

FORM
FIA-40N **OREGON FARM**
INCOME AVERAGING **2004**

For Office Use Only	
Date received	

Name(s) as shown on Oregon Form 40N			Social Security No. (SSN) — —	
Current mailing address			Spouse's SSN, if joint return — —	
City	State	ZIP code	Telephone number ()	

	Federal column	Oregon column
1 Enter income after subtractions from your 2004 Oregon Form 40N, line 39	1a <input type="text"/>	1b <input type="text"/>
2 Enter your elected farm income from Oregon sources from federal Schedule J, line 2; or from Oregon Form 40N, line 19b	2a <input type="text"/>	2b <input type="text"/>
3 Subtract line 2 from line 1 in both the federal and Oregon columns	3a <input type="text"/>	3b <input type="text"/>
4 Recomputed Oregon percentage. Divide line 3b by line 3a (not more than 100%)	4 . _____	
5 Multiply the allowable deductions and modifications from your 2004 Oregon Form 40N, line 47 worksheet (page 26, line 4) by the recomputed Oregon percentage shown above	5 <input type="text"/>	
6 Enter your deductions and modifications not multiplied by the Oregon percentage from Form 40N, line 48	6 <input type="text"/>	
7 Add lines 5 and 6		7 <input type="text"/>
8 Line 3b minus line 7. Enter the result here		8 <input type="text"/>
9 Figure the tax on line 8 using the 2004 Tax Rate Charts		9 <input type="text"/>
10 Divide line 2b by 3.0 and enter here		10 <input type="text"/>
11 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2001, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		11 <input type="text"/>
12 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2002, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		12 <input type="text"/>
13 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2003, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		13 <input type="text"/>
14 Add lines 9, 11, 12, and 13		14 <input type="text"/>
15 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 12; Form FIA-40N, line 12; or Form FIA-40P, line 11. If you did not use FIA in 2003 but did for 2002, enter the amount from 2002 Form FIA-40, line 16; Form FIA-40N, line 14; or Form FIA-40P, line 12. Otherwise, enter the tax from your 2001 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51		15 <input type="text"/>
16 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 16; Form FIA-40N, line 13; or Form FIA-40P, line 12. If you did not use FIA in 2003 but did for 2002, enter the amount from 2002 Form FIA-40, line 4; Form FIA-40N, line 10; or Form FIA-40P, line 8. Otherwise, enter the tax from your 2002 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51		16 <input type="text"/>
17 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 4; Form FIA-40N, line 9; or Form FIA-40P, line 8. Otherwise, enter the tax from your 2003 Form 40, line 30; Form 40S, line 13; Form 40N, line 51; or Form 40P, line 51		17 <input type="text"/>
18 Add lines 15, 16, and 17		18 <input type="text"/>
19 Line 14 minus line 18. Enter the result here and on Form 40N, line 52		19 <input type="text"/>

150-101-161 (Rev. 12-04) Web

—Attach your completed Form FIA-40N to your Oregon Form 40N—

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FORM
FIA-40P OREGON FARM
 INCOME AVERAGING **2004**

For Office Use Only	
Date received	

Name(s) as shown on Oregon Form 40P			Social Security No. (SSN) — —
Current mailing address			Spouse's SSN, if joint return — —
City	State	ZIP code	Telephone number ()

