

OREGON 2005 FULL-YEAR RESIDENT

PERSONAL INCOME TAX FORMS 40S AND 40 WITH INSTRUCTIONS

Services paid for with Oregon income taxes



Education **55%**
K-12 System, Community
Colleges, Higher Education

Human Services **23%**
Child Protective Services,
Medicaid, Senior Services

Public Safety **17%**
Police, Courts,
Jails, Prisons

Other Services **5%**
Forestry Services, Agriculture,
Public Transportation, Libraries

Percentages are projected for the 2005-07 biennium

Do I need to file?

Amounts apply to full-year residents only.

Filing status	Age	If gross income is more than:
Single, can be claimed on another's return	Any	\$800 *
Single	Under 65	\$4,720
	65 or over	\$5,920
Married, joint return	Both under 65	\$9,459
	One 65 or over	\$10,459
Married, separate return	Both 65 or over	\$11,459
	Under 65	\$4,720
Head of household	65 or over	\$5,720
	Under 65	\$5,935
Qualifying widow(er)	65 or over	\$7,135
	Under 65	\$6,625
	65 or over	\$7,625

In addition, file a return if:

- You are required to file a federal return.
- You had \$1 or more of Oregon income tax withheld from your wages.

* The larger of \$800 or your earned income plus \$250, up to your standard deduction amount.

These instructions are not a complete statement of laws and Oregon Department of Revenue rules. You may need more information. See page 40.

Electronic filing

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



Download the publication *Electronic Filing for Oregon* from our Web site, or to order it, see page 40.

Working student Web site

The Oregon Department of Revenue's "5 Easy Steps to Cash" Web site helps working students file their Oregon personal income tax returns and understand the state's tax system. You may prepare your return on the student Web site if:



www.steps2cash.org

- You lived in Oregon for all of 2005, and
- You were single with no children as of December 31, 2005, and
- Someone else can claim you as a dependent, and
- In 2005, you worked only in Oregon, and
- Your income was only from wages and/or interest.

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New information

Sales tax deduction. Oregon does not allow sales tax as an itemized deduction. Any sales tax deducted on federal Schedule A must be subtracted from the itemized deductions you claim on your Oregon return. See page 28.

Federal tax liability subtraction. The federal tax subtraction limit has increased to \$4,500 (\$2,250 married filing separately). See page 9 or 25.

Standard deduction amounts. The standard deduction amounts have changed. See page 28 or the back of Form 40S.

Amended return. If you need to change (amend) your return after filing, you can now use Form 40 or Form 40S and the *Oregon Amended Schedule*. See page 7.

Filing extension. You can now use Form 40-EXT to get an automatic six-month extension to file your 2005 Oregon return. See page 5.

Important reminders

Credit card payments. The department accepts credit card payments for 2005 current-year taxes, 2006 estimated taxes, and any prior year tax balances due. See page 11.

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. If the bank rejects your direct deposit, we will issue you a paper check. See page 34.

Direct debit. Oregon does not allow electronic funds withdrawal (direct debit) from your checking or savings account to pay your Oregon tax. This option is available through the Internal Revenue Service to pay your federal tax, but is not available for Oregon tax. If you have any questions please call us.

Federal law. Oregon is tied to the federal definition of taxable income.* Oregon will automatically adopt any future federal law changes to the definition of taxable income. This tie is also retroactive to tax years 2003 and 2004. You may amend your 2003 and 2004 Oregon tax returns for any changes that result from the retroactive tie.

* *There is one exception to the federal tie. The domestic production activities deduction from the federal return is not allowed on the Oregon return. If you claimed this deduction on your federal return, you will have an addition on your Oregon tax return. See page 25.*

Note: When this publication was printed, federal changes were being considered that may affect the Oregon Earned Income Credit. Visit our Web site, or call us for updated information.

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

General information

What income does Oregon tax?

An Oregon resident is taxed on all income, including income from outside the state. A nonresident of Oregon is taxed only on income from Oregon sources.

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 2005 or if you are a nonresident alien, as defined by federal law.

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

- **You are a part-year resident** if you moved into or out of Oregon during 2005. 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. If you are an Oregon resident and you meet **all** of the following conditions, you are considered a nonresident for tax purposes.

- You are an Oregon resident who maintained a permanent home outside Oregon the entire year, and
- You did not keep a home in Oregon during any part of 2005, and
- You spent less than 31 days in Oregon during 2005.

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

Oregon residents living abroad. Usually, 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? Download the publication *Married Persons Filing Separate Returns* from our Web site, or to order it, see page 40.

What form do I use?

Use Form 40S if ALL of the following are true:

- You are a full-year Oregon resident, and

- Your income is only from wages, unemployment, taxable interest, ordinary dividends, fellowship grants, and taxable scholarships not used to pay for housing, and
- You claim the standard deduction on your return, and
- Your Oregon taxable income is less than \$100,000, and
- You do **not** have pension or annuity income or IRA distributions, and
- You do **not** owe penalty or interest, and
- You did **not** pay estimated tax during the year.

If you are a working student, you may be eligible to complete Form 40S using our working student Web site. For more information, see page 2.

Use Form 40 if BOTH of the following are true:

- You are a full-year Oregon resident, and
- You cannot use Form 40S.

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

- You received Social Security, pension, or annuity income, or
- You used taxable scholarship income for housing expenses and you qualify for the Oregon subtraction, or
- You paid or should have paid estimated tax during the year, or
- You have adjustments to income on your federal tax return such as alimony or IRA deductions, or
- You have Oregon additions or subtractions other than the federal tax subtraction (the most common ones are listed on the return), or
- You itemize deductions on your Oregon return, or
- You are married filing separately and your spouse is itemizing deductions, or
- You are a nonresident alien, as defined by federal law, who lived in Oregon the entire year, or
- You are in the military and are claiming the subtraction for military active duty pay, or
- You owe penalty or interest, or
- You want to apply all or part of your refund to your 2006 estimated tax.

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 40N if any ONE of the following is true:

- You are a nonresident, or
- You are a special-case Oregon resident (see above), or

- You and your spouse are filing jointly and one (or both) of you is a nonresident, or
- You meet the military personnel nonresident requirements explained below, or
- You qualified as an Oregon resident living abroad for the entire year.

Forms 40P and 40N are included in the *Part-Year Resident and Nonresident* booklet. Download the booklet from our Web site, or to order it, see page 40.

Military personnel

Residents stationed in Oregon. If you are an Oregon resident stationed in Oregon, file Form 40.

Residents stationed outside Oregon. If you meet the requirements for special-case Oregon residents or Oregon residents living abroad, you may file Form 40N from the *Part-Year Resident and Nonresident* booklet. See the top of page 4. File Form 40 if you don't meet the listed requirements.

Nonresidents stationed in Oregon. Oregon does not 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.

Need more information? Download the publication *Military Personnel Filing Information* from our Web site, or to order it, see page 40.

If you have been on active duty (Title 10) for 90 consecutive days or more at any time after September 11, 2001, you may qualify for special benefits. Please contact us. See page 40.

Filing for a deceased person

You must file a final return for a person who died during the calendar year if a return would normally be required. See "Do I need to file?" on page 2. If a return must be filed, please check the "deceased" box.

If you are filing a return and claiming a refund for someone who is now deceased and there is no court-appointed or certified personal representative, file Form 243, *Claim to Refund Due a Deceased Person*, with the return. This allows us to issue the refund check in your name. Download the form from our Web site or contact us to order it.

When should I file my return?

The filing deadline for calendar year 2005 is **April 17, 2006**. If you cannot pay all of your tax by the due date, file your return anyway to avoid a late-filing penalty.

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?

Request an automatic six-month extension to file your return. Complete an Oregon extension form, Form 40-EXT, if:

- You are making a tax payment to Oregon and you cannot file your Oregon return by April 17, 2006, or
- You are filing an extension for Oregon only.

If you received a federal six-month extension and you are expecting an Oregon refund, do not use Form 40-EXT. Oregon will allow you the same extension. Be sure to check the extension box (box 7b) on your Oregon return. Do not attach a copy of your federal extension to your Oregon return. Keep a copy of your federal extension with your records.

If you need to complete Form 40-EXT, download it from our Web site, or to order it, see page 40.

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 do not pay all the tax due with your extension, you will owe interest on the unpaid balance after April 17, 2006, until the date of your payment. The 2006 interest rate is 7 percent per year. If the tax is not paid within 60 days of our bill, the interest rate increases to 11 percent per year. You may also owe a late-payment penalty.

Were you stationed in a designated combat zone?

Did you receive additional time to file your 2005 federal return and pay your 2005 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.**

Penalties

You will owe a 5 percent late-payment penalty on any 2005 tax not paid by April 17, 2006.

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 total penalty of 25 percent of any tax not paid.

Exception: You do not 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 17, 2006, and
3. Pay the balance of tax due when you file your return by the extension deadline, and
4. Pay the interest on the balance of tax due when you file or within 30 days of our billing date.

A 100 percent penalty is charged if you do not 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 for underpayment of estimated tax if:

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

See the instructions for Form 40, line 50, on page 33.

2006 estimated tax

Estimated tax is the amount of tax you expect to owe after credits and Oregon tax withheld when you file your 2006 Oregon individual income tax return.

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 2006.

Do I need to make estimated payments?

In most cases, **people who expect to owe \$1,000 or more** on their 2006 Oregon income tax return after credits and withholding must make estimated payments. You may also need to make estimated payments if:

- You are self-employed and do not have Oregon tax withheld from your income.
- You receive Oregon Lottery single ticket winnings of less than \$5,000. (Note: Single ticket winnings of \$5,000 or more are subject to Oregon withholding.)
- 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 2006 return. You may want to increase the amount your employer withholds from your Oregon wages. Download the publication *Oregon Income Tax Withholding: Some Special Cases* from our Web site, or contact us to order it.

When do I pay?

The due dates are April 17, 2006;* June 15, 2006; September 15, 2006; and January 16, 2007.

If paying with a check or money order, send your payment with Form 40-ESV, *Oregon Estimated Income Tax Payment Voucher*. Download the publication *Estimated Income Tax* from our Web site, or to order it, see page 40.

* Please send your 2006 estimated tax payment and Oregon Form 40-ESV in a different envelope from your 2005 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 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 the forms, or contact us to order either form.

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 confidential information without your permission may be convicted of a Class C felony.

I'm getting a refund this year. How long will it take to process my refund?

After the department begins processing full-year resident returns, allow:

- E-file return 7–12 business days
- Mail return (before April 1) 6–8 weeks
- Mail return (on or after April 1) 8–11 weeks

Your refund may be delayed if your return needs additional review.

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. Download a change of address form from our Web site or contact us to order it. Remember to file a change of address form with your local post office.

What tax records do I need to keep?

You need to keep:

- A complete copy of your federal and state returns, even if you use a tax practitioner or file electronically.
- 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.** If your return is audited, the law says you must show proof of your income and expenses.
- All records from the sale, purchase, or exchange of property and investments. Keep these records for at least three years after you report the gain or loss on the property or investment.

For more information, download the publication *Record-Keeping Requirements* from our Web site, or to order it, see page 40.

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

File an amended return. Use Form 40 or Form 40S to change (amend) your 2005 full-year resident return, and check the amended return box in the upper left corner of the form. You must also complete and attach the *Oregon Amended Schedule* to your 2005 amended return. Download the schedule and instructions from our Web site or to order it, see page 40.

Generally, you are allowed three years from the due date of the return to file an amended return to claim a refund. You will also use Form 40 or Form 40S and the *Oregon Amended Schedule* to amend a prior year return. To order prior year tax booklets or for assistance, please contact us.

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

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

Instructions for Forms 40S and 40

Step 1: Select the appropriate form.

To decide which form to use, see page 4. Not everyone may file Form 40S (short form).

Step 2: Fill out your federal form.

Complete your federal return first. Use the information from your federal return to complete your Oregon return.

Form 40 filers. You must attach a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, or 1040NR to your Oregon Form 40. Do not attach any federal schedules. We may ask you for copies of schedules or additional information later.

See "What tax records do I need to keep?" on page 6.

Step 3: Start filling out the Oregon form.

Fiscal year filers

You must use Form 40. Write the ending date of your fiscal year in the space provided. Write "Fiscal year" in blue or black ink at the top of your return.

Name and address

Please type or clearly print your name, Social Security number, date of birth, address, and telephone number on your return. If the taxpayer died in 2005 or 2006, check the "deceased" box next to their name.

