



Tax-Aide Workbook

Tax-Aide Program
Form 40 • Form 90R

Tax-Aide Instructors and Volunteers:

The Tax-Aide publications are updated every year. We value your comments and suggestions. We'll use your suggestions to improve this publication, so please share them with us. Please mail your comments to one of the addresses below:

Oregon Department of Revenue
Policy and Systems Unit
Tax-Aide Coordinator
955 Center Street NE
Salem OR 97301-2555

E-mail: prac.revenue@state.or.us
(In the subject line write: Tax-Aide, 2007)

Thank you.

Tax-Aide Program Workbook

Published by the Oregon Department of Revenue
955 Center Street NE • Salem OR 97301-2555

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Lesson 1: Introduction/Processing Tips

Objectives

At the end of this lesson, you will know:

- How to use the student workbook.
- The testing procedures.
- How to assemble the tax return.
- Where to get help.

Introduction

Income tax law is complex, ever-changing, and challenging. No one who prepares tax returns ever knows everything about the law. What you must know is where to look for the answers. When you complete this course you should:

- Be able to prepare **basic** Oregon full-year resident income tax returns.
- Be able to answer **basic** questions about Oregon income tax.
- Know when tax problems exceed your current ability and knowledge.
- Know where to refer taxpayers for additional help.

Content

Resources

There are several major sources of information on Oregon tax law for volunteers to use:

1. This Tax-Aide workbook.
2. Oregon *Full-Year Resident* income tax booklet.
3. Publication 17½, *Oregon Individual Income Tax Guide*.
4. Oregon Department of Revenue Web site: www.oregon.gov/DOR.
5. Oregon Department of Revenue tax topic publications.
6. *Package B* (compilation of Oregon tax forms and instructions).

This workbook is designed to be used with class instruction or as a self-study program. If you use it for self-study, read each chapter and work the problems. Answers to the exercises and problems are at the end of each lesson. If you don't complete the problems correctly, review the material, then work the exercises and practical applications again.

Lesson 1

Introduction/Processing Tips

Testing procedures

There are two tests provided in the separate *Tax-Aide Program Test Booklet 2007*. Test 1 covers completion of Form 40. Test 2 covers completion of Form 90R. Complete the tests after you've finished the reading materials in each major section of this workbook. Your Tax-Aide coordinator will tell you when the tests are due, grade them, and return them to you.

Read the test instructions. They explain how to take the tests. Tests are "open book," so you can use any reference materials you have. Don't consult with anyone about test problems while you take the test.

The total number of points for Test 1 is 100. The minimum passing score is 75.

The total number of points for Test 2 is 45. The minimum passing score is 34.

Testing is intended to be used as a means to learn:

- Your current limitations, and
- The areas where you need more study.

Processing tips

Assembling the Oregon tax return

To speed processing, put the Oregon return together as follows:

1. Start with Form 40.
2. Staple all W-2 and 1099 forms showing Oregon income tax withheld to the lower left front of the Form 40.
3. Staple the taxpayer's check or money order on top of the W-2 forms along with a completed Form 40-V, the payment voucher, which is in the full-year booklet. Form 40-V is used with tax-to-pay paper and electronically filed returns.
4. If applicable, place these items in the following order behind Form 40:
 - Schedule OR-A, *Oregon Adjustments for Form 40 Filers* (if needed).
 - *Oregon Amended Schedule* (if amending the taxpayer's return).
 - Copy (pages 1 and 2) of the federal Form 1040, 1040A, or 1040EZ. If the taxpayer is amending and the federal return was changed, attach a corrected federal return instead of the original.
 - Schedule WFC, *Oregon Working Family Child Care Credit for Form 40 and Form 40S filers*.
 - Oregon Form 10, *Underpayment of Oregon Estimated Tax*.
 - Other state's tax return(s) and proof of payment of other state's taxes if the taxpayer is claiming the credit for income taxes paid to another state.
 - Oregon Form 24, *Like-Kind Exchanges/Involuntary Conversions*.
 - Oregon Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*.
 - *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe*.
 - Oregon Schedule MPC, *Mobile Home Park Closure*.
 - Statements for lines that need explanation.

NOTE: *Oregon Amended Schedule*, Form 10, Form 24, Form FIA-40, Schedule MPC, and credit for income taxes paid to another state are beyond the scope of the Tax-Aide program and are not covered in this workbook. Refer taxpayers with these items to a licensed tax preparer.

5. Staple all the pages of the return together in the top left-hand corner.

Don't attach extension requests, federal Schedules A, B, C, or D, or Form 2441. We receive some federal information from the IRS. We may ask the taxpayer for copies of schedules or additional information later. The taxpayer should keep complete copies of his or her federal and Oregon income tax returns for their permanent records.

Quality control

Setting up proper quality control at your site will help you identify errors and misunderstandings quickly so that you can make corrections as early as possible. Your goal is to give the best possible help to each taxpayer.

- Develop a systematic way of completing returns. You're more likely to get all the important information this way.
- After you complete the return, use a quality control checklist to ensure that all important areas are covered.
- Have another volunteer review your work.
- When you're unsure of tax law, review all reference material. If there is still a question, ask your Tax-Aide site coordinator or call our Taxpayer Assistance number (see page 4).
- Don't complete returns that have tax issues beyond your current skill and knowledge. The best service you can give taxpayers with complex returns is to refer them to the appropriate place for help.

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 website, order by telephone, or mail the form below.



Check individual boxes to order. Complete name and address section. Clip on the dotted line, then mail 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
- Schedule OR-A, *Oregon Adjustments for Form 40 Filers* 150-101-063
- Schedule OR-A-N/P, *Oregon Adjustments for Forms 40N and 40P Filers* 150-101-064
- Form 10, *Underpayment of Oregon Estimated Tax* 150-101-031
- Oregon Amended Schedule..... 150-101-061
- Form 90R, *Elderly Rental Assistance* 150-545-002
- Form FIA-40, *Oregon Farm Income Averaging for Full-Year Residents*..... 150-101-160
- Form FIA-40N, 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
- Audits: What To Do if You Are Audited* 150-101-607
- Computing Interest and Penalties on Tax You Owe* 150-800-691
- 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
- Interstate Transportation Wages (Amtrak Act)* 150-101-601
- 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
- Working Family Child Care Credit for Parents* 150-101-462
- 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 _____

Your tax return is due on April 15, 2008

Internet

www.oregon.gov/DOR

Check your refund at www.oregonrefund.com



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

This e-mail address is not secure. Do not send any personal information. General questions only.

Questions?

Write

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 area or outside Oregon 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 2007 personal income tax refund.
- Order tax forms.
- Hear recorded tax information.
- Speak with a representative.



Monday through Friday 7:30 a.m.–5:00 p.m.
 Closed Thursdays from 9:00 a.m.–11:00 a.m. Closed on holidays.

Extended hours during tax season (wait times may vary):

April 1–April 15, Monday–Friday 7:00 a.m.–7:00 p.m.
 Saturday, April 12 9:00 a.m.–3:00 p.m.

Asistencia en español:

En Salem o fuera de Oregon 503-378-4988
 Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):

Salem area or outside Oregon 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

Visit a field office to get forms and assistance. **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
- Lake Oswego** 6405 SW Rosewood Street, Suite A
- Medford** 3613 Aviation Way, Suite 102
- 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

Lesson 2: Who Must File

Objectives

At the end of this lesson, you will be able to:

- Determine residency status.
- Identify a full-year resident.
- Determine who must file a tax return.

Introduction

Requirements for filing depend on the taxpayer's residency, gross income, age, and marital status.

We begin the study of Oregon tax law with an explanation of residency. A full-year resident will file either Form 40 or Form 40S. This workbook covers Form 40 only. We will not study the part-year (Form 40P) or nonresident (Form 40N) forms.

Content

I. Residency.

A. Full-year resident.

1. Taxpayers are full-year residents if they lived in Oregon the entire year.
2. Taxpayers are full-year residents if they temporarily moved out of Oregon or moved back to Oregon after a temporary absence. Temporary absences are generally considered to last less than a year.
3. Taxpayers are **Oregon residents**, even when they live outside Oregon, if:
 - a. They think of Oregon as their permanent home, **and**
 - b. Oregon is the center of their financial, social, and family life, **and**
 - c. Oregon is the place they intend to return when they are away.

B. Nonresident. Taxpayers are nonresidents if their permanent home is outside Oregon all year.

C. Special-case Oregon resident. Oregon residents will be treated as nonresidents for tax purposes if:

1. They are Oregon residents who lived outside Oregon the entire year, **and**
2. They didn't keep a home in Oregon during any part of the year, **and**
3. They spent **less than 31 days** in Oregon during the year.

D. Special-case Oregon nonresident. Some nonresidents will be taxed as residents if:

1. They are residents of another state; **and**
2. They maintain a home in Oregon; **and**
3. They spent more than 200 days of the year in Oregon (not necessarily consecutive days); **and**
4. Their stay is not considered temporary or transitory.

Who Must File

- E. **Part-year resident.** Taxpayers are part-year residents if they moved into or out of Oregon during the year.
- F. **To help the taxpayer determine residency, ask these questions:**
1. Where is the taxpayer licensed to drive?
 2. Where are the taxpayer's automobiles licensed?
 3. Where are the taxpayer's bank accounts located?
 4. Where is the taxpayer registered to vote?
 5. Where does the taxpayer own real estate?
 6. Where is the taxpayer's insurance agent located?
 7. Where does the taxpayer's family maintain a home?
 8. Where is the center of the taxpayer's social life?

The list above is not intended to be all-inclusive. Refer part-year residents and nonresidents to a licensed tax return preparer or a volunteer who has experience with part-year resident and nonresident returns.

Exercise:

- 2-1. Determine whether each of the following taxpayers is a full-year resident, part-year resident, or nonresident. Explain why.
- a. Gillman lives in Portland, Oregon. He commutes daily to his job in Kelso, Washington.
 - b. Two years ago Emma moved to Ontario, Oregon, from Rio, Texas. Each year she goes back to Rio, where she stays from June to August, visiting her family.
 - c. Svetlana moved to Maine from her home in Oregon when she was 32 years old. After living and working two years in Maine, she decided to move back to Oregon permanently in November of the tax year.
 - d. Logan, age 52, lives in Oregon. Each year he works at a casino in Nevada for seven months. He always returns to his home in Oregon when he is not working in Nevada.
 - e. Katherine, age 22, works for the Oregon Shakespeare Festival in Ashland. She commutes daily from her family home in Yreka, California.

II. Does the taxpayer need to file?

Does the taxpayer 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	(See table at right)
Single	Under 65	\$4,990
	65 or over	\$6,190
Married, joint return	Both under 65	\$9,995
	One 65 or over	\$10,995
	Both 65 or over	\$11,995
Married, separate return	Under 65	\$4,990
	65 or over	\$5,990
Head of household	Under 65	\$6,240
	65 or over	\$7,440
Qualifying widow(er)	Under 65	\$6,950
	65 or over	\$7,950
<p>In addition, the taxpayer must file a return if:</p> <ul style="list-style-type: none"> — He or she is required to file a federal return. — He or she had \$1 or more of Oregon income tax withheld from wages. 		

Does the single dependent taxpayer need to file?	
1. Enter gross income from all taxable sources.	1. \$ _____
2. Add earned income \$_____ plus \$300. Enter total.	2. _____
3. Set amount.	3. <u>850</u>
4. Enter the larger of line 2 or 3.	4. _____
5. Enter the standard deduction for a single person: <ul style="list-style-type: none"> • Basic standard deduction: \$1,825 • Single and over age 65: \$3,025 	5. _____
6. Enter the smaller of line 4 or 5.	6. _____
<p>If line 1 is more than line 6, the taxpayer must file an Oregon return.</p> <p>If line 6 is more than line 1, the taxpayer is not required to file an Oregon return.</p>	

- A. 1. Generally, **gross income includes** all income received from all sources during the year, but there are exceptions (see number 2 below). Gross income includes wages, unemployment compensation, interest, dividends, and income from the sale of property. In addition, it includes gross profits from rentals, royalties, businesses, farming, and fishing. These additional items are beyond the scope of this training course. Refer taxpayers who have income from these sources to a licensed tax return preparer.
2. **Exceptions: Gross income for Oregon doesn't include** items such as welfare payments, Social Security benefits, or Railroad Retirement Board benefits.
- B. **Earned income includes** salaries, wages, tips, professional fees, and other amounts received as pay for work the taxpayer actually performs.
- C. **Unearned income includes** investment income such as interest from a savings account, dividends from stock, and capital gains income from the sale of an asset.

Lesson 2

Who Must File

Which of the following individuals in examples 1 and 2 needs to file an Oregon tax return?

Example 1:

Estella, age 16, is claimed as a dependent on her parents' tax return. She works part-time at the Fast Food Eatery and earned wages of \$675. Estella also had interest income of \$325 from her savings account.

Estella is required to file an Oregon return, determined as follows:

Does the single dependent taxpayer need to file?	
1. Enter gross income from all taxable sources.	1. \$ <u>1,000</u>
2. Add earned income \$ <u>675</u> plus \$300. Enter total.	2. <u>975</u>
3. Set amount.	3. <u>850</u>
4. Enter the larger of line 2 or 3.	4. <u>975</u>
5. Enter the standard deduction for a single person: <ul style="list-style-type: none">• Basic standard deduction: \$1,825• Single and over age 65: \$3,025	5. <u>1,825</u>
6. Enter the smaller of line 4 or 5.	6. <u>\$975</u>
If line 1 is more than line 6, the taxpayer must file an Oregon return.	
If line 6 is more than line 1, the taxpayer is not required to file an Oregon return.	

Example 2:

Eldred, age 52, is married filing separately. He has gross income from wages of \$1,910 plus a Nevada casino jackpot of \$5,000 for a total gross income of \$6,910.

His gross income of \$6,910 is greater than \$4,990, therefore, he is required to file an Oregon return. See the chart on page 7.

Lesson 2

Who Must File

Lesson 2 exercise answers:

- 2-1. a. Full-year resident. Gillman's home is in Oregon.
b. Full-year resident. Emma changed her domicile from Texas to Oregon. Where she takes her vacation has no effect on her state of residence.
c. Part-year resident. Svetlana moved to Oregon in November of the current tax year. She will file Oregon Form 40P.
d. Full-year resident. Logan's home is in Oregon. Where he works does not change his Oregon residency.
e. Nonresident. Katherine's home is in California. She will report her income earned in Oregon on Form 40N.
- 2-2. a. Yes. Their joint gross income of \$10,100 is greater than \$9,995. Oregon will not tax their welfare benefits.
b. Yes, Roberto is required to file an Oregon return, determined as follows:

Does the single dependent taxpayer need to file?	
1. Enter gross income from all taxable sources.	1. \$ <u>2,562</u>
2. Add earned income \$ <u>2,541</u> plus \$300. Enter total.	2. <u>2,841</u>
3. Set amount.	3. <u>850</u>
4. Enter the larger of line 2 or 3.	4. <u>2,841</u>
5. Enter the standard deduction for a single person: <ul style="list-style-type: none">• Basic standard deduction: \$1,825• Single and over age 65: \$3,025	5. <u>1,825</u>
6. Enter the smaller of line 4 or 5.	6. <u>1,825</u>
If line 1 is more than line 6, the taxpayer must file an Oregon return.	
If line 6 is more than line 1, the taxpayer is not required to file an Oregon return.	

- c. No. Jackson's gross income of \$5,625 is less than \$6,190. He's not required to file an Oregon return.
- d. No. Their gross income of \$9,750 is less than \$10,995.
- e. No. Tallie is not required to file an Oregon return, determined as follows:

Does the single dependent taxpayer need to file?	
1. Enter gross income from all taxable sources.	1. \$ <u>1,135</u>
2. Add earned income \$ <u>990</u> plus \$300. Enter total.	2. <u>1,290</u>
3. Set amount.	3. <u>850</u>
4. Enter the larger of line 2 or 3.	4. <u>1,290</u>
5. Enter the standard deduction for a single person: • Basic standard deduction: \$1,825 • Single and over age 65: \$3,025	5. <u>1,825</u>
6. Enter the smaller of line 4 or 5.	6. <u>1,290</u>
<p>If line 1 is more than line 6, the taxpayer must file an Oregon return.</p> <p>If line 6 is more than line 1, the taxpayer is not required to file an Oregon return.</p>	

Lesson 3: What Form to File/Starting the Return

Objectives

At the end of this lesson, you will be able to:

- Know if the taxpayer should file Form 40 or Form 40S.
- Complete the name and address section of the return.
- Decide the taxpayer's filing status.
- Figure the number of exemptions the taxpayer may claim on the Oregon return.

Introduction

The top of a return includes the name, Social Security number, date of birth, address, filing status, and exemptions. Read the information on these areas in the *Full-Year Resident* tax booklet.

Although the name and address section seems to be an easy area to complete, many errors are made there. Important address information is often omitted and information about the taxpayer's spouse may not be entered correctly.

Generally, the filing status and number of exemptions for Oregon is the same as for federal, but there are exceptions. Taxpayers and/or their spouses may be allowed an additional exemption credit for having a severe disability. Taxpayers also may be allowed an additional exemption for their dependent child who has a qualifying disability.

Content

- I. **What form to file. Note:** Your Tax-Wise software will always prepare the Oregon long form, Form 40, for your taxpayer. Below are the guidelines if you prepare returns **manually**. This workbook covers Form 40 only. If you manually fill out Form 40S, refer to the *Full Year Resident* tax booklet instructions.
 - A. Form 40S.
 1. Taxpayer must be a full-year resident of Oregon, **and**
 2. Taxpayer's income must include **only** wages, interest, dividends, unemployment compensation, fellowship grants, and taxable scholarships not used to pay for housing, **and**
 3. Taxpayer's Oregon **taxable** income must be \$100,000 or less. Taxable income is the amount after deducting the federal income tax subtraction and the standard deduction.
 4. The form **may** be filed by a person who can be claimed as a dependent on someone else's return.
 - B. Form 40. File Form 40 if the taxpayer is a full-year Oregon resident who can't use Form 40S. For example use Form 40 if the taxpayer:
 1. Itemizes deductions.
 2. Claims credits not allowed on Form 40S.
 3. Made estimated tax payments.
 4. Has an individual retirement account (IRA) deduction.

5. Has retirement income.
6. Claims Oregon additions or subtractions.
7. Is self-employed and required to file a federal return.

II. Name and address section.

- A. Fill in the taxpayer's name, address, telephone number, date of birth, and Social Security number. **Remember: Last name first. (This is opposite from the federal form.)**
- B. Make sure you fill in the taxpayer's date of birth, **especially if he or she was born in 1945 or earlier.** Some deductions and credits have age requirements.
- C. Is the taxpayer **married filing separately**? Don't fill in the spouse's name or Social Security number here. Use the space provided in the filing status section.
- D. If the taxpayer is not eligible for a Social Security number (SSN), the IRS can issue them an Individual Taxpayer Identification Number (ITIN). If the taxpayer has already been issued an ITIN they will have a card or letter from the IRS. Use this number wherever their SSN is requested.
 1. If they don't have an ITIN, they will need to request one from the IRS using federal Form W-7. They can get this form from the IRS and send it in with their federal return. In this case when you fill out (or after you print out) the return, **write "000-00-0000" wherever their SSN is requested.** Do **not** attach a copy of their application (federal Form W-7) to their Oregon return. When the IRS issues the taxpayer an ITIN, they need to send the Department of Revenue a copy of the ITIN letter.
- E. Please type or print clearly.

III. Filing status.

- A. Generally, taxpayers must use the same filing status on their Oregon and federal returns. There is one exception for part-year residents and nonresidents that is explained in a class for advanced students. Remember to complete the following:
 1. Form 40, line 3. If the taxpayer is married filing separately, fill in the first name, last name (first four letters only), and Social Security number of the taxpayer's spouse in the filing status section, line 3. Don't put the spouse's Social Security number in the name and address section.
 2. Form 40, line 4. If the taxpayer files as head of household, fill in the name of the person who qualifies the taxpayer for this status. Use the same name as on the federal return.

Exercises:

- 3-1. a. When filing “married filing separately,” where should the spouse’s name and Social Security number be placed?
- b. When filing “head of household,” whose name should be listed in the blank next to filing status 4?
- 3-2. The following are full-year residents. Using the information provided, determine which Oregon form they should file if manually filling out their return, and explain why.
- a. Maya made \$101,549 in wages. She had no other source of income. Her taxable income was \$94,709. She is single.
- b. This was Ted and Tilly’s first year of running their monster truck repair shop. Their net self-employment income was \$15,457. They don’t have enough expenses to itemize. They will file jointly.
- c. Teisha has interest income of \$271 and wages of \$26,224. She also tells you she has a \$5,300 private pension and unemployment benefits of \$1,250.
- d. Redding and Blanca have combined wage income of \$44,330. They tell you they have no other sources of income. They donated \$100 to the Pacific Green Party of Oregon. Their receipt says it qualifies for an Oregon tax credit.

IV. Exemptions.

- A. Usually, the Oregon taxpayer has the same number of exemptions as on the federal return. However, Oregon has two additional exemptions some people may qualify for.
- B. **Additional exemption 1: Severely disabled taxpayer and/or spouse.**
1. The taxpayer and/or the spouse (on a joint return) may claim an additional exemption if they qualify.
 2. The severely disabled exemption can’t be claimed for dependents. However, a dependent can file and claim their own severely disabled exemption.
 3. Severe disability must exist on December 31 of the tax year (or immediately prior to death if taxpayer or spouse died during 2007). **NOTE:** For purposes of this credit, death does not qualify as a severe disability.

4. A letter from a licensed physician is required. The letter must include the following:
 - a. The nature and extent of the disability stated in layman's terms.
 - b. Confirmation that the disability is permanent.

NOTE: Instruct the taxpayer to keep the letter with their tax records.

5. The taxpayer and/or spouse must:
 - a. Have lost the use of one or both feet, or
 - b. Have lost the use of both hands, or
 - c. Be permanently blind, or
 - d. Require special equipment or outside help (provided by unrelated individuals employed by the disabled taxpayer) to:
 - Earn a living, or
 - Maintain a home, or
 - Transport themselves.

NOTE: Special equipment doesn't include such items as eyeglasses, ordinary crutches, hearing aids, or contact lenses. Deafness alone does not qualify.

6. The condition must be permanent. If a taxpayer has a temporary disability and is expected to recover, they don't qualify for this credit.

Exercise:

3-3. Do these taxpayers qualify for the severely disabled exemption? Write yes or no.

- _____ a. Elsa broke her right hand skiing in December. She is right-handed and will wear a cast for six weeks.
- _____ b. As Juan grows older, it gets more difficult for him to take care of his home due to arthritis. Juan pays an unrelated person to help him with his housework and prepare his meals. Juan has a letter from his physician.
- _____ c. Alvin is in a wheelchair permanently. He drives a special car and works full-time. He files a joint return with Betty. Alvin has a letter from his physician.
- _____ d. Greta went in for surgery on August 4 and had her kidney stones removed. She had to hire someone to care for her and her home for three months while she recovered.
- _____ e. Luan can't see without her bifocals. She doesn't feel comfortable driving at night.
- _____ f. Everett lost his left index finger in a boating accident. He doesn't have a letter from his physician.

C. Additional exemption 2: Child(ren) with a disability.

1. To qualify, **all** of the following must be true. The taxpayer's qualifying child:
 - a. Is claimed as the taxpayer's dependent child for the tax year; **and**
 - b. Was eligible for "early intervention services" **or**
 - c. Received special education as defined by the Department of Education as of December 31 of the tax year (learning disabilities or communication disorders alone do **not** qualify for this exemption); **or**
 - d. Was considered to have a disability as of December 31 of the tax year under the federal Individuals with Disabilities Education Act and related state laws.
2. To claim the exemption, the qualifying child **must** have one of the following disabilities requiring special education as certified by the Department of Education:
 - a. Autism.
 - b. Deaf-blind.
 - c. Hearing impairment.
 - d. Mental retardation.
 - e. Multiple disabilities.
 - f. Orthopedic impairment.
 - g. Other health impairment.
 - h. Serious emotional disturbance.
 - i. Traumatic brain injury.
 - j. Visual impairment.
3. Taxpayers must keep a statement of eligibility with their tax records that confirms the child's disability and a cover sheet from one of the following programs:
 - a. Individualized Education Program (IEP), or
 - b. Individualized Family Service Plan (IFSP).

Exercise:

3-4. In which of the following situations can a taxpayer claim an additional exemption credit for a child with a disability? Write yes or no.

- a. Arnold's dependent is 19 years old at the close of the tax year and has a disability. Thirteen years ago his son was diagnosed with autism. Arnold brings a copy of the Individualized Education Plan and statement of eligibility that confirms his child has autism.

- b. Belinda's dependent child, age 6, is deaf and blind. Belinda tells you she is eligible for the child with a disability exemption since her child is disabled. The child has not been determined to be eligible for early intervention services and does not receive special education as defined by the Department of Education. However, Belinda has a statement from a doctor that certifies that her child is deaf and blind.

- c. Carlos' dependent daughter had surgery for a disability in February. The doctor who performed the surgery prescribed that the child stay at home from her third grade classroom during a 90-day recovery period. The Oregon Department of Education determined the child was eligible to receive special education. The child received homebound instruction from the school district under an Individualized Education Program (IEP). The surgery successfully corrected the disability and the child returned to school in May of the tax year. The individualized program was complete and the child no longer had a disability.

- d. Use the same facts as in situation "c," except the surgery was performed in December of the tax year and the child returned to school in March of the following year.

- e. Eve received financial assistance under the Temporary Assistance for Needy Families (formerly Aid to Dependent Children) program. Because of this assistance, she did not provide more than half of the support for her child. Eve's child was eligible for early intervention services and had a qualifying disability as of December 31 of the tax year. Her child is 10 years old.

What Form to File/Starting the Return

V. Line 7: Check the boxes.

The boxes identified below are on Form 40, line 7.

- 7a. **Age 65 or older. Blind.** If the taxpayer is age 65 or older and/or blind on or before December 31 of the tax year, check the appropriate boxes. The checked boxes will indicate that the taxpayer is entitled to an additional standard deduction amount due to age and/or blindness. These boxes also apply to the taxpayer's spouse.
- 7b. **Extension.** Check this box if the taxpayer filed an extension for additional time to file.
- 7c. **Form 8886, REIT, or RIC.** If the taxpayer filed federal Form 8886, *Reportable Transaction Disclosure Statement*, or participated in a real estate investment trust (REIT) or regulated investment company (RIC), please refer them to a licensed tax return preparer.
- 7d. **Oregon Form 24.** If the taxpayer has filed a federal Form 8824, *Like-Kind Exchanges*, please refer them to a licensed tax return preparer.

Lesson 3 practical application:

Olaf and Nancy Svensen are married filing jointly and have two dependent children. Henry is age 17 and Fred is age 10.

Olaf was permanently disabled in a car accident and must use a wheelchair. He has a copy of a letter from his physician identifying his disability.

The Svensens live at 794 Any Street, Portland, Oregon 97201. Their telephone number is 503-000-8107.

Olaf's Social Security number is 111-22-3333 and his date of birth is 01-09-1968.

Nancy's Social Security number is 222-33-4444 and her date of birth is 09-01-1969.

The Svensens have no reportable transaction disclosures and no deferred gain. They will file their return before April 15.

Complete Form 40 through line 7. The form is provided on the following page.

Lesson 3

What Form to File/Starting the Return

Lesson 3 practical application: Olaf and Nancy Svensen

Amended Return <input type="checkbox"/>		OREGON		Form 40		For office use only	
2007		INDIVIDUAL INCOME TAX RETURN		Fiscal year ending		K F P J	
Full-Year Residents Only							
Last name		First name and initial <input type="checkbox"/> Deceased		Social Security No. (SSN) - -		Date of birth (mm/dd/yyyy)	
Spouse's last name if joint return		Spouse's first name and initial if joint return <input type="checkbox"/> Deceased		Spouse's SSN if joint return - -		Date of birth (mm/dd/yyyy)	
Current mailing address						Telephone number ()	
City		State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>		
Filing Status Check only one box 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child				Exemptions 6a YourselfRegular <input type="checkbox"/>Severely disabled <input type="checkbox"/>6a <input type="checkbox"/> Total 6b Spouse.....Regular <input type="checkbox"/>Severely disabled <input type="checkbox"/>b <input type="checkbox"/> 6c All dependents First names c <input type="checkbox"/> 6d Disabled children only First names d <input type="checkbox"/> (see instructions) Total • 6e <input type="checkbox"/>			
Check all that apply →	7a <input type="checkbox"/> You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind		7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24		

Lesson 3 exercise answers:

- 3-1. a. The spouse's name and Social Security number should be listed in the space provided next to line 3 in the filing status box.
- b. The person who qualifies the taxpayer for this status.
- 3-2. a. Form 40S. Her only source of income is from wages, and her Oregon **taxable** income is \$100,000 or less. She may also file using Form 40.
- b. Form 40. Their income is from sources other than wages, interest, dividends, or unemployment, so they must file Form 40.
- c. Form 40. Because she has retirement income, she cannot use Form 40S.
- d. Form 40S. Their only source of income is from wages, and their taxable income is \$100,000 or less. They may also file Form 40.
- 3-3. a. No. The condition is not permanent.
- b. Yes. The taxpayer needs assistance to maintain a home.
- c. Yes. He's lost the use of one or both feet and requires special equipment to transport himself.
- d. No. The condition is not permanent.
- e. No. No special equipment is required.
- f. No. He has not lost the use of **both** hands.
- 3-4. a. Yes. Any qualifying child with a permanent disability and a valid IEP as of December 31 of the tax year will qualify for the credit.
- b. No. The child must be eligible for "early intervention services" or receive special education as defined by the Department of Education. (Direct the taxpayer to their local school for more information. The evaluation is free.)
- c. No. The child must be disabled as of December 31 of the tax year.
- d. Yes. The child was disabled and eligible for special education as of December 31 of the tax year. The child also met all other qualifications.
- e. No. The child does not qualify as the taxpayer's dependent. (This is true for both state and federal income tax purposes.) More than half the support for the child is provided by Temporary Assistance for Needy Families.

Lesson 3

What Form to File/Starting the Return

Lesson 3 practical application answer: Olaf and Nancy Svensen

Amended Return <input type="checkbox"/>		OREGON		Form 40																									
2007 INDIVIDUAL INCOME TAX RETURN		Full-Year Residents Only		Fiscal year ending																									
				For office use only																									
				K F P J																									
Last name Svensen	First name and initial Olaf <input type="checkbox"/> Deceased	Social Security No. (SSN) 111 - 22 -3333	Date of birth (mm/dd/yyyy) 01/09/1968																										
Spouse's last name if joint return Svensen	Spouse's first name and initial if joint return Nancy <input type="checkbox"/> Deceased	Spouse's SSN if joint return 222 - 33 -4444	Date of birth (mm/dd/yyyy) 09/01/1969																										
Current mailing address 794 Any Street				Telephone number (503) 000-8107																									
City Portland	State OR	ZIP code 97201	Country USA	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>																									
Filing Status 1 <input type="checkbox"/> Single Check only one box 2 <input checked="" type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child			Exemptions <table border="1"> <thead> <tr> <th></th> <th>Regular</th> <th>Severely disabled</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>6a Yourself</td> <td>1</td> <td>1</td> <td>2</td> </tr> <tr> <td>6b Spouse</td> <td>1</td> <td></td> <td>1</td> </tr> <tr> <td>6c All dependents</td> <td colspan="2">First names: Henry, Fred</td> <td>2</td> </tr> <tr> <td>6d Disabled children only (see instructions)</td> <td colspan="2"></td> <td></td> </tr> <tr> <td>Total</td> <td colspan="2">6e</td> <td>5</td> </tr> </tbody> </table>				Regular	Severely disabled	Total	6a Yourself	1	1	2	6b Spouse	1		1	6c All dependents	First names: Henry, Fred		2	6d Disabled children only (see instructions)				Total	6e		5
	Regular	Severely disabled	Total																										
6a Yourself	1	1	2																										
6b Spouse	1		1																										
6c All dependents	First names: Henry, Fred		2																										
6d Disabled children only (see instructions)																													
Total	6e		5																										
Check all that apply →	7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24																									

Lesson 4: Form 40—Overview

Objective

At the end of this lesson, you will:

- Be familiar with the sections of Form 40.

Introduction

Look at Form 40 in the *Full-Year Resident* tax booklet. It is divided into the following sections:

- Name and address.
- Federal adjusted gross income (AGI).
- Additions.
- Subtractions.
- Deductions.
- Tax.
- Nonrefundable credits.
- Payments, refundable credits, penalties, and interest.
- Estimated tax for 2008 and charitable checkoffs.
- Direct deposit.
- Signature block.

Most sections will be presented in more detail in the chapters to follow.

Content

Sections of Form 40. See pages 26 and 27 for reference.