	Federal column	Oregon column
1 Enter income after subtractions from your 2004 Oregon Form 40P, line 39.....	1a <input type="text"/>	1b <input type="text"/>
2 Enter your elected farm income from Oregon sources from federal Schedule J, line 2; or from Oregon Form 40P, line 19b.....	2a <input type="text"/>	2b <input type="text"/>
3 Subtract line 2 from line 1 in both the federal and Oregon columns.....	3a <input type="text"/>	3b <input type="text"/>
4 Recomputed Oregon percentage. Divide line 3b by line 3a (not more than 100%).....	4 . — — —	
5 Enter allowable deductions and modifications from your 2004 Form 40P, line 48.....	5 <input type="text"/>	
6 Line 3a minus line 5. Enter the result here		6 <input type="text"/>
7 Figure the tax on line 6 using the 2004 Tax Rate Charts		7 <input type="text"/>
8 Multiply line 7 by the recomputed Oregon percentage on line 4.....		8 <input type="text"/>
9 Divide line 2b by 3.0 and enter here		9 <input type="text"/>
10 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2001, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		10 <input type="text"/>
11 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2002, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		11 <input type="text"/>
12 Enter the amount from your 2004 Schedule Z, Computation for Tax Year 2003, Computation A, line 10; Computation B, line 8; or Computation C, line 4; whichever applies		12 <input type="text"/>
13 Add lines 8, 10, 11, and 12		13 <input type="text"/>
14 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 12; Form FIA-40N, line 12; or Form FIA-40P, line 11. If you did not use FIA in 2003 but did for 2002, enter the amount from 2002 Form FIA-40, line 16; Form FIA-40N, line 14; or Form FIA-40P, line 12. Otherwise, enter the tax from your 2001 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51		14 <input type="text"/>
15 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 16; Form FIA-40N, line 13; or Form FIA-40P, line 12. If you did not use FIA in 2003 but did for 2002, enter the amount from 2002 Form FIA-40, line 4; Form FIA-40N, line 10; or Form FIA-40P, line 8. Otherwise, enter the tax from your 2002 Form 40, line 30; Form 40S, line 16; Form 40N, line 52; or Form 40P, line 51		15 <input type="text"/>
16 If you used FIA to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 4; Form FIA-40N, line 9; or Form FIA-40P, line 8. Otherwise, enter the tax from your 2003 Form 40, line 30; Form 40S, line 13; Form 40N, line 51; or Form 40P, line 51		16 <input type="text"/>
17 Add lines 14, 15, and 16		17 <input type="text"/>
18 Line 13 minus line 17. Enter the result here and on Form 40P, line 52		18 <input type="text"/>

—Attach your completed Form FIA-40P to your Oregon Form 40P—

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Schedule Z

(Farm Income Averaging)

Computation of Tax

2004

COMPUTATION FOR TAX YEAR 2001

Computation A. Complete if you filed Form 40N for tax year 2001.

1 If you used Schedule Z to figure your tax for 2003, enter the amount from your 2003 Schedule Z, Computation for Tax Year 2001, Computation A, lines 3a and 3b.

If you used Schedule Z to figure your tax for 2002 but not for 2003, enter the amounts from your 2002 Schedule Z, Computation for Tax Year 2001,

Computation A, lines 3a and 3b. Otherwise, enter the amount shown on your 2001 Form 40N, lines 39a and 39b (if -0- or less, see instructions)

	Federal column	Oregon column
1a	<input type="text"/>	<input type="text"/>

2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9

2a	<input type="text"/>	<input type="text"/>
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3 Add lines 1 and 2 in both the federal and Oregon columns

3a	<input type="text"/>	<input type="text"/>
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4 Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%)

4	. _____	
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5 Enter allowable deductions and modifications from your 2001 Oregon Form 40N, line 47

5	<input type="text"/>	<input type="text"/>
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6 Multiply the amount on line 5 by the recomputed Oregon percentage on line 4 and enter here

6	<input type="text"/>	<input type="text"/>
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7 Enter the amount from your 2001 Oregon Form 40N, line 49

7	<input type="text"/>	<input type="text"/>
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8 Add lines 6 and 7

8	<input type="text"/>	<input type="text"/>
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9 Line 3b minus line 8. Enter the result here

9	<input type="text"/>	<input type="text"/>
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10 Figure the tax on line 9 using the 2001 Tax Rate Charts. Enter the amount on Form FIA-40, line 8; Form FIA-40N, line 11; or Form FIA-40P, line 10

10	<input type="text"/>	<input type="text"/>
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Computation B. Complete if you filed Form 40P for tax year 2001.

1 If you used Schedule Z to figure your tax for 2003, enter the amount from your 2003 Schedule Z, Computation for Tax Year 2001, Computation B, lines 3a and 3b.