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 it on your Oregon tax return wherever your SSN is requested. If you do

not have an ITIN, you need to request one from the IRS. Do not attach your ITIN application (federal Form W-7) to your Oregon tax return. For a copy of Form W-7, visit the IRS Web site at www.irs.gov, or call the IRS at 1-800-829-1040.

Date of birth. Enter the month, day, and year you were born. For example, "09/22/1976."

Check the boxes

Filing status

1 – **5** Check the box next to your filing status. Check the same filing status you checked on your federal return. If you and your spouse do not have the same residency status, you may file separate returns for Oregon even if you filed your federal return as married filing jointly. For more information, see page 4.

If you are **married filing separately**, fill in your spouse's first name, last name (first four letters only), and Social Security number next to box 3. Do not fill in your spouse's name or Social Security number in the heading of the return.

If you are filing as **head of household**, fill in the name of a person who qualifies you for head of household filing status next to box 4. Please enter only one name.

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 2005? 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 eye-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 does not prevent you from doing 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.

If you qualify, 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. See instructions on page 32.

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

6d Children 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 2005, and
- Was eligible for "early intervention services" or received special education as defined by the State Board of Education (learning disabilities or communication disorders alone do not qualify), and
- Was considered to have a disability as of December 31, 2005, under the federal Individuals with Disabilities Education Act. 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.

You must get a statement of eligibility that confirms one of the disabilities listed above and the cover sheet from **one** of the following:

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

Keep the statement and cover sheet with your permanent health records. Write your child's name on line 6d, "Disabled children only." 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, 2005. You are entitled to a larger standard deduction on Form 40S, line 10; or Form 40, line 26. If you or your spouse are blind, you may also qualify for the severely disabled exemption credit. For box 6a and 6b instructions, see page 7.

7b Extension. If you filed an extension of time to file, check box 7b. For more information, see page 5.

7c Federal Form 8886. If you filed federal Form 8886, *Reportable Transaction Disclosure Statement*, check box 7c.

Form 40S 7d Dependent. If someone else such as your parents can claim you as a dependent, you can't claim an exemption for yourself. Check box 7d on Form 40S. Also, **enter -0- in the total box on line 6a** unless you are severely disabled.

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

Form 40S filers, to complete your return go to page 9.

Form 40 filers, to complete your return go to page 24.

Form 40S line instructions

The following instructions are for lines not fully explained on the form. For general Form 40S instructions, see page 7.

Amended return. If you are amending your 2005 return, check the amended return box in the upper left hand corner of Form 40S.

Do not fill in cents. You must round off cents to the nearest dollar. For example, \$99.49 becomes \$99 and \$99.50 becomes \$100.

8 Income. Fill in your income amounts in the appropriate boxes (8a, 8b, and 8c) and enter the total on line 8.

8a. Wages. Fill in all pay for work. This amount is usually shown on Form W-2. Pay for work includes wages, salaries, tips, and commissions plus your taxable scholarships and fellowship grants. If you paid for housing with scholarship funds, you must file Form 40 to claim the subtraction.

8b. Unemployment. Fill in all unemployment compensation. This is the amount on federal Form 1040, line 19; Form 1040A, line 13; Form 1040EZ, line 3; or Form 1040NR, line 20.

8c. Interest and dividends. Add your total interest and dividends and enter the result on line 8c. Your total interest includes:

- Any interest received or credited to your account that you can withdraw.
- Any interest received on tax refunds.

You can't use Form 40S if:

- You have interest from the U.S. government, such as savings bond interest, or
- You received nontaxable distributions or capital gain distributions.

Use Form 40 instead.

8. Total income. Add the amounts shown in boxes 8a, 8b, and 8c.

9 2005 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 are not the same.

You may deduct your total federal income tax liability after credits, up to \$4,500. Don't fill in less than -0- or more than \$4,500 (\$2,250 if married filing separately).

1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 36; Form 1040EZ, line 10; or Form 1040NR, line 52. 1. _____

2. Enter \$4,500 (\$2,250 if married filing separately). 2. _____

3. Enter the smaller of line 1 or line 2 here and on Form 40S, line 9. 3. _____

Is the IRS figuring your federal tax for you? Do not write an amount on line 9. You will not be able to finish your Oregon return without your federal tax liability. Complete lines 14 through 18 and lines 20 through 22. Attach a copy of your federal Form 1040, 1040A, 1040EZ, or 1040NR to your Oregon return. **Write "Calculate federal tax" in blue or black ink at the top of your return.** We will use the information on your federal return to determine your federal tax liability, and we will finish your Oregon return for you. Be sure to attach Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your return. **Go to the signature block section on page 34.**

Are you amending your 2005 return? See the *Oregon Amended Schedule* instructions for more information on your federal tax subtraction.

10 Standard deduction. See the back of Form 40S for instructions unless you can be claimed as a dependent on another person's return. If you are a dependent, use the following worksheet to figure your standard deduction.

Standard deduction worksheet for dependents

1. Enter your earned income. (See definition on the top of page 10.) 1. _____
2. Additional \$250. 2. 250
3. Add lines 1 and 2. 3. _____
4. Minimum standard deduction. 4. 800
5. Enter the larger of line 3 or line 4. 5. _____
6. Basic standard deduction for single. 6. 1,770
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 40S, line 10; or Form 40, line 26. This is your standard deduction. 10. _____

Earned income is salaries, wages, tips, professional fees, or other amounts received as pay for work you actually perform, and any part of a scholarship or fellowship grant that you must include in your gross income.

12 Oregon taxable income. Caution: Is the amount \$100,000 or more? If yes, you must use Form 40.

13 Tax from tables or rate charts. Figure the tax on your Oregon taxable income, line 12. See pages 21 through 23. For examples, see page 29.

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

Use the following formula to compute your credit:

1. Enter your federal earned income credit from Form 1040, line 66a; Form 1040A, line 41a; or Form 1040EZ, line 8a. 1. _____
2. Multiply the amount on line 1 by 5 percent (.05). Enter the result here and on Form 40S, line 15. 2. _____

The Oregon earned income credit is limited to your tax liability. You cannot carry over to next year any amount that is more than your tax liability. Any unused credit cannot be refunded.

Update: If you were affected by hurricanes Katrina, Rita, and Wilma, the IRS lets you use either your 2004 or 2005 earned income to compute your 2005 Federal Earned Income Tax Credit.

However, Oregon doesn't allow this. Oregon taxpayers must use their 2005 earned income in their Federal Earned Income Tax Credit before computing the Oregon Earned Income Tax Credit.

16 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 be able to claim the Oregon credit even if you cannot use all of your federal credit.

Use the following worksheet:

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

2. Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 43; 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 by the decimal on line 2. Enter the result here and on Form 40S, line 16. 3. _____

Note: Did you pay 2004 child care expenses in 2005? If so, you may be able to use that amount to increase your 2005 Oregon child and dependent care credit. For more information, please contact us.

Carryover. Your total 2005 child and dependent care credit can't be more than your 2005 tax liability for Oregon. You can carry forward any excess credit over the next five years. If the excess isn't used within five years, it's lost.

17 Other credits. You may qualify for other credits listed below. These are identified by the numeric code shown in brackets. Enter the code on line 17a and the amount on line 17b. For example, if you are claiming a \$50 political contribution credit, enter "723" on line 17a and "\$50" on line 17b. If you are claiming two credits, enter the second code on line 17c and the amount on line 17d. Fill in the total "other credits" on line 17. If you are claiming more than two "other credits," attach a statement to your return that identifies them and the amounts. Please write "see statement" in the space provided on line 18 (total credits line).

- **Child and dependent care credit carryforward [code 704].** Fill in the carryover amount on line 17. See page 32.
- **Elderly or the disabled [code 709].** You get an Oregon credit only if you qualify for the federal credit. See page 31.
- **Income taxes paid to another state [code 733].** You may be eligible for this credit if you paid income tax to another state. See page 31.
- **Loss of use of limbs [code 717].** If you have a permanent and complete loss of the use of two limbs, you may take a \$50 tax credit. See page 32.
- **Political contribution [code 723].** You may qualify for a credit for political contributions. See page 31.
- **Residential energy [code 729].** You may qualify for a credit if you purchased certain energy-efficient items. See page 32.

20 Oregon income tax withheld. Fill in the total Oregon income tax withheld from your wages and other income. That is the amount shown on your Form(s) W-2 in box 17 or on Form 1099. Do not use the FICA (Social Security) tax withheld. Do not use tax withheld from your wages by other states. **Staple a readable copy** of your Form(s) W-2 from each job and any 1099 showing Oregon income tax withheld to the lower front of your return.

If you do not have a Form W-2 or 1099, you must provide other proof of any Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer.

If you paid estimated tax for 2005, you **must** use Form 40.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2006 Oregon wages. Download the publication *Oregon Income Tax Withholding: Some Special Cases* from our Web site, or contact us to order it.

21 Working family child care credit. This credit is available to low-income working families with **qualifying** child care expenses for a qualifying child under age 13 (or a child for whom you can claim the additional exemption credit for a child with a disability). The working family child care credit is a refundable credit. If the credit is more than your tax, you will receive the difference. To learn if you qualify, see page 36.

23 Refund. If line 22 is more than line 19, you have a refund. Enter your refund amount on line 23 and then go to charitable checkoffs on page 12.

24 Tax to pay. If line 19 is more than line 22, you have tax to pay. You may pay with a check, money order, or credit card.

Check or money order

- Make your check or money order payable to “Oregon Department of Revenue.”
- Write your daytime telephone number and “2005 Oregon Form 40S” on your check.

- Please use blue or black ballpoint ink. Do not use gel or red ink.
- Do not send cash or a postdated check.
- Staple your payment and the Form 40-V payment voucher (below) to your return on top of the Form(s) W-2.



Credit card

You can pay your current-year balance due, make 2006 estimated tax payments, or pay prior year taxes with your Discover, MasterCard, or Visa credit card. This option is available to all taxpayers.

To pay your taxes by credit card, contact one of the service providers supporting Oregon's program. The service provider **will charge you** a convenience fee based on the amount of your tax payment. The service provider will tell you what the fee is during the transaction; you will have the option to continue or cancel the transaction before entering your credit card information. The convenience fee, terms, and conditions may vary between providers. If you complete the credit card transaction, you will receive a confirmation number. **Please keep this confirmation number as proof of payment.**

Choose one of the following service providers:

- **Link2Gov Corporation**
Go to their Web site at www.ortaxpayment.com.
- **Official Payments Corporation**
Call 1-866-720-1327, or go to their Web site at www.officialpayments.com.

For additional information on credit card payments and service providers, visit our Web site, or contact us.

Payment plan. If you cannot pay in full now, we will work with you to set up a payment plan. For more information, please contact us.

Underpayment of estimated tax. If you owe \$1,000 or more, you may owe interest on estimated tax underpayment. If so, you must file Form 40. See page 33.

Charitable donations. If you do not have a refund but want to contribute to a charity listed on lines 25–30,

Form 40-V

For Oregon forms, please visit our Web site at

www.oregon.gov/DOR/

and click on “Tax Forms”

mail your donation to the charity's address listed on our Web site. Please do not mail your donation to the Department of Revenue.

Charitable checkoffs

You can 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 Form 40S, lines 25–29. You may also donate to **one** of the charities listed under the instructions for Form 40S, line 30. Or, you can mail your donations to the addresses listed on our Web site.

Form 40S 25 **Oregon Nongame Wildlife.** Your donation will fund the protection of nongame wildlife and its habitat.
Form 40 55

Form 40S 26 **Child Abuse Prevention.** Your donation will fund programs through the Children's Trust Fund to help prevent child abuse and neglect.
Form 40 56

Form 40S 27 **Alzheimer's Disease Research.** Your donation will fund research of Alzheimer's and related dementias.
Form 40 57

Form 40S 28 **Stop Domestic and Sexual Violence.** Your donation will fund programs through the Oregon Coalition Against Domestic and Sexual Violence.
Form 40 58

Form 40S 29 **AIDS/HIV Research, Education, and Services.** Your donation will fund AIDS/HIV research, education, and services by the Living With HIV Fund.
Form 40 59

Form 40S 30 **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 Form 40S, in box 30a; or on Form 40, in box 60a. **Enter only one code.** Check the box for the amount you want to donate and write it on Form 40S, line 30; or on Form 40, line 60. Or, you can mail your donations to the addresses listed on our Web site.
Form 40 60

Habitat for Humanity [code 1]. Your donation will help Habitat for Humanity build simple, decent, and affordable housing for low-income families.