- A. Name and address:** See Lesson 3, pages 12–18 for review of lines 1–7.
- B. Line 8, federal adjusted gross income (AGI):** Federal AGI is brought forward from Form 1040, line 37; Form 1040A, line 21; Form 1040EZ, line 4; Form 1040NR, line 35; or Form 1040NR-EZ, line 10. The amount must be the same as on the federal return.
- C. Additions:** These items aren't taxed by the federal government, but are taxed by Oregon. They aren't included in federal AGI. They must be added to federal AGI to determine Oregon taxable income.
- D. Subtractions:** These items aren't taxed by Oregon, but are taxed by the federal government. They're included in federal AGI. They must be subtracted from federal AGI to determine Oregon taxable income.
- E. Deductions:** Generally, taxpayers can subtract their standard deduction or net Oregon itemized deductions, whichever is larger. Oregon also has a special medical deduction for certain elderly taxpayers who itemize their deductions.
- F. Tax:** This is the tax from the Oregon tax tables or charts on pages 59–62 of this workbook.
- G. Nonrefundable credits:** Credits directly reduce tax dollar-for-dollar. Eight Oregon tax credits will be covered in Lesson 9.

H. Tax payments, refundable credits, and finishing the return:

1. Oregon tax withheld. This is the Oregon withholding amount from the taxpayer's W-2 and 1099 forms.
2. Estimated tax payments. Any payments the taxpayer made throughout the year that were applied toward their estimated tax for 2007. This includes refunds from 2006 that were applied to 2007 estimated tax.
3. Refundable credits. The earned income credit, working family child care credit, and mobile home park closure credit are refundable. If these credits are more than the taxpayer's tax, they will receive a refund for the difference.
4. Overpayment. The amount the taxpayer's Oregon withholding and estimated tax payments, and refundable credits exceed their net income tax.
5. Tax to pay. The amount the taxpayer's net income tax exceeds their Oregon withholding, estimated tax payments, and refundable credits.
6. Amount you owe. The total of the taxpayer's tax to pay plus any penalty and interest. Use Form 40-V, the payment voucher, for payments. Or, the taxpayer can use a credit or debit card to pay. See the tax booklet for more information.
7. Refund. The taxpayer's overpayment less interest on underpayment of estimated tax.

I. Estimated tax payments and charitable checkoffs: The amount of refund the taxpayer wants to apply to:

1. 2008 estimated tax.
2. Charitable checkoffs:
 - Oregon Nongame Wildlife.
 - Child Abuse Prevention.
 - Alzheimer's Disease Research.
 - Stop Domestic and Sexual Violence.
 - AIDS/HIV Education and Services.
 - OR Military Financial Assistance.
 - Habitat for Humanity.
 - Oregon Head Start Association.
 - American Diabetes Association.
 - Oregon Coast Aquarium.
 - SMART.
 - SOLV.
 - Other charities. See the *Full-Year Resident* tax booklet, page 14.

J. Direct deposit: Direct deposit of a refund is available. Accurate bank information must be provided.**K. Signature block:** The return must be signed. If married filing jointly, both spouses must sign.

Exercise:

4-1. Match the following. Use each answer only once.

- | | |
|----------------------------------|---------------------------|
| A. Nonrefundable credits | G. Standard deduction |
| B. Federal adjusted gross income | H. Estimated tax payments |
| C. Additions | I. Oregon taxable income |
| D. Subtractions | J. Refundable credits |
| E. Charitable checkoffs | K. Oregon income tax |
| F. Amount you owe | L. Itemized deductions |

- ___ 1. The tax based on Oregon taxable income.
- ___ 2. Prepayments of tax paid by the taxpayer other than withholding.
- ___ 3. These deductions include medical costs, taxes, interest, contributions, and miscellaneous expenses.
- ___ 4. Subtract these items directly from the taxpayer's tax. They reduce tax dollar-for-dollar.
- ___ 5. These items aren't taxed by the federal government, but are taxed by Oregon. They increase income taxed by Oregon.
- ___ 6. Total tax to pay and any additional amounts to pay.
- ___ 7. These are not prepayments of tax, but they do reduce taxes. If they are more than the tax, the difference will be refunded to the taxpayer.
- ___ 8. These items aren't taxed by Oregon, but are taxed by the federal government. They decrease income taxed by Oregon.
- ___ 9. Federal AGI, plus additions, minus subtractions, minus deductions.
- ___ 10. The Oregon return (Form 40, line 8) starts with this item. This is the taxpayer's income after subtracting certain items from gross income.
- ___ 11. These reduce the taxpayer's refund and allow the taxpayer to make a donation.
- ___ 12. This is the amount the taxpayer will claim if they don't itemize deductions.

Form 40 overview example

Amended Return <input type="checkbox"/> OREGON 2007 INDIVIDUAL INCOME TAX RETURN Full-Year Residents Only		Form 40	For office use only	
		Fiscal year ending	K F P J	
Last name	First name and initial	Social Security No. (SSN)	Date of birth (mm/dd/yyyy)	
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return	Date of birth (mm/dd/yyyy)	
Current mailing address			Telephone number () () ()	
City	State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>
Filing Status Check only one box 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child		Exemptions 6a YourselfRegular <input type="checkbox"/>Severely disabled <input type="checkbox"/>6a <input type="text"/> Total 6b Spouse.....Regular <input type="checkbox"/>Severely disabled <input type="checkbox"/>b <input type="text"/> 6c All dependents First names c <input type="text"/> 6d Disabled children only First names d <input type="text"/> Total • 6e <input type="text"/> (see instructions)		
Check all that apply →	7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24
8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24				Round to the nearest dollar • 8 <input type="text"/> .00
ADDITIONS				
9 Interest and dividends on state and local government bonds outside of Oregon... • 9				.00
10 Other additions. Identify: • 10x <input type="text"/> • 10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> • 10				.00
11 Total additions. Add lines 9 and 10 • 11				.00
12 Income after additions. Add lines 8 and 11 • 12				.00
SUBTRACTIONS				
13 2007 federal tax liability (\$0–\$5,500; see instructions for the correct amount) • 13				.00
14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... • 14				.00
15 Oregon income tax refund included in federal income..... • 15				.00
16 Interest from U.S. government, such as Series EE, HH, and I bonds • 16				.00
17 Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> % • 17				.00
18 Other subtractions. Identify: • 18x <input type="text"/> • 18y \$ <input type="text"/> Schedule attached 18z <input type="checkbox"/> • 18				.00
19 Total subtractions. Add lines 13 through 18 • 19				.00
20 Income after subtractions. Line 12 minus line 19 • 20				.00
DEDUCTIONS If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.				
21 Itemized deductions from federal Schedule A, line 29 • 21				.00
22 Special Oregon medical deduction (age restricted, see instructions, page 29) • 22				.00
23 Total Oregon itemized deductions. Add lines 21 and 22 • 23				.00
24 State income tax or sales tax claimed as an itemized deduction • 24				.00
25 Net Oregon itemized deductions. Line 23 minus line 24..... • 25				.00
OR		} Either line 25 or 26		
26 Standard deduction from page 30 • 26				.00
27 Total deductions. Line 25 or line 26, whichever is larger • 27				.00
28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0- • 28				.00
TAX				
29 Tax. See instructions, page 30. Enter tax here • 29				.00
Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or • 29b <input type="checkbox"/> Form FIA-40 or • 29c <input type="checkbox"/> Worksheet FCG				
30 Interest on certain installment sales..... • 30				.00
31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS • 31				.00

NOW GO TO THE BACK OF THE FORM →

Page 2 — 2007 Form 40 — Remember to reprint page 1 if any changes are made on this page.

	32 Total tax before credits from front of form, line 31.....	32		.00
NONREFUNDABLE CREDITS	33 Exemption credit. If the amount on line 8 is less than \$117,300, multiply your total exemptions on line 6e by \$165. Otherwise, see instructions on page 32.....	33		.00
	34 Retirement income credit. See instructions, page 32.....	34		.00
	35 Child and dependent care credit. See instructions, page 33.....	35		.00
	36 Credit for the elderly or the disabled. See instructions, page 33.....	36		.00
	37 Political contribution credit. See limits, page 33.....	37		.00
	38 Credit for income taxes paid to another state. State: ● 38y <input type="text"/> Schedule attached 38z <input type="checkbox"/>	38		.00
	39 Other credits. Identify: ● 39x <input type="text"/> ● 39y \$ <input type="text"/> Schedule attached 39z <input type="checkbox"/> ● 39.....	39		.00
40 Total non-refundable credits. Add lines 33 through 39.....	40		.00	
41 Net income tax. Line 32 minus line 40. If line 40 is more than line 32, enter -0-.....	41		.00	

ADD TOGETHER

G

PAYMENTS AND REFUNDABLE CREDITS	42 Oregon income tax withheld. Attach Form(s) W-2 and 1099	42		.00
	43 Estimated tax payments for 2007. Include payments made with your extension...	43		.00
	44 Earned income credit. See instructions, page 35.....	44		.00
	45 Working family child care credit from WFC, line 18.....	45		.00
	Number from WFC, line 5 ● 45a <input type="text"/> Amount from WFC, line 16 ● 45b \$ <input type="text"/>			
	46 Mobile home park closure credit. Attach Schedule MPC.....	46		.00
	47 Total payments and refundable credits. Add lines 42 through 46.....	47		.00
48 Overpayment. If line 41 is less than line 47, you overpaid. Line 47 minus line 41	48		.00	
49 Tax to pay. If line 41 is more than line 47, you have tax to pay. Line 41 minus line 47....	49		.00	
50 Penalty and interest for filing or paying late. See instructions, page 36.....	50		.00	
51 Interest on underpayment of estimated tax. Attach Form 10 and check box <input type="checkbox"/> ● 51 Exception # from Form 10, line 1 ● 51a <input type="text"/>	51		.00	
52 Total penalty and interest due. Add lines 50 and 51.....	52		.00	
53 Amount you owe. Line 49 plus line 52.....	53		.00	
54 Refund. Is line 48 more than line 52? If so, line 48 minus line 52.....	54		.00	
55 Estimated tax. Fill in the part of line 54 you want applied to 2008 estimated tax ...	55		.00	

ADD TOGETHER

H

CHARITABLE CHECKOFFS PAGE 13

I want to donate part of my tax refund to the following fund(s)

Oregon Nongame Wildlife ● 56	.00	Child Abuse Prevention ● 57	.00
Alzheimer's Disease Research ● 58	.00	Stop Dom. & Sexual Violence ● 59	.00
AIDS/HIV Education & Services ● 60	.00	OR Military Financial Assist. ● 61	.00
Habitat for Humanity ● 62	.00	OR Head Start Association ● 63	.00
American Diabetes Association ● 64	.00	Oregon Coast Aquarium ● 65	.00
SMART ● 66	.00	SOLV ● 67	.00
Charity code ● 68a <input type="text"/> ● 68b <input type="text"/>	.00	Charity code ● 69a <input type="text"/> ● 69b <input type="text"/>	.00

These will reduce your refund

70 Total. Add lines 55 through 69. Total can't be more than your refund on line 54.....	70		.00
71 NET REFUND. Line 54 minus line 70. This is your net refund.....	71		.00

DIRECT DEPOSIT

72 For direct deposit of your refund, see the instructions on page 37. ● Type of Account: Checking or Savings

● Routing No. ● Account No.

Important: Attach a copy of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ.

Under penalty for false swearing, I declare that the information in this return and any attachments is true, correct, and complete.

Your signature	Date	Signature of preparer other than taxpayer	● License No.
X		X	
Spouse's signature (if filing jointly, BOTH must sign)	Date	Address	Telephone No.
X			

If you owe, make your check or money order payable to the **Oregon Department of Revenue.** Write your daytime telephone number and "2007 Oregon Form 40" on your check or money order. **Attach your payment, along with the payment voucher** on page 3, to this return.

<p>Mail TAX-TO-PAY returns to</p> <p>Oregon Department of Revenue PO Box 14555 Salem OR 97309-0940</p>	<p>Mail REFUND returns and NO-TAX-DUE returns to</p> <p>REFUND PO Box 14700 Salem OR 97309-0930</p>
---	---

Lesson 4

Form 40—Overview

Lesson 4 exercise answers:

4-1.

1. K

2. H

3. L

4. A

5. C

6. F

7. J

8. D

9. I

10. B

11. E

12. G

Lesson 5: Oregon Additions

ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon... ● 9	.00	
	10 Other additions. Identify: ● 10x <input type="text"/> ● 10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> ● 10	.00	
	11 Total additions. Add lines 9 and 10	● 11	.00
	12 Income after additions. Add lines 8 and 11	● 12	.00

Objective

At the end of this lesson, you will be able to:

- Enter the correct amount of the taxpayer’s interest and dividend income from state and local government bonds outside of Oregon.

Introduction

Oregon additions increase income taxed by Oregon. Additions include:

- Income that Oregon taxes but the federal government doesn’t.
- Deductions claimed on the federal return that Oregon doesn’t allow.

Content

I. Interest and dividends on state and local government bonds outside Oregon.

A. You must fill in the amount of interest or dividends on bonds or notes from another state (or the local governments of another state) that weren’t included in federal adjusted gross income as an addition on Form 40, line 9.

Taxpayers do not pay federal tax on this bond or note interest income, but it is taxed by Oregon.

B. Reduce this amount by any interest the taxpayer paid on loans used to purchase these securities. There are special instructions for interest paid on loans to purchase federally exempt bonds or notes. If you come across this situation, call our Taxpayer Assistance number (see page 4).

C. Do not fill in interest income from Oregon state and local government bonds. Oregon does not tax this interest.

II. Other additions.

A. Oregon gambling losses. Losses claimed on Schedule A may need to be added to Oregon income. See Lesson 11, pages 115-118.

B. Federal deduction for long-term care insurance premiums. If the taxpayer claimed the long-term care insurance premiums (LTCIP) as part of Schedule A medical itemized deductions, an Oregon addition for all or part of the LTCIP may be necessary. The computation of the LTCIP Oregon addition is covered in Lesson 9, page 73.

C. More additions are listed in the *Full-Year Resident* tax booklet, but are beyond the scope of this workbook.

Lesson 5
Oregon Additions

Exercises:

- 5-1. Which of the following are additions on Form 40? Circle the correct answers.
- a. Interest from savings at the Bank of the West.
 - b. Interest from bonds issued by the city of Rio, Texas.
 - c. Bond interest from the city of Roseburg, Oregon.
 - d. Interest from state of Indiana bonds.
- 5-2. You have just completed Lucio and Agatha’s federal tax return. They filed Form 1040 and had federal adjusted gross income of \$19,075.

Here is a list of all their income sources.

Wages:

Lucio	\$5,500
Agatha	12,000

Interest income (taxable and nontaxable):

City of Anchorage, Alaska, bond	\$900
Bank of the Pacific	350
Washington Federal Savings and Loan	1,225
City of Medford, Oregon, bond	600

With the information above, fill in Form 40, lines 8–12.

8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24 ● 8 .00 **Round to the nearest dollar**

ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon ● 9	<input type="text"/>	.00
	10 Other additions. Identify: ●10x <input type="text"/> ●10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> ● 10	<input type="text"/>	.00
	11Total additions. Add lines 9 and 10 ●	11	.00
	12 Income after additions. Add lines 8 and 11 ●	12	.00

Lesson 5 exercise answers:

5-1. Items “b” and “d” are additions.

Item “a” is not an addition because it is regular interest income and already included in federal adjusted gross income.

Item “c” is not an addition because it’s interest income from a local government bond issued within the state of Oregon. If included in federal adjusted gross income, item “c” would be an Oregon subtraction.

5-2.

	8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24	● 8	19,075	.00
Round to the nearest dollar				
ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon... ● 9		900	.00
	10 Other additions. Identify: ● 10x <input type="checkbox"/> ● 10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> ● 10			.00
	11 Total additions. Add lines 9 and 10	● 11	900	.00
	12 Income after additions. Add lines 8 and 11	● 12	19,975	.00

Here’s how Lucio and Agatha’s federal AGI was determined:

Wages		\$17,500
Interest:		
Bank of the Pacific	\$350	
Washington Federal Savings and Loan	1,225	1,575
Federal adjusted gross income		\$19,075

Only the interest of \$900 from the bond from Anchorage, Alaska, is an Oregon addition. Interest from the Bank of the Pacific and Washington Federal Savings and Loan are included in federal adjusted gross income and do not need to be added. Interest from the bond from Medford, Oregon, is not taxable on the Oregon return, so the taxpayer does not pay federal or Oregon tax on this income.

Lesson 6: Oregon Subtractions

SUBTRACTIONS Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	13	2007 federal tax liability (\$0-\$5,500; see instructions for the correct amount)	● 13		.00	
	14	Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b...	● 14		.00	
	15	Oregon income tax refund included in federal income	● 15		.00	
	16	Interest from U.S. government, such as Series EE, HH, and I bonds	● 16		.00	
	17	Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> %	● 17		.00	
	18	Other subtractions. Identify: ● 18x <input type="text"/> ● 18y \$ <input type="text"/> Schedule attached 18z <input type="text"/>	● 18		.00	
	19	Total subtractions. Add lines 13 through 18	● 19			.00
	20	Income after subtractions. Line 12 minus line 19	● 20			.00

Objectives

At the end of this lesson, you will be able to figure the following Oregon subtractions:

- Federal tax liability.
- Social Security benefits.
- Oregon income tax refund.
- Interest and dividend income from the U.S. government.
- Federal pension income.
- Other subtractions:
 - Military active duty pay.
 - Oregon Lottery and Powerball winnings.
 - Taxable Railroad Retirement Board benefits.
 - American Indian income.
 - 529 Oregon College Savings Plan.
 - Tuition and fees deduction.

Introduction

Oregon subtractions are items that aren't taxed by Oregon but are taxed by the federal government. Subtractions decrease income taxed by Oregon. Generally, subtractions are allowed if the income was included in federal AGI, Form 40, line 8.

Exception: The federal tax subtraction is not included in federal AGI but is allowed as an Oregon subtraction.

Content

I. Federal tax liability subtraction.

- A. The federal tax liability subtraction allowed on Oregon Form 40, line 13, is the federal tax liability after subtracting federal tax credits, not including the federal earned income credit.
- B. The maximum federal tax subtraction has been increased to \$5,500 (\$2,750 for married filing separately), but is never more than the federal tax liability after credits. The federal tax subtraction can't be less than zero.
- C. Determine the federal tax liability using the worksheet below.
- D. **Caution:** Do not use the federal withholding amount on the taxpayer's W-2 or 1099 forms for the federal tax subtraction. **The federal withholding and the federal tax subtraction are not the same thing.**

E. Federal tax liability subtraction worksheet

- | | |
|---|--------------|
| 1. Fill in the amount from Form 1040, line 57; 1040A, line 35; 1040EZ, line 10; 1040NR, line 52; or 1040NR-EZ, line 15. | 1. \$_____ |
| 2. Fill in the amount from Form 1040, line 60; or Form 1040NR, line 55, tax on IRA. | 2. + \$_____ |
| 3. Add lines 1 and 2 of this worksheet. | 3. = \$_____ |
| 4. Fill in \$5,500 (\$2,750 if married filing separately). | 4. \$_____ |
| 5. Fill in the smaller of line 3 or 4 here and on Oregon Form 40, line 13. | 5. \$_____ |

NOTE: Some taxpayers amend prior years' returns or are audited by the IRS and have to pay additional federal tax. This may affect their federal tax subtraction. Refer these taxpayers to a licensed tax preparer or call our Taxpayer Assistance number (see page 4).

Exercises:

- 6-1. Assume you have just completed the back of Form 1040 *shown on page 34* for Felix and Alma. They filed jointly. Use the Form 1040 information to compute their federal tax subtraction.
- 6-2. Keith completed his federal Form 1040. His total federal tax after credits on line 57 is \$2,898. He has no tax on Form 1040, line 60. Keith is married filing separately. What is his federal tax subtraction?

Exercise 6-1: Felix and Alma

Form 1040 (2007)

Page 2

Tax and Credits	38	Amount from line 37 (adjusted gross income)	38	34,425
	39a	Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind. } checked ▶ 39a <input type="checkbox"/>		
Standard Deduction for— • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 34. • All others: Single or Married filing separately, \$5,350 Married filing jointly or Qualifying widow(er), \$10,700 Head of household, \$7,850	b	If your spouse itemizes on a separate return or you were a dual-status alien, see page 34 and check here ▶ 39b <input type="checkbox"/>		
	40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	10,700
	41	Subtract line 40 from line 38	41	23,725
	42	If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the worksheet on page XX	42	6,800
	43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	16,925
	44	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889	44	1,756
	45	Alternative minimum tax (see page 39). Attach Form 6251	45	
	46	Add lines 44 and 45	46	1,756
	47	Credit for child and dependent care expenses. Attach Form 2441	47	
	48	Credit for the elderly or the disabled. Attach Schedule R	48	
	49	Education credits. Attach Form 8863	49	
	50	Residential energy credits. Attach Form 5695	50	
	51	Foreign tax credit. Attach Form 1116 if required	51	
	52	Child tax credit (see page XX). Attach Form 8901 if required	52	
	53	Retirement savings contributions credit. Attach Form 8880	53	
54	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839	54		
55	Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form	55		
56	Add lines 47 through 55. These are your total credits	56		
57	Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- ▶	57	1,756	
Other Taxes	58	Self-employment tax. Attach Schedule SE	58	1,300
	59	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919	59	
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60	205
	61	Advance earned income credit payments from Form(s) W-2, box 9	61	
	62	Household employment taxes. Attach Schedule H	62	
	63	Add lines 57 through 62. This is your total tax ▶	63	3,261

II. Taxable Social Security and tier 1 Railroad Retirement Board benefits from federal return.

- A. On Form 40, line 14, fill in the amount of taxable Social Security and tier 1 Railroad Retirement Board benefits from federal Form 1040, line 20b; or federal Form 1040A, line 14b.
- B. Oregon doesn't tax any part of Social Security or tier 1 Railroad Retirement Board income. For tier 2 and other Railroad Retirement Board benefits, see page 38.

NOTE: This amount **is not** FICA or Medicare tax withheld on the W-2 form.

III. Oregon income tax refund.

- A. Taxpayers must include their Oregon income tax refund on federal Form 1040, line 10, to take this subtraction on Form 40, line 15.
- B. Taxpayers cannot subtract:
 - 1. Property tax refunds, or
 - 2. Other states' tax refunds, or
 - 3. Local or county tax refunds.

Exercise:

6-3. On federal Form 1040, line 10, Santiago reported \$1,919 as refunds of state and local income taxes. Of the total amount, \$1,460 is a refund of Oregon income tax, and \$459 is a refund of Colorado income tax. What amount does Santiago subtract on his Oregon return?

IV. Interest and dividends from the U.S. government.

- A. Examples of a subtraction on Form 40, line 16, are interest from U.S. Series EE and HH bonds, and Treasury bills or notes.
- B. Interest income must be included in federal adjusted gross income to qualify for this subtraction.
- C. The taxpayer may either purchase and own the bonds directly, or participate in a mutual fund that invests in U.S. government bonds.
- D. Any interest the taxpayer paid on loans used to purchase these securities must be subtracted from the total amount if the expense was deducted on the federal return.

V. Federal pension income.

- A. Taxpayers with a federal pension may be allowed to subtract some or all of their federal pension income. This includes pension benefits paid to the retiree or beneficiary.
- B. A percent of the federal pension included in federal income is subtracted. The percentage is based on the months of federal service before October 1, 1991, divided by the total months of all federal service.

Oregon Subtractions

For example:

1. If all months of service were before October 1, 1991, 100 percent of the taxable federal pension is subtracted from Oregon income.
2. If all months of service were after October 1, 1991, no subtraction is allowed.
3. If the months of service were both before and after October 1, 1991, subtract the percentage of pension income that relates to the months of service before October 1, 1991.

Note: Once the subtraction percentage has been determined, it will remain the same from year to year.

C. Use the following worksheet to determine the federal pension subtraction amount:

1. Federal pension income included in federal AGI. 1. _____
2. a. Months of service from _____ (fill in federal service start date*) to October 1, 1991. a. _____ months
 b. Months of service from _____ (fill in federal service start date*) to _____ (fill in federal service retirement date**). b. _____ months

Divide the number of months on line **a** by the total number of months on line **b**. Round the decimal to three places (for example, .4796 is rounded to .480; .6324 is rounded to .632). Enter here and in the space provided on Form 40, line 17a as a percentage (for example, .510 as a percentage is 51.0%; .772 as a percentage is 77.2%). This is the subtraction percentage. 2. _____

3. Multiply line 1 by the decimal on line 2. Enter the results here and on Form 40, line 17. This is the taxpayer's federal pension subtraction. 3. _____

* If the taxpayer's federal service start date was the 1st through the 15th of a month, include the entire month when counting federal service.

If the taxpayer's federal service start date was the 16th through the end of a month, do not include this first partial month of service. Start counting the months of federal service with the first full month.

** If the taxpayer's federal service retirement date was the 1st through the 15th of a month, do not count this final partial month when counting the total months of federal service.

If the retirement date was the 16th through the end of the month, include the entire month when counting the total months of federal service.

Note: If both the taxpayer and their spouse have a federal pension or if the taxpayer or spouse has two federal pensions, calculate the federal pension percentages separately and enter them on lines 17a and 17b. Enter the total amount of the federal pension subtraction on line 17.

Exercise:

- 6-4. Kelly worked for the U.S. Department of Energy from January 12, 1959, until November 11, 1996. During the tax year, he received federal pension income of \$13,000. Using the worksheet shown above, determine Kelly's subtraction percentage for his federal pension. What amount does he subtract on his Oregon return?

VI. Other subtractions.**A. Military active duty pay subtraction [code 319].**

1. The taxpayer may qualify to subtract active duty military pay. The subtraction is taken on the other subtractions line, Form 40, line 18. Identify as 319. The taxpayer may subtract all active duty pay earned outside of Oregon during the year, plus up to \$6,000 active duty pay earned in Oregon.
2. Guard and reserve summer camp is active duty. However, drills and weekend meetings of Guard and reserve units are not.
3. The total military active duty pay subtraction cannot be more than the military active duty pay included in federal AGI.
4. Spouses who each served active duty are both eligible for the subtraction.
5. Taxpayers should get a statement from the military on their active duty pay. If they don't, have them contact their paymaster.
6. The taxpayer should have a statement listing where they were stationed, the dates of service, whether they entered or were discharged during the year, and active duty pay earned in each location. They should keep this statement with their tax records.
7. If the taxpayer was stationed in a designated combat zone and has additional time to file the federal return, Oregon allows the same extension. Write "combat zone" in **blue or black** ink at the top left corner of the Oregon return.

B. Oregon National Guard and reserve active duty pay subtraction [code 319].

1. The following questions will help you determine if the taxpayer can claim this subtraction.
 - a. Was the taxpayer a member of the Oregon National Guard or reserves at any time since January 2001?
 - b. Did the taxpayer serve on active duty as a member of the Oregon National Guard or reserves in Oregon?
 - c. Was the taxpayer away from home overnight for at least three weeks consecutively?
 - d. Was the taxpayer's time away from home required to perform military service?
2. If the taxpayer answered yes to **all** of the questions above, they qualify for a subtraction. The subtraction is equal to the Guard or reserve pay they earned in Oregon while they met **all** of the above conditions.
3. This subtraction is available for tax years starting on or after January 2001. The taxpayer can amend prior year tax returns to claim this subtraction.

NOTE: To claim this subtraction for tax years 2001-2004, amend before July 1, 2008. The regular three-year statute for filing amended returns applies to all other tax years.

Exercises:

6-5. Gunther, a soldier in the U.S. Army Reserve, attended weekend meetings of his reserve unit and summer camp. He is an Oregon resident. He received \$4,100 in military wages while he was in the reserves. Part of this, \$1,900, was pay for summer camp held in Texas and the rest was for weekend training. On August 15, Gunther's reserve unit was called to active duty and sent to Egypt. He received \$10,000 in wages for active duty for the period from August 15 to December 31. All his military income was included on the federal return. Does Gunther qualify for a subtraction on his Oregon return? If so, how much?

6-6. Joe, a soldier in the U.S. Air Force Oregon National Guard, was deployed overseas and returned on February 2007. In June he attended two weeks of required federal training in eastern Oregon, which was away from his home in Hillsboro, Oregon. In October he was called to active duty and stationed in Klamath Falls, Oregon. His assignment lasted for five weeks and required him to stay overnight in Klamath Falls; he was then released back to regular Guard duty. Joe earned \$7,000 for his overseas duty, and only \$2,000 of this was taxable on his 2007 Form W-2. He also received \$1,500 in wages for his two weeks of required training. For his assignment in Klamath Falls, he earned \$4,200. His remaining military pay of \$2,400 was related to his weekend Guard duty. His total military pay claimed on his federal return was \$10,100. How much is Joe's military pay subtraction on his Oregon return?

C. Oregon Lottery and Powerball [code 322].

1. Oregon doesn't tax winnings less than \$600, **per single ticket or play**, from the Oregon Lottery or Powerball, regardless of the total amount won in the tax year. This subtraction applies to each single ticket or play on or after January 1, 1998.
2. Subtract Oregon Lottery winnings included in the taxpayer's federal adjusted gross income. Enter the amount on the other subtractions line, Form 40, line 18. Identify it using code 322.

See Lesson 11 for more information and examples on Oregon Lottery winnings and gambling losses.

D. Taxable Railroad Retirement Board benefits [code 330].

1. Oregon does not tax any tier 2, windfall/vested dual, or supplemental Railroad Retirement Board and railroad unemployment benefits from Form 1040, line 16b or 19.
2. Enter the amount of Railroad Retirement Board benefits included in federal adjusted gross income on Form 40, line 18, other subtractions. Identify it using code 330.

E. American Indian [code 300].

1. If the taxpayer is an enrolled member of a federally recognized American Indian tribe they may be able to subtract all or part of their income if:
 - a. They have income earned in federally recognized Indian country in Oregon, **and**
 - b. They live in federally recognized Indian country in Oregon.
2. Income such as interest income can also be subtracted if the taxpayer received it while living in Indian country. "Indian country" means reservation land and other land held in trust by the United States for a tribe. Identify using code 300 on Form 40, line 18.
3. Instruct the taxpayer to attach a completed copy of the *Exempt Income Schedule for Enrolled Members of a Federally Recognized American Indian Tribe* (Oregon Form 150-101-049) to their return. The form is available at www.oregon.gov/DOR.

F. 529 Oregon College Savings Plan subtraction [code 324].

1. If the taxpayer puts money into a 529 Oregon College Savings Plan, they may be eligible for a subtraction. If the taxpayer contributed to an account during 2007 (or during 2008 before filing their tax return), they can subtract up to \$2,000 (\$1,000 for married filing separately) on their return. The account can be set up for any beneficiary.
2. If the taxpayer contributed more than the limit, they may be able to carry forward the additional contributions.
3. Contributions made to a 529 plan for another state are not eligible for the subtraction.

G. Tuition and fees deduction [code 308].

1. Was the taxpayer not allowed the tuition and fees deduction on the federal return because they took the Hope or lifetime learning credit instead? If so, they are allowed a subtraction on their Oregon return equal to the deduction that could have been claimed on the federal return if they had not claimed the credit instead. The maximum for 2007 is the lesser of \$4,000 or actual expenses.
2. If the taxpayer was not allowed a deduction because they are someone else's dependent (even if the other person does not claim them), they are not allowed a subtraction even though they can claim the credit on the federal return. If the federal deduction would have been reduced because of their income level, then the subtraction is also reduced to the amount that would have been allowed.
3. If the taxpayer has no tax and did not use the Hope or lifetime learning credit at all, they cannot claim this subtraction. They should instead claim the deduction on their federal return and it will flow through to the Oregon return as part of federal adjusted gross income. If they used some of the Hope or lifetime learning credit on their federal return, they can claim the subtraction in full on their Oregon return.

- H. The taxpayer may qualify for one or more of the "Other subtractions." Please identify the subtraction(s) using the numeric code shown. If the taxpayer has only one "Other subtraction," enter the numeric code on line 18x and the amount on 18y. For example, if a taxpayer is claiming a \$100 Oregon lottery subtraction, enter "322" on line 18x and "\$100" on line 18y as shown below.

Oregon Subtractions

SUBTRACTIONS Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	13	2007 federal tax liability (\$0–\$5,500; see instructions for the correct amount)	● 13		.00
	14	Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b...	● 14		.00
	15	Oregon income tax refund included in federal income.....	● 15		.00
	16	Interest from U.S. government, such as Series EE, HH, and I bonds	● 16		.00
	17	Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> %...	● 17		.00
	18	Other subtractions. Identify: ●18x <input type="text"/> 322 ●18y \$ <input type="text"/> 100 Schedule attached 18z <input type="checkbox"/> ...	● 18	100	.00
	19	Total subtractions. Add lines 13 through 18.....	● 19		.00
	20	Income after subtractions. Line 12 minus line 19.....	● 20		.00

If the taxpayer has more than one “Other subtractions,” do **not** enter a code or an amount on line 18x or line 18y. Instead check box 18z on Form 40 and attach Schedule OR-A to your return with the numeric codes and amounts of the subtractions. Enter the total from Schedule OR-A on Form 40, line 18 as shown in the example below.

Example:

Ted qualifies for the following “Other subtractions”: \$10,000 military active duty subtraction [code 319]; \$100 Oregon lottery subtraction [code 322]; and \$1,000 American Indian subtraction [code 300]. Ted will use Schedule OR-A to claim the subtractions and he will enter the total amount of the “Other subtractions” on Form 40, line 18.

