

Income tax booklets are available at many post offices, banks, and libraries. For booklets and other forms and publications, you can also access our Web site, order by telephone, or return the form below.



Check individual boxes to order. Complete name and address section. Clip on the dotted line, then mail in the entire list to the address below.

Forms and instructions

- Form 10, *Underpayment of Oregon Estimated Tax* 150-101-031
- Form 24, *Like-Kind Exchanges/ Involuntary Conversions* 150-800-734
- Form 40ES, *Estimated Income Tax Coupons, and instructions*..... 150-101-026/-2
- Forms 40S & 40, *Full-Year Resident* 150-101-043
- Forms 40P & 40N, *Part-Year & Nonresident* 150-101-045
- Form 40X, *Oregon Amended Individual Income Tax Return*..... 150-101-046
- Form 40-EXT, *Oregon Automatic Extension and Extension Payment Coupon* 150-101-165
- Form 90R, *Elderly Rental Assistance* 150-545-002
- Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*..... 150-101-160
- Form FIA-40N, 40P, and Schedule Z, *Oregon Farm Income Averaging for Nonresidents and Part-Year Residents*..... 150-101-161
- Oregon Depreciation Schedule* 150-101-025

Information circulars and brochures

- Amtrak Act (Interstate Transportation Wages)* ... 150-101-601
- Audits: What To Do if You Are Audited* 150-101-607
- Credit for Income Taxes Paid to Another State* 150-101-646
- Divorce and Taxes* 150-101-629
- Donated Crops Tax Credit* 150-101-686
- Electronic Filing for Oregon*..... 150-101-630
- Estimated Income Tax* 150-101-648
- Income Tax Filing Extension* 150-101-660
- Interest on Tax You Owe, Computation* 150-800-691
- Itemized Deductions Limit* 150-101-611
- Married Persons Filing Separate Returns* 150-101-656
- Military Personnel Filing Information* 150-101-657
- Record-Keeping Requirements* 150-101-608
- Retirement Income* 150-101-673
- Your Rights as an Oregon Taxpayer* 150-800-406
- List of other printed information:
Form and Publication Order 150-800-390

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

Please print

Name _____
 Address _____
 City _____
 State _____ ZIP Code _____

Internet

www.dor.state.or.us



The Department of Revenue Web site is a quick and easy way to download forms and publications, get up-to-the-minute tax information, and learn about electronic filing.

Correspondence



Write to: Oregon Department of Revenue, 955 Center St NE, Salem OR 97301-2555. Include your Social Security number and a daytime telephone number for faster service.

Telephone

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

If you have a touch-tone telephone, call our 24-hour voice response system at one of the numbers above to:

- Hear recorded tax information.
- Order tax forms.
- Check on the status of your 2003 personal income tax refund (beginning March 15).



For help from Tax Services, call one of the numbers above:

Monday, Tuesday, Thursday, Friday 7:30 a.m.–5:10 p.m.
Wednesday 10:00 a.m.–5:10 p.m.
Closed on holidays.

April 1–April 15, Monday–Friday 7:00 a.m.–9:00 p.m.
Saturday, April 3 and April 10 9:00 a.m.–5:00 p.m.
Wait times may vary.

TTY (hearing or speech impaired; machine only): 503-945-8617 (Salem) or 1-800-886-7204 (toll-free within Oregon).

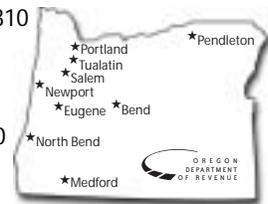
Americans with Disabilities Act (ADA). This information is available in alternative formats. Call 503-378-4988 (Salem) or 1-800-356-4222 (toll-free within Oregon).

Asistencia en español. Llame al 503-945-8618 en Salem o llame gratis al 1-800-356-4222 en Oregon.

Field offices

Get forms and assistance at these offices. **Don't send your return to these addresses.**

- Bend** 951 SW Simpson Drive, Suite 100
- Eugene** 1600 Valley River Drive, Suite 310
- Medford** 24 W 6th Street
- Newport** 119 NE 4th Street, Suite 4
- North Bend** 3030 Broadway
- Pendleton** 700 SE Emigrant, Suite 310
- Portland*** Federal Building Lobby, 1220 SW Third Avenue



- Portland** 800 NE Oregon Street, Suite 505
- Salem** Revenue Building, 955 Center Street NE, Room 135
- Salem** 4275 Commercial Street SE, Suite 180
- Tualatin** 6405 SW Rosewood Street, Suite A

* *January 21–March 26: Monday, Wednesday, Friday, 10 a.m.–3 p.m.
 March 29–April 15: Monday–Friday, 9 a.m.–4 p.m.*