Oregon Head Start Association [code 2]. Your donation will help Head Start provide services to the lowest-income, highest-need children and families.

American Diabetes Association [code 3]. Your donation will help continue diabetes research and advocacy programs in Oregon.

Oregon Coast Aquarium [code 4]. Your donation will help fund educational programs, conservation efforts, and animal rehabilitation.

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

SOLV [code 6]. Your donation will help fund thousands of projects to clean up and restore beaches, forests, rivers, and neighborhoods across Oregon.

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

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

Doernbecher Children's Hospital Foundation [code 9]. Your donation will fund a critical expansion of the cancer treatment facilities at Doernbecher.

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

The Salvation Army—Oregon [code 11]. Your donation to the Salvation Army ensures help for the neediest children and their families throughout Oregon.

The Oregon Veterans' Home [code 12]. Your donation will improve the quality of life for veterans receiving nursing care at the Oregon Veterans' Home.

Planned Parenthood of Oregon [code 13]. Your donation will fund family planning services and reproductive health education programs.

Oregon Lions Sight & Hearing Foundation [code 14]. Your donation will fund sight and hearing assistance, and provide diabetes awareness for Oregonians.

Shriners Hospitals for Children—Portland [code 15]. Your donation will help provide braces and artificial limbs for Oregon's children.

Special Olympics Oregon [code 16]. Your donation will help provide life-changing services to thousands of Oregonians with intellectual disabilities.

Susan G. Komen Breast Cancer Foundation, Oregon & SW Washington [code 17]. Your donation funds critical breast cancer research, education, screening and treatment.

32 Net refund. You must reduce your refund by any donations on lines 25–30. **The department cannot issue a refund if your return is filed more than three years after the due date of the return.**

33 Direct deposit. See page 34.

To finish your return, go to the signature block section on page 34.

Form 40S

For Oregon forms, please visit our Web site at
www.oregon.gov/DOR/
and click on "Tax Forms"

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2005 Tax Tables for Forms 40S & 40

S Use column S if you are:

- Single
- Married filing separately

J Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:	
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J
		Your tax is:				Your tax is:				Your tax is:				Your tax is:	
\$ 0				\$ 4,000				\$ 9,000				\$ 14,000			
				4,000 – 4,100	231	203		9,000 – 9,100	629	528		14,000 – 14,100	1,079	893	
				4,100 – 4,200	238	208		9,100 – 9,200	638	535		14,100 – 14,200	1,088	902	
				4,200 – 4,300	245	213		9,200 – 9,300	647	542		14,200 – 14,300	1,097	911	
				4,300 – 4,400	252	218		9,300 – 9,400	656	549		14,300 – 14,400	1,106	920	
				4,400 – 4,500	259	223		9,400 – 9,500	665	556		14,400 – 14,500	1,115	929	
				4,500 – 4,600	266	228		9,500 – 9,600	674	563		14,500 – 14,600	1,124	938	
				4,600 – 4,700	273	233		9,600 – 9,700	683	570		14,600 – 14,700	1,133	947	
				4,700 – 4,800	280	238		9,700 – 9,800	692	577		14,700 – 14,800	1,142	956	
0 – 20	20	0	0	4,800 – 4,900	287	243		9,800 – 9,900	701	584		14,800 – 14,900	1,151	965	
20 – 50	50	2	2	4,900 – 5,000	294	248		9,900 – 10,000	710	591		14,900 – 15,000	1,160	974	
\$ 50				\$ 5,000				\$ 10,000				\$ 15,000			
50 – 100	100	4	4	5,000 – 5,100	301	253		10,000 – 10,100	719	598		15,000 – 15,100	1,169	983	
100 – 200	200	8	8	5,100 – 5,200	308	258		10,100 – 10,200	728	605		15,100 – 15,200	1,178	992	
200 – 300	300	13	13	5,200 – 5,300	315	263		10,200 – 10,300	737	612		15,200 – 15,300	1,187	1,001	
300 – 400	400	18	18	5,300 – 5,400	322	269		10,300 – 10,400	746	619		15,300 – 15,400	1,196	1,010	
400 – 500	500	23	23	5,400 – 5,500	329	276		10,400 – 10,500	755	626		15,400 – 15,500	1,205	1,019	
500 – 600	600	28	28	5,500 – 5,600	336	283		10,500 – 10,600	764	633		15,500 – 15,600	1,214	1,028	
600 – 700	700	33	33	5,600 – 5,700	343	290		10,600 – 10,700	773	640		15,600 – 15,700	1,223	1,037	
700 – 800	800	38	38	5,700 – 5,800	350	297		10,700 – 10,800	782	647		15,700 – 15,800	1,232	1,046	
800 – 900	900	43	43	5,800 – 5,900	357	304		10,800 – 10,900	791	654		15,800 – 15,900	1,241	1,055	
900 – 1,000	1,000	48	48	5,900 – 6,000	364	311		10,900 – 11,000	800	661		15,900 – 16,000	1,250	1,064	
\$ 1,000				\$ 6,000				\$ 11,000				\$ 16,000			
1,000 – 1,100	1,100	53	53	6,000 – 6,100	371	318		11,000 – 11,100	809	668		16,000 – 16,100	1,259	1,073	
1,100 – 1,200	1,200	58	58	6,100 – 6,200	378	325		11,100 – 11,200	818	675		16,100 – 16,200	1,268	1,082	
1,200 – 1,300	1,300	63	63	6,200 – 6,300	385	332		11,200 – 11,300	827	682		16,200 – 16,300	1,277	1,091	
1,300 – 1,400	1,400	68	68	6,300 – 6,400	392	339		11,300 – 11,400	836	689		16,300 – 16,400	1,286	1,100	
1,400 – 1,500	1,500	73	73	6,400 – 6,500	399	346		11,400 – 11,500	845	696		16,400 – 16,500	1,295	1,109	
1,500 – 1,600	1,600	78	78	6,500 – 6,600	406	353		11,500 – 11,600	854	703		16,500 – 16,600	1,304	1,118	
1,600 – 1,700	1,700	83	83	6,600 – 6,700	413	360		11,600 – 11,700	863	710		16,600 – 16,700	1,313	1,127	
1,700 – 1,800	1,800	88	88	6,700 – 6,800	422	367		11,700 – 11,800	872	717		16,700 – 16,800	1,322	1,136	
1,800 – 1,900	1,900	93	93	6,800 – 6,900	431	374		11,800 – 11,900	881	724		16,800 – 16,900	1,331	1,145	
1,900 – 2,000	2,000	98	98	6,900 – 7,000	440	381		11,900 – 12,000	890	731		16,900 – 17,000	1,340	1,154	
\$ 2,000				\$ 7,000				\$ 12,000				\$ 17,000			
2,000 – 2,100	2,100	103	103	7,000 – 7,100	449	388		12,000 – 12,100	899	738		17,000 – 17,100	1,349	1,163	
2,100 – 2,200	2,200	108	108	7,100 – 7,200	458	395		12,100 – 12,200	908	745		17,100 – 17,200	1,358	1,172	
2,200 – 2,300	2,300	113	113	7,200 – 7,300	467	402		12,200 – 12,300	917	752		17,200 – 17,300	1,367	1,181	
2,300 – 2,400	2,400	118	118	7,300 – 7,400	476	409		12,300 – 12,400	926	759		17,300 – 17,400	1,376	1,190	
2,400 – 2,500	2,500	123	123	7,400 – 7,500	485	416		12,400 – 12,500	935	766		17,400 – 17,500	1,385	1,199	
2,500 – 2,600	2,600	128	128	7,500 – 7,600	494	423		12,500 – 12,600	944	773		17,500 – 17,600	1,394	1,208	
2,600 – 2,700	2,700	133	133	7,600 – 7,700	503	430		12,600 – 12,700	953	780		17,600 – 17,700	1,403	1,217	
2,700 – 2,800	2,800	140	138	7,700 – 7,800	512	437		12,700 – 12,800	962	787		17,700 – 17,800	1,412	1,226	
2,800 – 2,900	2,900	147	143	7,800 – 7,900	521	444		12,800 – 12,900	971	794		17,800 – 17,900	1,421	1,235	
2,900 – 3,000	3,000	154	148	7,900 – 8,000	530	451		12,900 – 13,000	980	801		17,900 – 18,000	1,430	1,244	
\$ 3,000				\$ 8,000				\$ 13,000				\$ 18,000			
3,000 – 3,100	3,100	161	153	8,000 – 8,100	539	458		13,000 – 13,100	989	808		18,000 – 18,100	1,439	1,253	
3,100 – 3,200	3,200	168	158	8,100 – 8,200	548	465		13,100 – 13,200	998	815		18,100 – 18,200	1,448	1,262	
3,200 – 3,300	3,300	175	163	8,200 – 8,300	557	472		13,200 – 13,300	1,007	822		18,200 – 18,300	1,457	1,271	
3,300 – 3,400	3,400	182	168	8,300 – 8,400	566	479		13,300 – 13,400	1,016	830		18,300 – 18,400	1,466	1,280	
3,400 – 3,500	3,500	189	173	8,400 – 8,500	575	486		13,400 – 13,500	1,025	839		18,400 – 18,500	1,475	1,289	
3,500 – 3,600	3,600	196	178	8,500 – 8,600	584	493		13,500 – 13,600	1,034	848		18,500 – 18,600	1,484	1,298	
3,600 – 3,700	3,700	203	183	8,600 – 8,700	593	500		13,600 – 13,700	1,043	857		18,600 – 18,700	1,493	1,307	
3,700 – 3,800	3,800	210	188	8,700 – 8,800	602	507		13,700 – 13,800	1,052	866		18,700 – 18,800	1,502	1,316	
3,800 – 3,900	3,900	217	193	8,800 – 8,900	611	514		13,800 – 13,900	1,061	875		18,800 – 18,900	1,511	1,325	
3,900 – 4,000	4,000	224	198	8,900 – 9,000	620	521		13,900 – 14,000	1,070	884		18,900 – 19,000	1,520	1,334	

2005 Tax Tables for Forms 40S & 40

S Use column S if you are:

