

FORM FIA-40

OREGON FARM INCOME AVERAGING

2011

Name(s) as shown on Oregon Form 40

Social Security number (SSN)

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- 1 Enter the taxable income from your 2011 Oregon Form 40, line 28 1

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- 2 Enter your **elected farm income**. Do not enter more than the amount on line 1 2

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- 3 Line 1 minus line 2 3

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- 4 Figure the tax on the amount on line 3 using the 2011 Tax Tables or Tax Rate Charts from Form 40 instructions, whichever applies, and enter here 4

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2008 Taxable Income

- 5 If you used FIA to figure your tax for 2008, 2009, or 2010, see instructions. Otherwise, enter the taxable income from your 2008 Form 40, line 28; or Form 40S, line 12. If -0- or less, see instructions..... 5

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- 6 Divide the amount on **line 2** by 3.0 and enter here 6

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- 7 Add line 5 and 6. If -0- or less, enter -0- 7

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- 8 Figure the tax on the amount on line 7 using the 2008 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 8

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2009 Taxable Income

- 9 If you used FIA to figure your tax for 2009 or 2010, see instructions. Otherwise, enter the taxable income from your 2009 Form 40, line 28; or Form 40S, line 12. If -0- or less, see instructions 9

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- 10 Enter the amount from line 6 10

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- 11 Add lines 9 and 10. If -0- or less, enter -0- 11

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- 12 Figure the tax on the amount on line 11 using the 2009 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 12

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2010 Taxable Income

- 13 If you used FIA to figure your tax for 2010, see instructions. Otherwise, enter the taxable income from your 2010 Form 40, line 28; or Form 40S, line 12. If -0- or less, see instructions..... 13

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- 14 Enter the amount from line 6 14

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- 15 Add lines 13 and 14. If -0- or less, enter -0- 15

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- 16 Figure the tax on the amount on line 15 using the 2010 Tax Tables or Tax Rate Charts, whichever applies (or fill in recomputed tax from Schedule Z, see instructions)..... 16

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- 17 Add lines 4, 8, 12, and 16..... 17

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Computation of 2011 Tax

- 18 **2008 tax.** If you used FIA to figure your tax for 2010, enter the amount from your 2010 FIA-40, line 12; FIA-40N, line 12; or FIA-40P, line 11. If you did not use FIA in 2010 but did in 2009, enter the amount from 2009 FIA-40, line 16; FIA-40N, line 13; or FIA-40P, line 12. If you did not use FIA in 2010 or 2009 but did in 2008, enter the amount from 2008 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2008 Form 40, line 29; Form 40S, line 13; Form 40N, line 51; or Form 40P, line 50 18

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- 19 **2009 tax.** If you used FIA to figure your tax for 2010, enter the amount from your 2010 FIA-40, line 16; FIA-40N, line 13; or FIA-40P, line 12. If you did not use FIA in 2010 but did in 2009, enter the amount from 2009 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2009 Form 40, line 29; Form 40S, line 13; Form 40N, line 51; or Form 40 P, line 50 19

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- 20 **2010 tax.** If you used FIA to figure your tax for 2010, enter the amount from your 2010 FIA-40, line 4; FIA-40N, line 9; or FIA-40P, line 8. Otherwise, enter the tax from your 2010 Form 40, line 29; Form 40S, line 13; Form 40N, line 51; or Form 40P, line 50 20

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- 21 Add lines 18, 19, and 20..... 21

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- 22 Line 17 minus line 21 22

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- 23 Figure the tax on the amount on line 1 using the 2011 tax tables or tax rate charts from Form 40 instructions, whichever applies, and enter here 23

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- 24 Is line 22 less than line 23? If yes, enter the amount from line 22 here and on Form 40, line 29, and check box 29b on Form 40. If no, **STOP:** your tax is not reduced by using FIA. Complete your Form 40 without using FIA..... 24

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INSTRUCTIONS FOR 2011 FORM FIA-40 Farm Income Averaging

You may elect to figure your 2011 tax by averaging, over the previous three years (base years), all or part of your 2011 taxable farm income.

You will need copies of your original or amended Oregon income tax returns for tax years 2008, 2009, and 2010. You can obtain copies of prior years' returns for a fee from the Oregon Department of Revenue. You will also need tax booklets for those years. You can download forms and instructions from our website or see taxpayer assistance on page 4 for numbers to call.