If you used Schedule Z to figure your tax for 2002 but not for 2003, enter the amounts from your 2002 Schedule Z, Computation for Tax Year 2001,

Computation B, lines 3a and 3b. Otherwise, enter the amount shown on your 2001 Form 40P, lines 39a and 39b (if -0- or less, see instructions)

	Federal column	Oregon column
1a	<input type="text"/>	<input type="text"/>

2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9

2a	<input type="text"/>	<input type="text"/>
----	----------------------	----------------------

3 Add lines 1 and 2 in both the federal and Oregon columns

3a	<input type="text"/>	<input type="text"/>
----	----------------------	----------------------

4 Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%)

4	. _____	
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5 Enter the amount from your 2001 Oregon Form 40P, line 48

5	<input type="text"/>	<input type="text"/>
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6 Line 3a minus line 5. Enter the result here

6	<input type="text"/>	<input type="text"/>
---	----------------------	----------------------

7 Figure the tax on line 6 using the 2001 Tax Rate Charts

7	<input type="text"/>	<input type="text"/>
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8 Multiply line 7 by the Oregon percentage on line 4. Enter the amount on Form FIA-40, line 8; Form FIA-40N, line 11; or Form FIA-40P, line 10

8	<input type="text"/>	<input type="text"/>
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Computation C. Complete if you filed Form 40 or Form 40S for tax year 2001.

1 If you used Form FIA-40 to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 11. If you used Schedule Z to figure your tax for 2003, enter the amount from the 2003 Schedule Z, Computation for Tax Year 2001,

Computation C, line 3. If you used Form FIA-40 for tax year 2002 but not for 2003, enter the amount from 2002 Form FIA-40, line 15. If you used Schedule Z to figure your tax for 2002 but not for 2003, enter the amounts from your 2002 Schedule Z, Computation for Tax Year 2001, Computation C, line 3. Otherwise, enter the amount shown on your 2001 Form 40, line 28; or Form 40S, line 15 (if -0- or less, see instructions)

	Oregon column
1	<input type="text"/>

2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9

2	<input type="text"/>
---	----------------------

3 Add lines 1 and 2

3	<input type="text"/>
---	----------------------

4 Figure the tax on line 3 using the 2001 Tax Rate Charts. Enter the amount on Form FIA-40, line 8; Form FIA-40N, line 11; or Form FIA-40P, line 10

4	<input type="text"/>
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COMPUTATION FOR TAX YEAR 2002

Computation A. Complete if you filed **Form 40N** for tax year 2002.

1 If you used Schedule Z to figure your tax for 2003 enter the amounts from your 2003 Schedule Z, Computation for Tax Year 2002, Computation A, lines 3a and 3b. If you income averaged for 2002 but not for 2003, enter the amount from Form FIA-40N, line 3a and 3b. Otherwise, enter the amount shown on your 2002 Form 40N, lines 39a and 39b (if -0- or less, see instructions)..... 1a

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 1b

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2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9 2a

--	--

 2b

--	--

3 Add lines 1 and 2 in both the federal and Oregon columns 3a

--	--

 3b

--	--

4 Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%) 4 . _____

5 Enter allowable deductions and modifications from your 2002 Oregon Form 40N, line 47 5

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6 Multiply the amount on line 5 by the recomputed Oregon percentage on line 4..... 6

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7 Enter the amount from your 2002 Oregon Form 40N, line 49 7

--	--

8 Add lines 6 and 7 8

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9 Line 3b minus line 8. Enter the result here 9

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10 Figure the tax on line 9 using the 2002 Tax Rate Charts. Enter the amount on Form FIA-40, line 12; Form FIA-40N, line 12; or Form FIA-40P, line 11 10

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Computation B. Complete if you filed **Form 40P** for tax year 2002.