- Single
- Married filing separately

J Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:			If income from Form 40S, line 12; or Form 40, line 28 is:			If income from Form 40S, line 12; or Form 40, line 28 is:			If income from Form 40S, line 12; or Form 40, line 28 is:		
And you use column:			And you use column:			And you use column:			And you use column:		
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J
Your tax is:			Your tax is:			Your tax is:			Your tax is:		
\$ 19,000			\$ 24,000			\$ 29,000			\$ 34,000		
19,000 – 19,100	1,529	1,343	24,000 – 24,100	1,979	1,793	29,000 – 29,100	2,429	2,243	34,000 – 34,100	2,879	2,693
19,100 – 19,200	1,538	1,352	24,100 – 24,200	1,988	1,802	29,100 – 29,200	2,438	2,252	34,100 – 34,200	2,888	2,702
19,200 – 19,300	1,547	1,361	24,200 – 24,300	1,997	1,811	29,200 – 29,300	2,447	2,261	34,200 – 34,300	2,897	2,711
19,300 – 19,400	1,556	1,370	24,300 – 24,400	2,006	1,820	29,300 – 29,400	2,456	2,270	34,300 – 34,400	2,906	2,720
19,400 – 19,500	1,565	1,379	24,400 – 24,500	2,015	1,829	29,400 – 29,500	2,465	2,279	34,400 – 34,500	2,915	2,729
19,500 – 19,600	1,574	1,388	24,500 – 24,600	2,024	1,838	29,500 – 29,600	2,474	2,288	34,500 – 34,600	2,924	2,738
19,600 – 19,700	1,583	1,397	24,600 – 24,700	2,033	1,847	29,600 – 29,700	2,483	2,297	34,600 – 34,700	2,933	2,747
19,700 – 19,800	1,592	1,406	24,700 – 24,800	2,042	1,856	29,700 – 29,800	2,492	2,306	34,700 – 34,800	2,942	2,756
19,800 – 19,900	1,601	1,415	24,800 – 24,900	2,051	1,865	29,800 – 29,900	2,501	2,315	34,800 – 34,900	2,951	2,765
19,900 – 20,000	1,610	1,424	24,900 – 25,000	2,060	1,874	29,900 – 30,000	2,510	2,324	34,900 – 35,000	2,960	2,774
\$ 20,000			\$ 25,000			\$ 30,000			\$ 35,000		
20,000 – 20,100	1,619	1,433	25,000 – 25,100	2,069	1,883	30,000 – 30,100	2,519	2,333	35,000 – 35,100	2,969	2,783
20,100 – 20,200	1,628	1,442	25,100 – 25,200	2,078	1,892	30,100 – 30,200	2,528	2,342	35,100 – 35,200	2,978	2,792
20,200 – 20,300	1,637	1,451	25,200 – 25,300	2,087	1,901	30,200 – 30,300	2,537	2,351	35,200 – 35,300	2,987	2,801
20,300 – 20,400	1,646	1,460	25,300 – 25,400	2,096	1,910	30,300 – 30,400	2,546	2,360	35,300 – 35,400	2,996	2,810
20,400 – 20,500	1,655	1,469	25,400 – 25,500	2,105	1,919	30,400 – 30,500	2,555	2,369	35,400 – 35,500	3,005	2,819
20,500 – 20,600	1,664	1,478	25,500 – 25,600	2,114	1,928	30,500 – 30,600	2,564	2,378	35,500 – 35,600	3,014	2,828
20,600 – 20,700	1,673	1,487	25,600 – 25,700	2,123	1,937	30,600 – 30,700	2,573	2,387	35,600 – 35,700	3,023	2,837
20,700 – 20,800	1,682	1,496	25,700 – 25,800	2,132	1,946	30,700 – 30,800	2,582	2,396	35,700 – 35,800	3,032	2,846
20,800 – 20,900	1,691	1,505	25,800 – 25,900	2,141	1,955	30,800 – 30,900	2,591	2,405	35,800 – 35,900	3,041	2,855
20,900 – 21,000	1,700	1,514	25,900 – 26,000	2,150	1,964	30,900 – 31,000	2,600	2,414	35,900 – 36,000	3,050	2,864
\$ 21,000			\$ 26,000			\$ 31,000			\$ 36,000		
21,000 – 21,100	1,709	1,523	26,000 – 26,100	2,159	1,973	31,000 – 31,100	2,609	2,423	36,000 – 36,100	3,059	2,873
21,100 – 21,200	1,718	1,532	26,100 – 26,200	2,168	1,982	31,100 – 31,200	2,618	2,432	36,100 – 36,200	3,068	2,882
21,200 – 21,300	1,727	1,541	26,200 – 26,300	2,177	1,991	31,200 – 31,300	2,627	2,441	36,200 – 36,300	3,077	2,891
21,300 – 21,400	1,736	1,550	26,300 – 26,400	2,186	2,000	31,300 – 31,400	2,636	2,450	36,300 – 36,400	3,086	2,900
21,400 – 21,500	1,745	1,559	26,400 – 26,500	2,195	2,009	31,400 – 31,500	2,645	2,459	36,400 – 36,500	3,095	2,909
21,500 – 21,600	1,754	1,568	26,500 – 26,600	2,204	2,018	31,500 – 31,600	2,654	2,468	36,500 – 36,600	3,104	2,918
21,600 – 21,700	1,763	1,577	26,600 – 26,700	2,213	2,027	31,600 – 31,700	2,663	2,477	36,600 – 36,700	3,113	2,927
21,700 – 21,800	1,772	1,586	26,700 – 26,800	2,222	2,036	31,700 – 31,800	2,672	2,486	36,700 – 36,800	3,122	2,936
21,800 – 21,900	1,781	1,595	26,800 – 26,900	2,231	2,045	31,800 – 31,900	2,681	2,495	36,800 – 36,900	3,131	2,945
21,900 – 22,000	1,790	1,604	26,900 – 27,000	2,240	2,054	31,900 – 32,000	2,690	2,504	36,900 – 37,000	3,140	2,954
\$ 22,000			\$ 27,000			\$ 32,000			\$ 37,000		
22,000 – 22,100	1,799	1,613	27,000 – 27,100	2,249	2,063	32,000 – 32,100	2,699	2,513	37,000 – 37,100	3,149	2,963
22,100 – 22,200	1,808	1,622	27,100 – 27,200	2,258	2,072	32,100 – 32,200	2,708	2,522	37,100 – 37,200	3,158	2,972
22,200 – 22,300	1,817	1,631	27,200 – 27,300	2,267	2,081	32,200 – 32,300	2,717	2,531	37,200 – 37,300	3,167	2,981
22,300 – 22,400	1,826	1,640	27,300 – 27,400	2,276	2,090	32,300 – 32,400	2,726	2,540	37,300 – 37,400	3,176	2,990
22,400 – 22,500	1,835	1,649	27,400 – 27,500	2,285	2,099	32,400 – 32,500	2,735	2,549	37,400 – 37,500	3,185	2,999
22,500 – 22,600	1,844	1,658	27,500 – 27,600	2,294	2,108	32,500 – 32,600	2,744	2,558	37,500 – 37,600	3,194	3,008
22,600 – 22,700	1,853	1,667	27,600 – 27,700	2,303	2,117	32,600 – 32,700	2,753	2,567	37,600 – 37,700	3,203	3,017
22,700 – 22,800	1,862	1,676	27,700 – 27,800	2,312	2,126	32,700 – 32,800	2,762	2,576	37,700 – 37,800	3,212	3,026
22,800 – 22,900	1,871	1,685	27,800 – 27,900	2,321	2,135	32,800 – 32,900	2,771	2,585	37,800 – 37,900	3,221	3,035
22,900 – 23,000	1,880	1,694	27,900 – 28,000	2,330	2,144	32,900 – 33,000	2,780	2,594	37,900 – 38,000	3,230	3,044
\$ 23,000			\$ 28,000			\$ 33,000			\$ 38,000		
23,000 – 23,100	1,889	1,703	28,000 – 28,100	2,339	2,153	33,000 – 33,100	2,789	2,603	38,000 – 38,100	3,239	3,053
23,100 – 23,200	1,898	1,712	28,100 – 28,200	2,348	2,162	33,100 – 33,200	2,798	2,612	38,100 – 38,200	3,248	3,062
23,200 – 23,300	1,907	1,721	28,200 – 28,300	2,357	2,171	33,200 – 33,300	2,807	2,621	38,200 – 38,300	3,257	3,071
23,300 – 23,400	1,916	1,730	28,300 – 28,400	2,366	2,180	33,300 – 33,400	2,816	2,630	38,300 – 38,400	3,266	3,080
23,400 – 23,500	1,925	1,739	28,400 – 28,500	2,375	2,189	33,400 – 33,500	2,825	2,639	38,400 – 38,500	3,275	3,089
23,500 – 23,600	1,934	1,748	28,500 – 28,600	2,384	2,198	33,500 – 33,600	2,834	2,648	38,500 – 38,600	3,284	3,098
23,600 – 23,700	1,943	1,757	28,600 – 28,700	2,393	2,207	33,600 – 33,700	2,843	2,657	38,600 – 38,700	3,293	3,107
23,700 – 23,800	1,952	1,766	28,700 – 28,800	2,402	2,216	33,700 – 33,800	2,852	2,666	38,700 – 38,800	3,302	3,116
23,800 – 23,900	1,961	1,775	28,800 – 28,900	2,411	2,225	33,800 – 33,900	2,861	2,675	38,800 – 38,900	3,311	3,125
23,900 – 24,000	1,970	1,784	28,900 – 29,000	2,420	2,234	33,900 – 34,000	2,870	2,684	38,900 – 39,000	3,320	3,134

2005 Tax Tables for Forms 40S & 40

S

Use column S if you are:

- Single
- Married filing separately

J

Use column J if you are:

- Married filing jointly
- Head of household
- Widow(er) with dependent child

If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:		If income from Form 40S, line 12; or Form 40, line 28 is:		And you use column:											
At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J	At least:	But less than:	S	J										
		Your tax is:				Your tax is:				Your tax is:				Your tax is:											
\$ 39,000				\$ 42,000				\$ 45,000				\$ 48,000													
39,000 – 39,100	3,329	3,143	42,000 – 42,100	3,599	3,413	45,000 – 45,100	3,869	3,683	48,000 – 48,100	4,139	3,953	39,100 – 39,200	3,338	3,152	42,100 – 42,200	3,608	3,422	45,100 – 45,200	3,878	3,692	48,100 – 48,200	4,148	3,962		
39,200 – 39,300	3,347	3,161	42,200 – 42,300	3,617	3,431	45,200 – 45,300	3,887	3,701	48,200 – 48,300	4,157	3,971	39,300 – 39,400	3,356	3,170	42,300 – 42,400	3,626	3,440	45,300 – 45,400	3,896	3,710	48,300 – 48,400	4,166	3,980		
39,400 – 39,500	3,365	3,179	42,400 – 42,500	3,635	3,449	45,400 – 45,500	3,905	3,719	48,400 – 48,500	4,175	3,989	39,500 – 39,600	3,374	3,188	42,500 – 42,600	3,644	3,458	45,500 – 45,600	3,914	3,728	48,500 – 48,600	4,184	3,998		
39,600 – 39,700	3,383	3,197	42,600 – 42,700	3,653	3,467	45,600 – 45,700	3,923	3,737	48,600 – 48,700	4,193	4,007	39,700 – 39,800	3,392	3,206	42,700 – 42,800	3,662	3,476	45,700 – 45,800	3,932	3,746	48,700 – 48,800	4,202	4,016		
39,800 – 39,900	3,401	3,215	42,800 – 42,900	3,671	3,485	45,800 – 45,900	3,941	3,755	48,800 – 48,900	4,211	4,025	39,900 – 40,000	3,410	3,224	42,900 – 43,000	3,680	3,494	45,900 – 46,000	3,950	3,764	48,900 – 49,000	4,220	4,034		
\$ 40,000				\$ 43,000				\$ 46,000				\$ 49,000													
40,000 – 40,100	3,419	3,233	43,000 – 43,100	3,689	3,503	46,000 – 46,100	3,959	3,773	49,000 – 49,100	4,229	4,043	40,100 – 40,200	3,428	3,242	43,100 – 43,200	3,698	3,512	46,100 – 46,200	3,968	3,782	49,100 – 49,200	4,238	4,052		
40,200 – 40,300	3,437	3,251	43,200 – 43,300	3,707	3,521	46,200 – 46,300	3,977	3,791	49,200 – 49,300	4,247	4,061	40,300 – 40,400	3,446	3,260	43,300 – 43,400	3,716	3,530	46,300 – 46,400	3,986	3,800	49,300 – 49,400	4,256	4,070		
40,400 – 40,500	3,455	3,269	43,400 – 43,500	3,725	3,539	46,400 – 46,500	3,995	3,809	49,400 – 49,500	4,265	4,079	40,500 – 40,600	3,464	3,278	43,500 – 43,600	3,734	3,548	46,500 – 46,600	4,004	3,818	49,500 – 49,600	4,274	4,088		
40,600 – 40,700	3,473	3,287	43,600 – 43,700	3,743	3,557	46,600 – 46,700	4,013	3,827	49,600 – 49,700	4,283	4,097	40,700 – 40,800	3,482	3,296	43,700 – 43,800	3,752	3,566	46,700 – 46,800	4,022	3,836	49,700 – 49,800	4,292	4,106		
40,800 – 40,900	3,491	3,305	43,800 – 43,900	3,761	3,575	46,800 – 46,900	4,031	3,845	49,800 – 49,900	4,301	4,115	40,900 – 41,000	3,500	3,314	43,900 – 44,000	3,770	3,584	46,900 – 47,000	4,040	3,854	49,900 – 50,001	4,310	4,124		
\$ 41,000				\$ 44,000				\$ 47,000																	
41,000 – 41,100	3,509	3,323	44,000 – 44,100	3,779	3,593	47,000 – 47,100	4,049	3,863					41,100 – 41,200	3,518	3,332	44,100 – 44,200	3,788	3,602	47,100 – 47,200	4,058	3,872				
41,200 – 41,300	3,527	3,341	44,200 – 44,300	3,797	3,611	47,200 – 47,300	4,067	3,881					41,300 – 41,400	3,536	3,350	44,300 – 44,400	3,806	3,620	47,300 – 47,400	4,076	3,890				
41,400 – 41,500	3,545	3,359	44,400 – 44,500	3,815	3,629	47,400 – 47,500	4,085	3,899					41,500 – 41,600	3,554	3,368	44,500 – 44,600	3,824	3,638	47,500 – 47,600	4,094	3,908				
41,600 – 41,700	3,563	3,377	44,600 – 44,700	3,833	3,647	47,600 – 47,700	4,103	3,917					41,700 – 41,800	3,572	3,386	44,700 – 44,800	3,842	3,656	47,700 – 47,800	4,112	3,926				
41,800 – 41,900	3,581	3,395	44,800 – 44,900	3,851	3,665	47,800 – 47,900	4,121	3,935					41,900 – 42,000	3,590	3,404	44,900 – 45,000	3,860	3,674	47,900 – 48,000	4,130	3,944				

2005 Tax Rate Charts

S

Chart S:

For persons filing

Single or Married filing separately

If your taxable income is: Your tax is:

Over \$50,000\$4,314 plus 9% of excess
over \$50,000

J

Chart J:

For persons filing

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

If your taxable income is: Your tax is:

Over \$50,000\$4,128 plus 9% of excess
over \$50,000

Form 40 line instructions

The following instructions are for lines not fully explained on the form. For general Form 40 instructions, see page 7.