Other subtractions (codes 300–344)

Code		Amount	
●18a	319	●18b	10,000
●18c	322	●18d	100
●18e	300	●18f	1,000
●18g		●18h	
●18i		●18j	
Enter total on Form 40, line 18			\$ 11,100

SUBTRACTIONS Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	13	2007 federal tax liability (\$0–\$5,500; see instructions for the correct amount)	● 13		.00
	14	Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b...	● 14		.00
	15	Oregon income tax refund included in federal income.....	● 15		.00
	16	Interest from U.S. government, such as Series EE, HH, and I bonds	● 16		.00
	17	Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> %...	● 17		.00
	18	Other subtractions. Identify: ●18x <input type="text"/> ●18y \$ <input type="text"/> Schedule attached 18z <input checked="" type="checkbox"/> ...	● 18	11,100	.00
	19	Total subtractions. Add lines 13 through 18.....	● 19		.00
	20	Income after subtractions. Line 12 minus line 19.....	● 20		.00

Exercise:

- 6-7. Circle the letter(s) of income that will be subtracted on the Oregon return.
- a. Bond interest income from the city of Bend, Oregon.
 - b. Interest income from U.S. Treasury bills or notes.
 - c. Interest income from Series EE bonds.
 - d. Military pay for weekend reserve duty.
 - e. Active duty military pay earned outside of Oregon by an Oregon resident.
 - f. Pension earned by an enrolled member of a federally recognized American Indian tribe while the member lived and worked in Indian country.
 - g. Bond interest income from the state of Maine.
 - h. Social Security income.
 - i. Contribution of \$1,000 made to grandson's Idaho College Savings Plan account.

Lesson 6 practical application:

William Brooke, age 59, and Mary Brooke, age 58, have federal AGI of \$34,880. This includes:

Interest from Series HH bonds	\$1,350
Interest from U.S. National Bank	800
William's Clackamas County pension	12,130
Mary's singing engagements	6,200
Mary's federal pension	14,400

Mary worked for the U.S. Department of Agriculture from March 29, 1977, until July 2, 2007.

Mary and William have federal income tax after credits of \$1,824.

Complete Form 40 through line 20. You do **not** need to fill in the SSN or address sections. Start with their filing status of married filing jointly.

Lesson 6

Oregon Subtractions

Lesson 6 practical application: William and Mary Brooke

Amended Return <input type="checkbox"/>		OREGON		Form 40	
2007		INDIVIDUAL INCOME TAX RETURN		Fiscal year ending	
Full-Year Residents Only				K F P J	
Last name		First name and initial		Social Security No. (SSN)	
		<input type="checkbox"/> Deceased		- -	
Spouse's last name if joint return		Spouse's first name and initial if joint return		Spouse's SSN if joint return	
		<input type="checkbox"/> Deceased		- -	
Current mailing address				Telephone number	
				()	
City		State	ZIP code	Country	
If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>					
Filing Status 1 <input type="checkbox"/> Single Check only 2 <input type="checkbox"/> Married filing jointly one 3 <input type="checkbox"/> Married filing Spouse's name _____ box separately Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child			Exemptions 6a YourselfRegular <input type="checkbox"/>Severely disabled <input type="checkbox"/>6a <input type="text"/> Total 6b Spouse.....Regular <input type="checkbox"/>Severely disabled <input type="checkbox"/>b <input type="text"/> 6c All dependents First names c <input type="text"/> 6d Disabled First names d <input type="text"/> children only (see instructions) Total • 6e <input type="text"/>		
Check all that apply →	7a • You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind • Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b • <input type="checkbox"/> You filed an extension	7c • <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24	
Round to the nearest dollar					
8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24 8 <input type="text"/> .00					
ADDITIONS					
9 Interest and dividends on state and local government bonds outside of Oregon... • 9 <input type="text"/> .00					
10 Other additions. Identify: • 10x <input type="text"/> • 10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> • 10 <input type="text"/> .00					
11 Total additions. Add lines 9 and 10 • 11 <input type="text"/> .00					
12 Income after additions. Add lines 8 and 11 • 12 <input type="text"/> .00					
SUBTRACTIONS					
13 2007 federal tax liability (\$0-\$5,500; see instructions for the correct amount) • 13 <input type="text"/> .00					
14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... • 14 <input type="text"/> .00					
15 Oregon income tax refund included in federal income • 15 <input type="text"/> .00					
16 Interest from U.S. government, such as Series EE, HH, and I bonds • 16 <input type="text"/> .00					
17 Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> % • 17 <input type="text"/> .00					
18 Other subtractions. Identify: • 18x <input type="text"/> • 18y \$ <input type="text"/> Schedule attached 18z <input type="checkbox"/> • 18 <input type="text"/> .00					
19 Total subtractions. Add lines 13 through 18 • 19 <input type="text"/> .00					
20 Income after subtractions. Line 12 minus line 19 • 20 <input type="text"/> .00					

Lesson 6 exercise answers:

6-1. Felix and Alma.

Federal tax subtraction worksheet for federal Form 1040

1. Form 1040, line 57.	1. \$1,756
2. Form 1040, line 60, tax on IRA.	2. <u>+ 205</u>
3. Add lines 1 and 2.	3. <u>1,961</u>
4. Fill in \$5,500 (\$2,750 if married filing separately).	4. \$5,500
5. Fill in the smaller of line 3 or 4. This is the allowable federal tax subtraction.	5. <u>1,961</u>

6-2. Keith's federal tax subtraction is limited to \$2,750 because he's using the married filing separately filing status.

6-3. Santiago can subtract \$1,460 from his Oregon income. Refunds of other states' income tax do not qualify for the subtraction.

6-4. Kelly will have a subtraction for federal pension of \$11,258. Enter this amount on Form 40, line 17. Here's the computation (**NOTE:** The percentage may be available from a prior year tax return):

1. Federal pension income included in federal AGI	1. <u>\$13,000</u>
2. a. Months of service from January 12, 1959* (federal service start date), to October 1, 1991.	a. <u>393</u> months
b. Months of service from January 12, 1959* (federal service start date), to November 11, 1996** (federal service retirement date).	b. <u>454</u> months

* Since Kelly's federal service start date was January 12, the entire month is **included** in counting his federal service.** Since Kelly's federal service retirement date was November 11, this partial month is **not included** in counting his federal service.

Divide the number of months on line **a** by the total number of months on line **b**. Round the decimal to three places. Enter here and in the space provided on Form 40, line 17, as a percentage. This is the subtraction percentage. (Once determined, this percentage will not change from year to year.)

2. .866

3. Multiply line 1 by the decimal on line 2. Enter the results here and on Form 40, line 17. This is the taxpayer's federal pension subtraction.

3. \$11,258

6-5. Yes, his subtraction is a total of \$11,900 on Form 40, line 18. He can subtract \$1,900 as military active duty pay from summer camp in Texas and \$10,000 for active duty pay in Egypt. This military pay was earned while on active duty outside Oregon. Identify the subtraction using code 319.

6-6. Joe's military pay subtraction is \$6,200. He can subtract \$2,000 of taxable income from his overseas assignment. He can also subtract \$4,200 of taxable income from his Klamath Falls assignment because he was on active duty in Oregon for more than three consecutive weeks and was required to stay away from home overnight for his assignment.

Lesson 6

Oregon Subtractions

- 6-7. a. No Oregon subtraction; not taxable by IRS.
b. Subtraction.
c. Subtraction.
d. No subtraction. Reserve pay for weekend military duty is not active duty pay.
e. Subtraction.
f. Subtraction.
g. No subtraction. Other states' bond interest income is an addition.
h. Subtraction for the taxable amount only.
i. No subtraction. Contributions to another state's plan are not eligible for the subtraction.

Lesson 6 practical application answer: William and Mary Brooke

William and Mary will have a subtraction for federal pension of \$6,898. Enter this amount on Form 40, line 17. This is the amount of federal pension that Oregon will not tax. Here is the computation:

1. Federal pension income included in federal AGI 1. \$14,400
 2. a. Months of service from March 29, 1977,
(federal service start date) to October 1, 1991. a. 174 months
b. Months of service from March 29, 1977,
(federal service start date) to July 2, 2007
(federal service retirement date). b. 363 months
- Divide line **a** by line **b**. Round the decimal to three places.
Enter here and in the space provided on Form 40, line 17,
as a percentage. This is the subtraction percentage. 2. .479
3. Multiply line 1 by the decimal on line 2. Enter the result
here and on Form 40, line 17. This is the taxpayer's
federal pension subtraction. 3. \$6,898

Lesson 6

Oregon Subtractions

Lesson 6 practical application answer: William and Mary Brooke

Amended Return <input type="checkbox"/> OREGON Form 40 2007 INDIVIDUAL INCOME TAX RETURN Full-Year Residents Only				For office use only Fiscal year ending: K F P J	
Last name		First name and initial		Social Security No. (SSN)	
Spouse's last name if joint return		Spouse's first name and initial if joint return		Spouse's SSN if joint return	
Current mailing address				Telephone number	
City	State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>	
Filing Status 1 <input type="checkbox"/> Single Check only one box 2 <input checked="" type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately 4 <input type="checkbox"/> Head of household 5 <input type="checkbox"/> Qualifying widow(er) with dependent child			Exemptions 6a YourselfRegular <input type="checkbox"/> 1Severely disabled <input type="checkbox"/>6a <input type="checkbox"/> 1 6b Spouse.....Regular <input type="checkbox"/> 1Severely disabled <input type="checkbox"/>b <input type="checkbox"/> 1 6c All dependents First names c 6d Disabled children only First names d (see instructions) Total • 6e <input type="checkbox"/> 2		
7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind		7b <input type="checkbox"/> You filed an extension		7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	
7d <input type="checkbox"/> You filed Oregon Form 24		Round to the nearest dollar			
8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24				8	34,800 .00
ADDITIONS					
9 Interest and dividends on state and local government bonds outside of Oregon... • 9				.00	
10 Other additions. Identify: • 10x <input type="checkbox"/> • 10y \$ <input type="checkbox"/> Schedule attached 10z <input type="checkbox"/> • 10				.00	
11 Total additions. Add lines 9 and 10				• 11	.00
12 Income after additions. Add lines 8 and 11				• 12	34,800 .00
SUBTRACTIONS					
13 2007 federal tax liability (\$0–\$5,500; see instructions for the correct amount) • 13				1,824	.00
14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... • 14				.00	
15 Oregon income tax refund included in federal income..... • 15				.00	
16 Interest from U.S. government, such as Series EE, HH, and I bonds • 16				1,350	.00
17 Federal pension income. See instructions, page 27. 17a <input type="checkbox"/> 47.9 % 17b <input type="checkbox"/> %... • 17				6,898	.00
18 Other subtractions. Identify: • 18x <input type="checkbox"/> • 18y \$ <input type="checkbox"/> Schedule attached 18z <input type="checkbox"/> ... • 18				.00	
19 Total subtractions. Add lines 13 through 18				• 19	10,072 .00
20 Income after subtractions. Line 12 minus line 19				• 20	24,808 .00

Lesson 7: Form 40—Deductions

DEDUCTIONS If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.

21	Itemized deductions from federal Schedule A, line 29	• 21		.00
22	Special Oregon medical deduction (age restricted, see instructions, page 29)	• 22		.00
23	Total Oregon itemized deductions. Add lines 21 and 22	• 23		.00
24	State income tax or sales tax claimed as an itemized deduction	• 24		.00
25	Net Oregon itemized deductions. Line 23 minus line 24	• 25		.00
OR				
26	Standard deduction from page 30	• 26		.00
27	Total deductions. Line 25 or line 26, whichever is larger	• 27		.00
28	Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0-	• 28		.00

} Either line 25 or 26

Objectives

At the end of this lesson, you will be able to:

- Know when a taxpayer should itemize deductions for Oregon.
- Determine the special Oregon medical deduction.
- Figure the taxpayer's net Oregon itemized deductions.
- Determine the correct standard deduction.
- Compute Oregon taxable income.

Introduction

Generally, taxpayers are allowed to claim the greater of their standard deduction or net itemized deductions. Since Oregon's standard deduction limits are less than the federal limits, taxpayers may benefit from itemizing for Oregon even if they take the federal standard deduction. In some cases, taxpayers may itemize for their federal return and take the standard deduction for Oregon. This happens when the federal itemized deduction is mostly Oregon income tax.

Exception 1: A married person filing a separate return must itemize deductions if their spouse itemizes. The taxpayer can't claim the standard deduction if their spouse itemizes.

Exception 2: A nonresident alien filing federal Form 1040NR must itemize deductions, and can't claim the standard deduction.

Content

I. Itemized deductions, Form 40, lines 21–25.

A. Generally, net itemized deductions are:

- | | | |
|--|----|------------|
| 1. Itemized deductions on federal Schedule A, line 29. | 1. | \$ _____ |
| 2. Plus: Special Oregon medical deduction. | 2. | + _____ |
| 3. Subtotal. | 3. | = _____ |
| 4. Less: Oregon income tax claimed as an itemized deduction. | 4. | - _____ |
| 5. Net Oregon itemized deductions. | 5. | = \$ _____ |

B. Special Oregon medical expense deduction, Form 40, line 22. If the taxpayer or spouse is age 62 or older on December 31, 2007, and itemizes deductions, they're eligible for the special medical deduction on the Oregon return. To figure the deduction, use the following worksheet:

- | | | |
|--|----|-------|
| 1. Enter the amount shown on federal Schedule A, line 1. | 1. | _____ |
| 2. Enter the amount shown on federal Schedule A, line 3. | 2. | _____ |
| 3. Enter the smaller of line 1 or 2 here, and on Form 40, line 22. | 3. | _____ |

NOTE: Taxpayers using the standard deduction for Oregon cannot take the special Oregon medical deduction.

C. State income tax or sales tax claimed as an itemized deduction. Form 40, line 24. Oregon does not allow taxpayers to deduct Oregon state income tax they paid. Oregon also does not allow taxpayers to deduct sales tax from any state. Enter Oregon state income tax or any state sales tax amounts on Form 40, line 24.

D. The taxpayer should fill out a separate Schedule A for Oregon if they itemize for Oregon only. Write "For Oregon Only" across the top of Schedule A. Keep this with the taxpayer's records. Do not attach the schedule to the Oregon return.

E. Exception for high-income taxpayers: If the taxpayer has adjusted gross income of more than \$156,400 (\$78,200 if married filing separately), there is a phaseout of itemized deductions. The phaseout computation is beyond the scope of this workbook. Refer the taxpayer to a licensed tax preparer.

II. **Standard deduction**, Form 40, line 26.

A. The current Oregon standard deduction amounts are shown on page 50.

Each taxpayer and each spouse age 65 or older is entitled to a larger deduction amount.
Each taxpayer and each spouse who is blind is also entitled to a larger deduction amount.

B. Oregon limits the standard deduction for individuals who can be claimed as a dependent on another person's return to the greater of:

1. The individual's **earned** income amount plus \$300, but no more than the maximum allowed for their filing status, or
2. \$850.
 - a. Earned income includes salaries, wages, tips, professional fees, and other amounts received as pay for work the taxpayer performs.
 - b. Unearned income includes investment income such as interest, dividends, and capital gain income.

Generally, the standard deduction is based on the taxpayer’s filing status as follows:

Single	\$1,825
Married filing jointly	3,650
Married filing separately	
If spouse claims standard deduction	1,825
If spouse claims itemized deductions	-0-
Head of household	2,940
Qualifying widow(er)	3,650

Age 65 or older, or blind

1. Is taxpayer: 65 or older? Blind?

If claiming spouse’s exemption, is spouse: 65 or older? Blind?

2.

If filing status is...	And the number of boxes checked above is...	Then standard deduction is...
Single	1	\$3,025
	2	4,225
Married filing jointly	1	4,650
	2	5,650
	3	6,650
	4	7,650
Married filing separately	1	2,825
	2	3,825
	3	4,825
	4	5,825
Head of household	1	4,140
	2	5,340
Qualifying widower	1	4,650
	2	5,650

Standard Deduction Worksheet for Single Dependents

1. Enter taxpayer’s earned income.	1. _____
2. Additional set amount.	2. <u>300</u>
3. Add lines 1 and 2.	3. _____
4. Minimum standard deduction set amount.	4. <u>850</u>
5. Enter the larger of line 3 or line 4.	5. _____
6. Basic standard deduction for single.	6. <u>1,825</u>
7. Enter the smaller of line 5 or line 6.	7. _____
8. If the taxpayer is under age 65, enter -0-. If the taxpayer is age 65 or older, enter \$1,200.	8. _____
9. If the taxpayer is not blind, enter -0-. If the taxpayer is blind, enter \$1,200.	9. _____
10. Add lines 7, 8, and 9 and enter the total here and on Form 40, line 26. This is the dependent taxpayer’s standard deduction.	10. _____

Example 1:

Corkie, a 16-year-old single individual, is claimed as a dependent. She has no earned income and \$1,300 of unearned (interest) income. She determines her standard deduction using the following worksheet:

**Standard Deduction Worksheet
for Single Dependents**

1. Enter taxpayer's earned income.	1. <u>-0-</u>
2. Additional set amount.	2. \$ <u>300</u>
3. Add lines 1 and 2.	3. <u>300</u>
4. Minimum standard deduction set amount.	4. <u>850</u>
5. Enter the larger of line 3 or line 4.	5. <u>850</u>
6. Basic standard deduction for single.	6. <u>1,825</u>
7. Enter the smaller of line 5 or line 6.	7. <u>850</u>
8. If the taxpayer is under age 65, enter -0-. If the taxpayer is age 65 or older, enter \$1,200.	8. <u>-0-</u>
9. If the taxpayer is not blind, enter -0-. If the taxpayer is blind, enter \$1,200.	9. <u>-0-</u>
10. Add lines 7, 8, and 9 and enter the total here and on Form 40, line 26. This is the dependent taxpayer's standard deduction.	10. \$ <u>850</u>

Example 2:

Forrest, a 22-year-old single individual, is claimed as a dependent. He is blind. Forrest has earned income of \$3,000. He determines his standard deduction using the following worksheet:

**Standard Deduction Worksheet
for Single Dependents**

1. Enter taxpayer's earned income.	1. <u>\$3,000</u>
2. Additional set amount.	2. <u>300</u>
3. Add lines 1 and 2.	3. <u>3,300</u>
4. Minimum standard deduction set amount.	4. <u>850</u>
5. Enter the larger of line 3 or line 4.	5. <u>3,300</u>
6. Basic standard deduction for single.	6. <u>1,825</u>
7. Enter the smaller of line 5 or line 6.	7. <u>1,825</u>
8. If the taxpayer is under age 65, enter -0-. If the taxpayer is age 65 or older, enter \$1,200.	8. <u>-0-</u>
9. If the taxpayer is not blind, enter -0-. If the taxpayer is blind, enter \$1,200.	9. <u>1,200</u>
10. Add lines 7, 8, and 9 and enter the total here and on Form 40, line 26. This is the dependent taxpayer's standard deduction.	10. <u>\$3,025</u>

NOTE: Dependent taxpayers are allowed the additional standard deduction for age and blindness, if they qualify.

Exercises:

7-1. What is the Oregon standard deduction for the following taxpayers?

- a. Steve, age 24, single. He has earned income of \$15,256.
- b. Freddy, age 16, single. His parents claimed him as a dependent on their return. He has \$1,260 of earned income.
- c. Norma, age 51, married filing separately. Her husband, Hector, age 46, is also filing as married filing separately. Hector will claim \$3,791 in itemized deductions.
- d. George, age 66, filing as head of household. He is the sole provider for his five children under the age of 18.
- e. Ruben and Marta, married filing jointly. Ruben is age 71 and blind. Marta is age 60.

7-2. Oscar is 70 years old and single. Here are his itemized deductions:

Schedule A:

Line 1. Medical expenses	\$ -0-
Line 5. Oregon income tax	\$ 900
Line 6. Real estate taxes	\$ 1,100
Line 10. Home mortgage interest	\$ 200
Line 15. Charitable contributions	\$ 815

- a. What is Oscar's standard deduction for his filing status?
- b. What are Oscar's net Oregon itemized deductions?
- c. Should Oscar itemize for Oregon or take the standard deduction?

Exercises, continued:

7-3. Shane is 64 years old and single. His federal adjusted gross income is \$9,000. Here are his itemized deductions:

Schedule A:

Line 1. Medical expenses	\$2,700
Line 2. Federal AGI	\$9,000
Line 3. 7.5% of line 2 above	\$ <u>675</u>
Line 4. Medical expenses after 7.5% limit	\$2,025
Line 5. Oregon state income tax	\$ <u>850</u>
Line 6. Real estate tax	\$ <u>350</u>
Line 29. Total federal itemized deductions	\$3,225

- What is Shane's Oregon standard deduction?
- Use this worksheet to compute any special Oregon medical deductions.

Special Oregon medical expense deduction, Form 40, line 22.

- Enter the amount shown on federal Schedule A, line 1. 1. _____
- Enter the amount shown on federal Schedule A, line 3. 2. _____
- Enter the smaller of line 1 or 2 above on this line and on Form 40. 3. _____

- What are Shane's net Oregon itemized deductions?
- Should Shane itemize for Oregon or take the standard deduction?

Exercises, continued:

7-4. Felix is 51 and his wife, Camille, is 54. They choose to use the filing status married filing separately. Camille itemizes her deductions. Felix has \$1,200 of wages and \$10,000 of interest and dividend income. Here are his itemized deductions:

Schedule A:

Line 1. Medical expenses	\$	0
Line 5. Oregon state income tax	\$	90
Line 6. Real estate taxes	\$	60
Line 10. Home mortgage interest paid	\$	350
Line 15. Charitable contributions	\$	120

- a. What is the Oregon standard deduction for Felix?
- b. What are Felix's net Oregon itemized deductions?
- c. Should Felix itemize or take the standard deduction?

III. **Total deductions**, Form 40, line 27.

- A. Generally, if net itemized deductions (Form 40, line 25) are less than the standard deduction (Form 40, line 26), enter the standard deduction.
- B. You may enter either the standard deduction or the net Oregon itemized deductions, but not both, on line 27 of the Oregon return.

IV. **Oregon taxable income**, Form 40, line 28.

- A. After you have determined whether the taxpayer will use itemized deductions or the standard deduction, compute Oregon taxable income.
- B. Reduce Oregon income after subtractions (Form 40, line 20) by total deductions (line 27) to determine Oregon taxable income (line 28).

Exercise:

7-5. Jennifer is 49 and single. Using the information provided, what is her Oregon taxable income?

Form 40:

Line 20. Income after subtractions	\$27,950
Line 25. Net Oregon itemized deductions	3,800
Line 26. Standard deduction	1,825

Lesson 7 exercise answers:

7-1. a. \$1,825.

b. Freddy’s standard deduction is determined as follows:

**Standard Deduction Worksheet
for Single Dependents**

1. Enter taxpayer’s earned income.	1. <u>\$1,260</u>
2. Additional set amount.	2. <u>300</u>
3. Add lines 1 and 2.	3. <u>1,560</u>
4. Minimum standard deduction set amount.	4. <u>850</u>
5. Enter the larger of line 3 or line 4.	5. <u>1,560</u>
6. Basic standard deduction for single.	6. <u>1,825</u>
7. Enter the smaller of line 5 or line 6.	7. <u>1,560</u>
8. If the taxpayer is under age 65, enter -0-. If the taxpayer is age 65 or older, enter \$1,200.	8. <u>-0-</u>
9. If the taxpayer is not blind, enter -0-. If the taxpayer is blind, enter \$1,200.	9. <u>-0-</u>
10. Add lines 7, 8, and 9 and enter the total here and on Form 40, line 26. This is the dependent taxpayer’s standard deduction.	10. <u>\$1,560</u>

c. Norma’s standard deduction is -0- because she is married filing separately, and her spouse, Hector, will claim itemized deductions.

d. \$4,140. See standard deduction chart on page 50.

e. \$5,650. See standard deduction chart on page 50.

7-2. a. \$3,025. See standard deduction chart on page 50.

b. \$2,115, determined as follows:

Total itemized deductions	\$3,015
Less: Oregon income tax	<u>(900)</u>
Net Oregon itemized deductions	<u>\$2,115</u>

c. Oscar should use the standard deduction of \$3,025.

Lesson 7 exercise answers, continued:

7-3. a. \$1,825, single.

b. **Special Oregon medical expense deduction**, Form 40, line 22.

1. Enter the amount shown on federal Schedule A, line 1.	1. <u>2,700</u>
2. Enter the amount shown on federal Schedule A, line 3.	2. <u>675</u>
3. Enter the smaller of line 1 or 2 above on this line.	3. <u>675</u>

c. \$3,050, determined as follows:

Total itemized deductions from Schedule A, line 29	\$3,225
Plus: Special Oregon medical deduction	675
Less: Oregon income tax	<u>(850)</u>
Net Oregon itemized deductions	<u>\$3,050</u>

d. Shane should itemize for Oregon and claim the special Oregon medical deduction.

7-4. a. The standard deduction is -0- for a married person filing separately whose spouse itemizes.

b. \$530.

Felix's net Oregon itemized deductions are determined as follows:

Itemized deductions on federal Schedule A, line 29	\$620
Less: Oregon income tax claimed as itemized deduction	<u>90</u>
Net Oregon itemized deductions	<u>\$530</u>

c. Felix should use the itemized deductions. If he does not itemize, his standard deduction will be -0-.

7-5. Jennifer's Oregon taxable income is \$24,150, determined as follows:

Income after subtractions	\$27,950
Less: Net Oregon itemized deductions	<u>(3,800)</u>
Oregon taxable income	<u>\$24,150</u>

Lesson 8: Oregon Tax

TAX	29 Tax. See instructions, page 30. Enter tax here..... ● 29	.00	
	Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or ● 29b <input type="checkbox"/> Form FIA-40 or ● 29c <input type="checkbox"/> Worksheet FCG		
	30 Interest on certain installment sales..... ● 30	.00	
	31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS ● 31	.00	

Objectives

At the end of this lesson, you will be able to figure Oregon tax using:

- The tax tables.
- The tax rate charts.

Introduction

Tax is figured using Oregon taxable income. Use the **tax tables** for taxable income of \$50,000 or less. If the taxpayer has taxable income of more than \$50,000, use the **tax rate charts** to figure the Oregon tax. The Oregon tax table and tax rate charts don't have the same instructions as federal tax rate charts. Be sure to read the instructions carefully.

Oregon tax tables and tax rate charts are indexed for inflation and change every year.

Content

- I. **Tax tables for Form 40 filers with taxable income of \$50,000 or less.**
 - A. Use the tables on pages 59-61 for these taxpayers.
 - B. Many errors are made in selecting the correct amount of tax. Be aware of:
 1. Which column is headed "At least" and which column is headed "But less than."
 2. Column S—single and married filing separately.
 3. Column J—married filing jointly, head of household, and qualifying widow(er) with dependent child.

2007 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:			
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:			
\$ 0		\$ 4,000				\$ 9,000				\$ 14,000			
				4,000 - 4,100	227	203	9,000 - 9,100	615	520	14,000 - 14,100	1,065	870	
				4,100 - 4,200	234	208	9,100 - 9,200	624	527	14,100 - 14,200	1,074	877	
				4,200 - 4,300	241	213	9,200 - 9,300	633	534	14,200 - 14,300	1,083	884	
				4,300 - 4,400	248	218	9,300 - 9,400	642	541	14,300 - 14,400	1,092	892	
				4,400 - 4,500	255	223	9,400 - 9,500	651	548	14,400 - 14,500	1,101	901	
				4,500 - 4,600	262	228	9,500 - 9,600	660	555	14,500 - 14,600	1,110	910	
				4,600 - 4,700	269	233	9,600 - 9,700	669	562	14,600 - 14,700	1,119	919	
				4,700 - 4,800	276	238	9,700 - 9,800	678	569	14,700 - 14,800	1,128	928	
--	20	-	-	4,800 - 4,900	283	243	9,800 - 9,900	687	576	14,800 - 14,900	1,137	937	
20 -	50	2	2	4,900 - 5,000	290	248	9,900 - 10,000	696	583	14,900 - 15,000	1,146	946	
\$ 50		\$ 5,000				\$ 10,000				\$ 15,000			
50 - 100	4	4	5,000 - 5,100	297	253	10,000 - 10,100	705	590	15,000 - 15,100	1,155	955		
100 - 200	8	8	5,100 - 5,200	304	258	10,100 - 10,200	714	597	15,100 - 15,200	1,164	964		
200 - 300	13	13	5,200 - 5,300	311	263	10,200 - 10,300	723	604	15,200 - 15,300	1,173	973		
300 - 400	18	18	5,300 - 5,400	318	268	10,300 - 10,400	732	611	15,300 - 15,400	1,182	982		
400 - 500	23	23	5,400 - 5,500	325	273	10,400 - 10,500	741	618	15,400 - 15,500	1,191	991		
500 - 600	28	28	5,500 - 5,600	332	278	10,500 - 10,600	750	625	15,500 - 15,600	1,200	1,000		
600 - 700	33	33	5,600 - 5,700	339	283	10,600 - 10,700	759	632	15,600 - 15,700	1,209	1,009		
700 - 800	38	38	5,700 - 5,800	346	289	10,700 - 10,800	768	639	15,700 - 15,800	1,218	1,018		
800 - 900	43	43	5,800 - 5,900	353	296	10,800 - 10,900	777	646	15,800 - 15,900	1,227	1,027		
900 - 1,000	48	48	5,900 - 6,000	360	303	10,900 - 11,000	786	653	15,900 - 16,000	1,236	1,036		
\$ 1,000		\$ 6,000				\$ 11,000				\$ 16,000			
1,000 - 1,100	53	53	6,000 - 6,100	367	310	11,000 - 11,100	795	660	16,000 - 16,100	1,245	1,045		
1,100 - 1,200	58	58	6,100 - 6,200	374	317	11,100 - 11,200	804	667	16,100 - 16,200	1,254	1,054		
1,200 - 1,300	63	63	6,200 - 6,300	381	324	11,200 - 11,300	813	674	16,200 - 16,300	1,263	1,063		
1,300 - 1,400	68	68	6,300 - 6,400	388	331	11,300 - 11,400	822	681	16,300 - 16,400	1,272	1,072		
1,400 - 1,500	73	73	6,400 - 6,500	395	338	11,400 - 11,500	831	688	16,400 - 16,500	1,281	1,081		
1,500 - 1,600	78	78	6,500 - 6,600	402	345	11,500 - 11,600	840	695	16,500 - 16,600	1,290	1,090		
1,600 - 1,700	83	83	6,600 - 6,700	409	352	11,600 - 11,700	849	702	16,600 - 16,700	1,299	1,099		
1,700 - 1,800	88	88	6,700 - 6,800	416	359	11,700 - 11,800	858	709	16,700 - 16,800	1,308	1,108		
1,800 - 1,900	93	93	6,800 - 6,900	423	366	11,800 - 11,900	867	716	16,800 - 16,900	1,317	1,117		
1,900 - 2,000	98	98	6,900 - 7,000	430	373	11,900 - 12,000	876	723	16,900 - 17,000	1,326	1,126		
\$ 2,000		\$ 7,000				\$ 12,000				\$ 17,000			
2,000 - 2,100	103	103	7,000 - 7,100	437	380	12,000 - 12,100	885	730	17,000 - 17,100	1,335	1,135		
2,100 - 2,200	108	108	7,100 - 7,200	444	387	12,100 - 12,200	894	737	17,100 - 17,200	1,344	1,144		
2,200 - 2,300	113	113	7,200 - 7,300	453	394	12,200 - 12,300	903	744	17,200 - 17,300	1,353	1,153		
2,300 - 2,400	118	118	7,300 - 7,400	462	401	12,300 - 12,400	912	751	17,300 - 17,400	1,362	1,162		
2,400 - 2,500	123	123	7,400 - 7,500	471	408	12,400 - 12,500	921	758	17,400 - 17,500	1,371	1,171		
2,500 - 2,600	128	128	7,500 - 7,600	480	415	12,500 - 12,600	930	765	17,500 - 17,600	1,380	1,180		
2,600 - 2,700	133	133	7,600 - 7,700	489	422	12,600 - 12,700	939	772	17,600 - 17,700	1,389	1,189		
2,700 - 2,800	138	138	7,700 - 7,800	498	429	12,700 - 12,800	948	779	17,700 - 17,800	1,398	1,198		
2,800 - 2,900	143	143	7,800 - 7,900	507	436	12,800 - 12,900	957	786	17,800 - 17,900	1,407	1,207		
2,900 - 3,000	150	148	7,900 - 8,000	516	443	12,900 - 13,000	966	793	17,900 - 18,000	1,416	1,216		
\$ 3,000		\$ 8,000				\$ 13,000				\$ 18,000			
3,000 - 3,100	157	153	8,000 - 8,100	525	450	13,000 - 13,100	975	800	18,000 - 18,100	1,425	1,225		
3,100 - 3,200	164	158	8,100 - 8,200	534	457	13,100 - 13,200	984	807	18,100 - 18,200	1,434	1,234		
3,200 - 3,300	171	163	8,200 - 8,300	543	464	13,200 - 13,300	993	814	18,200 - 18,300	1,443	1,243		
3,300 - 3,400	178	168	8,300 - 8,400	552	471	13,300 - 13,400	1,002	821	18,300 - 18,400	1,452	1,252		
3,400 - 3,500	185	173	8,400 - 8,500	561	478	13,400 - 13,500	1,011	828	18,400 - 18,500	1,461	1,261		
3,500 - 3,600	192	178	8,500 - 8,600	570	485	13,500 - 13,600	1,020	835	18,500 - 18,600	1,470	1,270		
3,600 - 3,700	199	183	8,600 - 8,700	579	492	13,600 - 13,700	1,029	842	18,600 - 18,700	1,479	1,279		
3,700 - 3,800	206	188	8,700 - 8,800	588	499	13,700 - 13,800	1,038	849	18,700 - 18,800	1,488	1,288		
3,800 - 3,900	213	193	8,800 - 8,900	597	506	13,800 - 13,900	1,047	856	18,800 - 18,900	1,497	1,297		
3,900 - 4,000	220	198	8,900 - 9,000	606	513	13,900 - 14,000	1,056	863	18,900 - 19,000	1,506	1,306		

