

Appendix III. Glossary of Terms

Additions. Amounts added to federal AGI to reflect differences between Oregon and federal tax laws.

Adjusted gross income (AGI). AGI consists of income subject to federal tax minus federal adjustments. For full-year returns, Oregon AGI corresponds to line 8 on Oregon Form 40 or line 12 on Oregon Form 40S, and equals federal AGI.

Adjustments. Adjustments include IRA deductions, medical savings account deduction, moving expenses, one-half of self-employment tax, self-employed health insurance deduction, Keogh retirement plan and self-employed SEP deduction, penalty on early withdrawal of savings, and alimony paid. These adjustments are subtracted prior to determining AGI on federal Forms 1040 and 1040A.

AGI level. Adjusted gross income ranges by which personal income tax information is grouped in all but the four county summary tables. The AGI levels are increments of \$2,000 for low-income returns, and \$5,000 or more for higher income filers.

Business income. Profit or loss from sole proprietorship business (not partnership and corporate income). Reported on federal Schedule C.

Capital gains. For tax years 1986 and earlier, this figure indicates the amount after the 60 percent capital gains exemption. Beginning with tax year 1987, this figure indicates 100 percent of the net capital gains. Reported on federal Schedule D.

Capital gain distributions. Non-schedule D capital gains reported separately from Schedule D capital gains on federal form 1040 for tax years 1988 through 1993.

Donations. Optional checkoffs by which taxpayers may designate all or part of a tax refund as a contribution to any of the following:

- Oregon Nongame Wildlife Fund
- AIDS/HIV Education and Services Fund
- Child Abuse Prevention Fund
- Alzheimer's Disease Research Fund
- Stop Domestic and Sexual Violence Fund

Earned income credit. The federal earned income credit is a refundable credit. The amount depends on income and whether there are zero, one, or more than one dependent.

Exemptions (number of). Total number of exemptions claimed (self, spouse, and dependents plus special exemptions for severely disabled adults and disabled children). Individuals who are claimed as dependents on their parents' returns but who receive separate income claim zero exemptions on their own return.

Exemption tax credit. \$128 credit for each exemption claimed on 1997 return. Replaced \$1,000 exemption in 1983. Indexed for inflation beginning with tax year 1987.

Farm income. The amount of farm income reported on farm Schedule F. It does not include the farm income of any farm operated as a partnership or corporation.

Federal adoption credit. New federal credit in 1997. Credit for adoption expenses, up to a maximum of \$5,000 per adopted child (\$6,000 for a child with special needs).

Federal election on interest and dividends of a minor child. The amount of interest and dividend income earned by a minor child that is subject to the special federal tax. Beginning in 1989, this addition to federal AGI is required when parents elect to report the child's income on their own return. This addition was combined with other additions beginning on 1996 returns.

Federal tax deductions. Deductions for federal income tax liability. Limited to \$3,000 per return (\$1,500 for married filing separately).

Federally taxable Social Security. Oregon does not tax Social Security income. The taxable portion of Social Security from the taxpayer's federal return is reported on table D3. The Social Security subtraction is reported on table F2.

Full-year returns. Returns filed by full-year Oregon residents (Form 40 or Form 40S).

HARRP. The Homeowner's and Renter's Refund Program, established in 1973 to provide property tax relief to low- and middle-income Oregonians. The limit on household income of HARRP recipients was reduced from \$17,500 to \$10,000 for tax year 1990, and the program was discontinued for 1991 and subsequent tax years.

Head of household. Returns filed by unmarried persons who furnished over half of the cost of maintaining a household for the entire year for at least one qualifying relative. Unmarried persons, for purposes of this clarification, were defined as single persons, married persons legally separated, certain married individuals living apart but not legally separated, or persons married to non-resident aliens.

Income from unspecified source. Adjusted gross income from Oregon Form 40, Form 40N, or Form 40P when the taxpayer does not provide a federal form. Included with "Other Income" in Exhibit 7 and Table D and reported separately in Table D10.

Interest on installment sales. Interest on deferred tax liability for certain installment sales. Added to Oregon tax before credits.

Itemized returns. Returns claiming itemized deductions rather than taking the standard deduction.

Joint returns. A return representing the combined income of husband and wife, i.e., a return representing two taxpayers.

Minor child income addition. See “Federal election on interest and dividends of a minor child.”

Miscellaneous income. Income from rents, royalties, estates, trusts, S-corporations, and partnerships. Reported on federal Schedule E.

Net federal tax (Table L). The sum of basic federal tax, alternate minimum tax, and tax on IRAs, minus federal tax credits.

Non-resident returns. Returns filed by individuals with income earned in Oregon whose permanent homes were outside Oregon for the entire tax year (Form 40N).