1 If you used Schedule Z to figure your tax for 2003 enter the amounts from your 2003 Schedule Z, Computation for Tax Year 2002, Computation B, lines 3a and 3b. If you income averaged for 2002 but not for 2003, enter the amount from Form FIA-40P, lines 3a and 3b. Otherwise, enter the amount shown on your 2002 Form 40P, lines 39a and 39b (if -0- or less, see instructions) 1a

--	--

 1b

--	--

2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9 2a

--	--

 2b

--	--

3 Add lines 1 and 2 in both the federal and Oregon columns 3a

--	--

 3b

--	--

4 Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%) 4 . _____

5 Enter the amount from your 2002 Oregon Form 40P, line 48..... 5

--	--

6 Line 3a minus line 5. Enter the result here 6

--	--

7 Figure the tax on line 6 using the 2002 Tax Rate Charts 7

--	--

8 Multiply line 7 by the Oregon percentage on line 4. Enter the amount on Form FIA-40, line 12; Form FIA-40N, line 12; or Form FIA-40P, line 11 8

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Computation C. Complete if you filed **Form 40** or **Form 40S** for tax year 2002.

1 If you used Form FIA-40 to figure your tax for 2003, enter the amount from 2003 Form FIA-40, line 15. If you used Schedule Z to figure your tax for 2003 enter the amounts from your 2003 Schedule Z, Computation for Tax Year 2002, Computation C, line 3. If you used Form FIA-40 for tax year 2002 but not for 2003, enter the amount from 2002 Form FIA-40, line 3. Otherwise, enter the amount shown on your 2002 Form 40, line 28; or Form 40S, line 15 (if -0- or less, see instructions) 1

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2 Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9 2

--	--

3 Add lines 1 and 2 3

--	--

4 Figure the tax on line 3 using the 2002 Tax Rate Charts. Enter the amount on Form FIA-40, line 12; Form FIA-40N, line 12; or Form FIA-40P, line 11 4

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COMPUTATION FOR TAX YEAR 2003

Computation A. Complete if you filed **Form 40N** for tax year 2003.

1	If you used Form FIA-40N to figure your tax for 2003, enter the amounts from your 2003 Form FIA-40N, lines 3a and 3b. Otherwise, enter the amount shown on your 2003 Form 40N, line 39 (if -0- or less, see instructions)	1a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			Federal column	1b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			Oregon column
2	Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9	2a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>				2b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			
3	Add lines 1 and 2 in both the federal and Oregon columns	3a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>				3b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			
4	Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%)	4	• _____								
5	Enter allowable deductions and modifications from your 2003 Oregon Form 40N, line 47	5	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
6	Multiply the amount on line 5 by the recomputed Oregon percentage on line 4	6	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
7	Enter the amount from your 2003 Oregon Form 40N, line 49	7	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
8	Add line 6 and 7	8	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
9	Line 3b minus line 8. Enter the result here	9	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
10	Figure the tax on line 9 using the 2003 Tax Rate Charts. Enter the amount on Form FIA-40, line 16; Form FIA-40N, line 13; or Form FIA-40P, line 12	10	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								

Computation B. Complete if you filed **Form 40P** for tax year 2003.

1	If you used Form FIA-40P to figure your tax for 2003, enter the amount from the 2003 Form FIA-40P, lines 3a and 3b. Otherwise, enter the amount shown on your 2003 Form 40P, line 39 (if -0- or less, see instructions)	1a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			Federal column	1b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			Oregon column
2	Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9	2a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>				2b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			
3	Add lines 1 and 2 in both the federal and Oregon columns	3a	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>				3b	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>			
4	Recompute the Oregon percentage. Divide line 3b by line 3a (not more than 100%)	4	• _____								
5	Enter the amount from your 2003 Oregon Form 40P, line 48	5	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
6	Line 3a minus line 5. Enter the result here	6	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
7	Figure the tax on line 6 using the 2003 Tax Rate Charts	7	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								
8	Multiply line 7 by the Oregon percentage on line 4. Enter the amount on Form FIA-40, line 16; Form FIA-40N, line 13; or Form FIA-40P, line 12	8	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>								

Computation C. Complete if you filed **Form 40** or **Form 40S** for tax year 2003.