2007 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:									
\$ 19,000				\$ 24,000				\$ 29,000				\$ 34,000											
19,000 - 19,100	1,515	1,315	24,000 - 24,100	1,965	1,765	29,000 - 29,100	2,415	2,215	34,000 - 34,100	2,865	2,665	19,100 - 19,200	1,524	1,324	24,100 - 24,200	1,974	1,774	29,100 - 29,200	2,424	2,224	34,100 - 34,200	2,874	2,674
19,200 - 19,300	1,533	1,333	24,200 - 24,300	1,983	1,783	29,200 - 29,300	2,433	2,233	34,200 - 34,300	2,883	2,683	19,300 - 19,400	1,542	1,342	24,300 - 24,400	1,992	1,792	29,300 - 29,400	2,442	2,242	34,300 - 34,400	2,892	2,692
19,400 - 19,500	1,551	1,351	24,400 - 24,500	2,001	1,801	29,400 - 29,500	2,451	2,251	34,400 - 34,500	2,901	2,701	19,500 - 19,600	1,560	1,360	24,500 - 24,600	2,010	1,810	29,500 - 29,600	2,460	2,260	34,500 - 34,600	2,910	2,710
19,600 - 19,700	1,569	1,369	24,600 - 24,700	2,019	1,819	29,600 - 29,700	2,469	2,269	34,600 - 34,700	2,919	2,719	19,700 - 19,800	1,578	1,378	24,700 - 24,800	2,028	1,828	29,700 - 29,800	2,478	2,278	34,700 - 34,800	2,928	2,728
19,800 - 19,900	1,587	1,387	24,800 - 24,900	2,037	1,837	29,800 - 29,900	2,487	2,287	34,800 - 34,900	2,937	2,737	19,900 - 20,000	1,596	1,396	24,900 - 25,000	2,046	1,846	29,900 - 30,000	2,496	2,296	34,900 - 35,000	2,946	2,746
\$ 20,000				\$ 25,000				\$ 30,000				\$ 35,000											
20,000 - 20,100	1,605	1,405	25,000 - 25,100	2,055	1,855	30,000 - 30,100	2,505	2,305	35,000 - 35,100	2,955	2,755	20,100 - 20,200	1,614	1,414	25,100 - 25,200	2,064	1,864	30,100 - 30,200	2,514	2,314	35,100 - 35,200	2,964	2,764
20,200 - 20,300	1,623	1,423	25,200 - 25,300	2,073	1,873	30,200 - 30,300	2,523	2,323	35,200 - 35,300	2,973	2,773	20,300 - 20,400	1,632	1,432	25,300 - 25,400	2,082	1,882	30,300 - 30,400	2,532	2,332	35,300 - 35,400	2,982	2,782
20,400 - 20,500	1,641	1,441	25,400 - 25,500	2,091	1,891	30,400 - 30,500	2,541	2,341	35,400 - 35,500	2,991	2,791	20,500 - 20,600	1,650	1,450	25,500 - 25,600	2,100	1,900	30,500 - 30,600	2,550	2,350	35,500 - 35,600	3,000	2,800
20,600 - 20,700	1,659	1,459	25,600 - 25,700	2,109	1,909	30,600 - 30,700	2,559	2,359	35,600 - 35,700	3,009	2,809	20,700 - 20,800	1,668	1,468	25,700 - 25,800	2,118	1,918	30,700 - 30,800	2,568	2,368	35,700 - 35,800	3,018	2,818
20,800 - 20,900	1,677	1,477	25,800 - 25,900	2,127	1,927	30,800 - 30,900	2,577	2,377	35,800 - 35,900	3,027	2,827	20,900 - 21,000	1,686	1,486	25,900 - 26,000	2,136	1,936	30,900 - 31,000	2,586	2,386	35,900 - 36,000	3,036	2,836
\$ 21,000				\$ 26,000				\$ 31,000				\$ 36,000											
21,000 - 21,100	1,695	1,495	26,000 - 26,100	2,145	1,945	31,000 - 31,100	2,595	2,395	36,000 - 36,100	3,045	2,845	21,100 - 21,200	1,704	1,504	26,100 - 26,200	2,154	1,954	31,100 - 31,200	2,604	2,404	36,100 - 36,200	3,054	2,854
21,200 - 21,300	1,713	1,513	26,200 - 26,300	2,163	1,963	31,200 - 31,300	2,613	2,413	36,200 - 36,300	3,063	2,863	21,300 - 21,400	1,722	1,522	26,300 - 26,400	2,172	1,972	31,300 - 31,400	2,622	2,422	36,300 - 36,400	3,072	2,872
21,400 - 21,500	1,731	1,531	26,400 - 26,500	2,181	1,981	31,400 - 31,500	2,631	2,431	36,400 - 36,500	3,081	2,881	21,500 - 21,600	1,740	1,540	26,500 - 26,600	2,190	1,990	31,500 - 31,600	2,640	2,440	36,500 - 36,600	3,090	2,890
21,600 - 21,700	1,749	1,549	26,600 - 26,700	2,199	1,999	31,600 - 31,700	2,649	2,449	36,600 - 36,700	3,099	2,899	21,700 - 21,800	1,758	1,558	26,700 - 26,800	2,208	2,008	31,700 - 31,800	2,658	2,458	36,700 - 36,800	3,108	2,908
21,800 - 21,900	1,767	1,567	26,800 - 26,900	2,217	2,017	31,800 - 31,900	2,667	2,467	36,800 - 36,900	3,117	2,917	21,900 - 22,000	1,776	1,576	26,900 - 27,000	2,226	2,026	31,900 - 32,000	2,676	2,476	36,900 - 37,000	3,126	2,926
\$ 22,000				\$ 27,000				\$ 32,000				\$ 37,000											
22,000 - 22,100	1,785	1,585	27,000 - 27,100	2,235	2,035	32,000 - 32,100	2,685	2,485	37,000 - 37,100	3,135	2,935	22,100 - 22,200	1,794	1,594	27,100 - 27,200	2,244	2,044	32,100 - 32,200	2,694	2,494	37,100 - 37,200	3,144	2,944
22,200 - 22,300	1,803	1,603	27,200 - 27,300	2,253	2,053	32,200 - 32,300	2,703	2,503	37,200 - 37,300	3,153	2,953	22,300 - 22,400	1,812	1,612	27,300 - 27,400	2,262	2,062	32,300 - 32,400	2,712	2,512	37,300 - 37,400	3,162	2,962
22,400 - 22,500	1,821	1,621	27,400 - 27,500	2,271	2,071	32,400 - 32,500	2,721	2,521	37,400 - 37,500	3,171	2,971	22,500 - 22,600	1,830	1,630	27,500 - 27,600	2,280	2,080	32,500 - 32,600	2,730	2,530	37,500 - 37,600	3,180	2,980
22,600 - 22,700	1,839	1,639	27,600 - 27,700	2,289	2,089	32,600 - 32,700	2,739	2,539	37,600 - 37,700	3,189	2,989	22,700 - 22,800	1,848	1,648	27,700 - 27,800	2,298	2,098	32,700 - 32,800	2,748	2,548	37,700 - 37,800	3,198	2,998
22,800 - 22,900	1,857	1,657	27,800 - 27,900	2,307	2,107	32,800 - 32,900	2,757	2,557	37,800 - 37,900	3,207	3,007	22,900 - 23,000	1,866	1,666	27,900 - 28,000	2,316	2,116	32,900 - 33,000	2,766	2,566	37,900 - 38,000	3,216	3,016
\$ 23,000				\$ 28,000				\$ 33,000				\$ 38,000											
23,000 - 23,100	1,875	1,675	28,000 - 28,100	2,325	2,125	33,000 - 33,100	2,775	2,575	38,000 - 38,100	3,225	3,025	23,100 - 23,200	1,884	1,684	28,100 - 28,200	2,334	2,134	33,100 - 33,200	2,784	2,584	38,100 - 38,200	3,234	3,034
23,200 - 23,300	1,893	1,693	28,200 - 28,300	2,343	2,143	33,200 - 33,300	2,793	2,593	38,200 - 38,300	3,243	3,043	23,300 - 23,400	1,902	1,702	28,300 - 28,400	2,352	2,152	33,300 - 33,400	2,802	2,602	38,300 - 38,400	3,252	3,052
23,400 - 23,500	1,911	1,711	28,400 - 28,500	2,361	2,161	33,400 - 33,500	2,811	2,611	38,400 - 38,500	3,261	3,061	23,500 - 23,600	1,920	1,720	28,500 - 28,600	2,370	2,170	33,500 - 33,600	2,820	2,620	38,500 - 38,600	3,270	3,070
23,600 - 23,700	1,929	1,729	28,600 - 28,700	2,379	2,179	33,600 - 33,700	2,829	2,629	38,600 - 38,700	3,279	3,079	23,700 - 23,800	1,938	1,738	28,700 - 28,800	2,388	2,188	33,700 - 33,800	2,838	2,638	38,700 - 38,800	3,288	3,088
23,800 - 23,900	1,947	1,747	28,800 - 28,900	2,397	2,197	33,800 - 33,900	2,847	2,647	38,800 - 38,900	3,297	3,097	23,900 - 24,000	1,956	1,756	28,900 - 29,000	2,406	2,206	33,900 - 34,000	2,856	2,656	38,900 - 39,000	3,306	3,106

2007 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	3,315	3,115	42,000 - 42,100	3,585	3,385	45,000 - 45,100	3,855	3,655	48,000 - 48,100	4,125	3,925	39,100 - 39,200	3,324	3,124	42,100 - 42,200	3,594	3,394	45,100 - 45,200	3,864	3,664	48,100 - 48,200	4,134	3,934		
39,200 - 39,300	3,333	3,133	42,200 - 42,300	3,603	3,403	45,200 - 45,300	3,873	3,673	48,200 - 48,300	4,143	3,943	39,300 - 39,400	3,342	3,142	42,300 - 42,400	3,612	3,412	45,300 - 45,400	3,882	3,682	48,300 - 48,400	4,152	3,952		
39,400 - 39,500	3,351	3,151	42,400 - 42,500	3,621	3,421	45,400 - 45,500	3,891	3,691	48,400 - 48,500	4,161	3,961	39,500 - 39,600	3,360	3,160	42,500 - 42,600	3,630	3,430	45,500 - 45,600	3,900	3,700	48,500 - 48,600	4,170	3,970		
39,600 - 39,700	3,369	3,169	42,600 - 42,700	3,639	3,439	45,600 - 45,700	3,909	3,709	48,600 - 48,700	4,179	3,979	39,700 - 39,800	3,378	3,178	42,700 - 42,800	3,648	3,448	45,700 - 45,800	3,918	3,718	48,700 - 48,800	4,188	3,988		
39,800 - 39,900	3,387	3,187	42,800 - 42,900	3,657	3,457	45,800 - 45,900	3,927	3,727	48,800 - 48,900	4,197	3,997	39,900 - 40,000	3,396	3,196	42,900 - 43,000	3,666	3,466	45,900 - 46,000	3,936	3,736	48,900 - 49,000	4,206	4,006		
\$ 40,000				\$ 43,000				\$ 46,000				\$ 49,000													
40,000 - 40,100	3,405	3,205	43,000 - 43,100	3,675	3,475	46,000 - 46,100	3,945	3,745	49,000 - 49,100	4,215	4,015	40,100 - 40,200	3,414	3,214	43,100 - 43,200	3,684	3,484	46,100 - 46,200	3,954	3,754	49,100 - 49,200	4,224	4,024		
40,200 - 40,300	3,423	3,223	43,200 - 43,300	3,693	3,493	46,200 - 46,300	3,963	3,763	49,200 - 49,300	4,233	4,033	40,300 - 40,400	3,432	3,232	43,300 - 43,400	3,702	3,502	46,300 - 46,400	3,972	3,772	49,300 - 49,400	4,242	4,042		
40,400 - 40,500	3,441	3,241	43,400 - 43,500	3,711	3,511	46,400 - 46,500	3,981	3,781	49,400 - 49,500	4,251	4,051	40,500 - 40,600	3,450	3,250	43,500 - 43,600	3,720	3,520	46,500 - 46,600	3,990	3,790	49,500 - 49,600	4,260	4,060		
40,600 - 40,700	3,459	3,259	43,600 - 43,700	3,729	3,529	46,600 - 46,700	3,999	3,799	49,600 - 49,700	4,269	4,069	40,700 - 40,800	3,468	3,268	43,700 - 43,800	3,738	3,538	46,700 - 46,800	4,008	3,808	49,700 - 49,800	4,278	4,078		
40,800 - 40,900	3,477	3,277	43,800 - 43,900	3,747	3,547	46,800 - 46,900	4,017	3,817	49,800 - 49,900	4,287	4,087	40,900 - 41,000	3,486	3,286	43,900 - 44,000	3,756	3,556	46,900 - 47,000	4,026	3,826	49,900 - 50,001	4,296	4,096		
\$ 41,000				\$ 44,000				\$ 47,000																	
41,000 - 41,100	3,495	3,295	44,000 - 44,100	3,765	3,565	47,000 - 47,100	4,035	3,835					41,100 - 41,200	3,504	3,304	44,100 - 44,200	3,774	3,574	47,100 - 47,200	4,044	3,844				
41,200 - 41,300	3,513	3,313	44,200 - 44,300	3,783	3,583	47,200 - 47,300	4,053	3,853					41,300 - 41,400	3,522	3,322	44,300 - 44,400	3,792	3,592	47,300 - 47,400	4,062	3,862				
41,400 - 41,500	3,531	3,331	44,400 - 44,500	3,801	3,601	47,400 - 47,500	4,071	3,871					41,500 - 41,600	3,540	3,340	44,500 - 44,600	3,810	3,610	47,500 - 47,600	4,080	3,880				
41,600 - 41,700	3,549	3,349	44,600 - 44,700	3,819	3,619	47,600 - 47,700	4,089	3,889					41,700 - 41,800	3,558	3,358	44,700 - 44,800	3,828	3,628	47,700 - 47,800	4,098	3,898				
41,800 - 41,900	3,567	3,367	44,800 - 44,900	3,837	3,637	47,800 - 47,900	4,107	3,907					41,900 - 42,000	3,576	3,376	44,900 - 45,000	3,846	3,646	47,900 - 48,000	4,116	3,916				

II. Tax rate charts for Form 40 filers with taxable income of more than \$50,000.

- A. Chart S—Use this chart if the filing status is single or married filing separately.
- B. Chart J—Use this chart if the filing status is married filing jointly, head of household, or qualifying widow(er) with dependent child.

Be sure to use the 2007 tax rate charts when preparing 2007 returns.

2007 Tax Rate Charts	
<p style="text-align: center;">S Chart S: For persons filing Single or Married filing separately</p> <p><i>If your taxable income is: Your tax is:</i> Over \$50,000.....\$4,300 plus 9% of excess over \$50,000</p>	<p style="text-align: center;">J Chart J: For persons filing Jointly, Head of household, or Qualifying widow(er) with dependent child</p> <p><i>If your taxable income is: Your tax is:</i> Over \$50,000.....\$4,100 plus 9% of excess over \$50,000</p>

Example:

Morris and Mabel are married filing jointly and use Form 40. Their Oregon taxable income is \$56,200. They figure their tax like this:

1. Tax on first \$50,000 from Chart J		\$4,100
2. Excess income over \$50,000	\$6,200	
3. Tax rate (9 percent)	× <u>.09</u>	
4. Line 2 multiplied by line 3		<u>558</u>
5. Oregon tax, line 1 plus line 4		<u><u>\$4,658</u></u>

Exercise:

8-1. Figure the Oregon tax from the **tax table** or **tax rate charts** for the following taxpayers. (S = single, MFJ = married filing jointly, MFS = married filing separately, and H of H = head of household.)

	Oregon Taxable Income	Filing Status	Tax
a.	\$22,731	MFJ	_____
b.	\$14,505	MFS	_____
c.	\$4,310	S	_____
d.	\$44,900	H of H	_____
e.	\$51,260	S	_____
f.	\$56,390	MFJ	_____

III. Farm income averaging (FIA), farm asset capital gain (FCG), and interest on certain installment sales.

Refer taxpayers with these items to a licensed tax return preparer.

Lesson 8 exercise answers:

8-1. Tax

- a. \$1,648
- b. \$1,110
- c. \$248
- d. \$3,646
- e. \$4,413

Here is how you figure the answer:

1. Tax on first \$50,000 from Chart S		\$4,300
2. Excess over \$50,000	\$1,260	
3. Tax rate (9 percent)	× <u>.09</u>	
4. Line 2 multiplied by line 3		<u>113</u>
5. Oregon tax, line 1 plus line 4		<u><u>\$4,413</u></u>

f. \$4,675

Here is how you figure the answer:

1. Tax on first \$50,000 from Chart J		\$4,100
2. Excess over \$50,000	\$6,390	
3. Tax rate (9 percent)	× <u>.09</u>	
4. Line 2 multiplied by line 3		<u>575</u>
5. Oregon tax, line 1 plus line 4		<u><u>\$4,675</u></u>

Lesson 9: Oregon Nonrefundable Credits

	32	Total tax before credits from front of form, line 31	32		.00
NONREFUNDABLE CREDITS	33	Exemption credit. If the amount on line 8 is less than \$117,300, multiply your total exemptions on line 6e by \$165. Otherwise, see instructions on page 31	• 33		.00
	34	Retirement income credit. See instructions, page 31	• 34		.00
	35	Child and dependent care credit. See instructions, page 32	• 35		.00
	36	Credit for the elderly or the disabled. See instructions, page 32	• 36		.00
Attach proof	37	Political contribution credit. See limits, page 32	• 37		.00
	38	Credit for income taxes paid to another state. State: • 38y <input type="text"/> Schedule attached 38z <input type="checkbox"/>	• 38		.00
	39	Other credits. Identify: • 39x <input type="checkbox"/> • 39y \$ <input type="text"/> Schedule attached 39z <input type="checkbox"/>	• 39		.00
	40	Total non-refundable credits. Add lines 33 through 39	• 40		.00
	41	Net income tax. Line 32 minus line 40. If line 40 is more than line 32, enter -0-	• 41		.00

ADD TOGETHER

Objectives

At the end of this lesson, you will be able to figure the following Oregon nonrefundable credits:

- Exemption credit.
- Retirement income credit.
- Child and dependent care credit and carryover of unused credit.
- Credit for the elderly or the disabled.
- Political contribution credit.
- Other nonrefundable credits:
 - Loss of use of limbs credit.
 - Long-term care insurance premiums credit.

Introduction

Tax credits are subtracted from Oregon tax to arrive at net income tax. Oregon law provides for a variety of tax credits. Seven of these credits will be discussed in this lesson. All of the Oregon credits discussed in this lesson are nonrefundable. This means that if the credits are more than the total tax, the taxpayer will not receive a refund of any excess credits. Credits and carryforward amounts can be used in any order. Some credits may be carried forward to the next year if not fully used. Credits that may be carried forward should be used to the taxpayer’s advantage. In other words, use credits that cannot be carried forward first.

NOTE: The Oregon working family child care credit, earned income credit, and mobile home park closure credit are refundable. On the Oregon tax forms, the credits are located in the payment section. Claiming them after all other credits will allow maximum benefit. Refer to Chapter 10 for instructions.

Other Oregon credits are available but are beyond the scope of the Tax-Aide program. Refer to *Publication 17½* for more information on credits not covered in this workbook.

Content

I. Exemption credit, Form 40, line 33.

A. Most taxpayers are entitled to this credit.

Exception: Taxpayers who **can** be claimed as a dependent on another person's return can't claim an exemption for themselves (even if the other person didn't claim the exemption credit).

B. Use the total exemptions claimed in box 6e on the front of the Oregon return. This includes:

1. Regular.
2. Severely disabled (see Lesson 3).
3. Dependents.
4. Child with a disability (see Lesson 3).

C. If the amount on Form 40, line 8 is **less than** \$117,300, multiply the total exemptions on line 6e by \$165. Otherwise, read the instructions below.

The exemption credit may be reduced if the taxpayer's federal adjusted gross income (Form 40, line 8) is more than the threshold for their filing status. If the charts below apply to the taxpayer, follow the instructions in the box. Otherwise, complete the exemption credit worksheet.

If your filing status is...	and Form 40, line 8 is less than or equal to...
Single	\$156,400
Married filing joint or qualifying widow(er)	\$234,600
Married filing separately	\$117,300
Head of household	\$195,500
...multiply your total exemptions on line 6e by \$165. Enter the result on Form 40, line 33.	
<i>Do not use the exemption credit worksheet</i>	

If your filing status is...	and Form 40, line 8 is more than...
Single	\$238,900
Married filing joint or qualifying widow(er)	\$317,100
Married filing separately	\$158,550
Head of household	\$278,000
...multiply your total exemptions on line 6e by \$55. Enter the result on Form 40, line 33.	
<i>Do not use the exemption credit worksheet</i>	

Exemption credit worksheet:

1. Enter the amount from Form 40, line 8. 1. _____
2. Enter the amount shown below for your filing status. 2. _____
 - Single—\$156,400
 - Married filing jointly or qualifying widow(er)—\$234,600
 - Married filing separately—\$117,300
 - Head of household—\$195,500
3. Line 1 minus line 2. 3. _____
4. Divide line 3 by \$2,500 (\$1,250 if married filing separately). Round the result to the nearest whole number (for example, increase 0.0004 to 1). 4. _____
5. Multiply line 4 by 2% (.02) and enter the result as a decimal. 5. _____
6. Multiply the total number of exemptions claimed on line 6e of your Oregon return by \$165 and enter the result here. 6. _____
7. Multiply the decimal on line 5 by line 6. 7. _____
8. **Exemption credit.** Line 6 minus line 7. Enter the result here and on Form 40, line 33. 8. _____

Oregon Nonrefundable Credits

D. The exemption credit(s) cannot be more than Oregon tax liability. There is no refund of any unused credit and no carryforward.

Example: Emily is married filing separately and has federal adjusted gross income (AGI), Form 40, line 8, of \$132,400. Since her AGI is more than \$117,300, but less than \$158,550, she must use the exemption credit worksheet. Here is how she fills out the worksheet to determine her exemption credit to enter on Form 40, line 33.

- | | |
|---|---------------------|
| 1. Enter the amount from Form 40, line 8. | 1. <u>\$132,400</u> |
| 2. Enter the amount shown below for your filing status. | 2. <u>\$117,300</u> |
| • Single—\$156,400 | |
| • Married filing jointly or qualifying widow(er)—\$234,600 | |
| • Married filing separately—\$117,300 | |
| • Head of household—\$195,500 | |
| 3. Line 1 minus line 2. | 3. <u>\$ 15,100</u> |
| 4. Divide line 3 by \$2,500 (\$1,250 if married filing separately). Round the result to the nearest whole number (for example, increase 0.0004 to 1). | 4. <u>\$ 13</u> |
| 5. Multiply line 4 by 2% (.02) and enter the result as a decimal. | 5. <u>.26</u> |
| 6. Multiply the total number of exemptions claimed on line 6e of your Oregon return by \$165 and enter the result here. | 6. <u>\$ 165</u> |
| 7. Multiply the decimal on line 5 by line 6. | 7. <u>\$ 43</u> |
| 8. Exemption credit. Line 6 minus line 7. Enter the result here and on Form 40, line 33. | 8. <u>\$ 122</u> |

II. Retirement income credit, Form 40, line 34.

A. To be eligible to claim this credit, the taxpayer or spouse must be age 62 or older and receive retirement income included in Oregon taxable income. Sources of retirement income include:

1. U.S. government pensions (includes military) not allowed as a subtraction on Form 40, line 17.
2. State or local government pensions.
3. Employee pensions.
4. Individual retirement plans (IRA).
5. Deferred compensation plans including defined benefit, profit sharing, 401(k), and money purchase pensions.
6. Employee annuity plans.

B. General limits

The taxpayer will qualify for the retirement income credit if:

1. The person receiving the retirement income was age 62 or older by December 31 of the tax year, **and**
2. The taxpayer's household income (see below) is less than \$22,500 (less than \$45,000 if married filing jointly), **and**
3. The taxpayer or spouse received less than \$7,500 (\$15,000 if married filing jointly) in Social Security and/or tier 1 Railroad Retirement Board benefits.

Exception: If the taxpayer's household income plus Social Security benefits is more than the household income limits, the retirement income credit is -0-.

C. What is included in household income?

1. Household income generally includes all income (both taxable and nontaxable) received during the year **except** Social Security and tier 1 Railroad Retirement Board benefits. Include items reported in the taxpayer's federal adjusted gross income. Household income of a married taxpayer includes their spouse's income unless they are living permanently apart at the end of the year. This is true, even if they decide to file separate tax returns.
2. Reduce household income by any adjustments to income claimed on the federal Form 1040, line 36; or Form 1040A, line 20.
3. When determining household income, you must limit a loss claimed on Schedule C to no more than \$1,000 per type of business. You also separate income or loss from Schedule C business, farms, rentals or royalties, and dispositions of tangible or intangible property. (These subjects are not covered in this workbook.)

Example:

Geronimo had wages of \$10,000 and private pension income of \$9,900. He also ran a small engine repair business and filed Schedule C. His business activity resulted in a loss of \$1,751. He may only claim \$1,000 of this loss when computing household income. Here is his household income:

Wages	\$10,000
Private pension, fully taxable	9,900
Schedule C loss	(1,000)
Total household income	<u>\$18,900</u>

Oregon Nonrefundable Credits

- 4. Household income includes the following items that are not included in federal AGI:
 - a. Veteran’s and military benefits.
 - b. Gifts and grants (total amount minus \$500).
 - c. Disability pay.
 - d. Nontaxable dividends (other than return of capital dividends).
 - e. Inheritance.
 - f. Insurance proceeds.
 - g. Nontaxable interest.
 - h. Oregon lottery winnings that are not taxable by Oregon.
 - i. Railroad Retirement Board benefits (tier 2 only).
 - j. Scholarships.
 - k. Strike benefits.
 - l. Welfare benefits.
- 5. Don’t include:
 - a. Capital gains that the taxpayer has deferred or excluded on the sale of his or her residence.
 - b. Pension or IRA distributions that have been “rolled over” into an IRA.
 - c. Traditional IRAs converted to Roth IRAs.

D. Retirement income credit worksheet:

- 1. Enter the retirement income of the eligible individual(s) included in federal adjusted gross income. 1. _____
- 2. Enter any federal pension income of the eligible individual(s) subtracted from Oregon income on Form 40, line 17. 2. _____
- 3. Net taxable pension. Line 1 minus line 2. 3. _____
- 4. Enter \$7,500 (\$15,000 if married filing jointly). 4. _____
- 5. Enter both spouses’ total Social Security and tier 1 Railroad Retirement Board benefits. 5. _____
- 6. Line 4 minus line 5, but not less than -0-. 6. _____
- 7. Enter the household income. 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 lesser of line 3 or line 10. 11. _____
- 12. Multiply line 11 by 9% (.09). Enter the result here and on Form 40, line 34. 12. _____

NOTE: The credit cannot be more than the Oregon tax liability. There is no refund of any unused credit and no carryforward.

Exercise:

Use the retirement income credit worksheet on page 68 as a guide.

- 9-1 a. Grover and Matilde are married filing jointly. Grover is age 60 and worked for the IRS from January 20, 1963, to May 31, 1990. His annual federal pension is \$24,000. Matilde is age 62 and received wages of \$12,000. How much is their retirement income credit?
- b. Would your answer to “a” be different if Grover received the wages and Matilde received the federal pension? Explain your answer.
- c. Melvyn is single and age 64 in 2007. He receives an annual private pension of \$13,600. He also received \$6,000 in Social Security benefits. Compute his retirement income credit.

III. Child and dependent care credit, Form 40, line 35.

A. The taxpayer is allowed the Oregon child and dependent care credit only if they qualify for the federal child and dependent care credit. Complete federal Form 2441 or federal Form 1040A, Schedule 2, even if the credit isn't used on the federal return. The taxpayer may be able to use the Oregon credit.

B. Child and dependent care credit worksheet

1. Enter the amount of qualified expenses shown on federal Form 2441, line 6; or Form 1040A, Schedule 2, line 6. 1. _____
2. Enter federal taxable income from Form 1040, line 43; or Form 1040A, line 27. 2. _____
3. Enter the decimal amount from the table below that applies to line 2. 3. _____

If line 2 above is:		Decimal
Over	But not over	amount is:
—	\$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

4. Multiply the amount on line 1 by the decimal amount on line 3. Enter the result here and on Form 40, line 35. 4. _____

Exercise:

9-2. Kareem and Sylvia reported their child care expenses on federal Form 2441, line 6, as \$1,850. Their federal taxable income was \$24,776. How much is their Oregon child and dependent care credit? Use the worksheet on page 69 as a guide.

C. This credit can be claimed in addition to the working family child care credit.

If the taxpayer paid 2006 child care expenses in 2007, call the department for more information. See page 4.

D. **Child and dependent care credit carryover from prior years** [code 704].

1. The total 2007 child and dependent care credit can't be more than the taxpayer's Oregon tax liability. Any excess credit can be carried forward over the next five years. If the excess isn't used within five years, it is lost.
2. If the taxpayer has a child and dependent care credit carryover from prior years, list the amount on Form 40, line 39, other credits. Identify it using code 704. The amount of the carryover plus the current year's child and dependent care credit can't exceed the taxpayer's Oregon tax liability. See page 74 if claiming additional "other credits."

Example:

Frances is head of household and has one dependent son, age 7. She had federal taxable income of \$16,000. Her 2007 Oregon tax is \$2,060. She also had a 2006 child and dependent care credit carryover of \$97. Qualified child care expenses from federal Form 2441, line 6, are \$2,360. Her child and dependent care credit is computed as follows:

Qualified child care expenses	\$2,360
Percentage allowed based on \$16,000 federal taxable income	× .06
2007 Oregon child and dependent care credit, Form 40, line 35	<u>\$142</u>

Form 40, line:

32. 2007 Total tax	\$2,060
33. Exemption credit	330
36. Child and dependent care credit (see above)	142
40. Other credits, child and dependent care credit carryover from 2006 [code 704]	97
42. 2007 tax after credits	<u>\$1,491</u>

IV. **Credit for the elderly or the disabled**, Form 40, line 36.

- A. The taxpayer is allowed the Oregon credit for the elderly or the disabled only if they qualify for the federal credit. Complete federal Schedule R or federal Form 1040A, Schedule 3, even if the credit is not taken on the federal return. The Oregon credit is 40 percent of federal credit (from Schedule R, line 20; or Form 1040A, Schedule 3, line 20).
- B. The credit cannot be more than the Oregon tax liability. There is no refund of any unused credit and no carryforward.
- C. The taxpayer can claim either this credit or the retirement income credit on Form 40, line 34, but not both. Claim this credit on Form 40, line 36.

Exercise:

9-3. Williet computed a federal credit for the elderly or the disabled of \$210. Her Oregon tax before all credits is \$410. How much is her Oregon credit for the elderly or the disabled?

V. Political contribution credit, Form 40, line 37.

- A. Taxpayers can claim the total political contribution up to:
 - 1. \$100 on a joint return.
 - 2. \$50 for all other returns.
- B. Taxpayers must keep a copy of their contribution receipts with their tax records.
- C. The contribution must be money, not property.
- D. The credit is limited to the Oregon tax liability. There is no refund of any unused credit and no carryforward.
- E. Claim the credit on Form 40, line 37.

Exercise:

- 9-4. Which of the following taxpayers can claim a political contribution credit? How much can they each claim?
- a. Harrison and Olivia made cash contributions to a qualified political party totaling \$160. They also donated a desk, valued at \$45, to a political action committee. They will file a joint return.

 - b. Clemente donated \$110 worth of refreshments to be used at a political rally held for a candidate. The candidate was listed on the Oregon general election ballot. He will file a single return.