Amended return. If you are amending your 2005 return, check the amended return box in the upper left corner of Form 40.

Do not fill in cents. You must round off cents to the nearest dollar. For example, \$99.49 becomes \$99, and \$99.50 becomes \$100.

8 Federal adjusted gross income. Enter your federal adjusted gross income from Form 1040, line 37; Form 1040A, line 21; Form 1040EZ, line 4; or Form 1040NR, line 35. You must attach a copy (front and back) of your federal return to your Oregon Form 40. This helps us verify your income and process your return faster.

Additions

Generally, additions are items not taxed by the federal government but taxed by Oregon. Additions increase the income taxed by Oregon.

9 Interest and dividends on state and local government bonds outside of Oregon. You must add to Oregon income any interest and dividends you received from state and local governments outside Oregon. You don't pay federal tax on this interest, but you do pay Oregon tax.

Example: Include interest from state of Washington bonds or from San Francisco city bonds. Do not include interest from Oregon government bonds or interest from U.S. territories or possessions (such as Guam, Puerto Rico, or the Virgin Islands).

10 Other additions. You may need to report one or more other additions explained here. Please identify the addition(s) using the numeric code shown in brackets. Enter the code on line 10a and the amount on line 10b. For example, if you are reporting a \$200 addition for claim of right, enter 103 on line 10a and \$200 on line 10b. If you are reporting two additions, enter the second numeric code on line 10c and the amount on line 10d. Fill in the total amount of "other additions" on line 10. If you are claiming more than three "other additions," attach a statement to your return that identifies the other additions and the amounts. Please write "see statement" in the space provided on line 11 (total additions line).

• **Federal deduction for long-term care insurance premiums [code 104].** Will you claim an Oregon long-term care insurance credit this year? Did you claim a federal deduction for the premiums? If so, you must add to Oregon income the amount of premiums that

resulted in a tax benefit on your federal return. Download the publication *Long-Term Care Insurance Premiums Tax Credit* from our Web site or contact us to order it.

• **Federal election on interest and dividends of a minor child [code 107].** 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. 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 Oregon.

• **Federal income tax refunds [code 109].** Did you get a federal tax refund in 2005 because you filed an amended federal return for a prior year or were audited? If so, you must add the amount of refund for which you received an Oregon tax benefit in a prior year. You received an Oregon tax benefit if the amount of the refund was claimed as part of your federal tax subtraction on your Oregon return for the prior year.

• **Gambling losses claimed as an itemized deduction [code 105].** Did you claim gambling losses as an itemized deduction on your federal Schedule A? If so, you must add the gambling losses claimed as an itemized deduction that are more than the gambling winnings taxed by Oregon. For more information, see Oregon Lottery on page 27.

• **Lump-sum payment from a qualified retirement plan [code 115].** Did you complete federal Form 4972 to figure the tax on a qualified lump-sum distribution using the 20 percent capital gain election and/or the 10-year tax option? If so, part or all of your lump-sum distribution will not be included in your federal adjusted gross income (AGI). The taxable amount of your distribution (federal Form 1099-R, box 2a) that is not included in your federal AGI is taxable to Oregon. Fill in the excluded amount on line 10 of your Oregon Form 40. Attach a copy of federal Form 1099-R to your Oregon return along with your Form(s) W-2 and other Form(s) 1099. For more information, please contact us.

• The following additions apply to only a few people and are not explained in this booklet. For more information, please contact us.

— Basis adjustments [code 101].

• Depletion in excess of property basis.

• Depreciation difference for Oregon.

• Gain or loss on the sale of depreciable property with a different basis for federal and Oregon purposes.

— Claim of right income repayments [code 103].

— Disposition of inherited Oregon farmland or forestland [code 106].

- Domestic production activities deduction [code 102].
- Fiduciary adjustments [code 100].
 - Accumulation distribution from a trust.
 - Federal estate tax on income in respect of a decedent.
 - Fiduciary adjustments from Oregon estates and trusts.
- Individual Development Account [code 113].
- Non-Oregon source net operating loss [code 116].
- Non-qualified withdrawal from an Oregon 529 College Savings Network account [code 117].
- Oregon partnership or S corporation modifications [code 119].
- Passive activity losses [code 120].
- Itemized or business deduction addback for Oregon credits [code 104].
 - Child Care Fund contributions.
 - Oregon Cultural Trust.
- Unused business credit [code 122].

- Household employment taxes.

Are you amending your 2005 return? See the *Oregon Amended Schedule* instructions for more information on your federal tax subtraction.

Did you pay additional federal tax in 2005 because you were audited or you filed an amended return? If so, read line 18 instructions for federal tax from a prior year on page 26.

The total of your federal tax subtraction (line 13), your federal tax from a prior year (line 18), and your foreign tax subtraction (line 18) cannot be more than \$4,500 (\$2,250 if married filing separately). The foreign tax portion of your federal tax subtraction cannot be more than \$3,000 (\$1,500 if married filing separately).

Subtractions

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

13 2005 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 are not the same.

You may deduct your total federal income tax liability, after credits, up to \$4,500. Don't fill in less than -0- or more than \$4,500 (\$2,250 if married filing separately).

- | | |
|---|----------|
| 1. Enter your federal tax liability from Form 1040, line 57; Form 1040A, line 36; Form 1040EZ, line 10; or Form 1040NR, line 52. | 1. _____ |
| 2. Enter your tax on qualified retirement plans, Form 1040, line 60; or Form 1040NR, line 55; any recapture taxes you included on the dotted line of Form 1040, line 63; or Form 1040NR, line 58; and the amount on Form 1040NR, line 53. | 2. _____ |
| 3. Add lines 1 and 2. | 3. _____ |
| 4. Enter \$4,500 (\$2,250 if married filing separately). | 4. _____ |
| 5. Enter the smaller of line 3 or line 4 here and on Form 40, line 13. | 5. _____ |

Caution: Don't include any of the following on line 2 above:

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

14 Social Security and Tier 1 Railroad Retirement Board benefits income. Write in the amount, if any, from federal Form 1040, line 20b; or Form 1040A, line 14b. If you have Tier 2, windfall/vested dual, or supplemental Railroad Retirement Board benefits, contact us for more information.

15 Oregon income tax refund included in federal income. Fill in your Oregon state income tax refund from your federal Form 1040, line 10. **Do not include other states' refunds or any local or county tax refunds.**

16 Interest and dividends from U.S. government. Fill in interest and dividends from the U.S. government that you included on your federal return. Include U.S. government interest and dividends you received through partnerships or grantor trusts. **Do not include interest on federal tax refunds in the subtraction.**

Examples:

- You may subtract interest from U.S. Series EE or HH bonds and Treasury bills or 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. Download the publication *Interest and Dividends on U.S. Bonds and Notes* from our Web site or contact us to order it.
- If you reported interest or dividends of your minor child on your federal return, you may subtract any U.S. government interest included.
- You must reduce U.S. government interest and dividends by any interest expense relating to U.S. government obligations deducted on your federal Schedule A.

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

17 Federal pension income. You may be able to subtract some or all of your taxable federal pension included in 2005 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 were 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 remain the same from year to year. Write the percentage on line 17a. If you have two federal pensions, write the second percentage on line 17b and enter your total subtraction amount on line 17.

Use the following formula to determine your subtraction amount:

$$\frac{\text{Months of service before 10/1/91}}{\text{Total months of service}} \times \text{Federal pension amount included in federal income} = \text{Oregon subtraction}$$

Example: Ann worked for the U.S. Forest Service from May 27, 1971, until January 7, 2005. She worked a total of 403 months, of which 244 months were worked before October 1, 1991. In 2005, she received taxable federal pension income of \$35,000. Using the formula above, her allowable subtraction is:

$$\frac{244}{403} \times \$35,000 = \$21,175$$

She can subtract 60.5 percent (244 ÷ 403), or \$21,175 (\$35,000 × .605), of her taxable federal pension. She will continue to subtract 60.5 percent of her taxable federal pension income from Oregon income in future years.

18 Other subtractions. You may qualify for one or more other subtractions explained below. Please identify the subtraction(s) using the numeric code shown in brackets. Enter the numeric code on line 18a and enter the amount on line 18b. For example, if you are claiming a \$100 Oregon Lottery subtraction, enter 322 on line 18a and enter \$100 on line 18b. If you are claiming two subtractions, enter the second numeric code on line 18c and enter the amount on line 18d. Fill in the total amount of other subtractions on line 18. If you are claiming more than three other subtractions, attach a statement to your return that identifies the other sub-

tractions and the amounts. Please write "see statement" in the space provided on line 19 (total subtractions line). Do not use this line to subtract federal pension. See line 17. If you need more information about any of these subtractions, visit our Web site or contact us.

- **American Indian [code 300].** Are you an enrolled member of a federally recognized American Indian tribe? You may be able to subtract all or part of your income if **all** of the following are true:
 - You are an enrolled member of a federally recognized American Indian tribe, and
 - Your income is from sources within federally recognized Indian country in Oregon, and
 - You live in federally recognized Indian country in Oregon when the income is earned.

You must attach a completed copy of your *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe* to your return. Download the schedule from our Web site or contact us to order it.

- **Depreciation difference for Oregon [code 304].** Are you depreciating property with a different basis for federal and Oregon purposes? If so, you may have a depreciation difference for Oregon. Download the *Oregon Depreciation Schedule* from our Web site or to order it, see page 40.

- **Domestic partner benefits [code 305].** If your employer provides taxable health insurance or other benefits to you and another person who qualifies as your same-sex domestic partner, you may qualify for a subtraction on the Oregon return. For more information, please contact us.

- **Federal tax from a prior year [code 309].** Did you pay additional federal income tax in 2005 because you were audited or you amended a prior year's return? If so, you may be able to subtract the additional tax. This subtraction applies only to additional tax you paid because your return was changed. It does not include the tax from the original return or interest or penalties you paid.

Use the following worksheet to figure your subtraction for federal tax from a prior year.

- | | |
|--|----------|
| 1. Enter \$4,500 (\$2,250 if married filing separately). | 1. _____ |
| 2. Enter your federal tax liability from Form 40, line 13. | 2. _____ |
| 3. Line 1 minus line 2. If the result is -0-, you cannot deduct your federal tax paid for a prior year. If greater than -0-, enter the result on line 3. | 3. _____ |
| 4. Enter the amount of federal tax you paid for a prior year. | 4. _____ |
| 5. Enter the smaller of line 3 or line 4 here and on Form 40, line 18. | 5. _____ |

- **Military active duty pay [code 319].** If you included U.S. military active duty pay in your federal taxable income, you may qualify for a subtraction on your Oregon return.

You can subtract all active duty pay earned outside Oregon during the year plus up to \$3,000 active duty pay earned in Oregon. **Note:** Your total subtraction cannot be more than your total active duty pay income.

Reserve summer camp is active duty. However, drills and weekend meetings of reserve units are not active duty. If you are in the Guard or the Reserves and your Form W-2 does not show a separate amount for active duty, contact your paymaster.

Example: Barry enlisted in the Army in 1999. From January until August 15, 2005, he was stationed at Fort Lewis, Washington. He earned \$24,000 active duty pay there. From August 15 until the end of the year he served in Oregon as a recruiter. He earned \$12,000 in Oregon. He may subtract the \$24,000 earned outside of Oregon and \$3,000 earned within the state, for a total subtraction of \$27,000.