1	If you used Form FIA-40 to figure your tax for 2003, enter the amount from your 2003 Form FIA-40, line 3. Otherwise, enter the amount shown on your 2003 Form 40, line 28; or Form 40S, line 12 (if -0- or less, see instructions)	1	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>							Oregon column
2	Enter amount from 2004 Form FIA-40, line 6; Form FIA-40N, line 10; or Form FIA-40P, line 9	2	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>							
3	Add lines 1 and 2	3	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>							
4	Figure the tax on line 3 using the 2003 Tax Rate Charts. Enter the amount on Form FIA-40, line 16; Form FIA-40N, line 13; or Form FIA-40P, line 12	4	<table border="1" style="display: inline-table; width: 100px; height: 20px;"><tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr></table>							

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You may elect to figure your 2004 tax by averaging, over the previous three years (base years), all or part of your 2004 taxable farm income.

You will need copies of your original or amended Oregon income tax returns for tax years 2001, 2002, and 2003 to figure your tax on Form FIA-40N or Form FIA-40P. You can obtain copies of prior years' returns for a fee from the Oregon Department of Revenue. See Taxpayer Assistance on page 8 for numbers to call.

Elected farm income

Your elected farm income is the amount of your taxable income from farming that you elect to include on Form FIA-40N or Form FIA-40P, line 2. Do not enter more than the amount on line 1.

To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land. Gains and losses must be from property (other than land) regularly used by you in the farm business for a substantial period of time. Oregon source farm income includes income or loss received from an Oregon farm while you were a nonresident and farm income or loss received during any portion of the year you were an Oregon resident.

You do not have to include all of your taxable income from farming on Form FIA-40N or Form FIA-40P, line 2.

Your elected farm income cannot exceed your Oregon taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of your total net capital gain or your net capital gain attributable to your farming business.

If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years.

If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, do not reduce the elected farm income allocated to that base year by any part of the carryover.

Farming business

A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm.
- Raising or harvesting trees bearing fruits, nuts, or other crops.
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots).
- Raising, shearing, feeding, caring for, training, and managing animals.
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).
- Wages and other compensation you received as a shareholder in an S corporation engaged in a farming business.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

Instructions for Schedule Z

You will need to complete Form FIA-40N through line 10 or Form FIA-40P through line 9 before you can complete Schedule Z. You will need the figure from line 2(b) of Form FIA-40N or Form FIA-40P to recalculate Oregon tax for tax years 2001, 2002, and 2003. On Schedule Z, complete either Computation A, B, or C for each tax year. Figures from Schedule Z are needed to complete Form FIA-40, lines 8, 12, and 16; Form FIA-40N, lines 11 through 13; or Form FIA-40P, lines 10 through 12.

If you were a part-year resident or a nonresident for 2001, 2002, or 2003 and if your income after subtractions (line 39) for either federal or Oregon was zero or less for any of these three tax years, use the worksheets below to figure the amount to enter on Schedule Z, Computation A or B, line 1.

NOL means *net operating loss* and applies to the year of the actual loss. **NOLD** means *net operating loss deduction* and applies to the year the NOL is carried to.

2001 Taxable Income Worksheet

Part-Year or Nonresident Return for 2001

- | | Federal (a) | Oregon (b) |
|--|-------------|------------|
| 1. Figure income after subtractions for either federal or Oregon, or both, from your 2001 Form 40N or Form 40P without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2001. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2001. Enter the result here | \$ _____ | \$ _____ |
| 2. You must make an additional computation if you have a capital loss and a NOL in either or both columns on Form 40N or Form 40P. If there is a loss on your 2001 federal Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 federal Schedule D, line 17. Enter the result here | \$ _____ | \$ _____ |
| 3. If you had an NOL for 2001 for federal only, enter | | |

it as a positive amount in the federal column. If you had an NOL for 2001 for both federal and Oregon enter it in both columns as a positive amount. If you had an NOL for Oregon only, enter it as a positive amount in the Oregon column. Otherwise, enter as a positive amount the portion (if any) of the NOLD carryovers and carrybacks to 2001 that were not used in 2001 and were carried to tax years after 2001