B. Credit for long-term care insurance premiums [code 716], Form 40, line 39.

1. The taxpayer is allowed a long-term care insurance premiums credit for premiums the taxpayer paid during the tax year for a long-term care insurance policy that was:
 - a. A new policy issued on or after January 1, 2000; and
 - b. The beneficiaries are the taxpayer, the taxpayer's parents, or the taxpayer's dependents.
 - c. **NOTE:** Long-term care insurance premiums (LTCIP) for policies purchased in 1999 and before do not qualify for this credit.
2. The amount of the long-term care insurance premiums credit is:
 - a. The lesser of 15 percent of the premiums paid during the tax year or \$500 per return for married filing jointly, head of household, qualifying widow(er) with dependent child, and single individuals.
 - b. The lesser of 15 percent of the premiums paid prorated between the spouses or \$500 for married filing separately. The combined credits on both spouses' married filing separately returns cannot exceed the credit they would be allowed on a joint return.
3. Taxpayers must report any federal benefit due to a Schedule A deduction for the premiums as an Oregon addition on Form 40, line 10. Compute the Oregon addition for long-term care insurance premiums using the following formula:

A = Total long-term care premiums included in federal itemized deductions.

B = Total medical itemized deductions (Schedule A, line 1).

C = Federal medical deductions allowed (Schedule A, line 4).

(A ÷ B) × C = Amount of the Oregon addition

If this is the only addition, enter "104" on Form 40, line 10x, and the addition amount on line 10y and line 10. If there is more than one addition, do not enter a code or amount on lines 10x and 10y; instead, check box 10z and fill out and attach Schedule OR-A with the codes and amounts for line 10.

NOTE: If the taxpayer took the standard deduction on the Oregon return, do not compute an Oregon addition.

4. The credit cannot be more than the Oregon tax liability. There is no refund of any unused credit and no carryforward.

Example:

Joan, age 65, paid premiums of \$3,200 in 2007. On her federal return she is limited to a \$2,950 (**A**) medical deduction for the premiums on Schedule A. She has other medical expenses of \$3,180. Her total medical expenses are \$6,130 (**B**). Joan has federal adjusted gross income (FAGI) of \$40,000. She must reduce her medical expenses by 7.5 percent of her FAGI. Her 7.5 percent reduction amount is \$3,000. Her allowed medical deduction on Schedule A, line 4, is \$3,130 (**C**). She computes her Oregon addition as follows:

$$[(\mathbf{A})\$2,950 \div (\mathbf{B})\$6,130] \times (\mathbf{C})\$3,130 = \text{Oregon addition } \$1,506$$

Joan must add back \$1,506 on her Oregon return before she claims the credit. The Oregon addition will be entered on Form 40, line 10. Identify it using code 104.

Lesson 9

Oregon Nonrefundable Credits

Her allowable credit will be the lesser of 15 percent of her premiums or \$500. Her credit will be 15 percent of \$3,200 in premiums, or \$480. Enter the credit of \$480 on Form 40, line 39. Identify it using code 716.

- C. The taxpayer may qualify for one or more of the other nonrefundable credits. Please identify the credit(s) using the numeric code shown. If the taxpayer has only one "Other credit," enter the numeric code on line 39x and the amount on 39y and line 39. For example, if a taxpayer is claiming a \$50 loss of use of limbs credit, enter "717" on line 39x and "\$50" on line 39y and line 39 as shown below.

39 Other credits. Identify: ● 39x ● 39y \$ [Schedule attached](#) 39z ● 39

If the taxpayer has more than one "Other credits," do **not** enter a code or an amount on line 39x or line 39y. Instead check box 39z on Form 40 and attach Schedule OR-A to your return with the numeric codes and amounts of the credits. Enter the total from Schedule OR-A on line 39 as shown below.

Example:

Rose qualifies for the following "Other credits": \$50 loss of limbs credit [code 717]; and \$500 long term care insurance premiums credit [code 716]. Rose will use Schedule OR-A to claim the credits and she will enter the total amount of the "Other credits" on Form 40, line 39.

Other credits (codes 700-748)

Code		Amount	
●39a	717	●39b	50
●39c	716	●39d	500
●39e		●39f	
●39g		●39h	
●39i		●39j	
Enter total on Form 40, line 18		\$ 550	

39 Other credits. Identify: ● 39x ● 39y \$ [Schedule attached](#) 39z ● 39

- D. Additional credits are listed in the *Full-Year Resident* tax booklet and are beyond the scope of this workbook. If the taxpayer indicates that they are eligible for additional tax credits, refer them to a licensed tax preparer.

Exercise:

9-6. Emmet, age 58, paid long-term care insurance premiums of \$1,800 in 2007. He is the beneficiary of the policy. On his federal Schedule A he is limited to a \$1,100 medical deduction for the premiums. Emmet has other medical expenses of \$1,630. Here is his federal Schedule A detail for lines 1–4.

Sch. A		
Line no.	Amount	Description
1.	\$2,730	Medical expenses
2.	\$25,000	Federal AGI
3.	\$1,875	7.5% of line 2
4.	\$855	Line 1 minus line 3. Net medical deduction allowed.

a. Compute the Oregon addition for the premium deduction.

b. Compute the long-term care insurance premiums credit.

Lesson 9

Oregon Nonrefundable Credits

Lesson 9 exercise answers:

- 9-1. a. Zero. In order to qualify for the retirement income credit, Grover, the person receiving the retirement income, must be age 62 or older.
- b. No. Matilde has no retirement income taxable by Oregon. All of her federal pension was earned before October 1, 1991, and is subtracted on Form 40, line 17.
- c. Melvyn's retirement income credit is \$135, computed as follows:
- | | |
|--|--------------------|
| 1. Enter the retirement income of the eligible individual(s) included in federal adjusted gross income. | 1. <u>\$13,600</u> |
| 2. Enter any federal pension income of the eligible individual(s) subtracted from Oregon income on Form 40, line 17. | 2. <u>-0-</u> |
| 3. Net taxable pension. Line 1 minus line 2. | 3. <u>13,600</u> |
| 4. Enter \$7,500 (\$15,000 if married filing jointly). | 4. <u>7,500</u> |
| 5. Enter both spouses' total Social Security and tier 1 Railroad Retirement Board benefits. | 5. <u>6,000</u> |
| 6. Line 4 minus line 5, but not less than -0-. | 6. <u>1,500</u> |
| 7. Enter household income. | 7. <u>13,600</u> |
| 8. Household income base. Enter \$15,000 (\$30,000 if married filing jointly). | 8. <u>15,000</u> |
| 9. Line 7 minus line 8, but not less than -0-. | 9. <u>-0-</u> |
| 10. Line 6 minus line 9, but not less than -0-. | 10. <u>1,500</u> |
| 11. Enter the lesser of line 3 or line 10. | 11. <u>1,500</u> |
| 12. Multiply line 11 by 9% (.09). Enter the result here and on Form 40, line 34. | 12. <u>\$135</u> |
- 9-2. Kareem and Sylvia's allowable Oregon child and dependent care credit is \$111, computed as follows:
- | | |
|---|-------------------|
| 1. Qualified child care expenses. | 1. <u>\$1,850</u> |
| 2. Federal taxable income. | 2. <u>24,776</u> |
| 3. Enter decimal corresponding to taxable income on line 2. See page 69 of this workbook for the table. | 3. <u>.06</u> |
| 4. Multiply amount on line 1 by decimal on line 3. | 4. <u>\$111</u> |
- 9-3. \$84, computed as follows: Federal credit \$210 × Oregon percentage .40 = \$84.
- 9-4. a. Harrison and Olivia can claim a credit. Their Oregon political contribution credit is \$100. A cash contribution of \$160 is limited to the maximum credit allowed on a joint return, \$100.
- b. Clemente cannot claim a credit. He did not give a donation of money.
- 9-5. a. No. Dillon does not have a permanent disability.
- b. Yes. Carmen permanently lost the use of two limbs.
- c. Yes.
- d. No. The disability certificate for the loss of use of two limbs credit must come from a county public health officer. The letter for the severely disabled credit must come from a physician.
- 9-6. a. Emmet will have an Oregon addition of \$348. Here is the computation:
- $$((A)\$1,100 \div (B)2,730) \times (C)855 = \$348$$
- b. Emmet will have an LTCIP credit for \$270. Here is the computation: Take the smaller of 15 percent of his \$1,800 premiums (15 percent of \$1,800 = \$270), or \$500.

Lesson 10: Form 40—Finishing the Return

PAYMENTS AND REFUNDABLE CREDITS		42 Oregon income tax withheld. Attach Form(s) W-2 and 1099 ● 42		.00	} ADD TOGETHER		
		43 Estimated tax payments for 2007. Include payments made with your extension... ● 43		.00			
		44 Earned income credit. See instructions, page 34 ● 44		.00			
		45 Working family child care credit from WFC, line 18..... ● 45		.00			
Attach Schedule WFC if you claim this credit		Number from WFC, line 5 ● 45a <input type="text"/> Amount from WFC, line 16 ● 45b \$ <input type="text"/>					
		46 Mobile home park closure credit. Attach Schedule MPC..... ● 46		.00			
		47 Total payments and refundable credits. Add lines 42 through 46..... ● 47		.00			
		48 Overpayment. If line 41 is less than line 47, you overpaid. Line 47 minus line 41 OVERPAYMENT → ● 48		.00			
		49 Tax to pay. If line 41 is more than line 47, you have tax to pay. Line 41 minus line 47.... TAX TO PAY → ● 49		.00			
		50 Penalty and interest for filing or paying late. See instructions, page 35..... 50		.00			
		51 Interest on underpayment of estimated tax. Attach Form 10 and check box <input type="checkbox"/> ● 51		.00			
		Exception # from Form 10, line 1 ● 51a <input type="text"/>					
		52 Total penalty and interest due. Add lines 50 and 51..... 52		.00			
		53 Amount you owe. Line 49 plus line 52 AMOUNT YOU OWE → ● 53		.00			
		54 Refund. Is line 48 more than line 52? If so, line 48 minus line 52 REFUND → ● 54		.00			
		55 Estimated tax. Fill in the part of line 54 you want applied to 2008 estimated tax ... ● 55		.00	} These will reduce your refund		
CHARITABLE CHECKOFFS PAGE 12 <i>I want to donate part of my tax refund to the following fund(s)</i>	Oregon Nongame Wildlife ● 56	<input type="checkbox"/>	.00	Child Abuse Prevention ● 57		<input type="checkbox"/>	.00
	Alzheimer's Disease Research ● 58	<input type="checkbox"/>	.00	Op Dom. & Sexual Violence ● 59		<input type="checkbox"/>	.00
	AIDS/HIV Education & Services ● 60	<input type="checkbox"/>	.00	DR Military Financial Assist. ● 61		<input type="checkbox"/>	.00
	Habitat for Humanity ● 62	<input type="checkbox"/>	.00	OR Head Start Association ● 63		<input type="checkbox"/>	.00
	American Diabetes Association ● 64	<input type="checkbox"/>	.00	Oregon Coast Aquarium ● 65		<input type="checkbox"/>	.00
	SMART ● 66	<input type="checkbox"/>	.00	SOLV ● 67		<input type="checkbox"/>	.00
	Charity code ● 68a <input type="text"/> ● 68b	<input type="checkbox"/>	.00	Charity code ● 69a <input type="text"/> ● 69b		<input type="checkbox"/>	.00
	70 Total. Add lines 55 through 69. Total can't be more than your refund on line 54..... ● 70					.00	
	71 NET REFUND. Line 54 minus line 70. This is your net refund NET REFUND → ● 71					.00	

DIRECT DEPOSIT	72 For direct deposit of your refund, see the instructions on page 36.	● Type of Account: <input type="checkbox"/> Checking or <input type="checkbox"/> Savings
	● Routing No. <input type="text"/>	● Account No. <input type="text"/>

Important: Attach a copy of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ.

Under penalty for false swearing, I declare that the information in this return and any attachments is true, correct, and complete.			
Your signature	Date	Signature of preparer other than taxpayer	● License No.
X		X	
Spouse's signature (if filing jointly, BOTH must sign)	Date	Address	Telephone No.
X			

Objectives

At the end of this lesson, you will be able to:

- Compute the allowable working family child care credit.
- Compute the allowable Oregon earned income credit.
- Compute a net refund or “amount you owe” for Form 40.
- Apply a refund to 2008 estimated tax payments and/or charitable donations, if elected by the taxpayer.
- Identify the bank account information needed for direct deposit of a refund.

Introduction

This lesson covers the completion of Form 40. It provides you with a list of important points to remember.

Content**I. Tax payments.**

A. Oregon income tax withheld, Form 40, line 42.

1. Use only the **Oregon** income tax withheld shown on Forms W-2 and 1099.
2. Don't use:
 - a. FICA.
 - b. Federal income tax withholding.
 - c. Other states' income tax withholding.
3. Staple readable copies of all Forms W-2 and 1099 showing Oregon withholding to the front of the return.

B. Estimated tax payments the taxpayer made for the 2007 tax year, Form 40, line 43.

II. Earned income credit, Form 40, line 44.

A. To claim this credit, the taxpayer must qualify for the federal earned income credit on the federal return. **Reminder:** The taxpayer (and spouse if filing a joint return) must have valid Social Security numbers to qualify for this credit. Children must also have valid Social Security numbers to be qualifying children.

B. Oregon earned income credit worksheet

1. Enter the federal earned income credit shown on federal Form 1040, line 66a; Form 1040A, line 40a; 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 44. 2. _____

C. The earned income credit is refundable. If this credit is more than the taxpayer's tax, they will receive a check for the difference.

Exercise:

- 10-1. Lilly and Lyle qualified for and claimed a federal earned income credit of \$977 on their joint federal return. How much is their Oregon earned income credit? (Round to the nearest whole dollar amount.)

III. Working family child care credit, Form 40, line 45.

A. This refundable credit is available to low-income families with qualifying child care expenses. Child care expenses are those paid by the parent(s) or employer to allow the parent(s) to be gainfully employed, seek employment, or attend school as a full-time or a part-time student.

For purposes of this Oregon credit, qualifying child care expenses include:

1. Amounts excluded from income as dependent care assistance programs provided by an employer.
2. Dependent care benefits provided as part of a cafeteria plan; or
3. Reimbursement of child care expenses as part of a flexible spending arrangement.

Example 1:

Jeff's employer offers dependent care benefits. He takes advantage of this employer benefit and contributes \$4,000 pre-tax each year to a flexible spending arrangement (FSA) plan. He gives the plan administrator the necessary documents and is reimbursed for his child care expenses. His employer reports the \$4,000 of dependent care benefits in box 10 of his W-2. Jeff has \$5,000 total in child care expenses for his two qualifying children. He paid \$1,000 with after-tax dollars and was reimbursed \$4,000 from his pre-tax FSA. Jeff can claim the working family child care credit based on \$5,000 in qualifying child care expenses.

- B. Exception:** If the taxpayers are married, both spouses must be working or attending school for the expenses to qualify. However, there is now an exception to this requirement if one spouse has a qualifying disability that keeps them from working, attending school, and caring for themselves and the children. The other spouse must still work or attend school part time.

To use the exception, the disabled spouse must have a disability that prevents (or severely restricts) them from **all** of the following: working, looking for work, going to school at least part time, caring for the child(ren), **and** performing an activity of daily living such as, bathing, dressing, feeding, using the toilet, etc.

Note: To claim the exception, a physician needs to fill out Form WFC-DP stating that one of the taxpayers has a qualifying disability. Form WFC-DP is available on our website. Form WFC-DP must be attached to the Oregon return. A copy should also be kept with taxpayer's tax records and the doctor. See fax or mail instructions on form if return is e-filed.

Example 2:

Heather and Zach are married and have three children. Heather works full time and Zach does not work or attend school and is receiving disability for headaches. Zach does not need assistance with any of the activities of daily living. Zach's disability does not qualify for the exception. Heather and Zach cannot claim this credit for their child care expenses because both spouses are not working or attending school and neither qualifies for the disability exception.

Example 3:

Mason and Barbara are married and have two children. Mason works full time. Barbara is unable to work because she has a brain tumor. Barbara has a home care worker come to their home daily because she is unable to care for herself while Mason is away at work. Mason and Barbara pay \$750 a month for child care and \$800 a month for care for Barbara. Barbara and her doctor completed Form WFC-DP showing that Barbara has a qualifying disability. Mason and Barbara can claim this credit for the \$750 a month they paid for child care. The amount paid for Barbara's care does not qualify for this credit.

Example 4:

Candice and Justin are married and have a child. Candice works full time and Justin volunteers 20 hours a week at the local shelter. Candice and Justin pay a daycare center \$400 a month to watch their child. Candice and Justin cannot claim the credit because Justin is not working or going to school and does not have a qualifying disability.

C. General limits

Taxpayers qualify for this credit if **all** of the following are true:

1. Federal adjusted gross income is less than the limit for household size (see tables on page 86); and
2. Expenses are for a qualifying child of the taxpayer. A qualifying child is the taxpayer's child, stepchild, grandchild, step-grandchild, sister, brother, stepsister, stepbrother, niece, nephew, step-niece, step-nephew, or eligible foster child who:
 - a. Was claimed as a dependent on the taxpayer's federal return, or could have been claimed on their return except, as the custodial parent, they 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
 - b. Was under the age of 13 at the time care was provided, or was a child who qualifies for the additional exemption credit for a child with a disability, and
 - c. Did not provide more than one-half of their own support during the year, and
3. Care is not provided by the child's parent or guardian, and
4. Care is not provided by the qualifying child's relative or step-relative under age 19, and
5. Earned income is at least \$7,550, and
6. Investment income is less than \$2,950. This is generally interest, dividends, and capital gains.

Note: Taxpayers who file as married filing separately must be legally separated or living apart on December 31, 2007, and intend to remain in separate households in the future to be eligible for this credit.

Example 5:

Rusty and Deb are divorced and are the parents of two qualifying children. They have separate households and share joint custody of both children. Deb is the primary custodian and caregiver. She allows Rusty to take the dependent exemption for one child. Both Rusty and Deb can claim the credit based on the qualifying child care expenses each paid. However, they must calculate household size separately. Deb's household size is three (herself, one dependent child, 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 does not live with him and is not included in his household size.

- D. The working family child care credit is refundable. If this credit is more than the taxpayer's tax, they will receive a check for the difference. This credit can be claimed in addition to the child and dependent care credit. Complete Schedule WFC and file the schedule with the taxpayer's Oregon income tax. **IMPORTANT:** Returns claiming this credit usually take longer to process than other returns. Make sure the taxpayer is aware that their refund will be delayed when claiming this credit. We will deny the credit if the taxpayer fails to attach Schedule WFC to their tax return.

IV. Completing Schedule WFC.

A. Heading

1. Fill in the taxpayer(s) name(s) and Social Security number(s).
2. If the care was so that the taxpayer or spouse could attend school, check the box next to their name.
3. If filing joint and the taxpayer or spouse (remember only one can qualify for this exception) and their physician has completed Form WFC-DP and will be attaching it to the return (or if e-filing the form needs to be faxed or mailed to us) check the box next to their name. This form is available on the Department of Revenue website. Remind them to keep a copy of the form for their records for at least four years. We may contact the doctor or ask for a copy of the form during that time. This form must be filled out by the taxpayer and their physician each year that they claim this exception.

B. Household size calculation

1. The household size is the number of people the taxpayer claimed as exemptions on the federal tax return who lived in their home.
 - a. Household size includes children in the primary custody of the taxpayer, even if they allowed the child's other parent to claim the exemption.
 - b. Do not include people the taxpayer is entitled to claim on their tax return who did not live in their home during 2007.
 - c. Enter the household size from Schedule WFC, line 5, on Form 40, line 45a.

Example 6:

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 the home. They will enter "7" on Schedule WFC, line 1, and "2" on line 4 for a total of "5" entered on line 5.

C. Qualifying child care expenses paid in 2007

1. **Provider's full name, complete address, and daytime phone number.** Enter the child care provider's information in the space provided on Schedule WFC, lines 6-8. If you need more space, attach a separate sheet with the required information.
2. **Provider's SSN/FEIN/ITIN.** Include each provider's Social Security number, Federal Employer Identification Number, or Individual Taxpayer Identification Number.
3. **Child/provider relationship.** Identify the relationship of the child to the provider using the relationship code on page 84. If there is no relationship between the child and the provider, enter N for none.
4. **Amount paid to provider.** Qualifying child care expenses are paid by the taxpayer or the taxpayer's employer for the taxpayer to work or attend school. If the taxpayers are married, both spouses must be working or attending school for the expenses to qualify. However, there is now an exception to this requirement if one spouse has a qualifying disability that keeps them from working, attending school, and caring for themselves and the children. See page 79 about claiming this exception.
 - a. The taxpayer can pay expenses with pre-tax dollars from an employer benefit plan,

Lesson 10

Form 40—Finishing the Return

- such as a cafeteria plan or flexible spending arrangement, and still qualify to claim this credit.
- b. The taxpayer must have paid for the child care during 2007 to be qualifying child care expenses.
 - c. Qualifying child care expenses do not include fees for:
 - Public or private school,
 - Afterschool activities,
 - Sports,
 - Overnight camps, or
 - Boarding school.
 - d. The taxpayer cannot claim expenses paid by someone else, such as a state assistance agency.
 - e. Enter the total paid to all providers on line 9. If there are more than three providers, check box 9a and attach the same information for the additional providers on a separate sheet. Be sure to enter the total paid to all providers on line 9.

Example 7:

Lee has a 5-year-old son who attends a local academy. He pays \$750 per month for his son's kindergarten and child care. Of that amount, \$500 is for child care and \$250 is for kindergarten. Lee can only claim \$500 per month as qualifying child care.

Example 8:

Cate qualifies for state assistance for her child care expenses. The child care provider charges Cate \$600 per month to care for her two children. Of that amount, the state pays \$450, and Cate has a co-pay of \$150. Cate cannot claim the entire amount because she did not pay it. She can only claim the amount she actually paid (\$150 per month).

5. **Proof of qualifying child care expenses.** To claim this credit, the taxpayer must be able to prove that they paid the child care expenses. The taxpayer needs to understand that it is likely that they will be required to provide proof of their expenses, so that they are prepared if the Department of Revenue requests proof. Acceptable proof includes, but is not limited to, copies of:
 - a. Canceled checks or money order stubs.
 - b. Duplicate checks along with bank statements.
 - c. Specific receipts from the child care provider.

The department can ask for proof while the tax return is being processed or any time later. If the taxpayer pays a relative to watch their children, they can be asked to prove they actually paid qualifying child care expenses.

Example 9:

Abby has two children and works full time. Abby's friend and next door neighbor, Tonya, watches Abby's children for her. Abby pays Tonya \$500 a month in cash. Abby did not receive a receipt and does not have proof that she paid Tonya when asked for it during the processing of her tax return. Abby's credit was denied. Abby cannot claim the credit because the receipts were not provided to her at the time of payment and she has no other proof of payment.

Example 10:

Jen and George are married and have two children. Jen and George both work full time. Jen's mother, Michelle, lives with them. Jen and George pay Michelle \$500 a month in cash to watch their children while they work. Jen and George do not have proof that they paid Michelle and Michelle is not paying rent to live at their home. Because the payments were made in cash to a relative and there is no proof of payment, Jen and George cannot claim this credit.

Example 11:

Cassie has two children and works full time. Cassie's parents, Mike and Hildi, live in the same town and watch their grandchildren while Cassie works. They do not take care of any other children. Cassie and pays Mike and Hildi \$400 a month in cash. Cassie does not have further proof other than the written receipts by Hildi that she received \$400 in cash at the beginning of the month. Mike and Hildi do not report this income on their tax return. Cassie cannot claim this credit because she has no proof of payment.

Example 12:

Cameron and Sarah are married and have two children. Cameron and Sarah both work full time. Cameron's mother, Hailey, lives nearby and watches their children. Hailey also takes care of other children in her home. Cameron and Sarah pay Hailey \$750 a month by check and receive receipts from Hailey at the time of payment. Hailey claims all child care income on her tax return. Cameron and Sarah can claim this credit because they have proof of payment (cancelled checks).

D. Qualifying child information

1. Enter the full name of each qualifying child, the child's Social Security number, date of birth, and relationship to the taxpayer using the codes shown below.
2. If there are more than four qualifying children check box 14a and attach the same information for the additional children on a separate sheet and be sure to enter the total paid for all children on line 14.
3. Enter the portion of the expenses 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 13:

Bill has two qualifying children, Joey and Laney. He paid two child care providers \$5,000 during the year for their care—\$3,000 for Joey's care and \$2,000 for Laney's care. He will enter those amounts next to each child's information.

E. Computation of credit

1. You must know federal adjusted gross income (AGI) to compute this credit, Form 40, line 8. Enter federal AGI on Schedule WFC, line 15.
2. Enter the total qualifying expenses from Schedule WFC, line 9, on Schedule WFC, line 16, and Form 40, line 45b.
3. Use the table on page 86 that matches the household size. For example, if the household size is three, use Table 3 to determine what percentage to apply to the qualifying expenses shown on Schedule WFC, line 16. Enter that percentage as a decimal on Schedule WFC, line 17.

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Form 40—Finishing the Return

E. Schedule WFC Relationship Codes

Son.....	S	Eligible foster child.....	EF
Daughter	D	Aunt	A
Stepson	SS	Uncle.....	U
Stepdaughter	SD	Cousin.....	CS
Grandchild.....	GC	Sister-in-law.....	SL
Niece	NC	Brother-in-law	BL
Nephew	NW	Other relative.....	O
Sister/Brother.....	SB	None	N

F. Use Schedule WFC to figure the working family child care credit:

Schedule WFC		Oregon Working Family Child Care Credit		2007	
for Form 40 and Form 40S Filers					
Last name	First name and initial	Social Security No. (SSN)	- -	<input type="checkbox"/>	Attending school
				<input type="checkbox"/>	Form WFC-DP is attached
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return	- -	<input type="checkbox"/>	Attending school
				<input type="checkbox"/>	Form WFC-DP is attached

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

6. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 6 \$ _____
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7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 7 \$ _____
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8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 8 \$ _____
---	------------------------------	---	--------------------------------	--

9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a 9 \$ _____

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. _____				\$ _____
11. _____				\$ _____
12. _____				\$ _____
13. _____				\$ _____
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ _____

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4 17
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

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— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Working Family Child Care Credit—2007 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 not more than:	
---	\$20,400	.40
20,401	21,450	.36
21,451	22,450	.32
22,451	23,500	.24
23,501	24,500	.16
24,501	25,550	.08
25,551	---	.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 not more than:	
---	\$27,400	.40
27,401	28,750	.36
28,751	30,100	.32
30,101	31,500	.24
31,501	32,850	.16
32,851	34,250	.08
34,251	---	.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 not more than:	
---	\$34,350	.40
34,351	36,050	.36
36,051	37,750	.32
37,751	39,500	.24
39,501	41,200	.16
41,201	42,950	.08
42,951	---	.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 not more than:	
---	\$41,300	.40
41,301	43,350	.36
43,351	45,450	.32
45,451	47,500	.24
47,501	49,550	.16
49,551	51,650	.08
51,651	---	.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 not more than:	
---	\$48,250	.40
48,251	50,650	.36
50,651	53,100	.32
53,101	55,500	.24
55,501	57,900	.16
57,901	60,350	.08
60,351	---	.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 not more than:	
---	\$55,200	.40
55,201	58,000	.36
58,001	60,750	.32
60,751	63,500	.24
63,501	66,250	.16
66,251	69,050	.08
69,051	---	.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 not more than:	
---	\$62,200	.40
62,201	65,300	.36
65,301	68,400	.32
68,401	71,500	.24
71,501	74,600	.16
74,601	77,750	.08
77,751	---	.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 not more than:	
---	\$69,150	.40
69,151	72,600	.36
72,601	76,050	.32
76,051	79,500	.24
79,501	82,950	.16
82,951	86,450	.08
86,451	---	.00

* If your household size is more than eight, contact the department for the tables you need.

Exercises:

10-2. Stacy Tracy and Nick Slick are filing a joint return. Their personal information is as follows:

Stacy Tracy, SSN 457-00-1212, DOB 04/07/1974.

Nick Slick, SSN 512-90-7200, DOB 05/12/1972.

Stacy earned \$20,010 in wages.

Nick earned \$10,990 in wages.

Their daughter, Casey, SSN 549-95-0000, DOB 07/28/1997, lives with them.

They paid \$2,700 for child care expenses to Grandma Tracy.

Her SSN is 000-00-0029. Grandma lives at 895 Myrtle Ave., Salem OR 97303 and her phone number is 503-555-0000.

How much is their working family child care credit? Use the Schedule WFC on page 85 as a guide.

10-3. Abigail Bean is filing her return as head of household. Her SSN is 555-11-0000, her DOB is 05/11/1972. She has three children who lived with her all year.

Julius, 444-11-0000, DOB 04/11/1991.

Barbara, SSN 333-11-0000, DOB 03/11/1995.

Clara, SSN 222-11-0000, DOB 02/11/1998.

Abigail's former husband claims Clara as a dependent.

Abigail earned \$38,000 in wages and had \$22 interest income.

She paid \$4,260 to Busy Beaver Day Care Center, Inc., 93-0005432, for child care for Barbara and Clara.

The day care center is located at 9500 Beaver Creek Blvd., Beaverton OR 97123 and their phone number is 503-000-5555.

In addition, Abigail paid Julius a total of \$470 to care for his sisters when she worked on Saturday mornings.

How much is the working family child care credit for Abigail? Use the Schedule WFC on page 85 as a guide.

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 1:

Roco and Nora Kwan are filing a joint return this year. Their personal information is as follows:

Roco's DOB is 12/17/1944. His SSN is 444-88-5555.

Nora's DOB is 05/23/1961. Her SSN is 555-44-8888.

Their current address is 329 Your Street, Portland, Oregon 97233, and their telephone number is 503-000-8107. In 2006, the Kwans received their mail at PO Box 777, Portland OR.

They have two dependent children, Ada, SSN 888-55-4444, DOB 03/20/1999; and Joe, SSN 458-45-8458, DOB 02/05/1996.

Roco is a carpenter and earned wages of \$23,000.

Nora made \$9,800 in wages working at the local pharmacy.

Roco received a \$1,600 taxable pension from Nike.

Nora lost the use of her left foot in an accident two years ago. She has a copy of a letter from her doctor stating her disability. Nora also has a completed certification form from the county health officer.

They want to use the standard deduction.

They did not receive any Social Security benefits.

Roco and Nora's federal taxable income is \$10,100, and their federal tax liability before credits is \$1,013.

Their federal child care credit is \$280, and their federal child tax credit is \$2,000.

Their allowable child care expenses from federal Form 2441, line 6, are \$1,400. This is their total child care expense paid in 2007. The children were watched after school three days a week by their next door neighbor, Kathy Mahathey. She lives at 325 Your Street and her phone number is 503-000-8260. Her SSN is 628-00-8260.

They gave a \$75 cash contribution to a qualified political party.

Complete the following Form 40 through line 42, plus line 45 and Schedule WFC.

Lesson 10 practical application 1: Roco and Nora Kwan

Amended Return <input type="checkbox"/>		OREGON		Form 40		For office use only	
2007		INDIVIDUAL INCOME TAX RETURN		Fiscal year ending		K F P J	
Full-Year Residents Only							
Last name		First name and initial		Social Security No. (SSN)		Date of birth (mm/dd/yyyy)	
		<input type="checkbox"/> Deceased		- -			
Spouse's last name if joint return		Spouse's first name and initial if joint return		Spouse's SSN if joint return		Date of birth (mm/dd/yyyy)	
		<input type="checkbox"/> Deceased		- -			
Current mailing address						Telephone number ()	
City		State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>		
Filing Status Check only one box 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child				Exemptions 6a Yourself ...Regular <input type="checkbox"/> Severely disabled <input type="checkbox"/> Total <input type="checkbox"/> 6b Spouse.....Regular <input type="checkbox"/> Severely disabled <input type="checkbox"/> Total <input type="checkbox"/> 6c All dependents First names _____ Total <input type="checkbox"/> 6d Disabled children only First names _____ Total <input type="checkbox"/> (see instructions)			
Check all that apply →	7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24			
8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24						Round to the nearest dollar	
						● 8 <input type="text"/> .00	
ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon... ● 9	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	10 Other additions. Identify: ●10x <input type="text"/> ●10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> ● 10	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	11 Total additions. Add lines 9 and 10	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	12 Income after additions. Add lines 8 and 11	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
SUBTRACTIONS	13 2007 federal tax liability (\$0–\$5,500; see instructions for the correct amount) ● 13	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... ● 14	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	15 Oregon income tax refund included in federal income..... ● 15	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	16 Interest from U.S. government, such as Series EE, HH, and I bonds ● 16	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	17 Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> %... ● 17	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	18 Other subtractions. Identify: ●18x <input type="text"/> ●18y \$ <input type="text"/> Schedule attached 18z <input type="checkbox"/> ● 18	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	19 Total subtractions. Add lines 13 through 18..... ● 19	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	20 Income after subtractions. Line 12 minus line 19..... ● 20	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
DEDUCTIONS	If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.						
	21 Itemized deductions from federal Schedule A, line 29 ● 21	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	22 Special Oregon medical deduction (age restricted, see instructions, page 29) ● 22	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	23 Total Oregon itemized deductions. Add lines 21 and 22..... ● 23	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	24 State income tax or sales tax claimed as an itemized deduction ● 24	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	25 Net Oregon itemized deductions. Line 23 minus line 24..... ● 25	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	OR						
	26 Standard deduction from page 30..... ● 26	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	27 Total deductions. Line 25 or line 26, whichever is larger ● 27	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0- ● 28	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TAX	29 Tax. See instructions, page 30. Enter tax here ● 29	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or ● 29b <input type="checkbox"/> Form FIA-40 or ● 29c <input type="checkbox"/> Worksheet FCG						
	30 Interest on certain installment sales..... ● 30	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS ● 31	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 1: Roco and Nora Kwan

Page 2 — 2007 Form 40 — Remember to reprint page 1 if any changes are made on this page.