If you filed an Oregon part-year or nonresident return in any of the three base years, you will need Schedule Z, Computation of Tax, to complete Form FIA-40. If any of the three base years are part-year or nonresident returns, ignore the computation of tax for the applicable year on Form FIA-40 and complete Schedule Z. Fill in the computed tax from Schedule Z on lines 8, 12, and 16.

Elected farm income

Your elected farm income is the amount of your taxable income from farming that you elect to include on Form FIA-40, line 2. This is the amount on federal Schedule J, line 2, if you elect to use farm income averaging for federal. Do not enter more than the amount on Form FIA-40, line 1.

To figure elected farm income, first figure your taxable income from farming. Taxable income from farming includes all income, gains, losses, and deductions attributable to any farming business. Gains and losses from the sale or other disposition of property (other than land) must be from property regularly used for a substantial period of time in your farming business. However, it does not include gain from the sale or other disposition of land. You do not have to include all of your taxable income from farming on Form FIA-40, line 2.

Your elected farm income cannot exceed your Oregon taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of your total net capital gain or your net capital gain attributable to your farming business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years.

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

Farming business

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

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

A farming business does not include:

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

Line instructions

Line 5, 2008 taxable income. If you used FIA to figure your tax for 2010, enter on line 5 the amount from your 2010 FIA-40, line 11. If you used Schedule Z to figure your tax for 2010 on FIA-40, FIA-40N, or FIA-40P, enter on line 5 the amount from your 2010 Schedule Z, Computation for Tax Year 2008. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2009 but not 2010, enter on line 5 the amount from your 2009 FIA-40, line 15. If you used Schedule Z to figure your tax for 2009 on FIA-40, FIA-40N, or FIA-40P, enter on line 5 the amount from your 2009 Schedule Z, Computation for Tax Year 2008. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2008 but did not for 2009 or 2010, enter on line 5 the amount from your 2008 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2008 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 5.

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

2008 Taxable Income Worksheet

1. Figure the taxable income from your 2008 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2008. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2008. Enter the result here 1 _____
2. If there is a loss on your 2008 federal Schedule D, line 21, add that loss (as a positive amount) and your 2008 capital loss carryover to 2009. Subtract from that sum the amount of the loss on your 2008 federal Schedule D, line 16. Enter the result here..... 2 _____
3. If you had an NOL for 2008, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2008 that were not used in 2008 and were carried to tax years after 2008 as a positive amount here 3 _____
4. Add lines 1, 2, and 3. Enter the result here, and on Form FIA-40, line 5..... 4 _____

Line 9, 2009 taxable income. If you used FIA to figure your tax for 2010, enter on line 9 the amount from your 2010 FIA-40, line 15. If you used Schedule Z to figure your tax for 2010 on FIA-40, FIA-40N, or FIA-40P, enter on line 9 the amount from your 2010 Schedule Z, Computation for Tax Year 2009. If you used Computation A, use the amount on line 9. If you used Computation B, use the amount on line 6. If you used Computation C, use the amount on line 3.

If you used FIA to figure your tax for 2009 but not for 2010, enter on line 9 the amount from your 2009 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2009 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 9.

2009 Taxable Income Worksheet

5. Figure the taxable income from your 2009 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2009. Do not include any NOLD carry-

over or carryback from other years if you had a NOL in 2009. Enter the result here..... 5 _____

6. If there is a loss on your 2009 federal Schedule D, line 21, add that loss (as a positive amount) and your 2009 capital loss carryover to 2010. Subtract from that sum the amount of the loss on your 2009 federal Schedule D, line 16. Enter the result here 6 _____
7. If you had an NOL for 2009, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2009 that were not used in 2009 and were carried to tax years after 2009 as a positive amount here 7 _____
8. Add lines 5, 6, and 7. Enter the result here and on Form FIA-40, line 9 8 _____

Line 13, 2010 taxable income. If you used FIA to figure your tax for 2010, enter on line 13 the amount from your 2010 FIA-40, line 3; FIA-40N, line 8; or FIA-40P, line 6.

If your 2010 taxable income was -0- or less, use the worksheet below to figure the amount to enter on Form FIA-40, line 13.