Nontaxable returns. Returns with no tax liability.

Oregon earned income credit. New credit in 1997, equal to 5 percent of the federal earned income credit. Unlike the federal credit, it is not refundable.

Oregon medical deduction. Beginning with 1991 returns, filers who itemize and meet the age requirement are entitled to an additional deduction of the lesser of Schedule A line one or line three. The age eligibility was 58 or older for 1991 and 1992 returns and increases by one year every two years until it reaches 62.

Oregon deferral of reinvested gain. Beginning with 1996 returns, filers may defer capital gains on the sale of certain business assets if they reinvest proceeds in qualifying business assets within six months.

Other (sources of income, Table D). Includes alimony received, tax refund income, unemployment income, other income, and income from an unspecified source. Reported separately on Tables D2 (tax refund, alimony, and unemployment income), D9 (other income), and D10 (income from an unspecified source — no federal form submitted).

Other tax credits (Table A). Total amount of tax credits, excluding exemption tax credit. Includes Oregon earned income credit, working family credit, retirement income credit, credit for elderly, child care credit, political contribution credit, credit for taxes paid to another state, and other credits.

Part-year returns. Returns filed by individuals who permanently moved either into or out of Oregon during the tax year (Form 40P).

Pensions (Table D). Includes taxable pension income, federally taxable Social Security income, and IRA distributions. These items are reported separately in Table D3.

Property sales (Exhibit 7 and Table D). The sum of capital gains/losses and supplemental gains/losses (lines 13 and 14 on federal Form 1040). These items are broken out separately in Tables D5 (capital gains) and D6 (supplemental income).

Rent, partnership, etc., income. Positive and negative income reported on federal Schedule E. In addition to partnership and S-corporation income or loss, this includes

income from rentals, royalties, estates, and trusts. Reported in Table D7 as “Miscellaneous Income.”

Retirement income credit. Beginning with 1991 returns, filers who meet the income and age restrictions and have income from pensions, annuities, IRAs or deferred income compensation plans are entitled to a retirement income credit. Household income limits are \$45,000 for joint returns and \$22,500 for non-joint returns. The age eligibility was 58 or older for 1991 and 1992 and increases by one year every two years until it reaches 62.

Returns (number of). The number of returns filed. For low AGI levels, this figure can be misleading. For example, the Oregon Department of Revenue receives returns each year from individuals who are claimed as dependents on their parents’ returns but who receive individual earnings. Dependents who receive over \$500 of income are required to file an Oregon return, and others may choose to file to recover withholding. These zero exemption returns are reported on Table H “Distribution of Returns by Number of Personal Exemptions.” Approximately 110 thousand 1997 returns in the \$0 to \$10 thousand AGI level were filed by dependents. Therefore, the number of returns below the \$10,000 class is an unreliable reflection of the population.

Separate return. The return of a married individual not filing a joint return.

Single return. The return of a single individual who does not qualify as head of household.

Standard and itemized deductions. The total deduction amount taken, whether a standard deduction or itemized deductions.

State surplus refund. Oregon is required by law to refund excess revenue when revenues collected for the biennium are more than 2 percent higher than was forecast at the time the budget was adopted. The refund was given as a tax credit in 1985, 1987, and 1989. The 1995 Legislature changed the law governing the way in which surplus revenue is returned to personal income taxpayers. Up through 1993, refunds were made in the form of a credit on the tax return for the second year of the biennium. Starting in 1995, refunds were made as direct payments to taxpayers based on their tax liability for the first year of the biennium.

Subtractions. Amounts subtracted from federal AGI to reflect differences between Oregon and federal tax laws.

Tax after credits. Amount of tax liability after subtracting credits but before subtracting surplus refund.

Tax due. Amount of final tax liability after subtracting tax credits and state surplus refund, when applicable.

Tax from rates. The amount of state tax computed from rates and assessed before tax credits are subtracted.

Tax withheld. Amounts withheld by employers from salaries and wages. Amount withheld is based on wages earned during the pay period and the number of withholding allowances claimed. Tax may also be withheld from other income sources such as pensions and IRA distributions.

TAX/AGI. The ratio of tax due to AGI, reported on Table B.

TAX/TBAL. The ratio of tax due to taxable balance reported on Table B.

Taxable balance. Oregon AGI plus additions, minus subtractions, minus allowable deductions. The amount of income subject to Oregon tax. Set to zero, if negative.

TBAL/AGI. The ratio between income on which tax is computed and Oregon adjusted gross income.

Taxable returns. Returns with positive final tax liability (i.e., tax due greater than zero).

Working family credit. New credit in 1997. The amount is based on adjusted gross income and household size.