	32 Total tax before credits from front of form, line 31	32		.00
NONREFUNDABLE CREDITS	33 Exemption credit. If the amount on line 8 is less than \$117,300, multiply your total exemptions on line 6e by \$165. Otherwise, see instructions on page 31	• 33		.00
	34 Retirement income credit. See instructions, page 31	• 34		.00
	35 Child and dependent care credit. See instructions, page 32.....	• 35		.00
	36 Credit for the elderly or the disabled. See instructions, page 32.....	• 36		.00
Attach proof	37 Political contribution credit. See limits, page 32.....	• 37		.00
	38 Credit for income taxes paid to another state. State: •38y <input type="text"/> Schedule attached 38z <input type="checkbox"/>	• 38		.00
	39 Other credits. Identify: •39x <input type="checkbox"/> •39y \$ <input type="text"/> Schedule attached 39z <input type="checkbox"/> • 39	• 39		.00
	40 Total non-refundable credits. Add lines 33 through 39	• 40		.00
	41 Net income tax. Line 32 minus line 40. If line 40 is more than line 32, enter -0-	• 41		.00
PAYMENTS AND REFUNDABLE CREDITS	42 Oregon income tax withheld. Attach Form(s) W-2 and 1099	• 42		.00
	43 Estimated tax payments for 2007. Include payments made with your extension...	• 43		.00
	44 Earned income credit. See instructions, page 34	• 44		.00
Attach Schedule WFC if you claim this credit	45 Working family child care credit from WFC, line 18.....	• 45		.00
	Number from WFC, line 5 •45a <input type="text"/> Amount from WFC, line 16 •45b \$ <input type="text"/>			
	46 Mobile home park closure credit. Attach Schedule MPC.....	• 46		.00

ADD TOGETHER

ADD TOGETHER

Lesson 10 practical application 1: Roco and Nora Kwan

Schedule WFC	Oregon Working Family Child Care Credit for Form 40 and Form 40S Filers	2007
Last name	First name and initial	Social Security No. (SSN) - -
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return - -
		<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached <input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

6. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 6 \$ _____
7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 7 \$ _____
8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 8 \$ _____
9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a <input type="checkbox"/> 9				\$ _____

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. First and Last Name of Child				\$
11.				\$
12.				\$
13.				\$
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4 17
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 08/27/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

V. Total payments and refundable credits.

- A. Add tax withheld from the taxpayer's income, estimated tax payments made by the taxpayer, any earned income credit, any working family child care credit, and any mobile home park closure credit to determine total payments and refundable credits, Form 40, line 47.
- B. If Form 40, line 41, is less than line 47, subtract the net income tax from total payments (line 47 minus line 41) to determine the overpayment, Form 40, line 48. If line 41 is more than line 47, subtract the total payments from net income tax (line 41 minus line 47) to determine the tax to pay, Form 40, line 49.

VI. Penalty and interest, Form 40, line 50.

- A. This area is for taxpayers who file or pay **after** April 15, 2008.
- B. Volunteer preparers usually won't handle these situations.
- C. The current interest rate is .75 percent per month. The interest is figured daily for periods less than a month. The daily rate is .0247 percent.
- D. The failure-to-pay or failure-to-file penalty is 5 percent of the unpaid tax.
- E. There is an additional failure-to-file penalty for returns that are more than three months late. This penalty is 20 percent of the unpaid tax.

Taxpayers should file their returns on time, even if they can't pay all or any of the tax they owe. Filing on time will prevent the taxpayer from being charged the additional 20 percent penalty on the unpaid tax.

- F. There is an exception to paying penalties. See the penalty and interest instructions in the *Full-Year Resident* tax booklet.
- G. There are other penalties not mentioned here. Volunteer preparers will not handle the situations where these other penalties apply.

VII. Interest on estimated tax underpayment, Form 40, line 51.

- A. If taxpayers did not make estimated tax payments when they should have, or if they paid amounts less than they should have, they may owe interest on underpayment of estimated tax.
- B. Taxpayers should have made estimated tax payments if they owed more than \$1,000 in Oregon tax, Form 40, line 49. You should notify taxpayers that they may owe this interest.
- C.
 1. Taxpayers should complete Form 10 and attach it to their Oregon return.
 2. If they owe interest on underpayment of estimated tax but don't attach Form 10, the Oregon Department of Revenue will calculate interest due and bill them.
 3. Check the box on Form 40, line 51, if Form 10 is attached.
 4. The instructions for completing Form 10 are beyond the scope of this workbook.

VIII. "Amount you owe" and refund.

- A. Compute the amount you owe, Form 40, line 53, or the refund, Form 40, line 54. Write the amount on the correct line. **(Double-check this. Errors are common on these lines.)**
- B. All taxpayers who have an entry on Form 40, line 49, "Tax to pay," will also have an entry

Lesson 10

Form 40—Finishing the Return

VIII. Estimated tax payment and charitable checkoffs, Form 40, lines 55–70.

Does the taxpayer have a refund on Form 40, line 54? They must have a refund of \$1 or more on line 54 to use lines 55–69.

- A. The taxpayer can designate \$1 or more of their refund to be applied to 2008 estimated tax. Write in the amount to be applied on line 55.
- B. The taxpayer can donate all or part of their refund to any of the charities listed on lines 56–67. Enter the amount on lines 56–67.
- C. The taxpayer can donate all or part of their refund to **two** of the charities listed for lines 68 and 69. There are 12 charities identified in the *Full-Year Resident* tax booklet on pages 13 and 14. Each has a code number. The taxpayer may select one or two “other charities.” Enter the code number(s) on line 68 or 69. **Only one code may be entered for each line.** Enter the amount the taxpayer wants to donate on line 68 or 69.
- D. If the taxpayer doesn’t want to donate, leave lines 56–69 blank.
- E. The total 2008 estimated tax payments and donations on Form 40, line 70, can’t be more than the refund on Form 40, line 54.
- F. Some taxpayers will have no tax refund, but may still want to make a donation to one or more charities. Taxpayers can mail donations directly to the charities. The addresses are listed on the department’s website at www.oregon.gov/DOR.

IX. Net refund.

- A. If the taxpayer has a refund amount on line 54 and is not applying any amount to estimated tax for 2008 or making a donation, enter the net refund on line 71. If the total refund is being applied to estimated tax or donated, enter -0-.
- B. Subtract the total estimated tax payments and donations on line 70 from the refund on line 54. Enter the difference on line 71, “Net refund.”
- C. The department can’t issue refunds on returns filed more than three years after the original due date of the return.

- X. **Direct deposit**, Form 40, line 72.
- A. Taxpayers can have their refund deposited directly into their bank account instead of receiving a check. The taxpayer must provide the following bank information:
 - 1. **Type of account.** Indicate checking or savings.
 - 2. **Routing number.** The nine-digit routing number must begin with 01 through 12, 21 through 32, or 61 through 72.
 - 3. **Account number.** This can be up to 17 characters (both numbers and letters). Include hyphens, but do not include spaces or special symbols. Enter the account number from left to right and leave any unused boxes blank.
 - B. If the bank rejects the direct deposit, the department will send a paper check to the address on the return.
- XI. **Signature block.**
- A. Remind the taxpayer to sign the form.
 - B. If married filing jointly, **both** spouses must sign.
 - C. Fill in your Tax Counseling for the Elderly (TCE) or Tax-Aide site number in the preparer signature space.

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 2: Tyrone Tower

Tyrone Tower is an attorney. He was born on June 12, 1942. His wife, Tillie, died February 10, 2006.

Tyrone has two sons: Tiger, SSN 100-10-0001, DOB 11/04/1985, a full-time student; and Thomas, SSN 001-00-0100, DOB 12/10/1995. They lived with him for the entire year.

Tyrone earned \$23,000 in wages. His other income was \$1,900 in bank interest; \$200 in ordinary dividends; and a fully taxable \$3,500 private pension.

Tyrone paid \$3,300 to 24/7/365 Care, Inc. to care for Thomas after school and during the summer while he worked. Their federal identification number is 93-2473650. They are located at 1900 Fairway Plaza, Salem OR 97301 and their phone number is 503-610-0000.

Tyrone's SSN is 000-01-1000, his telephone number is 503-000-6100, and he lives at 290 My Street, Salem, OR 97301.

Tyrone had \$515 in Oregon income tax withheld from his wages.

If he has a refund, Tyrone would like to donate \$200 to the Alzheimer's Research Fund and \$150 to Habitat for Humanity.

Tyrone wants to use direct deposit if he has a refund. Use the same bank information shown on his federal Form 1040A, lines 44b–44d.

The completed federal Form 1040A, Schedule 2, and the "Oregon Only" Schedule A are shown. 1040A Schedule 1 was prepared, but is not shown for this problem.

Complete Tyrone's Oregon return and Schedule WFC. Blank forms are provided.

Lesson 10 practical application 2: Tyrone Tower

Form 1040A Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return (99) 2007 IRS Use Only—Do not write or staple in this space.

Label (See page 18.)

Use the IRS label. Otherwise, please print or type.

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 18) You Spouse

Filing status Check only one box.

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a.

b Spouse

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 21)
Tiger	Tower	100 10 0001	Son	<input type="checkbox"/>
Thomas	Tower	001 00 0100	Son	<input checked="" type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed. **3**

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	23,000
8a	Taxable interest. Attach Schedule 1 if required.	8a	1,900
8b	Tax-exempt interest. Do not include on line 8a.	8b	
9a	Ordinary dividends. Attach Schedule 1 if required.	9a	200
9b	Qualified dividends (see page 25).	9b	
10	Capital gain distributions (see page 25).	10	
11a	IRA distributions.	11a	
11b	Taxable amount (see page 25).	11b	
12a	Pensions and annuities.	12a	
12b	Taxable amount (see page 26).	12b	3,500
13	Unemployment compensation and Alaska Permanent Fund dividends.	13	
14a	Social security benefits.	14a	
14b	Taxable amount (see page 28).	14b	
15	Add lines 7 through 14b (far right column). This is your total income.	15	28,600

Adjusted gross income

16	Educator expenses (see page 28).	16	
17	IRA deduction (see page 28).	17	
18	Student loan interest deduction (see page 31).	18	
19	Tuition and fees deduction. Attach Form 8917.	19	
20	Add lines 16 through 19. These are your total adjustments.	20	
21	Subtract line 20 from line 15. This is your adjusted gross income.	21	28,600

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7 23,000

8a Taxable interest. Attach Schedule 1 if required. 8a 1,900

8b Tax-exempt interest. Do not include on line 8a. 8b

9a Ordinary dividends. Attach Schedule 1 if required. 9a 200

9b Qualified dividends (see page 25). 9b

10 Capital gain distributions (see page 25). 10

11a IRA distributions. 11a

11b Taxable amount (see page 25). 11b

12a Pensions and annuities. 12a

12b Taxable amount (see page 26). 12b 3,500

13 Unemployment compensation and Alaska Permanent Fund dividends. 13

14a Social security benefits. 14a

14b Taxable amount (see page 28). 14b

15 Add lines 7 through 14b (far right column). This is your total income. 15 28,600

Adjusted gross income

16 Educator expenses (see page 28). 16

17 IRA deduction (see page 28). 17

18 Student loan interest deduction (see page 31). 18

19 Tuition and fees deduction. Attach Form 8917. 19

20 Add lines 16 through 19. These are your total adjustments. 20

21 Subtract line 20 from line 15. This is your adjusted gross income. 21 28,600

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 58. Cat. No. 11327A Form 1040A (2007)

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 2: Tyrone Tower

Form 1040A (2007)

Page 2

Tax, credits, and payments	22 Enter the amount from line 21 (adjusted gross income).	22	28,600
Standard Deduction for— • People who checked any box on line 23a or 23b or who can be claimed as a dependent, see page 32. • All others: Single or Married filing separately, \$5,350 Married filing jointly or Qualifying widow(er), \$10,700 Head of household, \$7,850	23a Check if: <input checked="" type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind } Total boxes checked 23a 1 <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind }		
	b If you are married filing separately and your spouse itemizes deductions, see page 32 and check here 23b <input type="checkbox"/>		
	24 Enter your standard deduction (see left margin).	24	11,750
	25 Subtract line 24 from line 22. If line 24 is more than line 22, enter -0-.	25	16,850
	26 If line 22 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 22 is over \$117,300, see the worksheet on page 32.	26	10,200
	27 Subtract line 26 from line 25. If line 26 is more than line 25, enter -0-. This is your taxable income .	27	6,650
	28 Tax , including any alternative minimum tax (see page 32).	28	668
	29 Credit for child and dependent care expenses. Attach Schedule 2.	29	668
	30 Credit for the elderly or the disabled. Attach Schedule 3.	30	
	31 Education credits. Attach Form 8863.	31	
32 Child tax credit (see page 37). Attach Form 8901 if required.	32		
33 Retirement savings contributions credit. Attach Form 8880.	33		
34 Add lines 29 through 33. These are your total credits .	34	668	
35 Subtract line 34 from line 28. If line 34 is more than line 28, enter -0-.	35	0	
36 Advance earned income credit payments from Form(s) W-2, box 9.	36		
37 Add lines 35 and 36. This is your total tax .	37	0	
38 Federal income tax withheld from Forms W-2 and 1099.	38	870	
39 2007 estimated tax payments and amount applied from 2006 return.	39		
40a Earned income credit (EIC) .	40a	1,929	
b Nontaxable combat pay election. 40b			
41 Additional child tax credit. Attach Form 8812.	41	1,000	
42 Add lines 38, 39, 40a, and 41. These are your total payments .	42	3,799	
Refund	43 If line 42 is more than line 37, subtract line 37 from line 42. This is the amount you overpaid .	43	3,799
Direct deposit? See page 53 and fill in 44b, 44c, and 44d or Form 8888.	44a Amount of line 43 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	44a	3,799
	b Routing number 1 2 3 4 5 7 7 7 7 c Type: <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number 2 3 4 5 2 3 4 5 2 3 4 5 2		
	45 Amount of line 43 you want applied to your 2008 estimated tax .	45	
Amount you owe	46 Amount you owe . Subtract line 42 from line 37. For details on how to pay, see page 54.	46	
	47 Estimated tax penalty (see page 54).	47	
Third party designee	Do you want to allow another person to discuss this return with the IRS (see page 55)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No		
	Designee's name <input type="text"/>	Phone no. <input type="text"/> () <input type="text"/>	Personal identification number (PIN) <input type="text"/>
Sign here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.		
Joint return? See page 18. Keep a copy for your records.	Preparer's signature <input type="text"/>	Date <input type="text"/>	Your occupation <input type="text"/>
	Spouse's signature. If a joint return, both must sign. <input type="text"/>	Date <input type="text"/>	Spouse's occupation <input type="text"/>
Paid preparer's use only	Preparer's signature <input type="text"/>	Date <input type="text"/>	Preparer's SSN or PTIN <input type="text"/>
	Firm's name (or yours if self-employed), address, and ZIP code <input type="text"/>	EIN <input type="text"/>	Phone no. () <input type="text"/>

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Form 1040A (2007)

Lesson 10 practical application 2: Tyrone Tower

SCHEDULES A&B
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A&B (Form 1040).**

OMB No. 1545-0074

2007

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Tyrone Tower

Your social security number

000 01 1000

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see page A-1)	1	2,895		
	2 Enter amount from Form 1040, line 38 <u>2</u> 28,600	2			
	3 Multiply line 2 by 7.5% (.075)	3	2,145		
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-			4	750	
Taxes You Paid (See page A-2.)	5 State and local (check only one box):				
	a <input checked="" type="checkbox"/> Income taxes, or	5	515		
	b <input type="checkbox"/> General sales taxes				
	6 Real estate taxes (see page A-5)	6	1,685		
	7 Personal property taxes	7			
8 Other taxes. List type and amount ▶	8				
9 Add lines 5 through 8			9	2,200	
Interest You Paid (See page A-5.)	10 Home mortgage interest and points reported to you on Form 1098	10	2,125		
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-6 and show that person's name, identifying no., and address ▶	11			
	Note. Personal interest is not deductible.				
	12 Points not reported to you on Form 1098. See page A-6 for special rules	12			
	13 Qualified mortgage insurance premiums (See page A-7)	13			
14 Investment interest. Attach Form 4952 if required. (See page A-7.)	14				
15 Add lines 10 through 14			15	2,125	
Gifts to Charity If you made a gift and got a benefit for it, see page A-7.	16 Gifts by cash or check. If you made any gift of \$250 or more, see page A-8	16	1,810		
	17 Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17	245		
	18 Carryover from prior year	18			
	19 Add lines 16 through 18			19	2,055
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See page A-9.)			20	
Job Expenses and Certain Miscellaneous Deductions (See page A-9.)	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-9.) ▶	21			
	22 Tax preparation fees.	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶	23			
	24 Add lines 21 through 23	24			
	25 Enter amount from Form 1040, line 38 <u>25</u>	25			
	26 Multiply line 25 by 2% (.02)	26			
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			27	
Other Miscellaneous Deductions	28 Other—from list on page A-9. List type and amount ▶			28	
Total Itemized Deductions	29 Is Form 1040, line 38, over \$156,400 (over \$78,200 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-10 for the amount to enter.			29	7,130
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2007

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 2: Tyrone Tower

**Schedule 2
(Form 1040A)**

Department of the Treasury—Internal Revenue Service

**Child and Dependent Care
Expenses for Form 1040A Filers** (99) **2007**

OMB No. 1545-0074

Name(s) shown on Form 1040A

Your social security number

Tyrone Tower

000 01 1000

Before you begin: You need to understand the following terms. See **Definitions** on page 1 of the separate instructions.

- **Dependent care benefits**
- **Qualifying person(s)**
- **Qualified expenses**

Part I

Persons or organizations who provided the care

You must complete this part.

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)
	24/7/365 Care Inc.	1900 Fairway Plaza Salem OR 97301	93-2473650	3,300

If you have more than two care providers, see the instructions.

Did you receive dependent care benefits?	No	→ Complete only Part II below.
	Yes	→ Complete Part III on the back next.

Caution. If the care was provided in your home, you may owe employment taxes. If you do, you must use Form 1040. See **Schedule H** and its instructions for details.

Part II

Credit for child and dependent care expenses

2 Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2007 for the person listed in column (a)
First	Last		
Thomas	Tower	001 00 0100	3,300

3 Add the amounts in column (c) of line 2. **Do not** enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 29.

4 Enter your **earned income**. See the instructions.

5 If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); **all others**, enter the amount from line 4.

6 Enter the **smallest** of line 3, 4, or 5.

7 Enter the amount from Form 1040A, line 22.

8 Enter on line 8 the decimal amount shown below that applies to the amount on line 7.

If line 7 is:			If line 7 is:			8	×	28
Over	But not over	Decimal amount is	Over	But not over	Decimal amount is			
\$0—15,000		.35	\$29,000—31,000		.27			
15,000—17,000		.34	31,000—33,000		.26			
17,000—19,000		.33	33,000—35,000		.25			
19,000—21,000		.32	35,000—37,000		.24			
21,000—23,000		.31	37,000—39,000		.23			
23,000—25,000		.30	39,000—41,000		.22			
25,000—27,000		.29	41,000—43,000		.21			
27,000—29,000		.28	43,000—No limit		.20			

9 Multiply **line 6** by the decimal amount on line 8. If you paid 2006 expenses in 2007, see the instructions.

10 Enter the amount from the Alternative Minimum Tax Worksheet, line 22. See the instructions.

11 Enter the amount from the Alternative Minimum Tax Worksheet, line 21. See the instructions.

12 Subtract line 11 from line 10. If zero or less, **stop**. You **cannot** take the credit.

13 **Credit for child and dependent care expenses.** Enter the **smaller** of line 9 or line 12 here and on Form 1040A, line 29.

For Paperwork Reduction Act Notice, see Form 1040A instructions.

Cat. No. 10749I

Schedule 2 (Form 1040A) 2007

Lesson 10 practical application 2: Tyrone Tower

Amended Return <input type="checkbox"/>		OREGON		Form 40		For office use only	
2007		INDIVIDUAL INCOME TAX RETURN		Fiscal year ending		K F P J	
Full-Year Residents Only							
Last name		First name and initial		Social Security No. (SSN)		Date of birth (mm/dd/yyyy)	
		<input type="checkbox"/> Deceased		- -			
Spouse's last name if joint return		Spouse's first name and initial if joint return		Spouse's SSN if joint return		Date of birth (mm/dd/yyyy)	
		<input type="checkbox"/> Deceased		- -			
Current mailing address						Telephone number () ()	
City		State	ZIP code	Country	If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>		
Filing Status Check only one box 1 <input type="checkbox"/> Single 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child				Exemptions 6a YourselfRegular <input type="checkbox"/>Severely disabled <input type="checkbox"/> Total 6b Spouse.....Regular <input type="checkbox"/>Severely disabled <input type="checkbox"/> b 6c All dependents First names c 6d Disabled children only First names d (see instructions) Total • 6e			
Check all that apply →	7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24			
8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24						Round to the nearest dollar	
						8 <input type="text" value=""/> .00	
ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon... • 9						.00
	10 Other additions. Identify: • 10x <input type="text"/> • 10y \$ <input type="text"/> Schedule attached 10z <input type="checkbox"/> • 10						.00
	11 Total additions. Add lines 9 and 10						.00
	12 Income after additions. Add lines 8 and 11						.00
SUBTRACTIONS	13 2007 federal tax liability (\$0-\$5,500; see instructions for the correct amount) • 13						.00
	14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... • 14						.00
	15 Oregon income tax refund included in federal income..... • 15						.00
	16 Interest from U.S. government, such as Series EE, HH, and I bonds • 16						.00
	17 Federal pension income. See instructions, page 27. 17a <input type="text"/> % 17b <input type="text"/> %... • 17						.00
	18 Other subtractions. Identify: • 18x <input type="text"/> • 18y \$ <input type="text"/> Schedule attached 18z <input type="checkbox"/> • 18						.00
	19 Total subtractions. Add lines 13 through 18						.00
	20 Income after subtractions. Line 12 minus line 19						.00
DEDUCTIONS	If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.						
	21 Itemized deductions from federal Schedule A, line 29 • 21						.00
	22 Special Oregon medical deduction (age restricted, see instructions, page 29) • 22						.00
	23 Total Oregon itemized deductions. Add lines 21 and 22..... • 23						.00
	24 State income tax or sales tax claimed as an itemized deduction • 24						.00
	25 Net Oregon itemized deductions. Line 23 minus line 24..... • 25						.00
	OR						
	26 Standard deduction from page 30..... • 26						.00
	27 Total deductions. Line 25 or line 26, whichever is larger..... • 27						.00
	28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0- • 28						.00
TAX	29 Tax. See instructions, page 30. Enter tax here..... • 29						.00
	Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or • 29b <input type="checkbox"/> Form FIA-40 or • 29c <input type="checkbox"/> Worksheet FCG						
	30 Interest on certain installment sales..... • 30						.00
	31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS • 31						.00

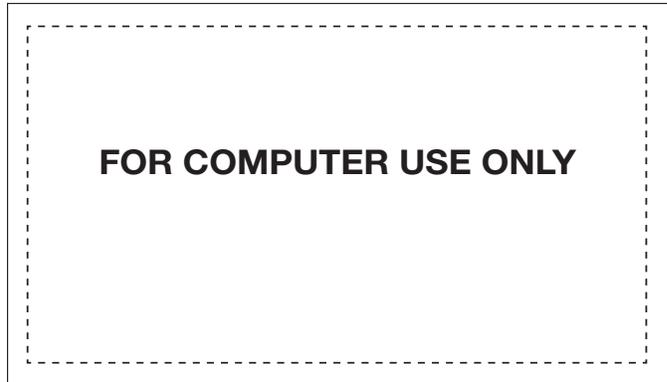
Lesson 10 practical application 2: Tyrone Tower

Schedule WFC		Oregon Working Family Child Care Credit for Form 40 and Form 40S Filers		2007
Last name	First name and initial	Social Security No. (SSN)	<input type="checkbox"/> Attending school	<input type="checkbox"/> Form WFC-DP is attached
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return	<input type="checkbox"/> Attending school	<input type="checkbox"/> Form WFC-DP is attached

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

Provider's full name and complete address 6. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 6 \$ _____
7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 7 \$ _____
8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 8 \$ _____
9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a <input type="checkbox"/> 9				\$ _____

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. First and Last Name of Child				\$
11.				\$
12.				\$
13.				\$
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ _____

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4 17 X .
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 08/27/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Lesson 10

Form 40—Finishing the Return

Lesson 10 exercise answers

10-1. Lilly and Lyle's Oregon earned income credit is \$49. Multiply the federal earned income credit of \$977 by .05.

Lesson 10 exercise answers

10-2.

Schedule WFC		Oregon Working Family Child Care Credit for Form 40 and Form 40S Filers		2007
Last name Tracy	First name and initial Stacy	Social Security No. (SSN) 457 - 00 - 1212	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached	
Spouse's last name if joint return Slick	Spouse's first name and initial if joint return Nick	Spouse's SSN if joint return 512 - 90 - 7200	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached	

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

Provider's full name and complete address 6. Name <u>Grandma Tracy</u> Address <u>895 Myrtle Ave.</u> City, State, ZIP Code <u>Salem OR 97303</u>	Provider's SSN or FEIN <input style="width: 100%;" type="text" value="000-00-0029"/>	Child to Provider Relationship <input style="width: 100%;" type="text" value="GC"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text" value="503-555-0000"/>	Amount You Paid to Provider 6 \$ <input style="width: 100px; text-align: right;" type="text" value="2,700"/>
--	---	---	--	---

Provider's full name and complete address 7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN <input style="width: 100%;" type="text"/>	Child to Provider Relationship <input style="width: 100%;" type="text"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text"/>	Amount You Paid to Provider 7 \$ <input style="width: 100px;" type="text"/>
--	---	--	---	--

Provider's full name and complete address 8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN <input style="width: 100%;" type="text"/>	Child to Provider Relationship <input style="width: 100%;" type="text"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text"/>	Amount You Paid to Provider 8 \$ <input style="width: 100px;" type="text"/>
--	---	--	---	--

9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a 9 \$

Qualifying Child Information—Complete all information for each child

First and Last Name of Child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. Casey Tracy	549-95-0000	07/28/1997	D	\$ 2,700
11.				\$
12.				\$
13.				\$
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ <input style="width: 100px; text-align: right;" type="text" value="2,700"/>

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4. 17
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 09/04/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Lesson 10

Form 40—Finishing the Return

Lesson 10 exercise answers

10-3. Abigail cannot claim child care expenses paid to her son Julius since he is a relative under age 19.

Schedule WFC		Oregon Working Family Child Care Credit		2007
		for Form 40 and Form 40S Filers		
Last name Bean	First name and initial Abigail	Social Security No. (SSN) 555 - 11 - 0000	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached	
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return - -	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached	

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

Provider's full name and complete address	Provider's SSN or FEIN	Child to Provider Relationship	
6. Name <u>Busy Beaver Day Care Center, Inc.</u>	<u>93-0005432</u>	<u>N</u> (enter code)	
Address <u>9500 Beaver Creek Rd.</u>	Provider's Telephone No.	Amount You Paid to Provider	
City, State, ZIP Code <u>Beaverton OR 97123</u>	<u>503-000-5555</u>	6	\$ <u>4,260</u>

Provider's full name and complete address	Provider's SSN or FEIN	Child to Provider Relationship	
7. Name _____	_____	_____ (enter code)	
Address _____	Provider's Telephone No.	Amount You Paid to Provider	
City, State, ZIP Code _____	_____	7	\$ _____

Provider's full name and complete address	Provider's SSN or FEIN	Child to Provider Relationship	
8. Name _____	_____	_____ (enter code)	
Address _____	Provider's Telephone No.	Amount You Paid to Provider	
City, State, ZIP Code _____	_____	8	\$ _____

9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a 9 \$ 4,260

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. Barbara Bean	333-11-0000	03/11/1995	D	\$ 2,130
11. Clara Bean	222-11-0000	02/11/1998	D	\$ 2,130
12. _____				\$ _____
13. _____				\$ _____
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ <u>4,260</u>

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4. 17
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 09/04/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Lesson 10 practical application 1 answer: Roco and Nora Kwan

Amended Return <input type="checkbox"/> OREGON		Form 40	
2007 INDIVIDUAL INCOME TAX RETURN		Fiscal year ending	
Full-Year Residents Only		K F P J	
Last name Kwan		First name and initial Roco <input type="checkbox"/> Deceased	Social Security No. (SSN) 444 - 88 - 5555
Spouse's last name if joint return Kwan		Spouse's first name and initial if joint return Nora <input type="checkbox"/> Deceased	Spouse's SSN if joint return 555 - 44 - 888
Date of birth (mm/dd/yyyy) 12/17/1944		Date of birth (mm/dd/yyyy) 05/23/1961	
Current mailing address 329 Your Street		Telephone number (503) 000-8107	
City Portland	State OR	ZIP code 97233	Country USA
● Filing Status 1 <input type="checkbox"/> Single Check only 2 <input checked="" type="checkbox"/> Married filing jointly one 3 <input type="checkbox"/> Married filing separately Spouse's name _____ box Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input type="checkbox"/> Qualifying widow(er) with dependent child			If you filed a return last year, and your name or address is different, check here <input checked="" type="checkbox"/>
● Exemptions 6a YourselfRegular 1Severely disabled <input type="checkbox"/>6a 1 6b Spouse....Regular 1Severely disabled <input type="checkbox"/>b 2 6c All dependents First names Ada, Joec 2 6d Disabled First namesd children only (see instructions)e 5 Total ● 6e 5		● 7a You were: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind ● 7b <input type="checkbox"/> You filed an extension ● 7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC ● 7d <input type="checkbox"/> You filed Oregon Form 24	

8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 24 ● 8

34,400	.00
--------	-----

 Round to the nearest dollar

ADDITIONS	9 Interest and dividends on state and local government bonds outside of Oregon... ● 9		.00
	10 Other additions. Identify: ● 10x <input type="checkbox"/> ● 10y \$ <input type="checkbox"/> Schedule attached 10z <input type="checkbox"/> ● 10		.00
	11 Total additions. Add lines 9 and 10 ● 11		.00
	12 Income after additions. Add lines 8 and 11 ● 12	34,400	.00

SUBTRACTIONS	13 2007 federal tax liability (\$0-\$5,500; see instructions for the correct amount) ● 13		.00
Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... ● 14		.00
	15 Oregon income tax refund included in federal income..... ● 15		.00
	16 Interest from U.S. government, such as Series EE, HH, and I bonds ● 16		.00
	17 Federal pension income. See instructions, page 27. 17a <input type="checkbox"/> % 17b <input type="checkbox"/> % ● 17		.00
	18 Other subtractions. Identify: ● 18x <input type="checkbox"/> ● 18y \$ <input type="checkbox"/> Schedule attached 18z <input type="checkbox"/> ● 18		.00
	19 Total subtractions. Add lines 13 through 18 ● 19		.00
	20 Income after subtractions. Line 12 minus line 19 ● 20	34,400	.00

DEDUCTIONS	If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.		
	21 Itemized deductions from federal Schedule A, line 29 ● 21		.00
	22 Special Oregon medical deduction (age restricted, see instructions, page 29) ● 22		.00
	23 Total Oregon itemized deductions. Add lines 21 and 22..... ● 23		.00
	24 State income tax or sales tax claimed as an itemized deduction ● 24		.00
	25 Net Oregon itemized deductions. Line 23 minus line 24..... ● 25		.00
	OR		
	26 Standard deduction from page 30..... ● 26	3,650	.00
	27 Total deductions. Line 25 or line 26, whichever is larger..... ● 27	3,650	.00
	28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0- ● 28	30,750	.00

TAX	29 Tax. See instructions, page 30. Enter tax here..... ● 29		2,368 .00
	Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or ● 29b <input type="checkbox"/> Form FIA-40 or ● 29c <input type="checkbox"/> Worksheet FCG		
	30 Interest on certain installment sales..... ● 30		.00
	31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS ● 31	2,368	.00

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 1 answer: Roco and Nora Kwan

Page 2 — 2007 Form 40 — Remember to reprint page 1 if any changes are made on this page.