	Federal (a)	Oregon (b)
after 2001	\$ _____	\$ _____
4. Add lines 2 and 3	\$ _____	\$ _____
5. Add line 1 and line 4 for each column. Enter the result here and on your 2004 Schedule Z, Tax Year 2001, Computation A or B, line 1	\$ _____	\$ _____

Full-Year Return for 2001

6. Figure the taxable income from your 2001 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2001. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2001. Enter the result here

7. If there is a loss on your 2001 federal Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 federal Schedule D, line 17. Enter the result here

8. If you had an NOL for 2001, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2001 that were not used in 2001 and were carried to tax years after 2001 as a positive amount here.....

	\$ _____
9. Add lines 7 and 8	\$ _____
10. Add line 6 and line 9. Enter the result here, and on your 2004 Schedule Z, Tax Year 2001, Computation C, line 1	\$ _____

2002 Taxable Income Worksheet

Part-Year or Nonresident Return for 2002

11. Figure income after subtractions for either federal or

Oregon, or both, from your 2002 Form 40N or Form 40P without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2002. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2002. Enter the result here.....

	Federal (a)	Oregon (b)
12. You must make an additional computation if you have a capital loss and a NOL in either or both columns on Form 40N or Form 40P. If there is a loss on your 2002 federal Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that sum the amount of the loss on your 2002 federal Schedule D, line 17. Enter the result here	\$ _____	\$ _____
13. If you had an NOL for 2002 for federal only, enter it as a positive amount in the federal column. If you had an NOL for 2002 for both federal and Oregon enter it in both columns as a positive amount. If you had an NOL for Oregon only, enter it as a positive amount in the Oregon column. Otherwise, enter as a positive amount the portion (if any) of the NOLD carryovers and carrybacks to 2002 that were not used in 2002 and were carried to tax years after 2002.....	\$ _____	\$ _____
14. Add lines 12 and 13	\$ _____	\$ _____
15. Add line 11 and line 14. Enter the result here and on your 2004 Schedule Z, Tax Year 2002, Computation A or B, line 1	\$ _____	\$ _____

Full-Year Return for 2002

16. Figure the taxable income from your 2002 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2002. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2002. Enter the result here

17. If there is a loss on your 2002 federal Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that

	Federal (a)	Oregon (b)
sum the amount of the loss on your 2002 federal Schedule D, line 17. Enter the result here		\$ _____
18. If you had an NOL for 2002, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2002 that were not used in 2002 and were carried to tax years after 2002 as a positive amount here		\$ _____
19. Add lines 17 and 18		\$ _____
20. Add line 16 and line 19. Enter the result here, and on your 2004 Schedule Z, Tax Year 2002, Computation C, line 1		\$ _____

2003 Taxable Income Worksheet

Part-Year or Nonresident Return for 2003

21. Figure income after subtractions for either federal or Oregon, or both, from your 2003 Form 40N or Form 40P without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2003. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2003. Enter the result here	\$ _____	\$ _____
22. You must make an additional computation if you have a capital loss in either or both columns on Form 40N or Form 40P. If there is a loss on your 2003 federal Schedule D, line 18, add that loss (as a positive amount) and your 2003 capital loss carryover to tax year 2004. Subtract from that sum the amount of the loss on your 2003 federal Schedule D, line 17. Enter the result here	\$ _____	\$ _____
23. If you had an NOL for 2003 for federal only, enter it as a positive amount in the federal column. If you had an NOL for 2003 for both federal and Oregon, enter it in both columns as a positive amount. If you had an NOL for Oregon only, enter it as a positive amount in the Oregon column. Otherwise, enter as a positive amount the		

	Federal (a)	Oregon (b)
portion (if any) of the NOLD carryovers and carrybacks to 2003 that were not used in 2003 and were carried to tax years after 2003	\$ _____	\$ _____
24. Add lines 22 and 23	\$ _____	\$ _____
25. Add line 21 and line 24. Enter the result here and on your 2004 Schedule Z, Tax Year 2003, Computation A or B, line 1	\$ _____	\$ _____