2010 Taxable Income Worksheet

9. Figure the taxable income from your 2010 tax return without limiting it to -0-. Include any NOLD carryovers or carrybacks if you did not have a NOL in 2010. Do not include any NOLD carryover or carryback from other years if you had a NOL in 2010. Enter the result here..... 9 _____
10. If there is a loss on your 2010 federal Schedule D, line 21, add that loss (as a positive amount) and your 2010 capital loss carryover to tax year 2011. Subtract from that sum the amount of the loss on your 2010 federal Schedule D, line 16. Enter the result here 10 _____
11. If you had an NOL for 2010, enter it as a positive amount here. Otherwise, enter the portion (if any) of the NOLD carryovers and carrybacks to 2010 that were not used in 2010 and were carried to tax years after 2010 as a positive amount here 11 _____

12. Add lines 9, 10, and 11.

Enter the result here and on

Form FIA-40, line 13 12 _____

Example 1. Kevin Crooper did not income average for tax year 2008 or 2009 but he did income average for tax year 2010 and he wants to income average for tax year 2011. For tax years 2008, 2009, and 2010 Kevin filed joint returns. His filing status for tax year 2011 is also married filing jointly. For tax year 2008, Kevin's taxable income from Form 40, line 28 is \$1,112. For tax year 2009, Kevin's taxable income from Form 40, line 28 is \$14,250. For tax year 2010, Kevin's taxable income from Form 40, line 28 is \$12,777. For tax year 2011, Kevin's taxable income from Form 40, line 28 is \$27,900 and his elected farm income is \$24,000. For the tax years above, he has no net operating losses, no net operating carryforwards or carrybacks and no capital losses.

Kevin income averaged for tax year 2010. Kevin had \$12,777 of taxable income and elected to farm income average \$9,000, leaving Oregon taxable income on his 2010 form FIA-40, line 3, of \$3,777. For 2008, Kevin's recomputed taxable income after adding one-third of elected farm income from his 2010 Form FIA-40, line 11 is \$4,112. For 2009, Kevin's recomputed taxable income after adding one-third of his elected farm income from his 2010 Form FIA-40, line 15 is \$17,250. For 2010, Kevin's recomputed tax after removing his elected farm income is \$188 from 2010 Form FIA-40, line 4.

For tax year 2011, Kevin's Oregon taxable income is \$27,900. On line 2 Kevin enters his elected farm income of \$24,000. He subtracts line 2 from line 1 and enters \$3,900 on line 3. This is his remaining Oregon taxable income. He calculates his 2011 Oregon tax using the tax tables under married filing joint status and enters \$198 on line 4.

For 2008, Kevin enters \$4,112 from his 2010 Form FIA-40, line 11, on his 2011 Form FIA-40, line 5. He divides his elected farm income of \$24,000 by 3 and enters \$8,000 on his 2011 Form FIA-40, line 6. He adds lines 5 and 6 and enters \$12,112 on line 7. This is his recomputed 2008 Oregon taxable income. He calculates his 2008 Oregon tax using the 2008 tax tables under married filing joint status and enters \$735 on line 8.

For 2009, Kevin enters \$17,250 from his 2010 Form FIA-40, line 15, on his 2011 Form FIA-40, line 9. He enters \$8,000 from his 2011 Form FIA-40, line 6, on his 2011 Form FIA-40, line 10. He adds lines 9 and 10 and enters \$25,250 on line 11. This is his recomputed 2009 Oregon taxable income. He calculates his 2009 Oregon tax using the 2009 tax tables under married filing joint status and enters \$1,847 on line 12.

For 2010, Kevin enters \$3,777 from his 2010 Form FIA-40, line 3, on his 2011 Form FIA-40, line 13. He enters \$8,000 from his 2011 Form FIA-40, line 6, on his 2011 Form FIA-40, line 14. He adds lines 13 and 14 and enters \$11,777 on line 15. This is his recomputed 2010 Oregon taxable income. He calculates his 2010 Oregon tax using the 2010 tax tables under married filing joint status and enters \$701 on line 16.

On his 2011 Form FIA-40, he adds lines 4, 8, 12, and 16 and enters \$3,481 on line 17. He enters his recomputed 2008 tax

of \$208 from 2010 Form FIA-40, line 12, on his 2011 Form FIA-40, line 18. Kevin enters his recomputed 2009 tax of \$1,169 from 2010 Form FIA-40, line 16, on his 2011 Form FIA-40, line 19. He enters his recomputed 2010 tax of \$188 from 2010 Form FIA-40, line 4, on his 2011 Form FIA-40, line 20. He adds lines 18, 19, and 20 and enters \$1,565 on line 21. This is the recomputed tax he paid for the 2008, 2009, and 2010 tax years.