	32 Total tax before credits from front of form, line 31.....	32	2,368	.00
NONREFUNDABLE CREDITS	33 Exemption credit. If the amount on line 8 is less than \$117,300, multiply your total exemptions on line 6e by \$165. Otherwise, see instructions on page 31	• 33	825	.00
	34 Retirement income credit. See instructions, page 31	• 34	144	.00
	35 Child and dependent care credit. See instructions, page 32.....	• 35	112	.00
	36 Credit for the elderly or the disabled. See instructions, page 32.....	• 36		.00
Attach proof	37 Political contribution credit. See limits, page 32.....	• 37	75	.00
	38 Credit for income taxes paid to another state. State: • 38y <input type="text"/> Schedule attached 38z <input type="checkbox"/>	• 38		.00
	39 Other credits. Identify: • 39x <input type="checkbox"/> • 39y \$ <input type="text"/> Schedule attached 39z <input type="checkbox"/> • 39	• 39		.00
	40 Total non-refundable credits. Add lines 33 through 39.....	• 40	1,156	.00
	41 Net income tax. Line 32 minus line 40. If line 40 is more than line 32, enter -0-.....	• 41	1,212	.00
PAYMENTS AND REFUNDABLE CREDITS	42 Oregon income tax withheld. Attach Form(s) W-2 and 1099	• 42		.00
	43 Estimated tax payments for 2007. Include payments made with your extension... • 43	• 43		.00
	44 Earned income credit. See instructions, page 34	• 44		.00
Attach Schedule WFC if you claim this credit	45 Working family child care credit from WFC, line 18.....	• 45	560	.00
	Number from WFC, line 5 • 45a <input type="text" value="4"/> Amount from WFC, line 16 • 45b \$ <input type="text" value="1,400"/>			
	46 Mobile home park closure credit. Attach Schedule MPC.....	• 46		.00

ADD TOGETHER

ADD TOGETHER

Lesson 10 practical application 1 answer: Roco and Nora Kwan

Schedule WFC		Oregon Working Family Child Care Credit		2007	
for Form 40 and Form 40S Filers					
Last name Kwan	First name and initial Rocco	Social Security No. (SSN) 444 - 88 - 5555	<input type="checkbox"/>	Attending school	
			<input type="checkbox"/>	Form WFC-DP is attached	
Spouse's last name if joint return Kwan	Spouse's first name and initial if joint return Nora	Spouse's SSN if joint return 555 - 44 - 8888	<input type="checkbox"/>	Attending school	
			<input type="checkbox"/>	Form WFC-DP is attached	

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

1. Enter the number of exemptions you claimed on your federal return 1
2. Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
3. Add lines 1 and 2 3
4. Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
5. Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

Provider's full name and complete address 6. Name <u>Kathy Mahathey</u> Address <u>325 Your Street</u> City, State, ZIP Code <u>Portland OR 97233</u>	Provider's SSN or FEIN <input style="width: 100%;" type="text" value="628-00-8260"/>	Child to Provider Relationship <input style="width: 100%;" type="text" value="N"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text" value="503-555-8260"/>	Amount You Paid to Provider 6 \$ <input style="width: 100px; text-align: right;" type="text" value="1,400"/>
7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN <input style="width: 100%;" type="text"/>	Child to Provider Relationship <input style="width: 100%;" type="text"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text"/>	Amount You Paid to Provider 7 \$ <input style="width: 100px; text-align: right;" type="text"/>
8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN <input style="width: 100%;" type="text"/>	Child to Provider Relationship <input style="width: 100%;" type="text"/> (enter code)	Provider's Telephone No. <input style="width: 100%;" type="text"/>	Amount You Paid to Provider 8 \$ <input style="width: 100px; text-align: right;" type="text"/>
9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a <input type="checkbox"/> 9				\$ <input style="width: 100px; text-align: right;" type="text" value="1,400"/>

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. Ada Kwan	888-55-4444	03/20/1999	D	\$ 700
11. Joe Kwan	458-45-8458	02/05/1996	S	\$ 700
12.				\$
13.				\$
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ <input style="width: 100px; text-align: right;" type="text" value="1,400"/>

Computation of Credit

15. Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
16. Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
17. Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4. 17
18. Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 09/04/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Lesson 10**Form 40—Finishing the Return****Lesson 10 practical application 1 answer: Roco and Nora Kwan**

(1) Federal adjusted gross income (AGI) is computed as follows:

Wages (\$23,000 + 9,800)	\$32,800
Pensions—Nike	<u>1,600</u>
Federal AGI—Form 40, line 8	<u><u>\$34,400</u></u>

(2) Federal tax subtraction is computed as follows:

Federal tax liability	\$1,013
Less: Federal child care credit	(280)
Federal child tax credit	<u>(2,000)</u>
Federal tax subtraction—Form 40, line 13	<u><u>\$0</u></u>

(3) Retirement income credit is computed as follows:

1. Enter the retirement income of the eligible individual(s) included in federal adjusted gross income.	1. <u>\$1,600</u>
2. Enter any federal pension income of the eligible individual(s) subtracted from Oregon income on Form 40, line 17.	2. <u>0</u>
3. Net taxable pension. Line 1 minus line 2.	3. <u>1,600</u>
4. Enter \$7,500 (\$15,000 if married filing jointly).	4. <u>15,000</u>
5. Enter both spouses' total Social Security and tier 1 Railroad Retirement Board benefits.	5. <u>0</u>
6. Line 4 minus line 5, but not less than -0-.	6. <u>15,000</u>
7. Enter household income.	7. <u>34,400</u>
8. Household income base. Enter \$15,000 (\$30,000 if married filing jointly).	8. <u>30,000</u>
9. Line 7 minus line 8, but not less than -0-.	9. <u>4,400</u>
10. Line 6 minus line 9, but not less than -0-.	10. <u>10,600</u>
11. Enter the smaller of line 3 or line 10.	11. <u>1,600</u>
12. Multiply line 11 by 9 percent (.09). Enter the result here and on Form 40, line 34.	12. <u>\$144</u>

(4) Oregon child and dependent care credit is computed as follows:

1. Qualified child care expenses.	1. \$1,400
2. Federal taxable income (given on page 88).	2. 10,100
3. Enter decimal corresponding to taxable income on line 2; see page 69 for table.	3. .08
4. Multiply amount on line 1 by decimal on line 3.	4. \$112

The Kwans will use all of their 2007 child and dependent care credit this year. There is no credit to carry forward to next year.

Lesson 10 practical application 2 answer: Tyrone Tower

Amended Return <input type="checkbox"/>		OREGON		Form 40		For office use only	
2007		INDIVIDUAL INCOME TAX RETURN		Fiscal year ending		K F P J	
Full-Year Residents Only							
Last name Tower		First name and initial Tyrone <input type="checkbox"/> Deceased		Social Security No. (SSN) 000 - 01 - 1000		Date of birth (mm/dd/yyyy) 06/12/1942	
Spouse's last name if joint return		Spouse's first name and initial if joint return <input type="checkbox"/> Deceased		Spouse's SSN if joint return - -		Date of birth (mm/dd/yyyy)	
Current mailing address 290 My Street				Telephone number (503) 000-6100			
City Salem		State OR	ZIP code 97301	Country USA		If you filed a return last year, and your name or address is different, check here <input type="checkbox"/>	
Filing Status 1 <input type="checkbox"/> Single Check only one box 2 <input type="checkbox"/> Married filing jointly 3 <input type="checkbox"/> Married filing separately Spouse's name _____ Spouse's SSN _____ 4 <input type="checkbox"/> Head of household Person who qualifies you _____ 5 <input checked="" type="checkbox"/> Qualifying widow(er) with dependent child				Exemptions 6a YourselfRegular <input type="checkbox"/> 1Severely disabled <input type="checkbox"/>6a <input type="checkbox"/> 1 6b Spouse.....Regular <input type="checkbox"/>Severely disabled <input type="checkbox"/>b <input type="checkbox"/> 6c All dependents First names Tiger, Thomasc <input type="checkbox"/> 6d Disabled children only (see instructions)d <input type="checkbox"/> Total6e <input type="checkbox"/> 3			
Check all that apply →		7a <input checked="" type="checkbox"/> You were: <input checked="" type="checkbox"/> 65 or older <input type="checkbox"/> Blind Spouse was: <input type="checkbox"/> 65 or older <input type="checkbox"/> Blind	7b <input type="checkbox"/> You filed an extension	7c <input type="checkbox"/> You have federal Form 8886, REIT, or RIC	7d <input type="checkbox"/> You filed Oregon Form 24		

8 Federal adjusted gross income. Federal Form 1040, line 37; 1040A, line 21; 1040EZ, line 4; 1040NR, line 35; or 1040NR-EZ, line 10. See instructions, page 26 8 **28,600 .00** Round to the nearest dollar

ADDITIONS		9 Interest and dividends on state and local government bonds outside of Oregon... • 9		.00
	10 Other additions. Identify: • 10x <input type="checkbox"/> • 10y \$ <input type="checkbox"/> Schedule attached 10z <input type="checkbox"/> • 10			.00
	11 Total additions. Add lines 9 and 10 • 11			.00
	12 Income after additions. Add lines 8 and 11 • 12		28,600	.00

SUBTRACTIONS		13 2007 federal tax liability (\$0-\$5,500; see instructions for the correct amount) • 13		.00
Staple proof of withholding (W-2s, 1099s), payment, and payment voucher here	14 Social Security included on federal Form 1040, line 20b; or Form 1040A, line 14b... • 14			.00
	15 Oregon income tax refund included in federal income..... • 15			.00
	16 Interest from U.S. government, such as Series EE, HH, and I bonds • 16			.00
	17 Federal pension income. See instructions, page 28. 17a <input type="checkbox"/> % 17b <input type="checkbox"/> % • 17			.00
	18 Other subtractions. Identify: • 18x <input type="checkbox"/> • 18y \$ <input type="checkbox"/> Schedule attached 18z <input type="checkbox"/> • 18			.00
	19 Total subtractions. Add lines 13 through 18..... • 19			
	20 Income after subtractions. Line 12 minus line 19 • 20		28,600	.00

DEDUCTIONS		If you are claiming itemized deductions, fill in lines 21–25. If you are claiming the standard deduction, fill in line 26 only.		
	21 Itemized deductions from federal Schedule A, line 29 • 21	7,130		.00
	22 Special Oregon medical deduction (age restricted, see instructions, page 30) • 22	2,145		.00
	23 Total Oregon itemized deductions. Add lines 21 and 22 • 23	9,275		.00
	24 State income tax or sales tax claimed as an itemized deduction • 24	515		.00
	25 Net Oregon itemized deductions. Line 23 minus line 24..... • 25	8,760		.00
	OR			
	26 Standard deduction from page 31 • 26			.00
	27 Total deductions. Line 25 or line 26, whichever is larger..... • 27		8,760	.00
	28 Oregon taxable income. Line 20 minus line 27. If line 27 is more than line 20, enter -0- • 28		19,840	.00

TAX		29 Tax. See instructions, page 31. Enter tax here • 29	1,387	.00
	Check if tax is from: 29a <input type="checkbox"/> Tax tables or charts or • 29b <input type="checkbox"/> Form FIA-40 or • 29c <input type="checkbox"/> Worksheet FCG			
	30 Interest on certain installment sales..... • 30			.00
	31 Total tax before credits. Add lines 29 and 30 OREGON TAX BEFORE CREDITS • 31		1,387	.00

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 2 answer: Tyrone Tower

NONREFUNDABLE CREDITS		33 Exemption credit. If the amount on line 8 is less than \$117,300, multiply your total exemptions on line 6e by \$165. Otherwise, see instructions on page 32 ● 33	495	.00	}	ADD TOGETHER
	34 Retirement income credit. See instructions, page 32..... ● 34			.00		
	35 Child and dependent care credit. See instructions, page 33..... ● 35	450	.00			
	36 Credit for the elderly or the disabled. See instructions, page 33..... ● 36			.00		
	37 Political contribution credit. See limits, page 33..... ● 37			.00		
Attach proof	38 Credit for income taxes paid to another state. State: ● 38y <input type="text"/> Schedule attached 38z <input type="checkbox"/> ● 38			.00		
	39 Other credits. Identify: ● 39x <input type="text"/> ● 39y \$ <input type="text"/> Schedule attached 39z <input type="checkbox"/> ● 39			.00		
	40 Total non-refundable credits. Add lines 33 through 39..... ● 40		945	.00		
	41 Net income tax. Line 32 minus line 40. If line 40 is more than line 32, enter -0-..... ● 41		442	.00		
PAYMENTS AND REFUNDABLE CREDITS		42 Oregon income tax withheld. Attach Form(s) W-2 and 1099 ● 42	515	.00	}	ADD TOGETHER
	43 Estimated tax payments for 2007. Include payments made with your extension... ● 43			.00		
	44 Earned income credit. See instructions, page 35..... ● 44	96	.00			
Attach Schedule WFC if you claim this credit	45 Working family child care credit from WFC, line 18..... ● 45	1,320	.00			
	Number from WFC, line 5 ● 45a <input type="text"/> Amount from WFC, line 16 ● 45b \$ <input type="text"/> 3,300			.00		
	46 Mobile home park closure credit. Attach Schedule MPC..... ● 46			.00		
	47 Total payments and refundable credits. Add lines 42 through 46..... ● 47		1,931	.00		
	48 Overpayment. If line 41 is less than line 47, you overpaid. Line 47 minus line 41 OVERPAYMENT → ● 48		1,489	.00		
	49 Tax to pay. If line 41 is more than line 47, you have tax to pay. Line 41 minus line 47.... TAX TO PAY → ● 49			.00		
	50 Penalty and interest for filing or paying late. See instructions, page 36..... ● 50			.00		
	51 Interest on underpayment of estimated tax. Attach Form 10 and check box <input type="checkbox"/> ● 51			.00		
	Exception # from Form 10, line 1 ● 51a <input type="text"/>					
	52 Total penalty and interest due. Add lines 50 and 51..... ● 52			.00		
	53 Amount you owe. Line 49 plus line 52 AMOUNT YOU OWE → ● 53			.00		
	54 Refund. Is line 48 more than line 52? If so, line 48 minus line 52 REFUND → ● 54		1,489	.00		
	55 Estimated tax. Fill in the part of line 54 you want applied to 2008 estimated tax ... ● 55			.00	}	These will reduce your refund
CHARITABLE CHECKOFFS PAGE 13 <i>I want to donate part of my tax refund to the following fund(s)</i>	Oregon Nongame Wildlife ● 56			.00		
	Alzheimer's Disease Research ● 58	200	.00			
	AIDS/HIV Education & Services ● 60			.00		
	Habitat for Humanity ● 62			.00		
	American Diabetes Association ● 64			.00		
	SMART ● 66			.00		
	Charity code ● 68a <input type="text"/> 1 ● 68b	150	.00			
	Child Abuse Prevention ● 57			.00		
	Stop Dom. & Sexual Violence ● 59			.00		
	OR Military Financial Assist. ● 61			.00		
OR Head Start Association ● 63			.00			
Oregon Coast Aquarium ● 65			.00			
SOLV ● 67			.00			
Charity code ● 69a <input type="text"/> ● 69b			.00			
	70 Total. Add lines 55 through 69. Total can't be more than your refund on line 54..... ● 70		350	.00		
	71 NET REFUND. Line 54 minus line 70. This is your net refund NET REFUND → ● 71		1,139	.00		

DIRECT DEPOSIT 72 For direct deposit of your refund, see the instructions on page 37. ● **Type of Account:** Checking or Savings

● Routing No. 1 2 3 4 5 7 7 7 7 ● Account No. 2 3 4 5 2 3 4 5 2 3 4 5 2

Important: Attach a copy of your federal Form 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ.

Under penalty for false swearing, I declare that the information in this return and any attachments is true, correct, and complete.

Your signature X	Date	Signature of preparer other than taxpayer X	● License No.
Spouse's signature (if filing jointly, BOTH must sign) X	Date	Address	Telephone No.

If you owe, make your check or money order payable to the **Oregon Department of Revenue.** Write your daytime telephone number and **"2007 Oregon Form 40"** on your check or money order. Attach your payment, along with the payment voucher on page 3, to this return.

<p>Mail TAX-TO-PAY returns to</p> <p>Oregon Department of Revenue PO Box 14555 Salem OR 97309-0940</p>	<p>Mail REFUND returns and NO-TAX-DUE returns to</p> <p>REFUND PO Box 14700 Salem OR 97309-0930</p>
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150-101-040 (Rev. 12-07)

Lesson 10 practical application 2 answer: Tyrone Tower

Schedule WFC Oregon Working Family Child Care Credit for Form 40 and Form 40S Filers 2007

Last name Tower	First name and initial Tyrone	Social Security No. (SSN) 000 - 01 - 1000	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached
Spouse's last name if joint return	Spouse's first name and initial if joint return	Spouse's SSN if joint return - -	<input type="checkbox"/> Attending school <input type="checkbox"/> Form WFC-DP is attached

YOU MAY BE REQUIRED TO PROVIDE PROOF OF YOUR PAYMENT OF YOUR CHILD CARE EXPENSES

Household Size Calculation

- Enter the number of exemptions you claimed on your federal return 1
- Enter the number of exemptions you did not claim on your federal return because you released the exemption to the child's other parent 2
- Add lines 1 and 2 3
- Enter the number of exemptions you claimed on your federal return for people who did not live in your household during 2007, including exemptions released to you by your child's other parent, or who are not related by blood, marriage, or adoption 4
- Household size. Line 3 minus line 4 5



Qualifying Child Care Expenses Paid in 2007. Complete all information for each child care provider you paid in 2007.

Provider's full name and complete address 6. Name <u>24/7/365 Care, Inc.</u> Address <u>1900 Fairway Plaza</u> City, State, ZIP Code <u>Salem OR 97301</u>	Provider's SSN or FEIN <u>93-2473650</u>	Child to Provider Relationship <u>N</u> (enter code)	Provider's Telephone No. <u>503-610-0000</u>	Amount You Paid to Provider 6 \$ <u>3,300</u>
---	---	---	---	--

Provider's full name and complete address 7. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 7 \$ _____
--	---------------------------------	--	-----------------------------------	---

Provider's full name and complete address 8. Name _____ Address _____ City, State, ZIP Code _____	Provider's SSN or FEIN _____	Child to Provider Relationship _____ (enter code)	Provider's Telephone No. _____	Amount You Paid to Provider 8 \$ _____
--	---------------------------------	--	-----------------------------------	---

9. Add amounts on lines 6 through 8 and enter the result here. If you have more than three providers, check here 9a 9 \$ 3,300

Qualifying Child Information—Complete all information for each child	Child's SSN	Child's Date of Birth	Child to Taxpayer Relationship (enter code)	Qualifying Expenses You Paid for Child
10. Thomas Tower	001-00-0100	12/10/1995	S	\$ 3,300
11.				\$
12.				\$
13.				\$
14. Add amounts on lines 10 through 13 and enter the result here. If you have more than four qualifying children, check here 14a <input type="checkbox"/> 14				\$ 3,300

Computation of Credit

- Enter your federal adjusted gross income (Form 40S, line 8; or Form 40, line 8) 15
- Enter the total qualifying child care expenses you paid in 2007 from line 9 above 16
- Enter the decimal amount from the working family child care credit table on the back (use the table that matches your household size on line 5 above). For example, if the amount on line 5 is 4, use Table 4. 17
- Multiply the amount on line 16 by the decimal amount on line 17. Enter the result here and on Form 40S, line 21; or Form 40, line 45. This is your working family child care credit 18

150-101-169 (Rev. 12-07) DRAFT 09/05/2007

— YOU MUST ATTACH THIS SCHEDULE TO YOUR OREGON TAX RETURN TO RECEIVE THIS CREDIT —

Lesson 10

Form 40—Finishing the Return

Lesson 10 practical application 2 answer: Tyrone Tower

(1) **Child and dependent care credit is computed as follows:**

1. Qualified expenses from federal Form 1040A, Schedule 2.	1. \$ 3,000
2. Federal taxable income.	2. \$ 6,650
3. Decimal amount from the table that applies to line 2.	3. <u>.15</u>
4. Multiply line 1 by line 3.	4. \$ <u>450</u>
5. Child and dependent care credit—Form 40, line 35.	5. <u>\$ 450</u>

(2) **Oregon earned income credit is computed as follows:**

1. Federal earned income credit	1. \$ 1,929
2. Oregon percentage	2. <u>.05</u>
3. Multiply line 1 by line 2.	3. <u>96</u>
4. Oregon earned income credit—Form 40, line 44	4. <u>\$ 96</u>

Lesson 11: Oregon Lottery Winnings and Gambling Losses

Objectives

At the end of this lesson, you will be able to:

- Determine Oregon Lottery winnings taxable by Oregon.
- Enter the correct amount for an Oregon subtraction.
- Determine if adjustments are needed to Schedule A for gambling losses.
- Enter the correct amount for an Oregon addition.

Introduction

An Oregon “other subtraction” is made for any Oregon Lottery or Powerball prize of **\$600 or less, from a single ticket or play** on or after January 1, 1998, that was included in federal adjusted gross income (AGI). These winnings are not taxable by Oregon.

An Oregon “other addition” is made for any gambling losses claimed on Schedule A that are more than the total gambling winnings taxable by Oregon.

Content

I. Subtraction for Oregon Lottery or Powerball winnings [code 322].

You learned in Lesson 6 that Oregon doesn't tax Oregon Lottery or Powerball winnings of \$600 or less, per single ticket or play, regardless of the total amount of Oregon Lottery winnings in the tax year.

A. This is income taxed by the federal government but not by Oregon.

B. If the taxpayer won \$600 or less per single ticket or play in 2007, the taxpayer will have an “other subtraction” for Oregon Lottery.

Example 1:

June had winnings of \$500 playing an Oregon Lottery scratch ticket game on November 19 of the tax year. This income will be included in her federal AGI.

Oregon will not tax June on Oregon Lottery winnings of \$600 or less, per single ticket or play, so she will have an other subtraction for \$500. Identify the subtraction on Form 40, line 18, using code 322.

Example 2:

Lorenzo won two Oregon Lottery prizes during the tax year. On May 4, he won \$1,000 in a quick-pick game. On August 29, he won a second time, \$250, playing Powerball. He did not have any other gambling income. Lorenzo will include \$1,250 in his federal AGI.

Oregon will not tax the \$250 Oregon Lottery prize that Lorenzo won on August 29 because this single ticket produced \$600 or less in winnings. He will have an other subtraction of \$250 for Oregon Lottery winnings. He will not subtract any of the \$1,000 won on the single ticket dated May 4. The May 4 ticket produced a prize of more than \$600 and is fully taxable by Oregon.

Oregon Lottery Winnings and Gambling Losses

II. Addition for gambling losses [code 105].

- A. Gambling losses can be deducted on federal Schedule A, line 28, as an other miscellaneous deduction, up to the amount of gambling winnings included in taxable income. Gambling losses cannot be more than gambling winnings included in taxable income.
- B. If the amount of the Schedule A deduction for gambling losses is more than the total gambling winnings taxable by Oregon, an adjustment will need to be made. The taxpayer will reduce his or her gambling losses claimed on Schedule A using an other addition on the Oregon return. This other addition for gambling losses will reduce the total gambling losses claimed on Schedule A. If this is the only "Other addition," enter "105" on line 10x and the addition amount on line 10y and line 10. If there is more than one addition, do not enter a code or amount on lines 10x and 10y; instead, check box 10z and fill out and attach Schedule OR-A with the codes and amounts for line 10.
- C. If the taxpayer uses the standard deduction and does not itemize deductions, they will not have any "other addition" for gambling losses.

Example 3:

Burton had gambling income of \$3,200 for the tax year (\$600 from one Oregon Lottery ticket, \$500 from the horse races in Portland, and \$2,100 from a casino). Burton also deducted gambling losses of \$2,950 on his federal Schedule A. Oregon will not tax Burton's Oregon Lottery winnings of \$600 or less from a single ticket or play. All of his winnings from the horse races and casino are taxable by Oregon. Burton will have an Oregon other subtraction of \$600 and will identify the subtraction using code 322.

Since Burton has reduced his gambling winnings taxable by Oregon to \$2,600 (\$3,200 less \$600 Oregon Lottery), he must reduce the gambling losses claimed on Schedule A. Gambling losses deducted on Schedule A may not be more than taxable gambling winnings. Burton must show an Oregon addition of \$350 for his gambling losses, identified on Form 40, line 10, using code 105. His net gambling losses claimed on his Oregon return will be \$2,600 (\$2,950 losses claimed on Schedule A less \$350 = \$2,600 net losses).

Here's is how to calculate Burton's other addition for gambling losses:

Total gambling winnings included in income	\$3,200
Nontaxable Oregon Lottery winnings (this will be an other subtraction code 322)	- <u>600</u>
Net gambling winnings taxable by Oregon	<u>\$2,600</u>
Total gambling losses deducted on federal Schedule A	\$2,950
Net gambling winnings taxable by Oregon	- <u>2,600</u>
Oregon other addition code 105	<u>\$350</u>

Oregon Lottery Winnings and Gambling Losses

Example 4:

Jolene had total gambling winnings for the year of \$4,000 included in her federal AGI (\$250 on February 2 from an Oregon Lottery scratch game; \$500 on October 30 from a Powerball game; \$3,000 from the greyhound dog races; and a \$250 jackpot from a casino slot machine). She claimed \$995 of gambling losses on her federal Schedule A.

Jolene will claim an other subtraction for Oregon Lottery winnings of \$750. She won Oregon Lottery games with two different tickets, on two different dates; each prize was \$600 or less, so she can subtract the combined total prizes of \$750. The net gambling winnings taxable by Oregon will be \$3,250 (\$4,000 less \$750 Oregon Lottery subtraction).

Jolene will not need to make any adjustment to the gambling losses claimed on federal Schedule A. Gambling losses can be claimed up to the amount of gambling winnings taxable by Oregon. Jolene has net taxable gambling winnings of \$3,250. She has Schedule A gambling losses of \$995. Her gambling losses are less than her taxable gambling winnings; Jolene will not have to make an Oregon other addition for gambling losses. Here's the calculation:

Total gambling winnings included in income	\$4,000
Nontaxable Oregon Lottery winnings (this will be an other subtraction code 322)	- <u>750</u>
Net gambling winnings taxable by Oregon	<u>\$3,250</u>
Total gambling losses deducted on federal Schedule A	\$995
Net gambling winnings taxable by Oregon	- <u>3,250</u>
Oregon other addition code 105	<u>\$0</u>

Exercises:

11-1. Mickey had total gambling winnings for the tax year of \$1,675. The winnings consisted of \$550 from an Oregon Lottery scratch ticket purchased March 17, and \$1,125 won playing blackjack at a casino on April 20. Mickey claimed a total of \$1,600 in gambling losses on federal Schedule A.

Determine the amount of any Oregon addition and/or subtraction based on the information above.

11-2. Leah had total gambling winnings for the tax year of \$3,000. The winnings consisted of the following: \$1,500 won from an Oregon Lottery Powerball game played on October 1 and \$1,500 won playing a slot machine at a casino in Oregon on October 10. Leah claimed a total of \$3,000 in gambling losses on federal Schedule A.

Determine the amount of any Oregon addition or subtraction based on the above information.

Lesson 11

Oregon Lottery Winnings and Gambling Losses

Lesson 11 exercise answers:

- 11-1. An other subtraction for \$550 will be made. This Oregon Lottery prize of \$550 is not taxable by Oregon. The ticket was purchased on or after January 1, 1998, and the prize is less than \$600. Here's the computation:

Total gambling winnings included in income	\$1,675
Nontaxable Oregon Lottery winnings, other subtraction—code 322	<u>- 550</u>
Net gambling winnings taxable by Oregon	<u>\$1,125</u>

An other addition of \$475 will be made to adjust the gambling losses claimed on Schedule A. Gambling losses cannot be claimed in excess of the gambling winnings taxable by Oregon. Here's the computation:

Total gambling losses deducted on federal Schedule A	\$1,600
Net gambling winnings taxable by Oregon	<u>- 1,125</u>
Oregon other addition—code 105	<u>\$475</u>

- 11-2. There is no other subtraction for Leah. She won \$1,500 in a single play on the Powerball game. Since this prize is greater than \$600, she is not entitled to a subtraction. The entire \$1,500 will be taxable by Oregon.

Leah's gambling losses claimed on Schedule A are \$3,000. Her gambling winnings taxable by Oregon are \$3,000. Since gambling losses are not more than gambling winnings taxable by Oregon, no other addition is necessary.

Lesson 12: Elderly Rental Assistance (ERA) Qualifications

Objective

At the end of this lesson, you will be able to:

- Determine who qualifies for ERA.
- Identify qualified living places.
- Determine taxable and nontaxable income included in household income.
- Identify household assets.
- Complete all sections of Form 90R, *Oregon Elderly Rental Assistance*.

Introduction

Elderly Rental Assistance (ERA) is a program available to taxpayers age 58 or older who pay rent for their principal residence and have household income of less than \$10,000 in 2007.

Important information

The Oregon Department of Revenue computes the amount of the ERA claimants' assistance. Form 90R, *Oregon Elderly Rental Assistance*, must be **received no later than July 1, 2008**, to be eligible for checks that will be mailed out in November 2008. Any Form 90R received **after** July 1, 2008, will be paid in 2009.

Roommates: Each roommate is eligible to file his or her own separate claim for ERA on Form 90R. Each roommate will report their own household income (HHI) and their share of the rent, fuel, utilities, and household assets.

Direct deposit is not available for ERA payments.

Content

Please refer to Form 90R, *Elderly Rental Assistance*, for information and instructions. Read all of the ERA instructions and then study the examples below. Following the examples are exercises for practice completing ERA claims.

Example 1:

Pete, age 61, has HHI of \$8,700. To qualify for ERA, he has to pay more than 20 percent of his HHI in rent, fuel, and utilities ($\$8,700 \times .20 = \$1,740$).

Pete's rent is \$245 per month and his fuel and utilities are \$60 per month. His annual payment for rent, fuel, and utilities is \$3,660.

Pete qualifies for ERA because his rent, fuel, and utilities (\$3,660) exceed 20 percent of his HHI (\$1,740). Also, Pete is 58 years or older, and the value of his household assets was not more than \$25,000.

Lesson 12

Elderly Rental Assistance (ERA) Qualifications

Example 2:

Tilly's DOB is 07/25/1940 and she lives in an apartment. She received \$1,600 in Social Security benefits in 2007. Her son gave her \$3,600 for rent. Tilly's total rent, fuel, and utilities was \$3,910. He also gave her a used car for transportation. He paid \$2,400 for it. Her total household income is:

Social Security		\$1,600
Support from her son—cash	\$3,600	
car	2,400	
Gift and grant exclusion	<u>(500)</u>	<u>5,500</u>
Total household income		<u>\$7,100</u>

Tilly will qualify for ERA because she meets all the qualifications.

Exercises:

Circle the letters of the correct choices:

12-1. Gibson, DOB 08/13/1947, rented an apartment from January 1 to October 31, 2007. He bought a house on November 1, 2007.

- a. He can file for ERA.
- b. He cannot file for ERA.

12-2. All the following people have household income under \$10,000 and assets valued at no more than \$25,000. All paid more than 20 percent of their household income for rent, fuel, and utilities. Who can file for ERA (Form 90R)?

- a. Bob, DOB 04/25/1946, lives in a small room located in the church where he works as a groundskeeper. He pays \$85 a month for rent. Property owned by the church is not subject to property tax.
- b. Lolita, DOB 10/12/1916, lives in Peaceful Pines group home. It is operated by a private party.
- c. Angel, DOB 11/24/1921, lives in the Serenity Nursing Home, which is not subject to property taxes.
- d. Patsy, DOB 05/13/1955, rents an apartment in low-income housing for \$155 per month.
- e. Rex, DOB 07/12/1939, lives in a mobile home. He rented both his mobile home and space until December 13, 2007, when he purchased the mobile home. He continued to rent the space.

12-3. Lucy, DOB 08/08/1946, and Paulo, DOB 06/06/1946, are resident managers for an apartment complex in Canyon City, Oregon. A part of their rent is waived because the owner requires that managers live in the complex. Their apartment would normally rent for \$520 per month. They pay \$120 per month for their rent. The apartment complex is subject to property tax.

How much rent will Lucy and Paulo include on their joint Form 90R?

Elderly Rental Assistance (ERA) Qualifications

Exercises, continued:

12-4. Sergio, DOB 04/05/1944, lives in a home provided and owned by Faith Church where he is the youth pastor. The home is on the same property as the church building. He pays \$150 per month to the church as rent for the home. Does Sergio qualify for ERA based on the information provided?

12-5. Complete the name and address section of Form 90R (provided) using the following information: Tim Patch, DOB 07/08/1939, and Rachel Patch, DOB 09/13/1949, are married. They rent apartment number 1 at 400 "A" Street, Theirtown, OR 97300. Tim's SSN is 500-00-0000 and Rachel's SSN is 600-00-0000. Their telephone number is 503-000-9000.

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p>FORM</p> <h1>90R</h1> </div> <div style="text-align: center;"> <p>OREGON ELDERLY RENTAL ASSISTANCE</p> </div> <div style="text-align: center;"> <h1>2007</h1> </div> </div>				For department use only			
				Date received			
				You must fill in your date of birth in order to receive assistance.			
Last name	First name and initial	Enter your Social Security No. (SSN) - -	Date of birth (mm/dd/yyyy)				
Spouse's last name if joint claim	Spouse's first name and initial	Enter spouse's Social Security No. - -	Date of birth (mm/dd/yyyy)				
Current mailing address			For department use only				
City	State	ZIP code	Telephone number ()	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">1</td> <td style="width: 33%; text-align: center;">2</td> <td style="width: 33%; text-align: center;">3</td> </tr> </table>	1	2	3
1	2	3					

Elderly Rental Assistance (ERA) Qualifications**Exercises, continued:**

12-6. Leslie, DOB 10/04/1946, and Leo, DOB 11/07/1944, reported the following on their income tax return:

Wages	\$6,000
Interest income	\$250

They also reported they received \$900 in unemployment compensation and \$1,400 in Social Security income. They also own a commercial lot valued at \$20,000 and have a joint savings account with a year-end balance of \$4,863. What is their household income and the value of their household assets?