Oregon National Guard active duty pay subtraction. The following questions will help you determine if you can claim this subtraction.

- Were you a member of the Oregon National Guard in any year since 2001?
- Did you serve on active duty as a member of the Oregon National Guard in Oregon?
- Did you serve as a member of the Oregon National Guard under U.S. Code Title 32 and were then called to active duty status and served under U.S. Code Title 10?

If you answered yes to all of the above questions, you can subtract all of the Oregon National Guard active duty pay you earned while you served under Title 10 in Oregon. This subtraction is available for tax years starting on or after January 1, 2001. You may amend your prior year tax returns to claim this subtraction. You must amend your 2001 tax return by July 1, 2006 to claim a refund.

If you are an enrolled member of a federally recognized American Indian tribe and a member of the U.S. Armed Forces who is stationed in Oregon, you may be eligible for an additional subtraction. For more information, please contact us.

- **Mortgage interest credit [code 320].** Did you claim a mortgage interest credit on your federal return? If so, you may claim a subtraction on your Oregon return for the home mortgage interest not included in the itemized deductions reported on your federal return. You must itemize deductions for Oregon to claim this subtraction.

- **Oregon 529 College Savings Network [code 324].** You may subtract up to \$2,000 (\$1,000 if married filing separately) of contributions made to an Oregon 529 College Savings Network account in 2005. If you contribute more than \$2,000, you may carry forward the remaining contribution not subtracted over the next four years. Keep a copy of your account statement with your tax records. For more information, visit www.oregon529network.com. Or, call their tax information line at 503-378-2882.

- **Oregon Lottery [code 322].** Although Oregon does not tax Oregon Lottery winnings of \$600 or less per ticket, the federal government does. Oregon Lottery includes Powerball tickets you purchased in Oregon.

You may subtract from Oregon income the following winnings included in your federal income:

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

Example 1: Cheryl had winnings of \$200 from an Oregon Lottery scratch-off ticket in 2005. 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. Cheryl can subtract the \$200 she won on the scratch-off ticket.

Example 2: David won two prizes in 2005. He won \$1,000 from an Oregon Lottery scratch-off ticket 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 because the winnings were from a single game and below the \$600 limit. He cannot subtract any of the \$1,000 he won on the scratch-off ticket, because the prize was more than \$600 and is fully taxable to Oregon.

Do **not** subtract any other type of winnings such as winnings from tribal gaming centers. Do you have gambling losses claimed as an itemized deduction? If so, see page 24.

- **Previously taxed IRA conversions [code 327].** You may be able to subtract some of your payments if **all** of the following apply:
 - You contributed to an IRA, Keogh, 403(b), or 457 plan when you were a nonresident, and
 - You paid state income tax on those contributions in your state of residence, and
 - You did not receive a tax benefit for these contributions from any other state.

If you qualify, you may subtract an amount equal to the contributions that were taxed in another state. Once your subtractions equal contributions previously taxed, all other payments are taxable.

- **Tuition and fees deduction [code 308].** Did you claim a Hope or lifetime learning credit on your federal return? If so, you were not allowed a federal 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 subtract the federal tuition and fees deduction on your Oregon return. For 2005, the maximum amount you can claim is the lesser of \$4,000 or your actual expenses.
- The following subtractions apply to only a few people and are not explained in this booklet. For more information, visit our Web site or contact us.
 - Artist’s charitable contribution [code 301].
 - Basis adjustments [code 304].
 - Gain or loss on the sale of depreciable property with a different basis for federal and Oregon purposes.
 - Claim of right income repayments [code 302].
 - Construction worker and logger commuting expenses [code 303].
 - Federal gain previously taxed by Oregon [code 306].
 - Federal tax credits [code 308].
 - Fiduciary adjustments from Oregon estates and trusts [code 310].
 - Film production labor rebate [code 336].
 - Foreign tax [code 311].
 - Hurricane Katrina Housing [code 337].
 - Individual Development Account [code 314].
 - Land donation to educational institutions [code 316].
 - Local government bond interest [code 317].
 - Net operating loss [code 321].
 - Oregon partnership or S corporation modifications [code 323].
 - Passive activity losses [code 326].
 - Public Safety Memorial Fund award [code 329].
 - Railroad Retirement Board benefits: Tier 2, windfall/vested dual, supplemental, and railroad unemployment benefits [code 330].
 - Scholarship awards used for housing expenses [code 333].

Deductions

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

- If you claim itemized deductions, fill in lines 21–25.
- If you claim the standard deduction, fill in line 26.

Note: If you are married filing separately, both spouses must itemize deductions if one spouse itemizes. If your spouse itemizes, your standard deduction is -0-

21 Itemized deductions. You may claim your total itemized deductions after federal limitations as shown on federal Schedule A, line 28. You may claim itemized deductions for Oregon even if you do not have enough deductions to itemize on your federal return. **If you itemize for Oregon only,** fill out a federal Schedule A for Oregon purposes only. Use your federal adjusted gross income to figure the Schedule A limitations. Keep the Schedule A with your tax records.

22 Special Oregon medical deduction. Were you or your spouse **age 62 or older** on December 31, 2005? 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 for Oregon only. Keep your Schedule A with your tax records.

24 State income tax or sales tax claimed as an itemized deduction. Fill in the amount of Oregon state income tax or any state and local sales tax you claimed as an itemized deduction on federal Schedule A, line 5. Do not include local or county income tax amounts.

Are you claiming an Oregon credit for income taxes paid to another state and deducting the other state’s taxes on Schedule A? If so, include the other state’s 2005 net tax liability, or the other state’s 2005 tax claimed as an itemized deduction, whichever is less. For the credit instructions, see page 31.

Did you limit itemized deductions on your federal return because your adjusted gross income was more than \$145,950 (\$72,975 if married filing separately)? If so, you may need to complete a worksheet to figure how much Oregon income tax to subtract from itemized deductions. Download the publication *Itemized Deductions Limit* from our Web site or to order it, see page 40.

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

Single.....	\$1,770
Married filing jointly.....	3,545
Married filing separately	
<i>If spouse claims standard deduction.....</i>	1,770
<i>If spouse claims itemized deductions.....</i>	-0-
Head of household.....	2,855
Qualifying widow(er).....	3,545

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 on page 29 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?

2.

If your filing status is...	And the number of boxes checked above is...	Then your standard deduction is...
Single	1	\$2,970
	2	4,170
Married filing jointly	1	4,545
	2	5,545
	3	6,545
	4	7,545
Married filing separately	1	2,770
	2	3,770
	3	4,770
	4	5,770
Head of household	1	4,055
	2	5,255
Qualifying widow(er)	1	4,545
	2	5,545

Fill in the total standard deduction on Form 40, line 26.

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, or
- \$800.

The limit applies even if you qualify but are not claimed as a dependent on another person's return. See the standard deduction worksheet for dependents on page 9.

Standard deduction—Nonresident aliens. The standard deduction for nonresident aliens, as defined by federal law, is -0-.

27 Total deductions. Enter the **larger** of line 25 or line 26.

Oregon tax

29 Tax from tax tables or tax rate charts. Figure the tax on your Oregon taxable income, line 28. Go to the tax tables or rate charts on pages 21–23. Fill in your tax amount on line 29. Please double-check the tax you entered.

Example 1: A single Oregon taxpayer has taxable income of \$19,500. The taxpayer will use column S on page 22. The tax is \$1,574.

Example 2: A married couple has Oregon taxable income of \$75,500. They are filing jointly. They will use the married filing jointly rate chart J on page 23. They figure their tax like this:

Oregon taxable income		\$75,500
Subtract	–	50,000
		25,500
Multiply by 9%	×	.09
		2,295
Then add	+	4,128
Their Oregon tax is		<u>\$ 6,423</u>

Tax from farm income averaging or farm asset capital gain method. If you qualify, 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 even if you did not use farm income averaging on your federal return.

Use Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*, to calculate tax on your farm income and other Oregon income. Download the form from our Web site or to order it, see page 40. Enter the tax amount from Form FIA-40, line 22, on Form 40, line 29. **Check the box labeled “Form FIA-40.”** Attach a copy of Form FIA-40 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.

Use Worksheet FCG, *Farm Liquidation Long-Term Capital Gain Tax Rate*, to calculate tax on your net farm capital gain and other Oregon income. Download the worksheet from our Web site or contact us to order it. Enter the tax amount from Worksheet FCG, line 7, on Form 40, line 29. **Check the box labeled “Worksheet FCG.”** Do not attach a copy of Worksheet FCG to your return. Keep a copy with your records.

30 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 for the federal amount. The interest rate is 0.417 percent per month (5 percent per year) for 2005. For more information, please contact us.

Credits

Generally, credits cannot be more than your Oregon tax liability. Some credits have a carryforward provision that allows you to use the remaining balance in

the next year. Use credits that cannot be carried forward first.

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

Use the following formula to figure your credit:

1. Enter your federal earned income credit from Form 1040, line 66a; Form 1040A, line 41a; or Form 1040EZ, line 8a. 1. _____
2. Multiply the amount on line 1 by 5 percent (.05). Enter the result here and on Form 40, line 34. 2. _____

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

Note: When this publication was printed, federal changes were being considered that may affect the Oregon Earned Income Credit. Visit our Web site or call us for updated information.

35 Retirement income credit. If you were age 62 or older on December 31, 2005, and receiving retirement income, you may qualify for a retirement income 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).

Retirement income includes payments reported in Oregon taxable income from:

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

Use the following worksheet to figure your credit.

1. Enter the retirement income of the eligible individual(s) included on Form 40, line 8. 1. _____
2. Enter any federal pension income subtracted from Oregon income on Form 40, line 17. See page 26. 2. _____

3. Net Oregon taxable pension. Line 1 minus line 2. 3. _____
4. Enter \$7,500 (\$15,000 if married filing jointly). 4. _____
5. Enter both spouses' total 2005 Social Security and Tier 1 Railroad Retirement Board benefits. 5. _____
6. Line 4 minus line 5, but not less than -0-. 6. _____
7. Enter your **household income**. To determine your household income, see below. 7. _____
8. Household income base. Enter \$15,000 (\$30,000 if married filing jointly). 8. _____
9. Line 7 minus line 8, but not less than -0-. 9. _____
10. Line 6 minus line 9, but not less than -0-. 10. _____
11. Enter the smaller of line 3 or line 10. 11. _____
12. Multiply line 11 by 9 percent (.09). Enter the result here and on Form 40, line 35. 12. _____

What is included in household income? Household income includes all taxable and nontaxable income of each spouse except:

- Social Security and Tier 1 Railroad Retirement Board benefits.
- Your state income tax refund.
- Pension income excluded from federal AGI that is a return of your contributions.
- Pensions that are rolled over into an IRA.

Any losses claimed are limited to \$1,000 for each activity. Depreciation is limited to \$5,000.

The credit cannot be more than your tax liability. You cannot carry any amount that is more than your tax liability over to next year. You may claim this credit or the credit for the elderly or the disabled, line 37, **but not both**.

36 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 cannot use all of your federal credit.

Use the following worksheet:

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

2. Enter the decimal amount from the following table. 2. _____

If your federal taxable income from Form 1040, line 43; 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 by the decimal on line 2. Enter here and on Form 40, line 36. 3. _____

Did you pay 2004 child care expenses in 2005? If so, you may be able to use that amount to increase your 2005 Oregon child and dependent care credit. For more information, please contact us.

Carryover. Your total 2005 child and dependent care credit can't be more than your 2005 tax liability for Oregon. You can carry forward any excess credit over the next five years. If the excess isn't used within five years, it's lost. See instructions for other credits on page 32.

37 Credit for the elderly or the disabled. The Oregon credit is 40 percent of your federal credit. You may claim an Oregon credit only if you qualify for the federal credit. Please complete federal Form 1040, Schedule R or federal Form 1040A, Schedule 3, even if you cannot use the federal credit.

Multiply the amount on federal Form 1040, Schedule R, line 20; or Form 1040A, Schedule 3, line 20, by .40 (40 percent).

You may claim this credit or the retirement income credit, line 35, **but not both**.

38 Political contribution credit. Fill in your total political contributions, up to \$100 on a joint return, \$50 on all others. Your contribution(s) of money must have been made during 2005 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.

Download the publication *Political Contributions Tax Credit* from our Web site or contact us to order it.

39 Credit for income taxes paid to another state. Did you pay income taxes to another state or

U.S. territory on income that is also taxed by Oregon? If so, you may be able to claim this credit.