Full Year Return for 2003

26. Figure the taxable income from your 2003 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2003. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2003. Enter the result here		\$ _____
27. If there is a loss on your 2003 federal Schedule D, line 18, add that loss (as a positive amount) and your 2003 capital loss carryover to 2004. Subtract from that sum the amount of the loss on your 2003 federal Schedule D, line 17. Enter the result here		\$ _____
28. If you had an NOL for 2003, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2003 that were not used in 2003 and were carried to tax years after 2003 as a positive amount here		\$ _____
29. Add lines 27 and 28		\$ _____
30. Add line 26 and line 29. Enter the result here, and on your 2004 Schedule Z, Tax Year 2003, Computation C, line 1		\$ _____

Example: John Farmington owns a farm in Ontario, Oregon but is a resident of Idaho. John files as a nonresident for Oregon each year. John did not use farm income averaging for 2001, 2002, or 2003. For tax year 2004, John has elected farm income of \$18,000 on line 2 of Form FIA-40N. His 2001 income after subtractions shown on line 39 of Form 40N is \$25,906 in the federal column and \$6,150 in the Oregon column.

John had a NOL for tax year 2002 of \$22,950 for Oregon only, which he elected to carryback five years. Of the \$22,950 loss, \$9,000 was carried back to tax year 2001 and completely absorbed. John combines the \$9,000 NOLD with his Oregon income after subtractions of \$6,150. The result is a negative \$2,850 and is entered in the Oregon column on line 1(b) of the 2001 worksheet. John enters \$25,906 in the federal column on line 1(a) of the 2001 worksheet.

When John filed his 2001 federal tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$4,000 capital loss carryover to 2002. The capital losses are not Oregon source. Since the NOL is for Oregon only, no adjustment is necessary for the capital loss deduction or for the capital loss carryover to 2002. John enters -0- in both columns on line 2 of the 2001 worksheet.

John had no net operating losses for tax year 2001 for either federal or Oregon. Because the NOL from 2002 is completely absorbed in 2001, there is no carryover to tax years after 2001. John enters -0- in both columns on line 3 of the worksheet. John adds the amounts on lines 2 and 3, both of which are -0-. He subtracts -0- from the negative \$2,850 and enters the result, a negative \$2,850, in the Oregon column on Schedule Z, Computation A, line 1(b). John subtracts -0- from the \$25,906 and enters the result, a positive \$25,906, in the federal column on Schedule Z, Computation A, line 1(a). These figures represent John's recomputed federal and Oregon income after subtractions for tax year 2001.

For tax year 2002, John's income after subtractions is \$10,850 for federal and a negative \$27,250 for Oregon. John enters \$10,850 in the federal column and a negative \$27,250 in the Oregon column on line 11 of the 2002 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 and a \$7,000 loss on Schedule D, line 17, the carryover from 2001 to 2002. Because the NOL is for Oregon only, no adjustment is necessary on line 12 in the federal column and no adjustment is made in the Oregon column since the capital loss deduction is not Oregon source. John enters -0- in both columns on line 12 of the 2002 worksheet. John enters the Oregon only NOL of \$22,950 on line 13 in the Oregon column of the worksheet and -0- in the federal column. John adds lines 12 and 13 and enters \$22,950 in the Oregon column and -0- in the federal column.

In the federal column on line 15, John enters a positive \$10,850. For the Oregon column, John adds the \$22,950 on line 14 and the negative \$27,250 on line 11 of the worksheet and enters a negative \$4,300 in the Oregon column on line 15. These figures represent John's recomputed federal and Oregon income after subtractions for tax year 2002. John enters both of these figures on Schedule Z, Computation A, line 1 in the federal and Oregon columns.

For tax year 2003, John's income after subtractions is not negative in either the federal or Oregon columns. Therefore, John can complete Schedule Z without using the worksheets.

Taxpayer assistance

Internet

www.oregon.gov/DOR



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.

To get forms

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

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 2004 personal income tax refund (beginning February 1).



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.
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.