Kevin subtracts the recomputed tax of \$1,565 on line 21 from the recomputed tax of \$3,481 on line 17 and enters the result of \$1,916 on line 22. He figures his tax on \$27,900 using the tax tables and enters \$2,082 on line 23. Because the FIA tax is less than the tax tables, he will enter \$1,916 on line 24. This is Kevin's 2011 tax liability from farm income averaging. He enters this figure on Form 40, line 29, and checks box 29b.

Example 2. John Farmington did not use farm income averaging for 2008, 2009, or 2010. For tax year 2011, John has elected farm income on Form FIA-40, line 2 of \$18,000. His Oregon taxable income shown on his 2008 Form 40, line 28, is \$6,150.

John had a net operating loss (NOL) for tax year 2009 of \$22,950, which he elected to carryback five years. Of the \$22,950 loss, \$9,000 was carried back to tax year 2008. To complete line 1 of the 2008 worksheet, John combines the \$9,000 net operating loss deduction (NOLD) with his 2008 Oregon taxable income of \$6,150 from Form 40, line 28. The result, a negative \$2,850, is entered on the 2008 worksheet, line 1.

When John filed his 2008 tax return, he had a \$3,000 net capital loss deduction on federal Schedule D, line 21, a \$7,000 loss on federal Schedule D, line 16, and a \$4,000 capital loss carryover to 2009. However, when John carried back the 2009 NOL to 2008, he refigured his 2008 capital loss carryover to tax year 2009 as \$7,000. To calculate line 2 of the 2008 worksheet, John adds the \$3,000 from federal Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his federal Schedule D, line 16, and enters \$3,000 on the 2008 worksheet, line 2.

John had \$6,150 of Oregon taxable income in 2008 that reduced the 2009 NOL carryback. The \$3,000 net capital loss deduction also reduced the amount of the 2009 NOL carryback. Since these two figures together total \$9,150, there is no NOLD left to carry over to tax year 2010. Therefore, John enters -0- on line 3. John adds line 1, a negative \$2,850, line 2, a positive \$3,000, and line 3. He enters the result, a positive \$150, on line 4 of the worksheet and on 2011 Form FIA-40, line 5. This figure represents John's recomputed Oregon taxable income for tax year 2008.

For tax year 2009, John's taxable income from Form 40, line 28 is negative \$30,250, which he enters on the 2009 worksheet, line 5.

John had a \$3,000 net capital loss deduction on Schedule D, line 21 and a \$7,000 loss on Schedule D, line 16, the carryover from 2008 to 2009. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on Schedule D, line 16, and enters \$3,000 on

line 6 of the worksheet. John enters \$22,950 on line 7 of the worksheet, his 2009 NOL.

John adds lines 5, 6, and 7 ($\$30,250 > + \$3,000 + \$22,950$) and enters the result, a negative \$4,300, on line 8 of the worksheet and on 2011 Form FIA-40, line 9. This figure represents John's recomputed Oregon taxable income for tax year 2009.

For tax year 2010, John's taxable income from Form 40, line 28 is negative \$1,750. This amount includes an NOLD of \$2,300 which was the portion of the 2009 NOL that was remaining to be carried forward from tax year 2008. John does not have an NOL for tax year 2010. John enters a negative \$1,750 on the 2010 worksheet, line 9.

John had a \$3,000 net capital loss deduction on Schedule D, line 21, a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2010 (his 2009 capital loss carryover to 2010 was \$5,000, not \$4,000, because his federal taxable income before exemptions was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on the 2010 worksheet, line 10.

John enters -0- on line 11 of the worksheet because he does not have an NOL for 2010 and did not have any remaining NOLD to carryforward. John's \$2,300 NOLD for 2010 was reduced to -0- because it did not exceed his federal AGI as modified for the capital loss deduction, the net operating loss, and the standard or recomputed itemized deductions. John adds lines 9, 10, and 11 ($\$1,750 > + \$1,000 + \$0$), and enters the result, a negative \$750, on line 12 of the worksheet and on 2011 Form FIA-40, line 13. This figure represents John's recomputed Oregon taxable income for tax year 2010.

Have questions? Need help?

General tax information [www.oregon.gov/DOR Salem](http://www.oregon.gov/DOR/Salem) 503-378-4988
Toll-free from an Oregon prefix..... 1-800-356-4222

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

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