If you were a full-year Oregon resident and had income taxed by Arizona, California, Indiana, or Virginia, you cannot claim the credit on your Oregon return. You may claim the credit on the nonresident return you file with those states. If income is taxed by Oregon and another state not listed here, claim the credit on your Form 40 Oregon resident return, line 39. Please identify the other state on Form 40, line 39a.

This credit is only for state income tax. You cannot claim this credit for city or county income tax, sales tax, alternative minimum tax (AMT), property tax, school tax, or building funds.

Your credit is the **smallest** of the following:

- The other state's 2005 net tax liability.
- Your Oregon tax liability after all credits, except credits for income taxes paid to other states.
- The amount figured using the following formula:

Divide your modified adjusted gross income (MAGI) taxed by both states by your total MAGI. Multiply the result by your Oregon tax after subtracting all other credits.

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

Your total MAGI usually equals the sum of lines 8 and 9 minus lines 14–17 of Form 40. Add amounts on Form 40, line 10, only if they are income that Oregon taxes but the federal government does not. Subtract amounts on Form 40, line 18, only if they are income that the federal government taxes but Oregon does not.

Caution: You cannot claim this credit and also claim the tax you paid as an itemized deduction. On Form 40, line 24, in addition to the Oregon tax you claim as an itemized deduction, fill in the **smaller** of the following:

- The other state's 2005 tax claimed as an itemized deduction, or
- The other state's 2005 net tax liability.

If the credit is based on a tax liability paid in two different tax years, you may be required to restore the deduction to Oregon income in two different tax years. For more information, please contact us.

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

40 Other credits. You may qualify for other credits listed on page 32. Please identify the credit(s) using the numeric code shown in brackets. Enter the numeric code on line 40a and the amount on line 40b. For example, if you are claiming a \$45 residential energy credit, enter 729 on line 40a and \$45 on line 40b. If you are claiming two credits, enter the second numeric

code on line 40c and the amount on line 40d. Fill in the total amount of “other credits” on line 40. If you are claiming more than three other credits, attach a statement to your return that identifies the other credits and the amounts. Please write “see statement” in the space provided on line 41 (total credits line).

- **Adoption expenses [code 700].** If you paid or incurred qualified federal adoption expenses during the year, you may be entitled to the Oregon adoption credit. The credit is the smallest of:
 - The qualified adoption expenses less the allowable federal credit,
 - \$1,500, or
 - The federal credit allowed.
- **Child and dependent care credit carryforward [code 704].** The prior year carryover plus your current year’s credit can’t be more than your Oregon tax liability, line 42. You can carry forward any excess credit over the next five years. If the excess isn’t used within five years, it’s lost.
- **Individual Development Account [code 715].** If you made a charitable contribution to the Oregon Individual Development Account program during 2005, you may qualify for a credit. The credit is the smaller of \$75,000 or 75 percent of the donation made. It cannot be more than your 2005 Oregon tax liability. You may carry over any excess for the next three years. Any federal benefit due to a federal deduction must be reported as an Oregon addition. For more information, please contact us.
- **Long-term care insurance premiums [code 716].** You are allowed a long-term care insurance premiums credit if:
 - Your policy was issued in 2000 or later, and
 - You, your parents, or your dependents are the policy beneficiaries, and
 - You paid premiums for 2005.

The credit for single and joint filers is the **smaller** of 15 percent of the premiums paid or \$500. For married filing separate filers, the combined credits on the spouses’ returns cannot be more than the credit they would have been allowed on a joint return.

Any federal benefit due to a federal deduction for the premiums must be reported as an Oregon addition. See page 24.

Employers paying for long-term care insurance for employees may also claim this credit.

Download the publication *Long-Term Care Insurance Premiums Tax Credit* from our Web site or contact us to order it.

- **Loss of use of limbs [code 717].** If you have a permanent and complete loss of the use of two limbs, you may take a \$50 tax credit. Your spouse also may

claim a \$50 credit if he or she qualifies. You can’t claim this credit for a dependent.

Get a disability certification form the first year you file for the credit from your county public health officer. The health officer must sign the form. Keep the form with your permanent health records. Do not attach it to your return.

You also qualify for an additional exemption for severely disabled persons. See page 7.

- **Oregon Cultural Trust [code 722].** If you donate to an Oregon nonprofit cultural organization during the tax year and you donate a matching amount to the Oregon Cultural Trust, you may claim a tax credit.

You may claim a tax credit of up to \$500 per taxpayer (\$1,000 on a joint return) for the amount you contributed to the Oregon Cultural Trust. Enter the amount you contributed to the trust on line 40 but not more than \$500 (\$1,000 on a joint return). For more information about the Oregon Cultural Trust, contact the Oregon Arts Commission or visit their Web site at www.oregonartscommission.org. Any federal benefit due to a federal deduction must be reported as an Oregon addition. For more information, please contact us.

- **Residential energy [code 729].** To qualify, you must purchase an energy efficient appliance or install a solar device or ground loop system. Renters may qualify for this credit. For more information, visit the Oregon Department of Energy’s Web site at www.oregon.gov/ENERGY. Or, call them at 503-378-4040 in Salem or 1-800-221-8035 toll-free from an Oregon prefix.
- The following credits apply to only a few people and are not explained in this booklet. For more information, visit our Web site or contact us.
 - Advanced telecommunications facilities [code 701].
 - Bone marrow donation program [code 702].
 - Business energy [code 703].
 - Business tax credits from flow-through entity [code 736].
 - Child Care Fund contributions [code 705].
 - Claim of right income repayments [code 706].
 - Crop donation [code 708].
 - Dependent care assistance by employers [code 707].
 - Diesel engine replacement [code 734].
 - Electronic commerce zone investment [code 710].
 - Employer scholarship [code 711].
 - Farmworker housing [code 712].
 - Film production development contributions [code 737].
 - First Break Program [code 713].
 - Fish screening devices [code 714].
 - Low-income caregiver credit [code 718].

- Mutually taxed gain on the sale of residential property [code 720].
- On-farm processing machinery and equipment [code 721].
- Pollution control facilities [code 724].
- Reforestation of underproductive forestlands [code 727].
- Reservation enterprise zone [code 728].
- Riparian land [code 735].
- Rural medical practitioners [code 731].

Tax payments, penalties, and interest

43 Oregon income tax withheld. Fill in the total Oregon tax withheld from your wages and other income shown on your Form(s) W-2 in box 17 or on your Form 1099. Don't use the FICA (Social Security) tax withheld. Don't use tax withheld from your wages by other states. **Staple a readable copy** of your Form W-2 from each job and any Form 1099 to the lower front of your return showing Oregon income tax withheld.

If you do not have a Form W-2 or 1099, you must provide other proof of your Oregon tax withheld. Proof may include a final paycheck stub or a letter from your employer.

If you have tax to pay this year, you may want to increase the amount your employer withholds from your 2006 wages for Oregon. Download the publication *Oregon Income Tax Withholding: Some Special Cases* from our Web site or contact us to order it.

44 Estimated tax payments for 2005. Fill in the total estimated tax payments you made before filing your Oregon return. These payments were due April 15, 2005; June 15, 2005; September 15, 2005; and January 17, 2006. Include any payments you made with your Oregon extension. Also include any refund you applied to your 2005 estimated tax. If the department adjusted your applied refund, be sure to use the adjusted amount. If you need to verify your estimated payment amounts, please contact us.

45 Working family child care credit. This credit is available to low-income working families with **qualifying** child care expenses for a qualifying child under age 13 (or a child for whom you can claim the additional exemption credit for a child with a disability). The working family child care credit is a refundable credit. If this credit is more than your tax, you will receive the difference. To see if you qualify, go to page 36.

49 Penalty and interest. Your return is due by April 17, 2006, unless you file for an extension.

Penalty. Include a penalty payment if you:

- Mail your payment after April 17 (even if you have an extension).

- 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 the extension due date, a 20 percent late-filing penalty will be added; that is, you will owe a total penalty of 25 percent of any tax not paid. To find out how to avoid a penalty, see page 5.

Interest. If you are filing your return or paying your tax after April 17, 2006, include interest on any unpaid tax.

An interest period is each full month starting with the day after the due date. For example, April 18 to May 17 is a full month and interest period.

The 2006 interest rate is 7 percent per year (0.583 percent per month).

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

$$\text{Tax} \times .000192 \times \text{number of days}$$

If the tax is not paid within 60 days of our bill, the interest rate increases to 11 percent per year.

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

50 Interest on estimated tax underpayment. For 2005, you will have an underpayment if you paid less than 90 percent of the tax due on each estimated tax payment due date.

You do not have an underpayment if:

- You owe less than \$1,000 tax on your 2005 tax return after credits and Oregon tax withheld, or
- You did not have an underpayment for any 2005 estimated tax period.

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

On Form 40, line 50, fill in the amount of interest due from Form 10 and check the box. If you meet an exception, enter the exception number on line 50a. Attach Form 10 to the back of your return.

52 Amount you owe. You may pay with a check, money order, or credit card.

Check or money order

- Make your check or money order payable to "**Oregon Department of Revenue.**"
- Write your daytime telephone number and "2005 Oregon Form 40" on your check.
- Please use blue or black ballpoint ink. Do not use gel or red ink.
- Do not send cash or a postdated check.

- Staple your payment and the Form 40-V payment voucher (page 11) to your return on top of your Form(s) W-2.

Credit card payment. See page 11.

Payment plan. If you cannot pay in full now, we will work with you to set up a payment plan for the amount you do not pay with your return. For more information, please contact us.

Special instructions. Do you owe interest on line 50 and have an overpayment on line 47? If the interest you owe is more than your overpayment, you have an amount due. Subtract line 47 from line 50 and enter the result on line 52.

Charitable donations. If you do not have a refund but want to contribute to a charity listed on lines 55–60, mail your donation to the charity’s address listed on our Web site. Please do not mail your donation to the Department of Revenue.

To finish your return, go to the signature block section on this page.

53 Refund. You must have a refund on line 53 to use lines 54–63.

54 Estimated tax. If you have a refund, you may apply part or all of it to your 2006 Oregon estimated income tax. Fill in the amount you want to apply. Do not fill in more than the amount on line 53.

Charitable checkoffs

You may choose to donate all or part of your refund to the charities listed on page 12. Donations will reduce your refund. You may donate to any or all of the charities on Form 40, lines 55–59. You also may donate to **one** of the charities listed under the instructions for Form 40, line 60 on page 12. Or, you can mail your donations to the addresses listed on our Web site.

For a list of the charities, go to page 12.

62 Net refund. You must reduce your refund by any amounts applied to 2006 estimated tax (line 54) and donations on lines 55–60. **The department cannot issue a refund if your return is filed more than three years after the due date of the return.**

Direct deposit

Form 40 63 **Form 40S 33** **Direct deposit.** If you want us to deposit your refund directly into your bank account instead of mailing you a check, follow these instructions:

1. **Contact your bank** to make sure your deposit will be accepted and to get your routing and account numbers.

2. **Check the appropriate box, either** checking or savings, but not both.
3. **Enter your nine-digit routing number.** The routing number must begin with 01 through 12, 21 through 32, or 61 through 72.
4. **Enter the number** of the account into which you want your refund deposited. The account number can be up to 17 characters (both numbers and letters). Include hyphens, but do not include 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 contact your preparer about the initial processing of your tax return. 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) of minor child.”

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

- State Board of Tax Practitioners in Salem, at 503-378-4034 for licensed tax consultants and licensed tax preparers.
- State Board of Accountancy in Salem, at 503-378-4181 for public accountants and certified public accountants.

License number. 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 certain order?

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

1. Start with Form 40 or Form 40S.
2. Staple Form(s) W-2 and any Form(s) 1099 showing Oregon tax withheld to the lower front of your Form 40 or Form 40S.

3. Staple your check or money order and completed Form 40-V payment voucher (page 11) on top of Form(s) W-2 and/or 1099. If you are paying by credit card, do not use Form 40-V.
4. Place a copy (front and back) of your federal Form 1040, 1040A, 1040EZ, or 1040NR behind your Form 40. Form 40S filers do not need to attach this item unless the IRS is figuring your federal tax.
5. If applicable, place these items in the following order behind the federal form:
 - *Oregon Amended Schedule.*
 - *Schedule WFC, Oregon Working Family Child Care Credit.* See page 37.
 - *Form 10, Underpayment of Oregon Estimated Tax.*
 - *Proof required to claim credit for income taxes paid to another state.* See page 31.
 - *Form 24, Oregon Like-Kind Exchanges/Involuntary Conversions.*
 - *Form FIA-40, Oregon Farm Income Averaging for Full-Year Residents.*
 - *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe.*
6. Staple all the pages of your return together in the top left corner.