12-7. Freddy, DOB 06/04/1947, is a foreign student attending Oregon State University. His income tax return shows:

Wages	\$986
Interest income	\$111

When questioned about his household income, he tells you he received a \$4,600 educational grant and his daughter sent him \$4,750. Freddy has no assets. What is his household income?

12-8. Fill in Form 90R, on page 123, through line 21 for these claimants.

Harmony and Irwin Melon requested you complete their ERA return (Form 90R). Their income tax return shows the following information:

Social Security numbers:	Harmony	101-33-2000
	Irwin	101-22-3000

Address:	29 Somewhere Ct. Salem OR 97304
----------	------------------------------------

Telephone:	503-000-3100
------------	--------------

Income:	PERS pension	\$5,120
	Interest income	\$895
	Dividend income	\$115

Further questioning shows that Irwin received \$400 in veteran's benefits for the year and a total of \$1,625 in Social Security. Harmony received a total of \$1,300 from Social Security. She tells you they have a joint savings account with a year-end balance of \$6,200, as well as a stock portfolio worth \$19,000 at year end.

Irwin's DOB is 10/08/1946 and Harmony's DOB is 08/13/1947. Harmony, a former bookkeeper, documented that they pay over 20 percent of their annual household income in rent, fuel, and utilities.

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 exercise 8: Harmony and Irwin Melon

FORM 90R OREGON ELDERLY RENTAL ASSISTANCE 2007				For department use only Date received		
				You must fill in your date of birth in order to receive assistance.		
Last name	First name and initial	Enter your Social Security No. (SSN) - -	Date of birth (mm/dd/yyyy)			
Spouse's last name if joint claim	Spouse's first name and initial	Enter spouse's Social Security No. - -	Date of birth (mm/dd/yyyy)			
Current mailing address				For department use only		
City	State	ZIP code	Telephone number ()	1	2	3

WORK AND INVESTMENT INCOME—Totals for the entire year

1 Wages, salaries, and other pay for work	1	.00	
2 Interest and dividends (total taxable and nontaxable).....	2	.00	
3 Business net income (loss limited to \$1,000)	3	.00	
4 Farm net income (loss limited to \$1,000)	4	.00	
5 Total gain on property sales (loss limited to \$1,000)	5	.00	
6 Rental net income (loss limited to \$1,000)	6	.00	
7 Other income from your federal return. Identify	7	.00	
8 Add lines 1 through 7	• 8	.00	

RETIREMENT INCOME—Totals for the entire year

9 Social Security, supplemental security income (SSI), railroad retirement (total for 2007).....	• 9	.00	
10 Pensions and annuities (see instructions)	• 10	.00	
11 Add lines 9 and 10	11	.00	

OTHER INCOME—Totals for the entire year

12 Children, Adults, and Families (public assistance, not including food stamps)	• 12	.00	
13 Unemployment benefits	• 13	.00	
14 Veteran's and military benefits.....	14	.00	
15 Family support, gifts, and grants: Total received minus \$500	15	.00	
16 Other sources: Identify	16	.00	
17 Add lines 12 through 16	• 17	.00	
18 Add lines 8, 11, and 17	18	.00	
19 Adjustments to income from federal Form 1040, line 36 or federal Form 1040A, line 20.....	• 19	.00	
20 YOUR TOTAL HOUSEHOLD INCOME. Line 18 minus line 19. If your household income is \$10,000 or more, STOP HERE! You don't qualify for elderly rental assistance	• 20	.00	
21 YOUR TOTAL HOUSEHOLD ASSETS. Fill in your total household assets from the back of this form. (If you or your spouse are age 65 or older, the limitations do not apply. Fill in -0- on line 21.) If your household assets exceed \$25,000, STOP HERE! You don't qualify for elderly rental assistance	• 21	.00	

Exercise:

12-9. Complete the Rent Schedules of Form 90R for Samantha and Kamryn.

Samantha Uphoff is a renter, DOB 07/31/1942. You computed her household income to be \$8,520 and determined that her total household assets are valued at less than \$25,000 in 2007. Samantha paid a total of \$1,460 for fuel and utilities in 2007. She gave you the following information:

- She rented two Oregon residences during the year. The first one was located at 7 Somewhere St., Apt. 6, La Grande, Oregon 97850. She paid \$250 per month from January 1 to June 9. She had no roommates. Her landlady's name was Kandis Austin. Her address is the same as Samantha's, Apt. 1. Kandis' telephone number is 541-000-6000.
- On June 10, Samantha moved to 45 Nowhere Dr., La Grande, Oregon 97850, with one roommate. They each paid \$150 per month through the end of the year. Her roommate's name was Kamryn Kay. The landlord is Kever Miller, of 101 "A" Road, La Grande, Oregon 97850. Kever's telephone number is 541-000-4367.

Kamryn Kay, DOB 06/09/1946, has total household income of \$6,240. Before moving into an apartment with Samantha in June, she was living with her mother and paid no rent. Her total household assets are less than \$25,000 in 2007. Kamryn paid a total of \$630 for fuel and utilities in 2007.

Remember: Each roommate, if he or she meets all qualifications, can file their own Form 90R.

Elderly Rental Assistance (ERA) Qualifications

Exercise 12-9, continued:

Samantha Uphoff

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>
2. Full name of each roommate	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>
3. Landlord's name, street address, city, state, ZIP code, and telephone number	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
4. 2007 rental period	From: <input type="text"/> To: <input type="text"/>	From: <input type="text"/> To: <input type="text"/>
5. Rent you paid per month..... 5A	\$ <input type="text"/>5B \$ <input type="text"/>
6. Total rent you paid (per address)..... 6A	\$ <input type="text"/>6B \$ <input type="text"/>
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ <input type="text"/>	

Kamryn Kay

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>
2. Full name of each roommate	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>
3. Landlord's name, street address, city, state, ZIP code, and telephone number	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>
4. 2007 rental period	From: <input type="text"/> To: <input type="text"/>	From: <input type="text"/> To: <input type="text"/>
5. Rent you paid per month..... 5A	\$ <input type="text"/>5B \$ <input type="text"/>
6. Total rent you paid (per address)..... 6A	\$ <input type="text"/>6B \$ <input type="text"/>
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ <input type="text"/>	

Lesson 12

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 practical application:

Complete Form 90R, pages 1 and 2, for Maude Pignolet, DOB 04/02/1935.

Maude's annual Social Security benefit is \$5,150.

She has a \$2,000, fully taxable, private pension.

Her rent is \$135 per month.

Her fuel and utilities cost \$40 per month.

Her annual grocery bill is \$1,600.

Maude also received Christmas gifts of \$600 from her son and \$750 from her daughter.

She receives annual dividend income of \$305. Her stock portfolio is valued at \$31,000 as of December, 31, 2007.

Her Social Security number is 101-00-2000.

Her telephone number is 541-000-3800. She lived alone at 501 Elderly Drive, Albany OR 97321 all year.

Her landlords are American Property Management, 101 Circle Drive, Albany OR 97321. Their telephone number is 541-555-9999.

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 practical application: Maude Pignolet

FORM 90R		OREGON ELDERLY RENTAL ASSISTANCE		2007		For department use only Date received _____		
You must fill in your date of birth in order to receive assistance.								
Last name		First name and initial		Enter your Social Security No. (SSN) - -		Date of birth (mm/dd/yyyy)		
Spouse's last name if joint claim		Spouse's first name and initial		Enter spouse's Social Security No. - -		Date of birth (mm/dd/yyyy)		
Current mailing address						For department use only 1 2 3		
City		State	ZIP code	Telephone number ()				

WORK AND INVESTMENT INCOME—Totals for the entire year

1 Wages, salaries, and other pay for work	1		.00
2 Interest and dividends (total taxable and nontaxable).....	2		.00
3 Business net income (loss limited to \$1,000)	3		.00
4 Farm net income (loss limited to \$1,000)	4		.00
5 Total gain on property sales (loss limited to \$1,000)	5		.00
6 Rental net income (loss limited to \$1,000)	6		.00
7 Other income from your federal return. Identify	7		.00
8 Add lines 1 through 7	8		.00

RETIREMENT INCOME—Totals for the entire year

9 Social Security, supplemental security income (SSI), railroad retirement (total for 2007).....	• 9		.00
10 Pensions and annuities (see instructions)	• 10		.00
11 Add lines 9 and 10	11		.00

OTHER INCOME—Totals for the entire year

12 Children, Adults, and Families (public assistance, not including food stamps)	• 12		.00
13 Unemployment benefits	• 13		.00
14 Veteran's and military benefits.....	14		.00
15 Family support, gifts, and grants: Total received minus \$500	15		.00
16 Other sources: Identify	16		.00
17 Add lines 12 through 16	• 17		.00
18 Add lines 8, 11, and 17	18		.00
19 Adjustments to income from federal Form 1040, line 36 or federal Form 1040A, line 20.....	• 19		.00
20 YOUR TOTAL HOUSEHOLD INCOME. Line 18 minus line 19. If your household income is \$10,000 or more, STOP HERE! You don't qualify for elderly rental assistance	• 20		.00
21 YOUR TOTAL HOUSEHOLD ASSETS. Fill in your total household assets from the back of this form. (If you or your spouse are age 65 or older, the limitations do not apply. Fill in -0- on line 21.) If your household assets exceed \$25,000, STOP HERE! You don't qualify for elderly rental assistance	• 21		.00

QUALIFYING RENT

22 Total Oregon rent you paid during 2007 (from box 7 of rent schedule on the back)	• 22		.00
23 Special Shelter Allowance (see page 8).....	• 23		.00
24 Total fuel and utilities only (not telephone). Don't include rent! (see page 8)	• 24		.00
25 Check the box if you paid rent to a: <input type="checkbox"/> nursing home <input type="checkbox"/> retirement/rest home or center <input type="checkbox"/> group home			

Under penalties for false swearing, I declare that I have examined this claim, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE	→ _____ Your signature	_____ Date	_____ Signature of preparer other than taxpayer	_____ License No.
	→ _____ Spouse's signature (If filing jointly, BOTH must sign)		_____ Address	

Mail your completed 90R to: ERA CLAIMS, PO BOX 14700, SALEM OR 97309-0930

150-545-001 (Rev. 12-07)

Lesson 12

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 practical application: Maude Pignolet

Page 2 — Form 90R — 2007

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
2. Full name of each roommate	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
3. Landlord's name, street address, city, state, ZIP code, and telephone number	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
4. 2007 rental period	From: <div style="border: 1px solid black; width: 100%;"></div> To: <div style="border: 1px solid black; width: 100%;"></div>	From: <div style="border: 1px solid black; width: 100%;"></div> To: <div style="border: 1px solid black; width: 100%;"></div>
5. Rent you paid per month..... 5A	\$ <div style="border: 1px solid black; width: 100%;"></div>	5B \$ <div style="border: 1px solid black; width: 100%;"></div>
6. Total rent you paid (per address)..... 6A	\$ <div style="border: 1px solid black; width: 100%;"></div>	6B \$ <div style="border: 1px solid black; width: 100%;"></div>
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ <div style="border: 1px solid black; width: 100%;"></div>	

2007 HOUSEHOLD ASSETS LIST

Use Fair Market Value of your assets as of December 31, 2007. If you or your spouse are age 65 or older, this list is **not** required.

1. Real property (includes fair market value of mobile home).....	\$	
2. Personal property:		
A. Money on hand: Currency and bills of exchange or others (identify) _____	\$	
B. Money on deposit:		
Checking and savings account	\$	
Certificates of deposit or others (identify) _____	\$	
C. Funds on deposit:		
Funds accruing due to death of the insured where withdrawal is at your option (insurance)	\$	
Funds accruing due to original maturity of a policy contract where withdrawal is at your option	\$	
D. Money owed to you: Personal or business notes receivable or others (identify) _____	\$	
E. Value of shares of stock:		
Capital, common, and preferred	\$	
Shares in mutual funds and investment trusts or others (identify) _____	\$	
F. Value of assets or property used in a trade or business in which you or your spouse have an ownership interest	\$	
TOTAL HOUSEHOLD ASSETS. Fill in the total here and on line 21 on the front of this form	\$	

150-545-001 (Rev. 12-07)

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 exercise answers:

- 12-1. b. Gibson cannot file for Elderly Rental Assistance because he owned his home on December 31, 2007.
- 12-2. a. The church would be exempt from property taxation, so Bob cannot file for an ERA refund.
 - b. Because the group home is operated by a private party, real property taxes are paid on the home. Lolita can file for an ERA refund.
 - c. Because the Serenity Nursing Home does not pay property taxes, Angel cannot file for an ERA refund.
 - d. Patsy is 52, so she does not qualify for an ERA refund. The minimum age requirement is 58.
 - e. Rex can file for Elderly Rental Assistance because he continued to rent the space. He will file based only on the rent paid for the space. Since he owned the mobile home at the end of the year, he cannot include the rent on the mobile home.
- 12-3. Paulo and Lucy would show \$1,440 for the rent they actually paid for their apartment. (\$120 per month × 12 months.)
- 12-4. Sergio lives in a home on church grounds. The property is not subject to property tax so he will not qualify to file Form 90R.
- 12-5.

<p>FORM</p> <p style="font-size: 2em;">90R</p>		<p>OREGON</p> <p>ELDERLY</p> <p>RENTAL</p> <p>ASSISTANCE</p>		<p style="font-size: 3em;">2007</p>		<p>For department use only</p> <p>Date received</p>		
<p>You must fill in your date of birth in order to receive assistance.</p>								
<p>Last name Patch</p>		<p>First name and initial Tim</p>		<p>Enter your Social Security No. (SSN) 500 - 00 - 0000</p>		<p>Date of birth (mm/dd/yyyy) 07/08/1939</p>		
<p>Spouse's last name if joint claim Patch</p>		<p>Spouse's first name and initial Rachel</p>		<p>Enter spouse's Social Security No. 600 - 00 - 0000</p>		<p>Date of birth (mm/dd/yyyy) 09/13/1949</p>		
<p>Current mailing address 400 A Street Apt. 1</p>						<p>For department use only</p>		
<p>City Theirtown</p>		<p>State OR</p>	<p>ZIP code 97300</p>	<p>Telephone number (503) 000-9000</p>		1	2	3

- 12-6. \$6,000 Wages
 250 Interest
 900 Unemployment \$4,863 Savings account
 1,400 Social Security 20,000 Commercial lot
 \$8,550 Household income \$24,863 Value of household assets

- 12-7. \$986 Wages
 111 Interest
 4,600 Grant
 4,750 Support from daughter
 (500) Gift and grant exclusion
 \$9,947 Household income

Lesson 12

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 exercise 8 answer: Harmony and Irwin Melon

FORM 90R		OREGON ELDERLY RENTAL ASSISTANCE		2007	
For department use only Date received _____					
You must fill in your date of birth in order to receive assistance.					
Last name Melon		First name and initial Harmony		Enter your Social Security No. (SSN) 101 - 33 - 2000	
Spouse's last name if joint claim Melon		Spouse's first name and initial Irwin		Enter spouse's Social Security No. 101 - 22 - 3000	
Date of birth (mm/dd/yyyy) 8/13/1947				Date of birth (mm/dd/yyyy) 10/08/1946	
Current mailing address 29 Somewhere Ct.				For department use only	
City Salem		State OR		ZIP code 97304	
Telephone number (503) 000-3100		1	2	3	

WORK AND INVESTMENT INCOME – Totals for the entire year

1	Wages, salaries, and other pay for work	1		.00
2	Interest and dividends (total taxable and nontaxable).....	2	1,010	.00
3	Business net income (loss limited to \$1,000)	3		.00
4	Farm net income (loss limited to \$1,000)	4		.00
5	Total gain on property sales (loss limited to \$1,000)	5		.00
6	Rental net income (loss limited to \$1,000)	6		.00
7	Other income from your federal return. Identify	7		.00
8	Add lines 1 through 7	8	1,010	.00

RETIREMENT INCOME – Totals for the entire year

9	Social Security, supplemental security income (SSI), railroad retirement (total for 2007).....	9	2,925	.00
10	Pensions and annuities (see instructions)	10	5,120	.00
11	Add lines 9 and 10	11	8,045	.00

OTHER INCOME – Totals for the entire year

12	Children, Adults, and Families (public assistance, not including food stamps).....	12		.00
13	Unemployment benefits	13		.00
14	Veteran's and military benefits.....	14	400	.00
15	Family support, gifts, and grants: Total received minus \$500	15		.00
16	Other sources: Identify	16		.00
17	Add lines 12 through 16	17	400	.00
18	Add lines 8, 11, and 17	18	9,455	.00
19	Adjustments to income from federal Form 1040, line 36 or federal Form 1040A, line 20.....	19		.00
20	YOUR TOTAL HOUSEHOLD INCOME. Line 18 minus line 19. If your household income is \$10,000 or more, STOP HERE! You don't qualify for elderly rental assistance	20	9,455	.00

21	YOUR TOTAL HOUSEHOLD ASSETS. Fill in your total household assets from the back of this form. (If you or your spouse are age 65 or older, the limitations do not apply. Fill in -0- on line 21.) If your household assets exceed \$25,000, STOP HERE! You don't qualify for elderly rental assistance	21	25,200	.00
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QUALIFYING RENT

22	Total Oregon rent you paid during 2007 (from box 7 of rent schedule on the back)	22		.00
23	Special Shelter Allowance (see page 8).....	23		.00
24	Total fuel and utilities only (not telephone). Don't include rent! (see page 8)	24		.00

25 Check the box if you paid rent to a: nursing home retirement/rest home or center group home

Under penalties for false swearing, I declare that I have examined this claim, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE	→	Your signature	Date	Signature of preparer other than taxpayer	License No.
	→	Spouse's signature (If filing jointly, BOTH must sign)		Address	

Mail your completed 90R to: ERA CLAIMS, PO BOX 14700, SALEM OR 97309-0930

150-545-001 (Rev. 12-07)

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 exercise 9 answer

Samantha Uphoff

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	7 Somewhere St. Apt. 6 La Grande, OR 97850	45 Nowhere Dr. La Grande, OR 97850
2. Full name of each roommate		Kamryn Kay
3. Landlord's name, street address, city, state, ZIP code, and telephone number	Kandis Austin 7 Somewhere St. Apt. 1 La Grande, OR 97850 541-000-6000	Kever Miller 101 A Road La Grande, OR 97850 541-000-4637
4. 2007 rental period	From: 01/01/2007 To: 06/09/2007	From: 06/10/2007 To: 12/31/2007
5. Rent you paid per month..... 5A	\$ 250.00	5B \$ 150.00
6. Total rent you paid (per address)..... 6A	\$ 1,325.00	6B \$ 1,005.00
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ 2,330.00	

Kamryn Kay

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	45 Nowhere Dr. La Grande, OR 97850	
2. Full name of each roommate	Samantha Uphoff	
3. Landlord's name, street address, city, state, ZIP code, and telephone number	Kever Miller 101 A Road La Grande, OR 97850 541-000-4367	
4. 2007 rental period	From: 06/10/2007 To: 12/31/2007	From: To:
5. Rent you paid per month..... 5A	\$ 150.00	5B \$
6. Total rent you paid (per address)..... 6A	\$ 1,005.00	6B \$
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ 1,005.00	

Lesson 12

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 practical application answer: Maude Pignolet

FORM 90R OREGON ELDERLY RENTAL ASSISTANCE 2007				For department use only Date received		
You must fill in your date of birth in order to receive assistance.						
Last name Pignolet		First name and initial Maude		Enter your Social Security No. (SSN) 101 - 00 - 2000		Date of birth (mm/dd/yyyy) 04/02/1935
Spouse's last name if joint claim		Spouse's first name and initial		Enter spouse's Social Security No. - -		Date of birth (mm/dd/yyyy)
Current mailing address 501 Elderly Drive					For department use only	
City Albany		State OR	ZIP code 97321	Telephone number (541) 000-3800		1
						2
						3

WORK AND INVESTMENT INCOME—Totals for the entire year

1 Wages, salaries, and other pay for work	1		.00
2 Interest and dividends (total taxable and nontaxable).....	2	305	.00
3 Business net income (loss limited to \$1,000)	3		.00
4 Farm net income (loss limited to \$1,000)	4		.00
5 Total gain on property sales (loss limited to \$1,000)	5		.00
6 Rental net income (loss limited to \$1,000)	6		.00
7 Other income from your federal return. Identify	7		.00
8 Add lines 1 through 7	8	305	.00

RETIREMENT INCOME—Totals for the entire year

9 Social Security, supplemental security income (SSI), railroad retirement (total for 2007).....	9	5,150	.00
10 Pensions and annuities (see instructions)	10	2,000	.00
11 Add lines 9 and 10	11	7,150	.00

OTHER INCOME—Totals for the entire year

12 Children, Adults, and Families (public assistance, not including food stamps).....	12		.00
13 Unemployment benefits	13		.00
14 Veteran's and military benefits.....	14		.00
15 Family support, gifts, and grants: Total received minus \$500	15	850	.00
16 Other sources: Identify	16		.00
17 Add lines 12 through 16	17	850	.00
18 Add lines 8, 11, and 17	18	8,305	.00
19 Adjustments to income from federal Form 1040, line 36 or federal Form 1040A, line 20.....	19		.00
20 YOUR TOTAL HOUSEHOLD INCOME. Line 18 minus line 19. If your household income is \$10,000 or more, STOP HERE! You don't qualify for elderly rental assistance	20	8,305	.00
21 YOUR TOTAL HOUSEHOLD ASSETS. Fill in your total household assets from the back of this form. (If you or your spouse are age 65 or older, the limitations do not apply. Fill in -0- on line 21.) If your household assets exceed \$25,000, STOP HERE! You don't qualify for elderly rental assistance	21		.00

QUALIFYING RENT

22 Total Oregon rent you paid during 2007 (from box 7 of rent schedule on the back)	22	1,620	.00
23 Special Shelter Allowance (see page 8).....	23		.00
24 Total fuel and utilities only (not telephone). Don't include rent! (see page 8)	24	480	.00
25 Check the box if you paid rent to a: <input type="checkbox"/> nursing home <input type="checkbox"/> retirement/rest home or center <input type="checkbox"/> group home			

Under penalties for false swearing, I declare that I have examined this claim, including accompanying schedules and statements. To the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE	→ _____ Your signature Date	Signature of preparer other than taxpayer License No.
	→ _____ Spouse's signature (if filing jointly, BOTH must sign)	Address

Mail your completed 90R to: ERA CLAIMS, PO BOX 14700, SALEM OR 97309-0930

150-545-001 (Rev. 12-07)

Elderly Rental Assistance (ERA) Qualifications

Lesson 12 practical application answer: Maude Pigolet

RENT SCHEDULE

List the places you rented in Oregon during 2007. Attach additional schedules if needed.

	Residence A	Residence B (if needed)
1. Your street address, city, state, ZIP code	501 Elderly Drive Albany, OR 97321	
2. Full name of each roommate		
3. Landlord's name, street address, city, state, ZIP code, and telephone number	American Property Management 101 Circle Drive Albany, OR 97321 541-555-9999	
4. 2007 rental period	From: 01/01/2007 To: 12/31/2007	From: To:
5. Rent you paid per month..... 5A	\$ 135.00	5B \$
6. Total rent you paid (per address)..... 6A	\$ 1,620.00	6B \$
7. TOTAL RENT PAID IN 2007. Add boxes 6A and 6B and enter the total here. Also enter this amount in box 22 on the front of this form..... 7	\$ 1,620.00	

2007 HOUSEHOLD ASSETS LIST

Use Fair Market Value of your assets as of December 31, 2007. If you or your spouse are age 65 or older, this list is **not** required.

1. Real property (includes fair market value of mobile home).....	\$	
2. Personal property:		
A. Money on hand: Currency and bills of exchange or others (identify) _____	\$	
B. Money on deposit:		
Checking and savings account	\$	
Certificates of deposit or others (identify) _____	\$	
C. Funds on deposit:		
Funds accruing due to death of the insured where withdrawal is at your option (insurance).....	\$	
Funds accruing due to original maturity of a policy contract where withdrawal is at your option.....	\$	
D. Money owed to you: Personal or business notes receivable or others (identify) _____	\$	
E. Value of shares of stock:		
Capital, common, and preferred	\$	
Shares in mutual funds and investment trusts or others (identify) _____	\$	
F. Value of assets or property used in a trade or business in which you or your spouse have an ownership interest	\$	
TOTAL HOUSEHOLD ASSETS. Fill in the total here and on line 21 on the front of this form	\$	

150-545-001 (Rev. 12-07)

Elderly Rental Assistance (ERA) Qualifications

Important items to remember about Oregon's Elderly Rental Assistance Program:

1. The claimant must be age 58 or older by December 31, 2007. Remember to fill in their date of birth on Form 90R.
2. Their annual household income must be less than \$10,000.
3. They should only file one original claim. **Caution:** Volunteer groups have sometimes filed more than one claim for the people living in a nursing home. Before you complete a claim, ask the claimant if some other person or group has filled out or filed a Form 90R for them already.
4. They can claim 20 percent as rent and 3 percent as fuel and utilities of the total amount paid to a nursing/rest home or center, or home for the elderly. They can claim a higher percentage if they can prove the actual amount was more.
5. They can claim 60 percent as rent and 10 percent as fuel and utilities of the total amount paid to a retirement or group home. They can claim a higher percentage if they can prove the actual amount was more.
6. They can't file for assistance for renting property that is exempt from property taxes; for example, certain nursing homes are exempt from property tax and do not qualify. The taxpayer should contact their facility manager or landlord to find out if the property qualifies.
7. They must have lived in Oregon on December 31, 2007 to qualify for ERA. A temporary absence would not disqualify a claimant.
8. If the claimant was under age 65, the value of their household assets can't be more than \$25,000 on December 31, 2007. If the claimant was age 65 or older on December 31, 2007, the household asset limit does not apply.
9. The claimant must pay more than 20 percent of his or her household income for rent, fuel, and utilities.
10. Remember to re-check all of your math.
11. Form 90R may **not** be filed for a deceased individual.

Appendix A—Household Income Checklist for ERA

Use this list for figuring what must be included in total household income for the Elderly Rental Assistance (ERA) program (include Social Security and railroad retirement benefits).

	Household Income			Household Income	
	Yes	No		Yes	No
Alimony and separate maintenance.....	×		Stock dividends.....	×	
Annuities and pensions (reduced by cost recovery)	×		Tax-exempt dividends.....	×	
*Business income (reduced by expenses)	×		Earned income credit, advanced.....		×
Cafeteria plan benefits.....		×	*Estate and trust income (also see Inheritance).....	×	
*Capital loss carryover		×	*Farm income (reduced by expenses)	×	
*Capital losses (in year determined)	×		Agricultural program payments	×	
Child support.....	×		Patronage dividends	×	
Child support included in welfare	×		Proceeds from sale of crops and livestock	×	
Clergy's rental or housing allowance, in excess of expenses claimed to determine federal AGI	×		Rents	×	
Compensation for services performed			Sale of services	×	
Back pay	×		Fellowships	×	
Bonuses	×		Foreign income excluded from federal AGI	×	
Clergy's fees.....	×		Foster child care (reduced by expenses)		×
Commissions	×		Funeral expenses received		×
Director's fees.....	×		Gains on sales (receipts less cost).....	×	
Fees in general (trustee, executor, jury duty)	×		Excluded gain for Oregon on sale of residence.....		×
Lodging for convenience of employer		×	Gambling winnings (without reduction for losses).....	×	
Meals for convenience of employer		×	Gifts and grants (totaling more than \$500 in value)	×	
Salaries.....	×		Cash	×	
Severance pay.....	×		Gifts from nonspouse in the same household.....	×	
Tips.....	×		Gifts from spouse in the same household.....		×
Wages.....	×		Gifts other than cash (report at fair market value)	×	
Deferred compensation			Payment of indebtedness by another person	×	
Contributions made.....		×	Grants and payments by foreign governments not included in federal adjusted gross income	×	
Payments received.....	×		Grants by federal government for rehabilitation of home.....		×
Depletion in excess of basis	×		Gratuities	×	
Depreciation, depletion, and amortization in excess of \$5,000	×				
Disability income (entire amount).....	×				
Dividends, taxable and nontaxable	×				
Credit union savings account "dividends" (interest)	×				
Insurance policy "dividends" (return of premium).....		×			
Return of capital dividends.....		×			

Appendix A

	Household Income			Household Income	
	Yes	No		Yes	No
Hobby income	×		Military and veteran's benefits (taxable and nontaxable)		
Honorariums.....	×		Combat pay	×	
Individual Retirement Arrange- ment (IRA)			Disability pensions	×	
Conventional IRA			Educational benefits (GI Bill)	×	
Payments received.....	×		Family allowances	×	
Payments contributed		×	Pensions	×	
Rollovers or conversions		×	Net operating loss carryback and carryover		×
Roth IRA			*Partnership income (reduced by expenses).....	×	
Payments received.....		×	Parsonage (rental value) or housing allowance received by clergy in excess of expenses used in determining federal AGI.....		×
Payments contributed	×		Pensions and annuities (taxable and nontaxable) (reduced by cost recovered in the current year).....	×	
Rollovers or conversions		×	Prizes and awards.....	×	
Inheritance.....	×		Railroad Retirement Board benefits (see Social Security and Railroad Retirement Board benefits).....	×	
From spouse who resided in the same household.....		×	Refunds		
Insurance proceeds			Earned income credit		×
Accident and health.....	×		Federal tax.....		×
Disability payments.....	×		Property tax		×
Employee death benefits.....	×		Oregon income tax.....		×
Life insurance	×		Other states' income tax (if included in federal AGI)	×	
Personal injury damages (less attorney fees).....	×		Reimbursements (in excess of expenses incurred).....	×	
Property damage if included in federal income.....	×		For moving expense	×	
Reimbursement of medical expense.....		×	For travel.....	×	
Sick pay (employer sickness and injury pay)	×		Rental allowances paid to ministers and not included in federal adjusted gross income.....	×	
Strike benefits	×		*Rental and royalty income (reduced by expenses).....	×	
Unemployment compensation	×		Residence sales (see gains on sales).....	×	
Workers' compensation	×		Retirement benefits (see pensions, Social Security and Railroad Retirement Board benefits)		
Interest, taxable and nontaxable	×				
Contracts	×				
Municipal bonds and other securities.....	×				
Savings accounts.....	×				
Tax-exempt interest	×				
U.S. Savings Bonds	×				
*Losses on sales (to extent used in determining adjusted gross income).....	×				
From sales of real or personal property (nonbusiness).....		×			
Lottery winnings.....	×				
Lump-sum distribution (less cost recovery).....	×				

	Household Income			Household Income	
	Yes	No		Yes	No
Sales (see gains on sales and losses on sales)			Unemployment compensation.....		×
Scholarships (excess over \$500)	×		Wages		×
Sick pay.....	×		Welfare benefits		×
Social Security and Railroad Retirement Board Benefits (taxable and nontaxable).....	×		Aid to blind and disabled.....		×
Children’s benefits paid to parent.....	×		Aid to dependent children		×
Children’s benefits paid to your child.....		×	Child care payments.....		×
Disability pension.....	×		Child support included in welfare.....		×
Medicare payments of medical expenses.....		×	Direct payments to nursing home.....		×
Medicare premiums deducted from Social Security	×		Food stamps (or cash payments in lieu of food stamps).....		×
Old-age benefits	×		Fuel assistance.....		×
Supplemental Security income	×		In-home services approved by the Department of Human Services.....		×
Survivor benefits.....	×		Medical payments to doctors.....		×
Stipends (excess over \$500).....	×		Old-age assistance		×
Strike benefits	×		Payments for medical care, drugs, medical supplies, and services for which no direct payment is received		×
Support from parents who don’t live in your household	×		Reimbursements of expenses paid or incurred by participants in work or training programs		×
Trust income.....	×		Special shelter allowance.....		×
			Surplus food		×
			Women, Infants, and Children program (WIC)		×

Checklist for Form 40

- Name(s). Spelled correctly?
- Address. Current mailing address?
- Social Security number(s). Double-check.
- Numeric codes and amounts on lines 10, 18, and 39, or Schedule OR-A.
- Direct deposit of refund. Double-check:
 - Account type.
 - Nine-digit routing number.
 - Account number.
- Signature(s). Taxpayer must sign. If joint return, both taxpayers must sign.
- Forms W-2 and 1099 showing Oregon state withholding must be stapled to front of return.
- Attach pages 1 and 2 of federal return.
- Payment (if applicable).
 - Make payable to: "Oregon Department of Revenue."
 - Use Form 40-V, the payment voucher.
 - Write "2007 Oregon Form 40" on check.
 - Write daytime telephone number on check.
 - Staple check on top of Forms W-2 and 1099.
- Envelope. Tell taxpayer to use a business envelope (4 × 9½) and enough postage.

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