Do not attach extension requests, or any federal schedules. We receive some federal information from the IRS. We may ask 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 refund. By law, the Department of Revenue cannot issue a refund if your return is filed after this amount of time.

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. Call the department as soon as possible to set up a payment plan. If you do not call, collection activity may begin. See page 40 for numbers to call.

To avoid processing delays, remember to:

Type or clearly print your name, Social Security number, date of birth, address, and telephone number on your return.

Double-check your math calculations and other figures. The most common mistakes are math errors and the amount claimed for the federal tax subtraction. Please double-check the tax you figured. People commonly use the wrong line or column on the tax tables.

Identify amounts on Form 40, lines 10, 18, and 40 as instructed.

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 your return.

Staple a copy of your federal return (front and back only) to your Form 40.

Staple Form 40-V, the payment voucher, with your check or money order to the front of your return. If you are paying by credit card, do not use Form 40-V.

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

Schedule WFC Relationship Codes

Son..... S
 Daughter..... D
 Stepson SS
 Stepdaughter..... SD
 Grandchild GC
 Niece NC
 Nephew NW
 Brother..... SB
 Sister..... SB
 Legally adopted child..... LA

Eligible foster child.....EF
 Parent..... P
 Grandparent GP
 Aunt A
 Uncle U
 Cousin..... CS
 Sister-in-law SL
 Brother-in-law BL
 None..... N
 Other..... O

Working family child care credit

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

- You had at least \$6,900 of earned income, and
- You had \$2,700 or less of investment income (such as interest, dividends, and capital gains), and
- Your adjusted gross income was less than the limits for your household size shown on the back of Schedule WFC, and
- You paid qualifying child care expenses to allow you (and your spouse, if married) to work or attend school, and
- You paid qualifying child care expenses for your qualifying child. A qualifying child is your child, step child, grandchild, step grandchild, brother, sister, stepbrother, stepsister, nephew, niece, step nephew, step niece, eligible foster child, or adopted child who:
 - can be claimed as a dependent on your federal return, or

- could have been claimed as a dependent on your return except that, as the custodial parent, you released the exemption to the child's other parent under a decree of divorce or separate maintenance or written declaration such as federal Form 8332, and
 - was under the age of 13, or
 - was a child who qualifies for the additional exemption credit for a child with a disability, and
 - did not provide more than one-half of their own support during the year, and
- Your child care provider was not the child's parent, guardian, or your relative, or step relative, under age 19.

Note: If you are married filing separately, you must be legally separated or permanently living apart on December 31, 2005, to qualify.

If you qualify, complete Schedule WFC, *Oregon Working Family Child Care Credit*, on page 37. Attach this schedule to your return.

Schedule WFC instructions

You must complete all information on the schedule. An incomplete schedule may result in denial of your working family child care credit.

Household size calculation

Sched. WFC 1–5 Your household size is the number of people you claim as exemptions on your federal tax return who are related to you by blood, marriage, or adoption and live in your home. Household size can include your child of whom you have primary custody, even if you allowed the child's other parent to claim the exemption on their tax return. People you are entitled to claim on your tax return who did not live with you in your home during 2005 cannot be included. For the purposes of this credit, an individual cannot be counted in household size on more than one return. Enter your household size from Schedule WFC, line 5, on Form 40S, line 21a; or Form 40, line 45a.

Example 1: Rusty and Deb are not married and are the parents of two children. They maintain separate households and have joint custody of both children. The children live more than half the year with Deb. Even though the children are Deb's qualifying children, she releases the dependent exemption for one child to Rusty. Both Rusty and Deb may claim the credit based on the child care expenses they paid. However, each needs to calculate household size separately. Deb's

household size is three (herself, one dependent child whose exemption she claims, and one dependent child whose exemption is released to Rusty). Rusty's household size is one (himself). Although he claims one child on his tax return, the child did not live with him more than one-half of the year and is not included in his household size.

Example 2: Jay and Rena have three qualifying children. They also support Rena's parents who do not live with them. They claim seven exemptions on their tax return. Jay and Rena's household size is five, because only five of them live in their home.

Qualifying child care expenses paid in 2005

Sched. WFC 6–9 **Provider's full name, complete address, and phone number.** Enter the child care provider's information in the space provided on Schedule WFC. If you have more providers than there is space for on the form, please attach a separate sheet with the required information.

Provider's SSN/FEIN/ITIN. You must include your provider's Social Security number, federal employer identification number (FEIN), or individual taxpayer identification number (ITIN).

Schedule WFC

For Oregon forms, please visit our Web site at
www.oregon.gov/DOR/
and click on "Tax Forms"

Working Family Child Care Credit—2005 Tables

Table 1, household size = 1		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$19,150	.40
\$19,150	20,100	.36
20,100	21,050	.32
21,050	22,000	.24
22,000	22,950	.16
22,950	23,950	.08
23,950	—	.00

Table 2, household size = 2		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$25,650	.40
\$25,650	26,950	.36
26,950	28,250	.32
28,250	29,500	.24
29,500	30,800	.16
30,800	32,100	.08
32,100	—	.00

Table 3, household size = 3		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$32,200	.40
\$32,200	33,800	.36
33,800	35,400	.32
35,400	37,000	.24
37,000	38,600	.16
38,600	40,250	.08
40,250	—	.00

Table 4, household size = 4		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$38,700	.40
\$38,700	40,650	.36
40,650	42,550	.32
42,550	44,500	.24
44,500	46,450	.16
46,450	48,400	.08
48,400	—	.00

Table 5, household size = 5		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$45,200	.40
\$45,200	47,500	.36
47,500	49,750	.32
49,750	52,000	.24
52,000	54,250	.16
54,250	56,550	.08
56,550	—	.00

Table 6, household size = 6		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$51,750	.40
\$51,750	54,350	.36
54,350	56,900	.32
56,900	59,500	.24
59,500	62,100	.16
62,100	64,700	.08
64,700	—	.00

Table 7, household size = 7		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$58,250	.40
\$58,250	61,150	.36
61,150	64,100	.32
64,100	67,000	.24
67,000	69,900	.16
69,900	72,850	.08
72,850	—	.00

Table 8, household size = 8*		
If the amount on Schedule WFC, line 15 is:		Enter this decimal amount on Schedule WFC, line 17:
at least:	but less than:	
—	\$64,800	.40
\$64,800	68,000	.36
68,000	71,250	.32
71,250	74,500	.24
74,500	77,750	.16
77,750	81,000	.08
81,000	—	.00

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

Child/provider relationship. Identify the relationship of the provider to the child using the relationship codes on page 35. If there is no relationship between the provider and the child, enter “N” for “none.”

Amount paid to provider. Qualifying child care expenses are those paid for your qualifying child for the primary purpose for you (and your spouse, if married) to work or attend school. You can claim this credit even if you pay your expenses with pre-tax dollars from an employer benefit plan such as a cafeteria plan or flexible spending arrangement. You must pay for the child care during 2005 for the payments to be qualifying child care expenses.

Qualifying child care expenses do not include amounts you paid for your child to attend a public or private school or for activities such as gymnastics or soccer. You cannot claim expenses that are paid by someone else such as a state assistance agency. You can claim only the expenses you actually paid.

Example 3: Jeff works for a company that offers dependent care benefits. He contributes \$4,000 pre-tax each year to a flexible spending arrangement (FSA) plan. Jeff’s employer reports the \$4,000 of dependent care benefits in box 10 of his W-2. Jeff also paid \$1,000 with after-tax dollars. Jeff may claim the working family child care credit based on \$5,000 in qualifying child care expenses.

Example 4: Lee has a five-year-old qualifying child who attends a local academy. He pays \$750 per month for his child’s kindergarten and child care. Of that total, \$500 is the contract price for child care, and \$250 is for the child’s education. Lee can only claim \$500 per month as qualifying child care.

Example 5: Cate qualifies for state assistance in paying her child care expenses. The child care provider charges Cate \$600 per month to care for her two qualifying children. Of the \$600 per month, the state pays \$450, and Cate has a co-pay of \$150. Cate can only claim the amount she actually paid (\$150 per month).

Proof of qualifying child care expenses. You must be able to prove that you paid the child care expenses to claim this credit. Acceptable proof includes, but is not limited to, copies of:

- Canceled checks or money order stubs,
- Duplicate checks along with bank statements, and/or

- Signed receipts from the child care provider.

The department can ask for proof when your tax return is being processed or any time later. If you pay a relative to watch your children, you may be asked to provide additional information that shows you actually paid qualifying child care expenses. *Be sure to ask for a signed receipt from your child care provider when you pay for care.*

Qualifying child information

Sched. WFC 10–14

Enter the full name of each qualifying child, the child’s Social Security number, date of birth, and relationship to you using the codes shown on page 35.

Enter the portion of expenses you listed in the child care provider section that apply to each child. The amounts shown on line 9 and line 14 should always be the same.

Example 6: Bill paid two child care providers \$5,000 during the year for his two qualifying children, Joe and Lane. Of the \$5,000 he paid, \$3,000 was for Joe’s care and \$2,000 was for Lane’s care. He will enter those amounts next to each child’s information.

Computation of credit

Sched. WFC 15

You must know your federal adjusted gross income (AGI) to compute this credit. You can find your federal AGI on your Oregon Form 40S or Form 40, line 8. Enter your federal AGI on Schedule WFC, line 15.

Sched. WFC 16

Enter the total qualifying expenses from Schedule WFC, line 9, on Schedule WFC, line 16, and Form 40S, line 21b; or Form 40, line 45b.

Sched. WFC 17

Use the table on the back of Schedule WFC (page 38) that matches your household size.

For example, if your household size is three, use Table 3 to find the percentage you need to apply to your qualifying expenses. Enter that percentage on Schedule WFC, line 17.

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

- Forms 40S & 40, *Full-Year Resident* 150-101-043
- Forms 40P & 40N, *Part-Year & Nonresident* 150-101-045
- Form 40-EXT, *Oregon Automatic Extension and Payment Voucher* 150-101-165
- Estimated Income Tax Payment Instructions and Vouchers*..... 150-101-026/-2
- Form 10, *Underpayment of Oregon Estimated Tax*..... 150-101-031
- Oregon Amended Schedule 150-101-061
- Form 90R, *Elderly Rental Assistance* 150-545-002
- Oregon Depreciation Schedule* 150-101-025
- Form 24, *Oregon Like-Kind Exchanges/ Involuntary Conversions* 150-800-734
- Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*..... 150-101-160
- Form FIA-40N, FIA-40P, and Schedule Z, *Oregon Farm Income Averaging for Nonresidents and Part-Year Residents*..... 150-101-161

Publications

- 2-D Barcode Filing for Oregon* 150-101-631
- 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
- 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

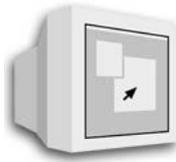
Send to: Forms, Oregon Department of Revenue
PO Box 14999, Salem OR 97309-0990

Please print

Name _____
Address _____
City _____
State _____ ZIP Code _____

Internet

www.oregon.gov/DOR



- Download forms and publications
- Get up-to-date tax information
- E-mail: questions.dor@state.or.us

This e-mail address is not secure and confidentiality cannot be ensured. General tax and policy questions only.

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 from an Oregon prefix..... **1-800-356-4222**

Call one of the numbers above to:

- Check on the status of your 2005 personal income tax refund (beginning February 1).
- Order tax forms.
- Hear recorded tax information.



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 3–April 17, Monday–Friday 7:00 a.m.–8:00 p.m.
Saturday, April 15 9:00 a.m.–4:00 p.m.
Wait times may vary.

Asistencia en español:

Salem 503-945-8618
Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem 503-945-8617
Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Field offices

Get forms and assistance at these offices. **Do not send your return to these addresses.**

Bend 951 SW Simpson Avenue, Suite 100
Eugene 1600 Valley River Drive, Suite 310
Gresham 1550 NW Eastman Parkway, Suite 220
Medford 24 W 6th Street
Newport 119 NE 4th Street, Suite 4
North Bend 3030 Broadway
Pendleton 700 SE Emigrant, Suite 310
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

